

Tennessee Internal School Uniform Accounting Policy Manual

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Preface

The purpose of the *Tennessee Internal School Uniform Accounting Policy Manual* (referred to herein as the “Manual”) is to provide uniform policies and procedures for the management of student activity and other internal school funds in Tennessee public schools. The 1976 Tennessee General Assembly amended Section 49-2-110, *Tennessee Code Annotated*, to require the Tennessee Department of Education to prepare a “Uniform Accounting Policy Manual,” subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration, for use in individual schools.

In preparation of the first Manual, a working committee was formed and resource materials were obtained from other states that used uniform policies and procedures. Comments were also solicited from numerous sources, including accountants, auditors, school business administrators and finance personnel, and the Tennessee Society of Certified Public Accountants. Two separate review committees, one comprised of directors of schools and the other comprised of school principals, each provided recommendations that were incorporated into the Manual.

This reprint is an updated edition of the 1988 manual, formerly entitled the *Tennessee Internal School Financial Management Manual*.

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Section **1**

Introduction

Internal School
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Section 1: Introduction

Title 1, History of Internal School Accounting

1959 Internal School Accounting Law

Responsibility and accountability for money within individual schools was first addressed in Tennessee state law when the legislature passed “The Internal School Accounting Law,” Public Chapter 168 of the 1959 Legislative Acts. The act was the legislature’s response to growing public criticism of the inadequate accountability for the ever-increasing amounts of money received and spent in individual schools. The Internal School Accounting Act provided for local boards to authorize individual schools to receive money for student activities and other events, and established activity funds as the property of the respective schools. The act also provided local boards of education and principals with definite authority and responsibility for the proper administration and safekeeping of all such internal school funds.

The Internal School Accounting Law [currently codified as Section 49-2-110, *Tennessee Code Annotated, (TCA)*] further required local boards to provide regulations, standards and procedures and an accounting *Manual* covering the various phases of activity and other internal school fund accounting. Some local boards of education in Tennessee met this responsibility, and with the assistance of individual school principals and school business officials, developed very good systems for the handling of internal accounts. However, many boards made little or no progress in this important phase of school operations.

Tennessee Internal School Uniform Accounting Policy Manual

Due to the lack of action by many local boards regarding the accountability for internal school funds, in 1976, the legislature added an amendment to Section 49-2-110, *TCA*, which required the Department of Education to prepare a uniform accounting policy manual for local school systems, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration. The amendment required each local school system to adopt such manual when issued and maintain all activity fund books and records in accordance with the requirements of the manual. As a result, in 1977, the *Tennessee Internal School Financial Management Manual* was prepared and distributed.

The original *Tennessee Internal School Financial Management Manual* encompassed both accounting procedures and administrative policies in an effort to help bring local boards into compliance with Section 49-2-110, *TCA*. Subsequent additions to and revisions of the Manual continued this dual direction. However, current management trends indicate an increasing shift to school-based

decision making, recognizing that mandated uniform administrative policy for schools in such incredibly diverse economic and social situations might not always serve the best interest of the students, and ultimately, the public. The Tennessee General Assembly acknowledged this trend, and in 1992, provided that local boards could initiate a program of school-based decision making. This trend was also acknowledged during the process of this Manual revision. As a result, the Manual frequently refers to board policy, and the board's responsibility for establishing administrative policy.

Section 1: Introduction

Title 2, The Internal School Accounting Act

The Internal School Accounting Act (Section 49-2-110, *TCA*) provides boards of education and school principals with definite authority and responsibility for the administration and safekeeping of all internal school funds. (Refer to Appendix A for the full text of this statute.) This Act allows school boards to authorize student activity and other internal school funds and determines such funds to be the property of the respective schools.

Each board of education is required to provide reasonable regulations, standards, and procedures for schools, and also to provide an accounting manual for student activity and other internal school funds. The Internal School Accounting Act makes school principals liable for the safekeeping, management and accounting of all student activity and other internal school funds in accordance with this Manual and guidance established by each respective board of education.

Section 1: Introduction

Title 3, Purpose, Revisions and Waivers, Exemptions

Purpose and Applicability of the Manual

Each school must maintain adequate records and follow acceptable procedures to properly account for all internal school funds. The purpose of the *Tennessee Internal School Uniform Accounting Policy Manual* is to provide the minimum accounting procedures and documentation necessary to provide the required accountability. Section 49-2-110, *TCA*, requires local systems to adopt this Manual and maintain all books and records in accordance with the requirements of the Manual. **As noted, procedures presented in this Manual represent the minimum procedures that meet the internal control objectives. These procedures are required unless the school develops alternative procedures that provide the same or better controls. Likewise, example forms and reports presented in this Manual contain the minimum information required to be included on the forms or reports; however, a school may add additional information.** (NOTE: Every form required by this Manual is not included in the Appendix.)

The Tennessee Department of Education will make the Manual available to each local board of education and individual school. Money must be provided by the boards of education to implement the procedures contained in this Manual.

Revisions and Waivers

Any local education agency may request revisions to or waivers of existing procedures by submitting such requests in writing to the State Commissioner of Education together with draft copies of the proposed changes. All requests will be given appropriate consideration, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration.

Exemptions

Organizations composed of parents and teachers or parents and students (including, but not limited to, parent-teacher associations, parent-teacher organizations, band booster clubs, and athletic booster organizations) working in coordination with the schools shall not be required to use or comply with any recordkeeping or accounting requirements provided for in this Manual or other board of education policy manuals, and are also exempt from the accounting, recordkeeping, and other requirements of Section 49-2-110, *TCA*. However, if the activities are accounted for within the school's books and records, through mutual agreement of such organizations and school officials, the accounting and recordkeeping requirements of this Manual will apply.

Section 1: Introduction

Title 4, Accountability and General Principles

Accountability

Schools must establish procedures to ensure that all student activity funds are handled properly, consistent with the requirements of this Manual, and in a manner that minimizes the impact on instruction. School officials are in a position of public trust and should be held accountable for that trust. Prior to authorizing or requiring collections, management should evaluate the ability of school personnel to provide adequate accountability demanded by the public. Local school boards, directors of schools and individual school principals should never require, authorize, or otherwise sanction school collections that cannot be adequately accounted for.

General Principles

The board of education must promulgate policies, rules, and regulations pertaining to student activity, cafeteria, and other internal school funds. Such funds shall be administered in accordance with guidelines set forth in this Manual and with any additional rules and regulations adopted by the board of education.

While the methods of recording and reporting transactions vary depending on the size of the school and the extent of computer use, basic information related to internal school fund transactions must be prepared and retained on file, regardless of the accounting methods used. **NOTE:** All manually prepared documentation (e.g., ticket reconciliations, collection logs) should be recorded in permanent ink.

Each principal shall ensure that all school personnel comply with the Manual and with any additional regulations, standards, or procedures for student activity, cafeteria or other internal school funds established by the board of education. School principals should participate in the preparation, modification, and interpretation of policies, regulations, and procedures that affect student activity, cafeteria and other internal school funds.

The following principles must be adhered to when developing rules and regulations for internal school funds:

1. Since Tennessee public schools are referred to as being “free” (Section 49-6-3001, *TCA*), money raised by students must be used to finance normal and legitimate extracurricular activities. Student activity funds should be used to supplement and not replace funds necessary to fulfill

the local board's obligation to provide an instructional program, property, equipment, and salaries.

2. Money or property received by a school official, employee, or volunteer, acting in his or her official capacity, becomes public money or property. The money is the property of the respective school. Such money must be appropriately managed and safeguarded by the school.
3. Activities or events that generate student activity money should, in general, contribute to the educational experience of students and should not conflict with, but add to, the school's instructional program.
4. School fundraising and the use of school facilities or equipment for the raising of student activity money should be in accordance with the school system's policies. The cost of using school facilities should be considered in drafting these policies. In the absence of related board of education policies, school fundraising is prohibited.
5. Money restricted for the use of a specific group should be spent in such a way as to benefit those students currently in school who have contributed to the accumulation of such money.
6. Whenever possible, student body representation should be required in order to enhance the democratic management of student activity money to be raised and expended by, or for, the student body.
7. Activities and events organized to raise funds for either the student body as a whole or for a select or special group or segment of the student body shall be conducted on a voluntary basis only. Students who do not participate in such activities or events shall not be punished or discriminated against in any way. Likewise, a student's grade shall not be affected as a direct result of participation in, or lack of participation in, any fundraising activities or events.

Section **2**

Audit Requirements

Internal School
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Section 2: Audit Requirements

Title 1, School Audit Requirements

Purpose and Frequency of Audits

To maintain a public trust, the board of education and its employees are required to account for all money and other assets for which they are responsible. The purpose of school audits is to ensure accountability for the safekeeping and proper handling of school funds and to determine compliance with the Manual. The auditor should direct audit findings and recommendations and other comments to the board of education and to the respective school principal(s).

School activity and other internal funds maintained by each school must be audited annually in accordance with Section 49-2-112, *TCA*. (Refer to Appendix A for text of this statute.)

Auditors

The annual audit must be prepared by a certified public accountant in good standing with the Tennessee State Board of Accountancy, or by the Comptroller of the Treasury. When considered necessary by the board of education, audits other than the annual audit may be performed by independent accountants, if approved by the Office of the Comptroller. Audits may be performed by internal audit staff, as long as the audits are performed in accordance with audit standards established by the Comptroller of the Treasury.

Audit Standards and Approval

The accounts and records of each individual school must be maintained in accordance with the Manual. Audits of student activity and other internal school funds must be conducted in accordance with generally accepted government auditing standards. While the board of education has a responsibility to review and approve each school audit report, an audit will not be considered as having met the requirements of Section 49-2-112, *TCA*, until the board has been so notified by the Comptroller of the Treasury.

Contract to Audit Accounts

A uniform Contract to Audit Accounts (prepared and distributed by the Comptroller of the Treasury) must be completed by the auditor and the board of education, subject to the approval of the Comptroller of the Treasury. The Contract to Audit Accounts should be awarded and finalized by September 30 of the fiscal year to be audited to permit the auditor to properly plan and perform certain audit procedures during the regular school year. (For example, applicable USDA procedures must be performed while students are in attendance.)

The board of education should ensure that all special audit procedures (such as USDA procedures for centralized county food service systems) are addressed in the special provision section of the Contract to Audit Accounts.

The board of education must send three signed copies of the Contract to Audit Accounts to the Comptroller of the Treasury for approval. At least one copy of the contracts submitted must include original signatures of all parties.

Section **3**

Duties and Responsibilities

Section 3: Duties and Responsibilities

Title 1, Local Boards of Education

Duties and responsibilities of the local board of education include, but are not limited to, the following:

1. Adopting the Manual prepared by the Tennessee Department of Education in accordance with Section 49-2-110, *TCA*.
2. Causing all employees who handle money and accounting records in individual schools to be bonded in accordance with Section 49-2-110, *TCA*.
3. Causing an annual audit to be performed of the accounts and records of all schools under the board's jurisdiction in compliance with Sections 49-2-110 and 49-2-112, *TCA*. Such audit should be awarded and contracted by September 30 of the fiscal year to be audited.
4. Reviewing annual audit reports of internal school funds for any audit findings and recommendations and taking appropriate action necessary to resolve such findings.
5. Providing policies concerning the supervision and administration of internal school funds and making such policies available to all personnel. Some of the necessary policies include purchasing, fundraising, use of school facilities/equipment by outside organizations, and sale of competitive foods.
6. Providing to the individual schools the required personnel, supplies, and equipment.
7. Submitting written requests through the director of schools to the Tennessee Commissioner of Education for revisions or waivers to the requirements contained in this Manual.

Section 3: Duties and Responsibilities

Title 2, Directors of Schools

Duties and responsibilities of the directors of schools include, but are not limited to, the following:

1. Notifying the Comptroller of the Treasury, Division of Municipal Audit, at (615) 741-1871, if the director becomes aware of any evidence of fraud related to internal school funds.
2. Implementing all policies, rules, and regulations pertaining to the supervision and administration of internal school funds in schools under the director's jurisdiction in accordance with established policies and rules of the local board.
3. Approving applicable fundraising activities of the individual schools that involve participation of the general student population in the marketing process of the fundraising effort.
4. Providing each principal (and succeeding principal) with a copy of the Manual and other policies, rules, and regulations pertaining to internal school accounting.
5. Requiring additional training of school employees, as considered necessary, to implement the procedures in the Manual and other policies, rules, and regulations of the board of education.
6. Reviewing annual audit reports and ensuring that remedial action is taken to resolve any audit findings and recommendations.
7. Ensuring that financial records of individual schools are transferred intact to the custody of successor principals.
8. Ensuring that financial reports of individual schools are submitted in accordance with the Manual and any other board of education requirements, and informing the local board of any deficiencies, audit findings, or other significant information noted upon review of the financial reports.
9. Submitting written requests to the Commissioner of Education, at the direction of the local board of education, for revisions or waivers to the requirements contained in the Manual.

Section 3: Duties and Responsibilities

Title 3, School Principals

Duties and responsibilities of individual school principals include, but are not limited to, the following:

1. Notifying the Comptroller of the Treasury, Division of Municipal Audit, at (615) 741-1871, if the principal becomes aware of any evidence of fraud related to internal school funds.
2. Implementing and complying with the regulations, standards, and procedures contained in the Manual and any other policies adopted by the local board of education that has jurisdiction over the school.
3. Providing for the safekeeping and handling of all school money and other school property, irrespective of the source of such money or property (Section 49-2-110, *TCA*).
4. Submitting reports and other materials to the director of schools or board of education on a timely basis, as directed.
5. Delivering all financial records, books, ledgers, computer files, reports, and supporting documentation, as directed by the director of schools or board of education.
6. Assuming responsibility for equipment located at the school, including equipment security, inventory control, care, and utilization.
7. Complying with purchasing procedures prescribed by the board of education, including bid policies and procedures established by the board for student activity and other internal school funds.
8. Notifying the director of schools or the director's designee and appropriate local law enforcement agency when equipment is stolen, misplaced, or destroyed.
9. Complying with the provisions of Section 49-6-2007, *Tennessee Code Annotated*, regarding the disposition or transfer of property.
10. Maintaining a current edition of the Manual on school premises and making it available to all school personnel.

Section 3: Duties and Responsibilities

Title 4, Tennessee Department of Education

Duties and responsibilities of the State Department of Education include, but are not limited to, the following:

1. Preparing a uniform accounting policy manual pursuant to Section 49-2-110, *TCA*, and delivering a copy to each local board of education.
2. Revising existing manuals periodically and delivering the revised manuals to each local board of education.
3. Consulting annually with each director of schools to determine the nature and scheduling of any in-service meetings considered necessary for school principals, bookkeepers, and other financial personnel.
4. Providing technical assistance to directors of schools and boards of education for implementation, administration, and interpretation of the requirements of the Manual.
5. Providing training assistance to school personnel as requested.
6. Granting approval to written requests submitted by boards of education through the directors of schools for revisions or waivers to provisions of the Manual when deemed appropriate by the Commissioner of Education, in collaboration with the Comptroller of the Treasury and the Department of Finance and Administration.

Section 3: Duties and Responsibilities

Title 5, Comptroller of the Treasury

Duties of the Comptroller of the Treasury include, but are not limited to, the following:

1. Approving, in collaboration with the Tennessee Department of Education and the Commissioner of Finance and Administration, the Manual prepared by the Department of Education in accordance with Section 49-2-110, *TCA*.
2. Reviewing and approving the uniform Contract to Audit Accounts between boards of education and auditors of internal school funds in accordance with Section 49-2-112, *TCA*.
3. Reviewing and approving audit reports of internal school funds.
4. Providing technical assistance in the administration, interpretation and implementation of the requirements contained in the Manual, upon request by a board of education.
5. Working in conjunction with the Tennessee Department of Education to consider requests submitted by boards of education for approval of revisions or waivers to certain provisions of the Manual.

Section 3: Duties and Responsibilities

Title 6, Commissioner of Finance and Administration

Duties of the Commissioner of Finance and Administration include, but are not limited to, the following:

1. Approving, in collaboration with the Tennessee Department of Education and the Comptroller of the Treasury, the Manual prepared by the Tennessee Department of Education in accordance with Section 49-2-110, *TCA*.

Section 4

**Administration of
Internal School
Funds**

Section 4: Administration of Internal School Funds

Title 1, Internal School Funds

Internal school accounting requires the establishment of funds to account for specific activities of a school's operation. The differences between internal school fund accounting and generally accepted accounting principles are described in the accounting and reporting section of the Manual.

Generally, each school has only three fund types: (1) general fund, (2) restricted fund, and (3) food service fund.

General Fund

The general fund is used to account for all money to be used for the general operation of the school or for the welfare of the student body. This includes, but is not limited to, allocations, locker fees, parking fees, library fines, rental income, unallocated interest income, school-wide fundraisers, and donations without stipulations.

All expenditures from the general fund must benefit the school or must contribute to the welfare of the student body and supplement, and not replace, funds necessary to fulfill the local board's obligation to provide an instructional program, property, equipment, and salaries. Expenditures meeting these criteria are restricted in purpose only as directed by the board of education, general laws and regulations, and school policies.

The general fund consists of separate revenue accounts and expenditure accounts. Total general fund expenditures (including unpaid obligations as of June 30 each year) must not exceed the beginning fund balance plus current year revenue. A deficit balance in the general fund (representing the net total of all account balances in the general fund) is not allowable.

The principal is considered to be the sponsor of the general fund.

Restricted Fund

The restricted fund is used to account for all money which is restricted for the use of a specific group (club, class, etc.) or legally restricted for a specific purpose (BEP funds, scholarship donations, etc.). The restricted fund may also be used for grants, donations, and awards in which the intended purpose does not fall under the scope of the General Fund (Governor's Award, performance incentive money, certain corporate donations, etc.).

All expenditures of restricted fund account money must be for the purpose or group for which the money was raised.

The restricted fund consists of accounts which include both revenues and expenditures, and each account maintains its own identity. Expenditures in each restricted fund account must not exceed the beginning balance plus current year revenue. A deficit balance in a restricted fund account is not allowable.

The principal may be the sponsor of some restricted fund accounts such as legally restricted scholarships, grants and donations. The principal generally designates other individuals as sponsors of club, class and other restricted fund accounts.

Food Service Fund

Each school that receives state and/or federal food service money for the purpose of financing food service operations must establish a separate fund entitled "Food Service Fund." This fund must be used to account for such money in accordance with state and federal rules and regulations governing food service programs. The food service fund is discussed in Section 8.

In most instances, the cafeteria manager is considered the sponsor of the food service fund.

Accounting for Athletics

Although athletic programs may benefit the welfare of the student body, money raised from sanctioned athletic programs is generally restricted for the use of the athletic program. In addition, parents and other individuals generally demand a separate accounting of money raised by school athletics. Therefore, a sanctioned athletic program must be accounted for in the restricted fund. The board of education must determine which of the following alternatives for athletic accounting will be used by each school.

Alternative 1

Establish one primary athletic account. Subsidiary or sub-accounts may be established to account for revenues and expenditures in individual sports (e.g., football, basketball, baseball, softball, soccer, etc.). If such subsidiary accounts are established, one or more of the subsidiary accounts may incur a deficit balance provided that the primary account for athletics (net total of all athletic subsidiary accounts) does not have a deficit balance. Only the primary account should be reported in the audited financial statements. The principal is considered to be the sponsor of the primary athletic account.

Alternative 2

Establish a separate account for each individual sport. No individual sport may incur a deficit account balance. The activity for each separate account must be reported in the audited financial statements. The principal generally designates the coach or other individual as the sponsor.

Section 4: Administration of Internal School Funds

Title 2, Internal Control

Objectives of Internal Control Systems

The objectives of internal control systems used in administering activity/food service funds are to provide management with reasonable, but not absolute, assurance that (1) student activity/food service money is spent and related inventory is used in accordance with laws, regulations, and policies; (2) student activity/food service money and related inventories are safeguarded against waste, loss and misuse; and (3) reliable information is obtained, maintained, and fairly presented and disclosed in reports.

Accounting control is concerned with the plan of organization and the procedures and records that relate to the safeguarding of student activity/food service money and related inventory, and the reliability of financial records. Controls should provide reasonable assurance that:

1. transactions are authorized;
2. transactions are recorded: (a) to permit preparation of financial statements in accordance with the Manual, and (b) to maintain accountability for assets;
3. access to student activity or food service money and related inventory is authorized; and
4. assets recorded in the accounting records are compared with the existing assets periodically, and appropriate action is taken with respect to any differences.

Accounting controls may be classified into transaction cycles. Basic transaction cycles include the revenue/collection cycle, expenditure/disbursement cycle, fixed asset cycle, inventory cycle, and the reporting cycle. The expenditure/disbursement cycle includes the payroll and purchasing cycles, which are presented separately in the following discussion.

In layman's terms, internal controls are procedures which will help:

1. limit the opportunity for theft or unauthorized use of the school's money or related inventories;
2. ensure that school money is collected and spent in accordance with laws, regulations and policies;
3. detect errors or fraud timely;

4. provide correct financial information;
5. provide individuals who handle money with documentation that they properly accounted for all school money they handled; and
6. ensure that amounts of money and inventory reported to the public agrees with actual amounts of money and inventory in the school or in school bank accounts.

The following “minimum recommended internal control” procedures, in conjunction with detailed procedures set forth throughout the Manual, represent the minimum procedures that meet the internal control objectives. Applicable procedures are required unless the school develops alternative procedures which provide the same or better controls. In some circumstances, it might be necessary to implement additional internal control procedures to supplement those presented below.

Revenue/Collection Cycle

Internal Control Objectives

1. All collections are received at the proper time.
2. The correct amount of money is received.
3. All collections are promptly deposited intact and recorded in the accounting records.
4. All collections are properly allocated to the appropriate fund and accounts.

Potential Errors Due to the Lack of Internal Control

1. Amounts due under profit sharing arrangements are calculated incorrectly.
2. Amounts received from profit-sharing arrangements are incorrect.
3. Amounts received are diverted for personal use.
4. Amounts received and/or sources of collections are incorrectly recorded.
5. Collections are not deposited into the school’s bank account.
6. Bank deposits are not made intact within three banking days.
7. Collections and deposits are not recorded promptly.

8. Collections are allocated to the wrong fund or account.
9. Amounts allocated to specific accounts are incorrect.
10. Collections are not received at the proper time.

Minimum Recommended Internal Controls

1. Accounting or bookkeeping staff should be competent and well trained in basic bookkeeping skills.
2. The school should establish and document detailed requirements for collections, including the assignment of related responsibility, timing of collection, and follow-up on uncollected accounts.
3. The principal or designee should recalculate collection amounts (e.g., fundraiser summary, ticket reconciliation, etc.) on a sample basis.
4. All checks received by the school should be immediately endorsed with a restrictive endorsement, such as **“For Deposit Only-Volunteer High School.”**
5. At the time of collection, individuals collecting money should prepare prenumbered receipts, collection logs, or other appropriate documentation.
6. Cash registers should be used wherever possible, such as in cafeterias and in bookstores, and cash register tapes should be retained and reconciled daily with collections.
7. All revenue/receipts should be accurately and promptly recorded in the school’s accounting records.
8. To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records and reconciling bank accounts.
9. A person who is independent of the receiving, depositing and recording functions should compare bank deposits with the prenumbered receipts, collections logs, ticket reconciliation, cash register tapes, etc.
10. Bank reconciliations should be prepared and reviewed at least monthly by someone who is independent of the receiving and recording functions.
11. Individuals who have responsibility for, or access to, cash, property or other assets of internal school funds should be bonded with fidelity insurance coverage.

Purchasing/Disbursement Cycle

Internal Control Objectives

1. Purchases are properly authorized and do not exceed fund or account balances.
2. Goods and services ordered are for an appropriate school purpose.
3. Goods and services ordered are actually received, and all goods and services received were ordered.
4. Invoices for goods and services are correct.
5. Purchase amounts are recorded in the proper funds, accounts and fiscal year.
6. Disbursements for purchases are supported by adequate documentation.
7. Checks are written on a timely basis for the correct amount and made payable to the proper payee.
8. Documentation supporting disbursements is canceled in a manner which will prevent duplicate payment.

Potential Errors Due to the Lack of Internal Control

1. Goods or services are ordered that are not for an appropriate school purpose.
2. Goods are ordered in excessive quantities or unnecessary services are requested.
3. Goods or services are ordered but not received or rendered, or goods or services are received or rendered, but not ordered or requested.
4. Purchases are recorded but goods or services are not received or rendered.
5. Sales tax is inappropriately paid or not paid when applicable.
6. Invoices do not match goods and services received or rendered.
7. Invoices have incorrect prices and/or math extensions.
8. Invoice amounts are incorrectly recorded.
9. Purchases are allocated to or recorded in the wrong fund or account.
10. Payments are made for the wrong amount and/or to the wrong vendor.
11. Invoices are paid more than once.

12. Disbursements are not recorded in the accounting records.
13. Purchases are recorded in the wrong fiscal year.
14. Payments are made without adequate documentation.
15. Purchases are not authorized.
16. Purchases are made which create deficit account balances.

Minimum Recommended Internal Controls:

1. The availability of money for the fund/account in question should be determined before requisitions are approved.
2. All requisitions should be properly approved prior to the purchase.
3. Prenumbered purchase orders should be used, and access to blank forms should be controlled by the principal or designee.
4. Competitive bids or quotes should be required for purchases that exceed the school system's bid limits established by the board of education or applicable state statute.
5. Merchandise received should be opened immediately, physically inspected and counted, and documented on a receiving report to verify that goods were actually received in good condition and in the quantities ordered. Likewise, services performed should be approved and accepted and documented on the invoice to verify the service was performed as requested.
6. Invoice prices should be compared to prices shown on purchase authorizations, and invoices should be checked for mathematical accuracy.
7. Invoices should be compared to purchase authorizations and matched with receiving reports before payment is approved.
8. When payment is made, the invoice (or other supporting documentation) along with the purchase authorization should be canceled to prevent duplicate payment. The paid check number and account distribution number or code should be stamped or written on the invoice or other supporting documentation.
9. Unpaid invoices (or other supporting documentation) for goods or services received should be reviewed at least monthly and approved as required.
10. Access to blank checks and signature stamps, if used, should be restricted to avoid unauthorized use.

11. All disbursements/expenditures should be accurately and promptly recorded in the school's accounting records.
12. To the extent possible, the following duties should not be performed by the same person: approving requisitions; preparing purchase authorizations; receiving goods or services; approving payment; preparing checks; signing checks; and preparing bank reconciliations.
13. Bank reconciliations should be performed on a timely basis. If the person preparing the bank reconciliation performs other cash functions, the reconciliation must be reviewed by someone who is independent of those functions.

Payroll Cycle (for noncentralized food service funds only)

Internal Control Objectives

1. Payroll expenditures are within the budget authorization.
2. Employees are paid the correct amount for work performed.
3. Employee withholdings, deductions and net pay are computed correctly.
4. Payroll-related liabilities are accrued and properly documented.
5. Payroll costs are allocated to the correct fund and account.
6. Payroll expenditures are recorded correctly.

Potential Errors Due to the Lack of Internal Control

1. An excessive number of persons are hired.
2. Duplicate payments are made.
3. Employee time sheets are not accurate or are not maintained.
4. Employees are paid for work not performed.
5. Payroll expenditures exceed the budget authorization.
6. Employees are over/underpaid; deductions are incorrect.
7. Paychecks are not received by the correct employees.
8. Paychecks are issued for fictitious employees.
9. Vacation and sick leave records are not accurate or are not current.
10. Payroll amounts are recorded incorrectly.

11. Payroll is recorded in the wrong fund or account.
12. Payroll is recorded for the wrong payroll period.

Minimum Recommended Internal Controls

1. Cumulative payroll costs are compared to the budget authorization, if applicable, prior to disbursement.
2. Payroll computation for new employees and changes in deductions for existing employees are calculated by one person and reviewed by a different person, whenever possible.
3. Personnel files include current documentation of employees' authorized pay rates and for all payroll deductions.
4. Attendance records, time sheets, or time cards are signed by the employee, approved by a designated person, and submitted to the payroll clerk where the records are used to compute payroll.
5. Payroll checks are distributed by an employee who is independent of the payroll function.
6. The person who distributes payroll checks should require identification from any employee not personally known by him or her.
7. Employee vacation and sick leave records are current and are reviewed periodically by both the supervisor and the employee.
8. Payroll disbursements are promptly and accurately recorded in the proper fund.

Fixed Asset Cycle

Although fixed assets are not required to be recorded in the financial statements of internal school funds, the school's property records provide the basis for recording fixed assets in the financial statements of the county, municipality or special school district. Therefore, this cycle addresses not only controls related to the safekeeping of fixed assets, but also controls over the recording of such assets.

Internal Control Objectives

1. Assets purchased are properly authorized and are beneficial to the school.
2. All fixed assets are correctly recorded in the school's records and are physically on hand.

3. School records correctly reflect the sale, theft, abandonment or damage of fixed assets; and all obsolete fixed assets have been noted and reported to the board of education.
4. Restrictions on the use or disposition of property and equipment are complied with.
5. Donated fixed assets are valued and recorded correctly.
6. All fixed assets are identified in such a way as to identify them as school or board of education property.

Potential Errors Due to the Lack of Internal Control

1. The cost of fixed assets is recorded incorrectly.
2. Fixed assets are purchased that do not benefit the school.
3. Fixed assets no longer in use have not been removed from the books.
4. The school's fixed assets are used for personal benefit or other unallowable purposes.
5. Donated assets are not recorded or are recorded incorrectly.

Minimum Recommended Internal Controls

1. Formal approval of the director of schools should be required for all fixed asset purchases; and items costing in excess of a specified amount should be approved by the board of education.
2. Detailed property and equipment records should be maintained that include asset description, date purchased or received by donation, cost or fair value at donation, location, etc.
3. Applicable laws and school policies should be followed when disposing of fixed assets.
4. Designated individuals are responsible for assuring compliance with the terms of restricted donations or property purchased with grants.
5. At least annually, a physical inspection and count of fixed assets should be performed and compared with the school's records.
 - a. Reconciliations should be prepared and discrepancies should be immediately followed up and explained.
 - b. Reconciliations are reviewed by a responsible individual.

6. Equipment and other applicable property should be properly identified by numbered metal tags or other means of identification.
7. Items should be kept secure and safeguarded from loss due to fire, theft or misplacement.

Inventory Cycle

Internal Control Objectives

1. Inventory recorded represents a complete listing of materials, supplies and items held for use in operations or for sale that are owned by the school, including donated materials, and such assets are physically on hand at the balance sheet date.
2. Inventory listings are accurately priced, extended, footed, and summarized, and the totals are properly recorded in the accounts.
3. Inventory is valued correctly.
4. Excess, obsolete, and defective recorded inventory is reduced to net realizable value in the accounting records.
5. Inventory is properly classified on the balance sheet, and disclosure is made of restricted, pledged, or assigned inventory and the methods used to value inventory.
6. Inventory is safeguarded from theft and loss.

Potential Errors Due to the Lack of Internal Control

1. Inventory recorded is incomplete.
2. Prices on inventory lists are not accurate and/or extended, and the footed amounts and totals do not agree with amounts recorded in the school's records.
3. Inventory is not valued correctly.
4. Obsolete inventory is not removed from the books.
5. Inventory is not safeguarded or insured.

Minimum Recommended Internal Controls

1. All inventory should be accurately and promptly recorded in the school's accounting records.
2. Inventories should be adequately safeguarded against loss, theft, physical deterioration, or misuse by being kept in locked enclosures, access to which is granted only to authorized personnel.
3. Responsibility for establishing and monitoring inventory levels should be fixed by assigning custody of inventories to specific individuals.

4. The individual responsible for receipt, storage, and issuance of goods should be independent of responsibility for purchases, sales and inventory records.
5. Personnel should be required to report obsolete, unusable and overstocked items, and approval should be required and obtained before disposing of such inventories.
6. Periodic physical inspections and counts should be performed and balanced to the school's records.
7. Inventories should be covered by insurance.
8. Inventories should be appropriately valued based on the cost flow assumption selected.

Reporting Cycle

Internal Control Objectives

1. The statements are prepared in accordance with an "other comprehensive basis of accounting" as shown in the accounting and reporting section of this manual.
2. Transactions are properly classified and summarized by account activity and balances are properly stated.
3. Financial statements are prepared on a basis consistent with that of the previous year. Notes to financial statements call attention to any differences between the school's financial statement presentation and generally accepted accounting principles.
4. Financial statements and accompanying notes provide adequate informative disclosures.
5. Adequate procedures exist to provide a clear cutoff of transactions at year end.
6. Adequate control is exercised over the preparation of financial statements.
7. Adjusting entries are properly approved and posted to the school's books and records.

Potential Errors Due to the Lack of Internal Control

The types of errors that could occur are almost unlimited. The reporting of financial information involves nonroutine activities that are best controlled by more general management controls.

Minimum Recommended Internal Controls

1. Management should be kept informed of changes in the Manual.
2. Compilations should be checked by a person other than the bookkeeper and reviewed by the principal or designee.
3. The Manual should be complied with and additional required procedures and policies should be documented.
4. Records are sufficiently safeguarded.
5. Nonpermanent (pencil) entries and liquid paper (white-out) in accounting records are prohibited.

Section 4: Administration of Internal School Funds

Title 3, Insurance/Bonding of Employees

Employees of the local board who handle money and accounting records of individual schools must be bonded in accordance with 49-2-110, *TCA*. A blanket corporate fidelity (or dishonesty) bond covering all applicable employees must be provided by the local board. Personal or signed fidelity (or dishonesty) bonds are not acceptable. The board of education shall determine the amount of the bond, giving consideration to the total amount of money and/or property that is handled in each school.

The board of education should determine and provide the type and amount of insurance coverage necessary to indemnify the school and board of education for loss of school cash, equipment, files and records, etc., due to theft, vandalism, fire, or other perils.

Section 4: Administration of Internal School Funds

Title 4, Safekeeping of Cash

Student activity and other internal school fund money must be deposited intact (in the form and amount in which collected) in banks within three banking days after the money is received. When possible, school money should be deposited daily. A night deposit should be used as necessary to comply with these provisions.

School money should **never** be taken home by individuals for safekeeping or left at a school overnight unless it is stored in a school safe or vault. When a safe or vault is used for money and records, the following procedures should be followed:

1. The combination to the safe or vault should be changed whenever there is a change in personnel who had access to the vault.
2. The combination should be changed at least once every two years or more frequently as deemed necessary.
3. The combination should not be accessible to unauthorized persons.
4. A copy of all current combinations should be filed in the director of school's office in a secure location.

Each principal must know the amount of insurance coverage for the school to ensure the amount of money left overnight in the building does not exceed the insured amount. In the event the school incurs a loss in cash or property, the principal must communicate the loss immediately to the appropriate law enforcement officials and director of schools to allow the board of education to report the loss to appropriate insurance companies in a timely manner.

Section 4: Administration of Internal School Funds

Title 5, Property Acquisition and Management

Definition

For the purpose of administering student activity funds, “property” includes all items necessary for the education of the students and for administration and operation of the school. This definition includes, but is not limited to, such items as:

Fixed Assets and Sensitive Minor Equipment

1. Construction of or additions to facilities, including betterments, improvements or repairs, and maintenance;
2. Equipment (such as copiers, computers, playground items, etc.); and
3. Sensitive minor equipment such as cameras, calculators, VCR's, etc.

Inventory

1. Workbooks and other instructional supplies;
2. Office and classroom supplies such as paper goods, rubber bands, etc.; and
3. Resale products.

This section addresses property purchased with internal school money or donated to internal school funds. The board should establish policies regarding records which must be maintained for other property purchased by the board of education which is under the supervision of the individual principals.

Property Acquisition

General Fund

As noted previously, student activity funds should be used to supplement and not replace money necessary to fulfill the local board's obligation to provide an instructional program, property, equipment, and staff development. Therefore, the purchase of property from the general fund is limited only in that all expenditures from the general fund must supplement, not replace, the board's required contributions.

Restricted Fund

Restricted fund money may be used to purchase property, as defined above, in accordance with the procedures prescribed in the Manual.

Property Management

It is essential to account for property (whether donated or purchased with individual school money) and to establish and maintain adequate internal controls for such property, including the following:

Fixed Assets and Sensitive Minor Equipment

1. Establish and maintain records on a current basis. Identify items and record information that includes:
 - a. Item description
 - b. Location
 - c. Manufacturer
 - d. Model number
 - e. Serial number
 - f. Date received
 - g. Vendor name or donor
 - h. Purchase price or appraised value
 - i. Responsible individual
 - j. Date of inventories
 - k. Disposition

2. Submit detailed lists (suitable for insurance purposes) at least annually to the director of schools or the board of education.
3. Designate an individual to be responsible for specific items. Removal of any items from the school's premises should be approved in advance in writing by this individual. All such removals should be for official use only.
4. Mark each piece of equipment for school ownership identification by using a method which is as permanent as possible, preferably prenumbered property tags or bar code tags.
5. Conduct physical counts periodically, compare results with property records, and investigate differences noted.
6. Record purchases, donations, and disposals as they occur.

Inventory

1. Establish and maintain inventory records which detail inventory items both in dollars and in quantities.
2. Conduct physical counts periodically. If a perpetual system is used, compare results with inventory records, and investigate differences noted.
3. Designate persons to be responsible for specific inventory items (safekeeping, distribution, etc.).

Section 4: Administration of Internal School Funds
Title 6, Retention and Disposal of Records

Retention of Records

Custodian of Records

All student activity and other internal school fund accounting records are the property of the board of education and must be preserved in the applicable individual school, except as expressly authorized by the board.

Payroll Records

Payroll records (including, but not limited to, personnel files, time cards/reports, and employee vacation and sick leave records) shall be retained for 45 years or until the applicable employee retires, whichever is later.

Accounting Records, Supporting Documents and Other Records

The following original records (including data in the form of computer printouts) should be retained for a minimum of 5 years or until all applicable audit exceptions are resolved, whichever is later:

1. Prenumbered cash receipts
2. Collection logs, ticket reconciliations, signed recorded counts, remittance advices, and other collection documentation
3. Ledgers
4. Journals
5. Audit reports
6. Fixed asset and inventory records (retain five (5) years after disposal of property)
7. Purchase orders
8. Vendor invoices
9. Fire prevention reports
10. Lunchroom reports (except payroll records)
11. Daily attendance records
12. Bids

13. Gross profit analysis documentation

14. Bank statements and canceled checks

NOTE: If imaged statements are issued, the school should require the bank to include both the back and front of each check and deposit slip, and require that the images be of such quality and size that they are clearly legible. If deposit slips are not returned with the bank statement, validated duplicate deposit slips (or duplicate deposit slips with deposit receipt attached) must be retained.

15. Contracts, agreements, and other authorizations

16. Superseded individual school policies

Current Individual School Policy Manual

The manual should be continually updated and include all required policies.

Extension of Retention Period

If desired, local boards have the authority to extend the retention time beyond that period stated in the Manual.

Disposal of Records

Records not listed above may be destroyed at the end of a period designated by the local board. However, no records should be destroyed for at least one year or until the audit related to those records is completed and all applicable audit findings and recommendations are resolved, whichever is later.

The disposal process should be supervised by the principal to ensure complete destruction. A detailed list of all records destroyed and the related destruction date should be prepared, signed by all persons participating in the destruction of records, and submitted to the director of schools.

Section 4: Administration of Internal School Funds

Title 7, Cooperative and Noncooperative Activities

Cooperative Activities

Definition

A cooperative activity is one in which the school shares directly in the proceeds. Although they do not lend themselves to strict classification as student body activities, cooperative activities benefiting the student body are frequently undertaken by outside groups. The activity may involve salvage drives, carnivals, paid entertainment, food sales, etc., and is generally conducted after the normal school day. The activity may or may not involve the use of school facilities.

Agreement

Prior to the commencement of a cooperative activity, a written agreement concerning each party's responsibilities and the division of expenses and profits should be made between the outside group and the school in accordance with the board of education's policy.

Proceeds

The school shares directly in a percentage of the proceeds of a cooperative activity.

Accounting for Proceeds

If all proceeds from the event are collected by the school, the proceeds should be receipted by the school and a distribution made to the outside group based on the prior written agreement. If proceeds are collected by the outside group, a designated individual from the school should verify that the division of the collections was based on the written agreement and a prenumbered receipt should be issued for the school's share.

Noncooperative Activities

Definition

A noncooperative activity is one in which the school generally permits the use of school equipment or facilities without charge. However, there may be activities where the school charges a rental fee.

Agreement

Prior to the commencement of a noncooperative activity, a written agreement must be made setting forth the fee, if any, to be charged as well as other pertinent information in accordance with the board of education's policy.

Accounting for Rental Fees

Rental fees derived from noncooperative activities should be properly receipted and used in accordance with board policies.

Section 4: Administration of Internal School Funds
Title 8, Fundraising and Resale Activities

Resale Activities

For purposes of this Manual, resale activities encompass any activities involving the disbursement of money by the school for goods or services for resale. Resale activities may or may not be fundraisers as defined below. In some schools, resale activities such as bookstores, annuals, teacher lounge vending, etc., may not be intended or designed to generate a profit and therefore would not be considered fundraisers.

Fundraising Activities

For purposes of this Manual, a fundraiser is considered to be any activity conducted by the school which is intended or designed to generate a profit and provide supplemental revenue for the general fund or an individual club or class account. Fundraising activities could include vending operations, bookstores, pictures, concessions, carnivals, book sales, candy sales, magazine sales, walk-a-thons, car washes, bake sales, or similar activities. Fundraising activities do not include membership dues, fees, fines; ticket sales for sanctioned athletic events, activity fees and similar fees.

General Principle

Fundraising activities shall be for the purpose of supplementing money for school programs and not for replacing funds which are the responsibility of the local board of education. Fundraising activities shall in general contribute to the educational experience of the students and shall not conflict with the instructional program. When conducting resale and fundraising activities, school officials and employees should be aware of state laws regarding illegal conflicts of interest, kickbacks, and other such unlawful activities.

Required Authorization

Resale Activities

Resale activities not intended to generate a profit may be conducted at the discretion of the principal, unless otherwise provided by board policies.

Fundraising Activities

The school board shall adopt policies regarding fundraising activities. Those policies must address: (1) the participation of the general student population and the use of school facilities and property in fundraising efforts; (2) board limitations, if any, on the expenditure of money thus raised; (3) the participation of students and the use of school facilities in the fundraising efforts of the PTO, band and/or athletic boosters, and other school support groups during the school day; (4) disciplinary action, such as personal financial sanctions and/or formal reprimands, applicable to principals and/or sponsors of student organizations who knowingly authorize/allow unapproved fundraising activities [NOTE: individual school policies may address disciplinary action applicable to sponsors of student organizations]; and (5) other requirements or limitations that the board may choose to impose.



In the absence of local board policies, all fundraising activities are prohibited.

The principal must obtain written approval from the director of schools or designee for all fundraising activities that involve the participation of the general student population in the marketing process of the fundraising effort. All other fundraising activities must have written approval from the principal. Authorization should include the following information:

1. a list of the proposed fundraising activities;
2. purpose of the fundraising activity;
3. proposed uses of funds raised;
4. expected student involvement in fundraising activity (school-wide or individual class or club);

Records

Resale Activities

The school should execute a written agreement with the vendor for applicable resale activities, such as the yearbook.

For ongoing resale activities such as bookstores, concessions, vending, etc., monthly profit analysis reports must be completed to document collections, expenses, and any losses of money or product. These reports must be filed with the other school records. The school must maintain detailed records to support all amounts recorded on these forms. If the profit analysis report indicates a shortage, an explanation must be given for the shortage. If no reasonable explanation can be given, each subsequent day's activities must be recorded and evaluated until the reason for the shortage has been identified and corrected. For annuals, magazine sales, candy sales, and other similar activities that are not perpetual in nature, profit analysis reports may be completed at the conclusion of the activity.

Fundraiser Not Involving Resale Activities

If the fundraiser involves an outside vendor (such as school pictures), the school should obtain a written agreement. The agreement should set forth the division of profits that result from the activity, payment of sales tax, delivery date(s), package prices or other charges, scheduled date(s) of service, etc.

Accurate and systematic records of all cash collected should be maintained. Once collections are complete, the designated school authority should ensure that a proper division of profits is made in accordance with the written agreement and that the outside vendor's portion is remitted. If an outside vendor makes the collections, the school must independently verify total sales and total collections to ensure proper division of profits. The documentation used to verify the school's percentage must be internally generated, not received from an outside party (the vendor).

Fundraisers Conducted for Designated Purposes

To document that profits from fundraising activities conducted for designated purposes were expended for the purposes for which they were raised, a designated employee should prepare a fundraiser summary report. This report would include a summary of the expenditures showing how the profit was used. This form should be prepared and filed in the school office as close as possible to the time that the money is expended. The disposition of excess proceeds or a change in authorized purpose must be approved by the director of schools.

A fundraiser summary report is not required when a fundraiser is conducted without a designated purpose and when the profits are used for the general

operation of the school or the administrative activities of an individual club or class account. **However, school officials should be prepared to provide detailed financial information (in accordance with BOE policy and T.C.A. open-record statute) related to any school account when requested by an outside party.**

State Sales Tax

The State of Tennessee's "Retailers' Sales Tax Act" (Section 67-6-102, *TCA*) addresses payment of taxes applicable to purchases made for resale by schools. Section 67-6-102, Subsection (23), *TCA*, states:

(H) Notwithstanding the exemptions provided by sections 67-6-322 and 67-6-329 for sales to schools, "retail sale" and "sale at retail" subject to tax include any sale of tangible personal property or taxable services to a public or private school, grades kindergarten through twelve (K-12) or school support group, where such property or services are intended for resale by the school or school support group. Resales of such tangible personal property or taxable services by such school or school support group shall not be subject to tax. If for any reason a vendor does not collect and remit tax to the department on the sale of these items to the school or school support group, then the school or school support group shall be liable for use tax based on the purchase price of the items. This subsection(23)(H) does not apply to sales of school books and school lunches.

A school should not pay sales tax to an out-of-state vendor on items purchased for resale unless the vendor has supplied a Tennessee sales tax identification number. When sales tax is not paid to the vendor, the school is liable for use tax on the purchase price.

Resale items include **anything** purchased by the school and subsequently resold to students, teachers, clubs or other school organizations, the public, etc. (regardless of whether items are resold for profit or at cost). Sales tax should be paid on the purchase price of all resale items except for the exemptions noted above regarding books and school lunches. Also, as noted in Subsection 1, Section 67-6-102, *TCA*, sales tax does not apply to sales made during a "temporary sales period which occurs on a semi-annual or less frequent basis." In order for this exemption to apply, there can be no more than two resale activities per year by each school. If there are more than two resale functions, then the exemption requirements are not met and sales tax is payable on **all** resale transactions. As a rule, all schools have in excess of two resale activities per year.

Emphasized Internal Control Features

1. Someone who is not involved in the collections or recordkeeping for the fundraiser should prepare the profit analysis report.
2. For vending operations, when the vendor does all product work and the school only receives a percentage, a counter controlled by school personnel should be placed on the machines. If a counter is not used, cash must be counted by school personnel (preferably two persons should be present) when removed from machines in order to establish the amount of collections to be used in calculating the division of profits per the written agreement. Other procedures may be employed which accomplish the independent verification.
3. A responsible school employee should verify the receipt of all incoming items for resale by comparing the items received to the invoiced amounts and descriptions, noting any discrepancies on the invoice, and signing the invoice.
4. In instances where schools have large quantities of items for resale or maintain bookstores or school stores, a physical count of the inventory should be taken at the end of each school year. Such an inventory should consist of a listing indicating the merchandise on hand, the number of units on hand, unit cost and total cost of all units on hand and signature(s) of person(s) responsible for the physical count.

Section 4: Administration of Internal School Funds

Title 9, Donations & Other Miscellaneous Revenues/Receipts

Donations

Legally restricted donations or allocations to individual schools must be used in accordance with the stipulations placed on their use by the contributor. Such donations and allocations include those received from local businesses, the local board of education, individual donors, or authorized transfers made from one restricted fund account to another restricted fund account or to the general fund. Any stipulations governing the use of donations or allocations should be documented in writing by the donors (e.g., donations for the purchase of computers, scholarship programs, etc.).

The school must prepare a form prior to the end of each school year for each source of legally restricted donations or allocations. This donation/allocation summary report must include: amount donated or allocated; source and purpose; date received; and detailed list of all related disbursements.

Returned Check Fees

Any fees charged for returned checks by the school to a customer should be recorded as revenue in the fund or account in which the bank fee was recorded. If the bank charges fees which the school does not try to recoup, the fees should be recorded as an expenditure in the fund or account in which the returned check was originally recorded. If the school charges a fee in excess of the bank fee, such excess fees should be recorded in the general fund.

Interest Earned on Bank and Investment Accounts

Interest earned on bank and investment accounts is considered the property of the respective accounts as follows:

Source of Account Deposits

- a. General Fund
- b. Restricted Fund Accounts
- c. Food Service Fund

Considered Revenue To:

- a. General Fund
- b. General Fund or Restricted Fund Accounts as set forth in the school's policies
- c. Food Service Fund

When interest is added to a bank or investment account by the depository and is not physically received by the school, the bookkeeper should make the appropriate entry in the general journal.

Teachers' Materials and Supplies Funds

BEP money for teachers' instructional supplies should be allocated based on the information provided annually by the Tennessee Department of Education. These allocations should be recorded in a restricted fund account entitled "Teachers Materials and Supplies Account". Sub-accounts must be maintained to ensure proper allocation to individual teachers and to "school pools". Expenditures from these accounts must comply with current purchasing or reimbursement practices of the school.

Grants

The board of education must establish policies regarding direct application for grants by individual schools. Upon board authorization, individual principals may apply for grants. A separate restricted fund account must be established when grants are received directly by internal school funds. All related cash receipts and disbursements must be recorded in this account. In addition, a grant activity schedule as described in the accounting and reporting section of this manual must be prepared.

Student Fees / Fee Waiver

TCA 49-2-110(c) prohibits the imposition of fees as a condition of attending school or receiving instruction. Therefore, fees must not be required of any Tennessee student as a requisite for school attendance, enrollment in any class or course, or for using school equipment. The board of education will pay all fees for students who have on file with the board an approved waiver application. Some boards of education provide these fees through an annual allocation.

When fees are paid by the board on a reimbursement basis, the bookkeeper should record all fees collected in the appropriate account (i.e., class or workbook, field trip, etc.). Periodically, the bookkeeper should submit to the board a comprehensive list of waived fees, including the student name, amount of fee, and purpose of fee. Payment from the board to the school for waived fees should be recorded in the same fee revenue accounts that would have been credited if the fees had been paid by the students.

Extended School Program (ESP)

When ESP money is collected at the individual schools, there are various methods of collecting and recording the money. One method is to receipt and deposit the money in a school bank account, just as other internal school money. The principal then reports these collections and pays ESP money to the board of education by school check. Since the school is acting only as a collection agency for the board of education, this activity will not affect any revenue or expenditure

accounts. The bookkeeper should record these transactions in the general journal by making the appropriate debits and credits in the cash and liability accounts. These funds should be audited by the activity fund auditor for internal control and compliance requirements.

Another method is for the school to issue board of education receipts and deposit the money directly into a special board of education account set up for this purpose. The school is still acting as a collection agent for the board of education; however, with this method, the school would not record anything in the activity fund records. A drawback to this method is that the auditor for the board of education would have additional work in testing the internal control structure of each school who collects money for the board of education in this manner.

Student Deposits and Fines Collected for the Board of Education

Occasionally, boards of education may require school personnel to collect money on behalf of the board of education that must be accounted for in the school's accounting records. Reasonable fines may be assessed for lost or damaged school property, such as textbooks, library books, equipment, etc., or for other purposes. Such money collected for the board by the school must be remitted to the board by check, and a receipt must be obtained from the board of education.

Section 4: Administration of Internal School Funds

Title 10, Loans and Accommodations

Student activity and other internal school funds must not be used for any purpose which represents an accommodation, loan, or credit to anyone. Personal checks may be taken for payment of goods, services, and other school charges, but must not be cashed for the purpose of making change or as an accommodation to individuals, including school personnel. Checks should be accepted for the exact amount of purchase only. Public property must not be taken from the school premises for personal benefit. Local board employees or other individuals must not make purchases for personal benefit through a school in order to take advantage of the school's tax exempt status or other purchasing privileges.

Section 4: Administration of Internal School Funds

Title 11, School Activity Budgets

The budget is an estimated plan of anticipated revenues and proposed expenditures for a fiscal year. (Tennessee public schools have a fiscal year beginning July 1 and ending June 30.) For the general fund, the budget should present the beginning general fund balance, estimated revenues, proposed expenditures, and the estimated ending general fund balance. For each restricted fund, the budget should present separately the beginning account balance, estimated revenues, proposed expenditures, and the estimated ending account balance.

As soon as possible after school begins, each activity group, in consultation with the activity sponsor, should develop and adopt a student activity account budget that will be used during the current fiscal year. Each sponsor should submit a copy to the principal for use in preparing a comprehensive school budget that is submitted to the board through the director of school's office. A copy of the school budget should be retained on file at the school for future reference and audit purposes.

Section **5**

Operating Procedures

Internal School
Uniform
Accounting Policy
MANUAL

Section 5: Operating Procedures

Title 1, Recording Transactions and Documentation

Internal accounting requires all transactions pertaining to school money to be recorded in the accounting records daily. For purposes of the Manual, “accounting records” include data stored in the form of computer files and spreadsheets as well as a system of double-entry accounting records maintained manually. Accounting procedures and forms used in a school system should be uniform, especially within the same grade levels. Accounting methods and procedures that exceed the minimum requirements presented in the Manual may be implemented as considered necessary by the board of education.

The school should maintain board and/or principal authorizations, and written policies and agreements (as applicable) for: (1) fundraisers, (2) cooperative and noncooperative activities, (3) use of a petty cash fund, (4) use of school property and equipment, and (5) other documentation as necessary to support compliance with the provisions of this Manual.

Original source documents form the basis for recording financial transactions in the accounting records. Such documents include, but are not limited to, prenumbered receipt books, collection logs, vendor invoices, delivery reports, receiving reports, payroll records, bank statements, bank-validated deposit tickets, canceled checks, inventory records, and property records. These source documents must be retained for future reference and audit purposes.

Section 5: Operating Procedures

Title 2, Revenues/Receipts

Definitions

For purposes of this title, the following definitions apply:

Bookkeeper: Individual responsible for recording financial transactions in the school records

Cashier: Individual in central office who collects money and writes receipts

Teachers/Others: Teachers, assistants, volunteers, support staff, etc., who collect money for vending, fundraisers, field trips, fees, concessions, and other activities and remit it to the central office

Day/Daily: Refers to business days, i.e., Monday through Friday excluding banking holidays

▶ The use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations, as noted throughout this Manual, school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties. These procedures might include more frequent profit analyses, comparison with prior year collections and with expected receipts, etc., by someone other than the bookkeeper. **HOWEVER, WHEN AT ALL POSSIBLE, SOMEONE OTHER THAN THE BOOKKEEPER SHOULD COLLECT MONEY AND WRITE RECEIPTS.**

General

Money within an individual school may be obtained from many sources including athletics, concessions, plays, publications, stores, gifts, vending machines, etc. Most often, this money may be handled by one or more persons before it is recorded in the cash receipts journal by the designated school

employee. The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity.

Prior to authorizing or requiring any collections, the principal must evaluate the ability of school personnel to provide the required accountability. The use of teacher assistants and other support staff could be considered, as well as schedules designating the time of day for collecting and remitting the collections to the central office. This schedule should be developed with the understanding that all money must be deposited within three days of the initial collection. The principal should never authorize or require any collection which cannot be adequately accounted for.

Collection of Money by Teachers/Others

a. General

Teachers, assistants, volunteers, and support staff who handle money should be made aware of the requirement for maintaining accurate and systematic records of all cash collected. Few of these individuals are trained bookkeepers, yet many must collect and account for field trips, fees, fundraisers, etc. At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures. When feasible, the principal should consider collection options which do not require teachers to collect money from students within the classroom.

b. Records

Teachers/others who collect money should prepare a collection record (prenumbered receipt, collection log, ticket reconciliation, signed recorded count, etc.) for each separate activity. All collections by teachers/others should be remitted to the cashier daily or more frequently, if necessary.

(1) Prenumbered Receipts

The principal may choose to require all teachers/others who collect money to issue a prenumbered receipt to each payer. If so, the following requirements apply:

- (a) All prenumbered receipt books must be controlled by a designated individual, who issues the books sequentially. That individual must maintain a record showing the receipt book issued (beginning and ending receipt numbers), date issued, and the signature of the teacher/other who received the book.
- (b) The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the cashier along with the related collections, and the third copy is for the teacher/other.
- (c) Teachers/others are accountable for all prenumbered receipts, including voided receipts, issued to them by the designated individual in control of the receipt books. All copies of every voided receipt must be retained by teachers/others.
- (d) The receipt must identify the payer, the amount remitted, and date. If the receipt itself does not identify the purpose(s) for the payment and the corresponding amount(s), other documentation must be attached to permit the bookkeeper to record the transaction.

(2) Collection Logs

A collection log may be prepared as an alternative to prenumbered receipts. School pictures, annuals, field trips, beta club dues, etc. are collections that are often recorded on collection logs. The log documents the name of the school, the purpose of the collection, the name of the teacher/other or club/class, the payers, the date(s) of collection, and the daily total. When daily

collections are completed, the collections should be counted by the teacher/other and reconciled with the daily total on the collection log. Noted errors should be corrected and unexplained differences should be documented.

All collections should be turned in to the cashier daily, or more frequently if the teacher/other feels it necessary for the safeguarding of money. The cashier must count the money and issue a prenumbered receipt to the teacher/other at the time the collections are remitted. In addition, the cashier should record the amount, receipt number, and receipt date on the collection log, and initial the information on the collection log. The teacher/other may continue to use the same log until all collections for that activity are completed. On the final collection date the teacher should bring the collection log to the bookkeeper and retain a copy. Teachers are encouraged to retain these logs for at least three years in the event of audit questions.

(3) Ticket Reconciliations

A ticket reconciliation form is required for all events, such as athletics or entertainment, for which a fee is charged or paid in advance, and a collection log is not used. The principal may choose not to use tickets for events for which a nominal fee (\$1.00 or less) is charged. A written policy addressing this issue should be established at the beginning of the school year. For situations in which ticket reconciliations or collection logs are not used, a signed recorded count should be prepared.

All admission tickets should be prenumbered. For events in which several different prices are charged, a different ticket color and/or numerical series for each price group should be used. The principal is responsible for accounting for all tickets and ensuring the safekeeping of the ticket inventory.

Prior to the tickets and ticket reconciliation form being given to the ticket seller, a designated individual other

than the ticket seller will record the beginning ticket number and the amount of change to be given to the ticket seller. The ticket seller should initial this information to document verification of the information on the form. A separate person should be assigned responsibility for collecting tickets at the point of admission. When the event's ticket sales are complete, the ticket seller and the principal or principal's designee should count the cash and complete and sign the ticket reconciliation form. One of the responsible persons will retain a copy of the original ticket reconciliation and the original should accompany the money and unsold tickets. The cashier should issue the official receipt to one of the persons signing the ticket reconciliation. If a discrepancy between the ticket reconciliation and the official receipt exists, the principal should be notified in writing so that the principal may determine necessary action. Any alternate procedures should be designed to ensure that all money that should be collected is collected and remitted for deposit.

(4) Recorded Counts Signed by Two Individuals

Some activities, such as bake sales, car washes and concessions, preclude remitting money to the cashier directly following the close of an event and do not lend themselves to the use of a collection log or prenumbered receipt. The collection record for these activities may consist of only a recorded count signed by two responsible individuals at the close of the activity. The form used for the recorded count should include the date, purpose and amount of collection. In addition, the form should include a statement that 'the money collected for this fundraiser was counted by the parties who have signed below' followed by the signatures of the two responsible persons. One of the responsible persons will retain the original recorded count and a duplicate or copy should accompany the money. The cashier should issue the official receipt to one of the persons signing the recorded count.

NOTES:

1. When fees are waived, collection documentation must include the student name, amount of fee and purpose of fee for all waived amounts. This list of waived fees can be included on the collection log. When prenumbered receipts are used, a separate list must be prepared and submitted with the collections.

2. **Daily collections from any source should never be used for the purpose of providing change for events.** When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the “Cash on Hand Account.” The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked “Redeposit.”

3. The principal should prohibit teachers/others from turning money over (leaving money on the cashier’s desk) without receiving a receipt.

Collection of Money by Cashier

At the beginning of each school year, the principal should ensure that the cashiers are informed of the required procedures and forms used for collection of money and the consequences for noncompliance with the required procedures.

1. Receipt procedures

- a. The cashier must count the money and issue a prenumbered receipt at the time money is remitted.

- b. All prenumbered receipt books must be controlled by a designated individual (other than the cashier), who issues the books sequentially. That individual must maintain a record showing the receipt book issued (beginning and ending receipt numbers), date issued, and the signature of the cashier.

- c. The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the bookkeeper, and the third copy is for the cashier.

- d. The cashier is accountable for all prenumbered receipts, including voided receipts, issued to him/her by the designated person controlling the prenumbered receipt books. All copies of every voided receipt must be retained by the cashier.
- e. The receipt must identify the payer, the amount remitted, and date. If the receipt itself does not identify the purpose(s) of the collection and corresponding amount(s), other supporting documentation must be attached to permit the bookkeeper to record the transaction.

2. Other Procedures by Cashier

- a. The cashier should record the amount, receipt number, and receipt date on each collection log, and initial the information on the collection log.
- b. The cashier should restrictively endorse all checks, e.g., “FOR DEPOSIT ONLY/Tennessee High School.”
- c. Someone other than the cashier or bookkeeper should open all mail daily, list all checks received on a collection log and restrictively endorse the checks. A copy of the log should accompany the money when it is remitted to the cashier each day. The cashier must issue a receipt to the person remitting the money and include the checks in the daily deposit.
- d. Daily collections should be reconciled with the total of all receipts issued. The last receipt included in the deposit should be marked to indicate the receipt numbers included in the deposit, the amount deposited and the date of the deposit. Using daily collections for cashing checks or making purchases is prohibited.
- e. Depending on the type of accounting system used, some schools may require the cashier to prepare a daily cash report, which summarizes each day’s collections by type (i.e. yearbooks, fundraising, pictures, vending, etc.) This record is used by the bookkeeper for daily posting.

- f. The cashier should complete a duplicate deposit slip. All checks should be listed individually on the deposit slip, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip. When preparation of the daily deposit is completed, the cashier should turn over to the bookkeeper the bookkeeper's copies of the receipts and any other supporting documentation, such as: remittance advices (documentation received from vendors and individuals identifying the reason why payment was made to the school) received with mail payments, daily cash report, teacher collection logs, ticket reconciliations, etc. All of the collections and the deposit slip should be turned over for deposit to an individual who is not involved in the collecting and recording process. (Refer to Banking section for deposit procedures.)

NOTES:

1. Cashiers should not allow teachers/others to turn money over (leaving money on the cashier's desk) without receiving a receipt.
2. **Daily collections from any source should never be used for the purpose of providing change for events.** When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the "Cash on Hand Account." The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit."

Recording of Collections by Bookkeeper

The bookkeeper should obtain all applicable collection documentation from the cashier, such as the bookkeeper's copies of the receipts and any other supporting documentation, including: remittance advices (documentation received from vendors and individuals identifying the reason why payment was made to the school) received with mail payments; daily cash reports; collection logs; ticket reconciliations; etc. Prior to posting to the cash receipts journal, the bookkeeper should determine that the amounts and totals on the collection logs, and other documentation are mathematically correct and that the corresponding receipts agree. The bookkeeper should record on his/her copy of the prenumbered receipt the applicable account codes and corresponding amounts. The bookkeeper should then record the collections in the cash receipts journal. All collection

documentation should be filed in a manner which allows the bookkeeper to easily find requested documentation.

The bookkeeper should obtain and file the validated duplicate deposit slip (or the duplicate deposit slip with deposit receipt attached).

Section 5: Operating Procedures

Title 3, Purchasing

Purchase Authorization

The board of education should develop a detailed purchasing policy for the expenditure of internal school funds and the principals of the individual schools should ensure compliance with the policy. The dollar limitations established in this title apply unless otherwise provided in the board's policy.

All purchases must be for an appropriate purpose; that is, they must not detract from or be in opposition to the overall educational process. The principal or principal's designee is responsible for determining the appropriateness of purchases. In determining appropriateness, the following questions should be considered:

1. Is this an expenditure for which the board of education is responsible?

NOTE: Although disbursements for educational and professional development could be considered to indirectly benefit the welfare of the student body, these disbursements are the responsibility of the board of education and would not be legitimate expenditures of money raised by students. As noted previously in the Manual, since Tennessee schools are referred to as being free, (§ 49-6-3001, *TCA*), money raised by students must be used to finance normal and legitimate extracurricular activities. This money should be used to supplement and not replace money for activities and services provided by the board. Staff development is the responsibility of the board.

2. Is this expenditure for a school purpose?
3. Is this expenditure for the welfare of the student body?

If student organizations (whose activities are accounted for in restricted accounts), excluding athletics, raise funds through noninstructional fees, membership dues, and fundraisers, then purchases by these organizations must be approved by the membership of the organization and documented in their minutes. In addition, a student authorization form should be completed and given to the bookkeeper along with the purchase request. Permission for certain routine and

recurring expenses, such as refreshments for meetings, may be documented once for the entire year.

A purchase requisition is a request to make a purchase. A purchase authorization is a prior written authorization by the principal, or designee, approving the purchase of goods and services. A prenumbered purchase authorization is required for each purchase of goods and/or services of \$100 or more except for emergency repairs or purchases, reimbursements from restricted accounts not sponsored by the principal, and purchases of goods and services made under contract. Principals should make all teachers/others aware that purchases made which do not require prior written approval may, in certain circumstances, become the personal responsibility of the employee. For example, the principal should not authorize payment in any amount for purchases that:

- ◆ are not appropriate; or
- ◆ are to be paid out of accounts that do not have sufficient balances.

Each purchase of goods and services should be supported by adequate documentation.

If the sponsor of a club, class or other restricted account has complied with the above requirements, it would be reasonably expected that the principal would authorize payment from that restricted account. In no circumstances should prior approval be given if the account or fund balance is insufficient.

Purchasing Procedures for Teachers/Others

To initiate a purchase which does not require advertised bids, including purchases from other school accounts, a prenumbered purchase requisition should be completed. The purchase requisition should include the date of request, the name of the individual requesting the purchase, the fund/account to be charged, the items/services to be purchased and the amount of each item/service. Any documented quotes required by the school system's purchasing policy should be attached to the purchase requisition.

As noted above, purchases may not be charged to class or club accounts without the prior written permission of the student membership that raised the money. Documentation of this approval should also be attached to the purchase requisition.

The prenumbered purchase requisition is given to the bookkeeper.

Purchasing Procedures for Bookkeeper

When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and, if the purchase is over \$100, forward it to the principal for approval. After the prenumbered purchase requisition form is signed by the principal, it becomes a **purchase authorization**. This form also can be used as a **purchase order**, if one is needed for the purchase. The original should go to the vendor, one copy should be filed in the outstanding purchase requisition/purchase authorization folder and the other copy should be given to the individual initiating the purchase request.

When requisitions are used for purchases of less than \$100, the bookkeeper should review the account to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should initiate the purchase (or follow alternate procedures established by the principal.) Two copies of the purchase requisition should be filed in the outstanding purchase requisition/purchase authorization folder (unless a purchase order is needed for the vendor), and the other copy should be given to the individual initiating the purchase request.

Documents such as invoices, receiving reports and/or delivery receipts, together with other related support provide the bookkeeper with adequate supporting documentation to make payment. An invoice is an itemized document from a third party that describes in detail the type, quantity, and charges for goods and services purchased. A receiving report is a document prepared by the school to record the verification of items/services received and accepted. A delivery receipt accompanies the delivery and itemizes the items delivered. If receiving reports and/or delivery receipts are used, they should be signed and dated by a designated individual to indicate that the items listed were received and accepted, and the report/receipt should be filed with other documentation. If receiving reports and/or delivery receipts are not used, the invoice should be signed and dated by the designated individual who received and accepted the items. When authorized services have been completed, a designated individual should sign and date the invoice or receiving report to indicate that the service was completed properly and accepted.

The bookkeeper should require and obtain adequate supporting documentation before disbursing any school money. Periodic statements from vendors and copies of invoices are not adequate documentation to support disbursements. If a copy of an invoice must be used rather than the original, the bookkeeper should include a written explanation on the invoice stating the reason. When items/services are purchased for which vendors do not provide formal

invoices (e.g., commencement speakers, officials for athletic contests, etc.), the school should prepare a document and have it signed by the vendor.

When a vendor invoice or other invoice documentation is received, the bookkeeper should match the related purchase authorization and accompanying receiving report/delivery receipt with the invoice to verify that the items/services shown on invoice were actually ordered and received, and that prices charged are correct. Before payment is made, the bookkeeper should check the mathematical accuracy of amounts charged (unit costs multiplied by quantities), and should ensure that sales tax is not charged or paid for tax-exempted purchases. Payment should be made in time to take advantage of any discounts allowed for early payment.

Each payment should be properly recorded in the school's cash disbursement journal. Since the fiscal year for Tennessee schools is from July 1 through the following June 30, the cost of any goods or services received by June 30 must be recorded as an **expenditure** for that fiscal year. If payment for those goods and services received during the year is not made by June 30, an account payable exists. An outstanding purchase authorization (goods and services **not** received during the fiscal year) at June 30, is **not** recorded as an expenditure or an account payable for that year.

Purchases and reimbursements from one school account to another (such as the senior class reimbursing the football account for a portion of the football homecoming flowers) **are not equity transfers**, and should not be reported as transfers in the school's operating statement. Purchases (arms-length transactions) should be recorded as a revenue in the account selling the items/services and as an expenditure in the account purchasing the items/services. Reimbursements should be recorded as an expenditure in the reimbursing account and as a reduction of expenditures in the account receiving the reimbursement. Since no check is being issued, these entries would be made in the General Journal.

After payment is made, each page of the invoice and attached documentation, including the purchase authorization and receiving report/delivery receipt, should be stamped "Paid" or canceled in some manner to prevent duplicate payment. If duplicates or copies of checks are not attached to the supporting documents, the check number, date, and amount paid should be clearly marked on each purchase authorization and paid invoice. Supporting documents (copy of check, invoice, purchase authorization, receiving report/delivery receipt, etc.) should be filed together or in such a way that they can be easily reassembled.

Purchasing Procedures by Principal or Designee

The principal should review all purchase requisitions in excess of \$100 signed by the bookkeeper to determine if the disbursement is for an appropriate purpose. The principal should then sign and date the purchase requisition to indicate authorization to make the purchase. The purchase requisition/authorization should then be returned to the bookkeeper. **Purchase requests/authorizations must not be signed in advance of their preparation.**

For disbursements of less than \$100, the principal's determination of appropriateness should be made when supporting documentation is reviewed prior to signing the check. The principal's signature on the check indicates that the disbursement was considered appropriate.

Bid Process and Required Documented Quotes

Each board of education should establish bid policies and procedures for student activity and other internal school funds within its jurisdiction, provided that limits for purchases requiring advertised bids cannot exceed the bid limit set forth for boards of education in applicable public or private statutes. Each board of education should also establish policies regarding purchases which should require documented quotes from vendors. All required quotes must be documented. The recommended policy is to require documented quotes for purchases from \$500 to the advertised bid limit.

Large individual purchases must be made only after proper advertising and bid procedures have been followed in accordance with such policies. This requirement shall also apply to purchases of like items which individually cost less than the amount specified in the applicable law but which are customarily purchased in lots of two (2) or more if the total purchase price would exceed the amount set by the law (i.e. purchases of like computers or uniforms). Purchases shall not be subdivided in order to circumvent applicable bid policies.

Some vendors allow schools to purchase certain items directly from the vendor at the price quoted in contracts established by the Purchasing Division of the Tennessee Department of General Services. Schools are not required to follow the normal bid procedures when purchasing in this manner. Schools should contact the Tennessee Department of Education for information on the established contracts.

Prior Authorization Required

Expenditures that require prior authorizations, bidding, and the like, should be anticipated in time to permit processing and proper clearance of written authorization requests. Expenditures must not be made until authorizations have been granted.

The following expenditures must be approved by the local board (or the board's designee) or the local legislative body, as noted:

- a. The local board must approve the purchase of a single piece of equipment costing more than \$5,000, or a lesser amount, if mandated by the board, or by a public or private act.
- b. The local board must approve the purchase of equipment (regardless of cost) that is to be attached to or that requires the alteration of the building.
- c. The local board must approve the construction or installation of permanent fixtures.
- d. The local board must approve accounts payable that will not be liquidated during the current fiscal year.
- e. **The Local Legislative Body must approve lease purchase agreements or other contracts that will have the effect of creating long-term liabilities, since schools are prohibited from recording long-term liabilities in the school accounts.**

Limitations on Disbursements

Revenue raised for specific purposes must be expended for that purpose, unless otherwise authorized. Authorizations must be granted by the group or activity, club, or class that raised the revenue and must be properly documented.

Money raised through fundraising activities must be used for the authorized purpose. Any change of purpose must be approved by the director of schools.

Expenditures Made by Pupils and Employees

Students or school employees are not permitted to make purchases in the name of the school without proper written authorization. Schools are not liable to pay for any unauthorized purchases made by a student or school employee.

Section 5: Operating Procedures

Title 4, Petty Cash

Authorization

School officials and employees are discouraged, but not prohibited, from making petty cash disbursements. However, the creation and use of a school petty cash account must be specifically authorized in writing by the board of education for a prescribed amount and for the maximum amount of a single petty cash transaction.

Establishment of Account

To establish authorized petty cash accounts, a check should be written to the designated individual in charge of the petty cash account (petty cash custodian). Petty cash accounts should be maintained on an imprest basis whereby a fixed sum of money is maintained at all times. The lowest amount of money possible should be maintained in the petty cash account.

Petty Cash Vouchers/Invoices

For each disbursement, a petty cash voucher should be completed in ink. The voucher should indicate the date, the items purchased, the payee and the disbursement amount. The person receiving the cash should sign the voucher. The petty cash custodian must ensure that all petty cash vouchers are supported by invoices, cash tickets or other adequate documentation.

Replenishing Petty Cash and Recording Expenditures

The amount of cash on hand and petty cash vouchers written must total to the original fixed amount of the petty cash account at any point in time. When cash has been reduced to the point that routine requirements cannot be met, a check should be issued to the petty cash custodian to replenish the exact amount of vouchers on file in the petty cash drawer. The paid vouchers with related supporting documentation will be used by the bookkeeper to charge expenditures to the appropriate account codes in the accounting records. The only entries to the petty cash account would be to establish the account originally, increase or decrease the account, or to close the account.

Emphasized Internal Control Procedures

1. The person responsible for handling petty cash should approve, date, initial, and mark each voucher “paid” to prevent reuse. Petty cash funds should be maintained in a secure location that restricts access to the authorized petty cash custodian only. **Petty cash should never be used to cash personal checks for any individual or to issue refunds and should never be commingled with personal funds of any school employee.**
2. The principal or principal’s designee should periodically review petty cash disbursements and the supporting documentation to ensure that these purchases are appropriate.

Section 5: Operating Procedures

Title 5, Refunds and Travel

Refunds

Refunds in excess of \$2 should be disbursed only by check and should not be paid from a petty cash account. Refunds are reductions of revenue, rather than new expenditures.

Travel and Conferences

Student activity funds must not be used to pay for travel expenses for employee development, conferences, seminars, registration fees, etc., of school personnel. Boards of education are responsible for establishing travel policies pertaining to school personnel and for reimbursing school personnel for travel directly related to education conferences, seminars, etc., and employee development or training costs. This limitation does not apply to employee travel expenses associated with club or class activities, such as the Beta Club, Senior Class, etc.

Other Travel

As noted above, the board of education is responsible for establishing all travel policies pertaining to school personnel. All requests for travel reimbursements to authorized school functions should be submitted on a travel expense claim and should be in accordance with board policies. Except for authorized per diem charges or standard mileage amounts, all claims must be supported by invoices, cash receipt tickets, or other adequate supporting documentation, which should be filed as required for other school disbursement documentation.

Travel Advances

Advances given to school personnel for authorized school activities (such as to teachers for class or club trips) must be made by a check payable to and given directly to the responsible individual. When possible, payment should be made directly to vendors, rather than advances being made to individuals.

Traveler's checks should be used by the employee to reduce the risk associated with carrying large amounts of cash, and to avoid possible difficulty in

cashing school checks. Within three days after returning from the trip, a travel expense claim should be completed and submitted to the bookkeeper, along with invoices and other supporting documentation. Unexpended balances of advances and unused traveler's checks should be remitted to the cashier for receipt when the travel expense claim is submitted to the bookkeeper.

The bookkeeper should reconcile all travel advances with the related travel claim and prenumbered receipts to ensure that all school money has been properly accounted for. Related supporting documentation should be filed as required for other school documentation for disbursements. The bookkeeper should record the return of unexpended cash advances and unused traveler's checks in the general journal.

If adequate supporting documentation is not included with the travel claim, the employee is responsible for the payment of money to the school to cover the difference.

Section 5: Operating Procedures

Title 6, Salary Supplements, Substitute Teachers, and Contracted Services

Salary Supplements

Any supplemental compensation owed to board of education employees for extracurricular activities must be processed through the director of school's office in the same manner as salary and other payroll payments. Board of education employees may not be compensated directly by individual schools from internal school funds.

Each school should submit to the board of education on a regular basis a payroll record for each individual who is to receive a salary supplement. The payroll record should be signed by the employee, and the principal should include the name of the employee, the date(s) and type of work performed, and the pay rate. The board of education will then calculate the amount of gross pay, employee withholdings (federal income tax, FICA, state retirement, insurance, etc.) and the employer's matching share and will include the salary supplement in the employee's regular payroll check received or in a supplemental paycheck from the board of education.

The board of education will invoice the school for reimbursement of the total amount of the gross salary supplement and the employer's share of the related payroll withholdings.

Substitute Teachers

The board of education should establish policies regarding the reimbursement of substitute teachers' salaries related to restricted class and club accounts (i.e., substitute teacher is required when Beta sponsor attends Beta convention). The principal should ensure that all class/club sponsors are informed of applicable policies. If reimbursement from the school is required by the board, the sponsor should ensure that approval is obtained in advance from the membership of the class or club.

Contracted Services

The United States Internal Revenue Code, Section 6042, paragraph 6667, requires anyone engaged in a trade or business who makes payments totaling \$600 or more during a calendar year to a noncorporate recipient (such as an individual working as a sole proprietor or a partnership) to report such payments to the Internal Revenue Service (IRS) and to provide the payee with a Form 1099-MISC.

The board of education is responsible for preparing and distributing such forms to payees. Failure to issue the required Form 1099 by January 31 may result in the board of education and/or schools being liable for a penalty. Therefore, schools must submit information concerning such payments to the board of education to permit a timely filing of Form 1099-MISC. In determining whether the dollar threshold of \$600 has been achieved, the board of education must consider payments made to payees by all schools combined.

A board of education, as an employer, must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. The board of education, however, does not have to withhold or pay any taxes on payments made to independent contractors unless the contractor does not provide an EIN.

Individuals who are employed by a board of education and wish to perform contracted services for the school(s) must demonstrate to the board of education in advance that they meet the stringent IRS definition and test of an independent contractor. Generally, most board of education employees will not meet the IRS definition and test of independent contractor. (**NOTE:** One exception is board of education employees who officiate at athletic events through contract with TSSAA.) Information concerning the employee versus independent contractor relationship may be found in *Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Circular E, Employer's Tax Guide, Publication 15)*, published by the U.S. Department of the Treasury, Internal Revenue Service.

The board of education should require each contractor to complete IRS Form W-9 and should retain the form on file for future reference and audit purposes.

Section 5: Operating Procedures

Title 7, Borrowing, Lending, and Transfers

Borrowing and Lending

Individual schools are not permitted to borrow or loan money for any reason or for any purpose. For purposes of this Manual, a lease-purchase agreement, as referred to in Section 5 of the Manual, is not considered a loan.

Transfers of Money from One School Account to Another

A transfer is considered a donation or gift to the receiving fund or account. Internal school funds may not be transferred from a restricted fund account without the written permission of the club or activity group that raised the funds. Supporting documentation authorizing such a transfer must be retained on file for future reference and audit purposes.

Prohibited Transfers

Each primary account in the restricted fund must be self-supporting. Therefore, transfers may not be made from the general fund to a restricted fund account to eliminate an account deficit.

Section 5: Operating Procedures

Title 8, Club and Class Accounts

General

Student classes and clubs are considered restricted fund accounts. Disbursements and transfers from these accounts must be approved in writing by the membership of the group.

Unexpended Account Balances

Accounts created for a class must be established on the basis of a graduation year so that account balances automatically follow the class until graduation. The graduating class should make provisions for the disposition of unexpended money prior to graduation, as such accounts must be closed at the end of the fiscal year. (For example, the class may choose to use any remaining money to open a savings account, independent of the school's bank accounts, to be used for subsequent class reunions.) Accordingly, if disposition of remaining balances has not been made prior to graduation, the balances will be transferred to the general fund. The graduating class will be considered to have forfeited its vested interest in such money after graduation.

The same guidelines apply to the remaining balance of any activity group account that has become inactive, after the activity group has had an opportunity to determine the disposition of the balance, but failed to do so.

Section **6**

Banking

Section 6: Banking

Title 1, Bank Accounts and Investments

Bank Accounts

Bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured unless the financial institution pledges collateral for any deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes.

NOTE: For additional information regarding collateral requirements and the State of Tennessee Bank Collateral Pool, you may call the Department of Treasury, Division of Cash Management, (615) 532-1168, or the Comptroller of the Treasury, Division of Municipal Audit, (615) 741-1871.

Most banks offer interest bearing checking accounts. The principal should review the various account options provided by their bank to ensure maximum returns on all cash balances.

A combined checking account should be established for the general fund and restricted fund accounts. The food service fund should have a separate checking account.

Investments

Excess internal school money should be invested to maximize interest earnings. All investments of internal school funds should comply with state statutes. Investment options include savings accounts, certificates of deposit, etc.

Section 6: Banking

Title 2, Deposits

Frequency of Bank Deposits

Collections should be deposited daily, if possible, but no more than three days after the initial collection. Night deposits may be necessary to avoid large sums of cash being on hand overnight.

Intact Deposits

Collections should be deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason.

Deposit Slips

Deposit slips must be completed in duplicate. All checks should be listed individually on the deposit slip or an attached list, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip. The validated duplicate deposit slip or the duplicate deposit slip with deposit receipt attached should be given to the bookkeeper.

Section 6: Banking

Title 3, Checks

General

All money must be disbursed by prenumbered checks (except for disbursements from petty cash accounts authorized by the board of education). A check must not be altered, erased or destroyed. Should an error be made in preparing a check, the word "VOID" should be written on the face of the check, the signature section should be removed, and the check should be retained on file for future reference and audit purposes. **Checks must not be signed in advance of their preparation and issuance.** Checks must not be made payable to "Cash."

Checks must be prenumbered. All check numbers must be used sequentially and accounted for. The name of the school must appear on the face of each check. The use of duplicate or multi-part checks is strongly recommended since the additional copies can be filed with paid invoices as well as filed numerically. If a manual check-writing system is used, pertinent information must be recorded on the check stubs.

Signatures on Checks

Two signatures are required for all checks. In most cases, the principal or principal's designee together with at least one other person must be authorized as cosigners of checks of all internal school fund accounts. Authorized signature cards must be kept current with banks. Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).

Voided Checks

In some instances, it may be necessary to void a check recorded in the cash disbursements journal. If a replacement check is written, the new check should be reissued and a general journal memo entry should be made to record the new check in the accounting records. The outstanding check list should also be updated. No revenue or expenditure accounts will be affected. If a replacement check is not issued, an entry in the General Journal must be made for the amount of the original check to restore the amount of the check to the "Cash in Bank" account (debit the cash account and credit the appropriate expenditure account).

Outstanding Checks

All checks outstanding for more than one year should be canceled (written off). When canceling checks, the same procedures should be used as for voided checks.

“Bad” Checks

Some checks deposited by the school may be returned by the bank for various reasons. The proper procedure for handling checks of this type is as follows:

1. Checks Made “Good”

If the maker of the returned check immediately redeems the check in cash (i.e., makes the check “good”), the money received must be deposited separately from any other money. The deposit ticket for this special redeposit should be labeled as “Redeposit of Check Number ____” and should identify the payer. Cash received in exchange for a returned check is not considered additional revenue of school funds. It is not necessary to make any entries in the books of record.

2. Checks Never Made “Good”

If it is determined by the principal that a returned check is uncollectible, the amount of the returned check must be recorded in the cash receipts journal as a reduction of school collections. The amount of the “bad” check must also be deducted from the available bank balance with a complete explanation. The “bad” check must be filed with the bank statement for substantiation of the above entry.

Section 6: Banking

Title 4, Bank Reconciliations

General

Bank statements must be reconciled with the cash balances presented in the accounting records (general ledger) as of the end of each month. Bank reconciliations should be prepared within 30 days after the bank statements are received from the bank. Canceled checks must be retained on file with the applicable bank statements for future reference and audit purposes and should not be filed with paid invoices or purchase authorizations.

NOTE: If imaged statements are issued, the school should require the bank to include both the back and front of each check and deposit slip, and require that the images be of such quality and size that they are clearly legible. If deposit slips are not returned with the bank statement, validated duplicate deposit slips (or duplicate deposit slips with deposit receipt attached) must be retained.

Procedures

- a) Enter the ending balance, as shown on the bank statement, on the appropriate line of the bank reconciliation form.
- b) Match all duplicate deposit slips with deposits listed on the bank statement and in the cash receipts journal.
- c) Those deposits listed on the cash receipts journal which were not matched with deposits listed on the bank statement represent “Deposits in Transit.” List all deposits in transit and record the total on the appropriate line of the bank reconciliation form.
- d) Scan the bank statement for any bank charges and record the bank charges in the accounting records.
- e) Total the amounts shown on the lines for “Balance per Bank Statement” and “Deposits in Transit” and enter this amount on the “Subtotal” line.

- f) All checks received with the bank statement should be matched with the checks listed on both the bank statement and the cash disbursements journal to identify those checks that have cleared the bank.
- g) List all checks that are shown in the cash disbursements journal that have not yet cleared the bank in the “Outstanding Checks” portion of the bank reconciliation. (Do not include checks written off or voided.)
- h) Add all outstanding checks and enter the amount on the appropriate line.
- i) Subtract the total amount of outstanding checks from the subtotal and enter the amount on the line for “Balance per Books.”
- j) Compare the amount shown on the “Balance per Books” line with the total bank balance shown in the general ledger. These amounts should agree. If not, determine the cause of the difference by examining recorded checks, deposits, bank charges, or other items that could affect the bank reconciliation.

Emphasized Internal Control Feature

Whenever possible, someone other than the person who has responsibility for maintaining the accounting records or issuing checks should receive the bank statements unopened directly from the bank. Transactions reflected in the statements should be reviewed and paid checks scanned before giving the bank statements to the person who prepares the reconciliation. Any unusual or improper transactions noted should be reported to the principal.

Section **7**

Accounting and Reporting

Internal School
Uniform
Accounting Policy
MANUAL

Section 7: Accounting and Reporting

Title 1, Information Provided by Accounting System

The individual school's accounting system must provide the following information, at a minimum:

- a.** The source and amount of all money received;
- b.** The purpose and amount of all disbursements;
- c.** The fund balances of the general fund and the food service fund, and the individual balances of each restricted fund account;
- d.** Data for reports and records that will demonstrate that proper procedures were followed in order to safeguard assets.

Section 7: Accounting and Reporting

Title 2, Accounting Records

Any accounting system should provide specific and current information concerning financial operating performance and accountability of financial resources. Basic components of an effective accounting system are discussed below.

Revenue and Expenditure Classification

General Fund

Accounts in the General Fund may be classified as follows:

Revenues--by source and subsource.

Expenditures--by function, subfunction, and object

At a minimum, revenues must be recorded by source, such as gate receipts, resale items, fees, etc. and expenditures must be recorded by function, such as administration, instruction, etc.

Restricted Fund

Revenues and expenditures must be recorded by activity, such as Beta Club, Class of 2000, Band Club, etc.

For a suggested listing of account classifications, refer to the Chart of Accounts in this Manual.

Expanded Reporting Levels

For various reasons, it may be beneficial or necessary for some schools to expand the level of reporting detail of revenue and/or expenditure classifications. This can be accomplished by adding more digits to account codes. Extended levels of reporting classifications may be beneficial for required profit analysis of fundraising activities.

Accounting Records

The following accounting records are required. It is recognized that different accounting systems may produce diverse variations and combinations of these records.

General Journal

The general journal is used to record opening entries, correction of errors, transfers between school accounts, purchases and reimbursements between school accounts, transfers between bank accounts, closing entries and other unusual transactions that are not recorded in the cash receipts or cash disbursements journals. When entries are made in the general journal, the fund, account, and amount must be identified with an explanation for the entry. All general journal entries (other than memo entries) should be posted to the general ledger at the time the journal entry is made.

Cash Receipts Journal

The cash receipts journal provides a summary record, in chronological order, of all receipts written and deposits made.

Cash Disbursements Journal

The cash disbursements journal provides a summary record, in chronological order, of all checks written.

NOTE 1: Most schools today, whether using a manual accounting system or computerized accounting system, prepare separate cash receipts and cash disbursements journals. However, a cash journal may be used. The cash journal combines the cash receipts and disbursement journals, and provides a summary record, in chronological order, of all receipts written, deposits made and checks written.

NOTE 2: Use regular checks to transfer cash from checking accounts to regular savings accounts or to purchase certificates of deposit. Enter these checks in the cash disbursements journal as a memorandum entry referring to the general journal. All details and amounts will be entered in the general journal.

General Ledger

The general ledger provides a summary of the journalized activity in the school's accounts, which includes assets, liabilities, fund balance, revenues and expenditures. Individual schools do not record fixed assets and long-term liabilities in the general ledger.

Section 7: Accounting and Reporting

Title 3, Financial Reporting

Periodic Financial Reports

Trial Balance

At the end of each month, after all transactions have been recorded, a trial balance should be prepared to determine if general ledger debit and credit balances are equal. If the totals of the debit and credit columns are equal, the ledger from which the figures were taken is said to be “in balance.” The trial balance is normally used to verify the accuracy of posting and is the first step in the preparation of financial statements and reports.

Cash Receipts and Disbursements Reports

At the end of each month, a sequential listing of all receipts and a sequential listing of all disbursements should be prepared.

A report detailing cash receipts and disbursements should be prepared for the general fund and for **each restricted fund account**. The general fund cash receipts and disbursements report should be given to the principal or principal’s designee. Cash receipts and disbursements reports for each restricted fund account should be given to the sponsor of each account. These responsible individuals should review the reports. If errors are noted, they should be immediately communicated to the principal for follow-up. If no errors are noted, the responsible individual should sign or initial the report. If errors are noted, the corrective action taken should be written on the report, or a corrected report obtained. The original or corrected report should be returned to the bookkeeper and a copy should be retained by the responsible individual.

Other Reports

The board of education or director of schools may require individual schools to submit monthly reports detailing receipts, disbursements, outstanding obligations, etc. These reports should be submitted in accordance with established policies.

As noted previously, the board of education must establish policies regarding direct application for grants by individual schools. If direct grants are received,

the school must prepare any grantor reports required by the grant contract. In addition, these grants should be included in the financial statements and schedules, in accordance with requirements shown in the discussions below.

Financial Statements and Accompanying Schedules

The requirements established in this Manual differ from generally accepted accounting principles (GAAP) primarily in the presentation of the financial statements, which are required to be prepared annually. These financial statements should be prepared using an “Other Comprehensive Basis of Accounting” as set forth in this Manual. This basis of accounting requires that revenues and expenditures be accounted for using the modified accrual basis of accounting. This basis of accounting and the differences between internal school fund accounting and GAAP are summarized in the notes that follow the illustrative financial statements in this section.

Illustrative Financial Statements and Schedules

The exhibits on the following pages are organized as they should be in the annual audit report. It is recognized that accounting systems are diverse and the resulting financial records may require modification to develop external financial statements. While the basic format should be adhered to, modifications which present all required information will generally be considered to meet the requirements of this Manual. School officials should contact the Comptroller of the Treasury, Division of Municipal Audit, if there are questions or concerns regarding such modifications.

The preparation of the financial statements and related schedules is the responsibility of school personnel and **not** the independent public accountant who contracts for the annual audit. All accounting records should be organized, closing entries posted, and financial statements and schedules prepared as soon after the fiscal year end as possible. The audit report must be submitted by December 31 following the fiscal year end. The school system is responsible for getting a copy of this report to the Department of Education. To meet this deadline, records must be organized and financial statements and schedules must be prepared on a timely basis. Any applicable Governmental Accounting Standards Board (GASB) reporting requirements not addressed in this manual and that do not conflict with the principles set forth in this manual should continue to apply.

**Typical School System - Activity Funds
 Combined Balance Sheet - All Schools
 June 30, 20x2**

	<u>Central High School</u>	<u>Central Middle School</u>	<u>City Elementary</u>	<u>Total</u>
ASSETS				
Cash on hand	\$ 69	\$ 13	\$ 35	\$ 117
Cash in bank-checking	6,000	3,800	700	10,500
Cash in bank-savings	10,000	15,000	4,000	29,000
Accounts receivable	363	237	-	600
Due from food service funds	97	-	-	97
Inventory	534	135	-	669
Other assets	<u>35</u>	<u>60</u>	<u>-</u>	<u>95</u>
Total assets	<u>\$17,098</u>	<u>\$19,245</u>	<u>\$4,735</u>	<u>\$41,078</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78	\$ 66	\$ 22	\$ 166
Due to food service funds	<u>-</u>	<u>57</u>	<u>-</u>	<u>57</u>
Total liabilities	\$ 78	\$ 123	\$ 22	\$ 223
Fund Balances:				
General Fund:				
Reserved for inventory	\$ 534	\$ 135	\$ -	\$ 669
Unreserved	<u>9,255</u>	<u>13,989</u>	<u>3,000</u>	<u>26,244</u>
Total general fund	\$ 9,789	\$14,124	\$3,000	\$26,913
Restricted Fund:				
Reserved for restricted activities	<u>\$ 7,231</u>	<u>\$ 4,998</u>	<u>\$1,713</u>	<u>\$13,942</u>
Total fund balances	<u>\$17,020</u>	<u>\$19,122</u>	<u>\$4,713</u>	<u>\$40,855</u>
Total liabilities and fund balances	<u>\$17,098</u>	<u>\$19,245</u>	<u>\$4,735</u>	<u>\$41,078</u>

The notes to the financial statements are an integral part of this statement.

**Typical School System - Activity Funds
 Combined Statement Of Revenues, Expenditures, and
 Changes in Fund Balances - All Schools
 for the Year Ended June 30, 20x2**

	<u>Central High School</u>	<u>Central Middle School</u>	<u>City Elementary</u>	<u>Total</u>
Fund balances, July 1, 20X1	\$ 8,111	\$20,268	\$ 2,000	\$ 30,379
Prior period adjustments (Note F)	-	-	233	233
Adjusted fund balances, July 1, 20X1	<u>\$ 8,111</u>	<u>\$20,268</u>	<u>\$ 2,233</u>	<u>\$ 30,612</u>
Revenues	\$47,545	\$67,472	\$50,073	\$165,090
Expenditures	<u>38,935</u>	<u>68,538</u>	<u>47,593</u>	<u>155,066</u>
Excess of revenues over (under) expenditures	\$ 8,610	\$(1,066)	\$ 2,480	\$ 10,024
Other financing sources (uses):				
Changes [increase (decrease)] in inventory	\$ 299	\$ (80)	\$ -	\$ 219
Operating transfers in	3,309	583	-	3,892
Operating transfers out	<u>(3,309)</u>	<u>(583)</u>	-	<u>(3,892)</u>
Total other financing sources (uses)	<u>\$ 299</u>	<u>\$ (80)</u>	<u>\$ -</u>	<u>\$ 219</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 8,909</u>	<u>\$ 1,146)</u>	<u>\$ 2,480</u>	<u>\$10,243</u>
Fund balances, June 30, 20X2	<u>\$17,020</u>	<u>\$19,122</u>	<u>\$ 4,713</u>	<u>\$ 40,855</u>

The notes to the financial statements are an integral part of this statement.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20x2**

Background

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds, establishes responsibility for those funds, and requires schools to adopt and follow a uniform accounting manual. This section excludes parent-teacher and parent-student support organizations from the accounting, recordkeeping, and other requirements of this section.

Note A - Summary of Significant Accounting Policies

1. Financial Reporting Entity

This report includes only the activity funds of Typical School System.

2. Other Comprehensive Basis of Accounting

The accounting and financial reporting requirements for school activity funds are set forth in the *Tennessee Internal School Uniform Accounting Policy Manual*, issued by the Tennessee Department of Education. The requirements established in the *Tennessee Internal School Uniform Accounting Policy Manual* differ from generally accepted accounting principles primarily in the presentation of the financial statements. The following is a summary of the basic requirements of this other comprehensive basis of accounting.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The activity funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Management policies define available as collectible within 30 days, 60 days, or other time frame, after the fiscal year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20x2**

Fund Structure

The accounts of the individual schools are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of the fund's assets, liabilities, fund equity, revenues and expenditures. The general fund is used to account for revenues and expenditures which are not restricted to any specific group or activity. Restricted accounts are used to account for money that is restricted in use to a specific segment of the school population and not intended to benefit the general school population.

Financial Statement Presentation

The financial statements consist of a combined balance sheet and combined statements of revenues, expenditures and changes in fund balance. These statements focus on each of the individual schools rather than the funds within the schools. In keeping with that focus, the columnar headings identify the individual schools rather than the funds. These statements are required to be presented before the notes to the financial statements.

The individual school balance sheets and statements of revenues, expenditures and changes in fund balance present the detailed fund activity in each school and are included after the notes to the financial statements.

Sources of revenues and object level expenditures are presented for the general fund. Revenues and expenditures of the restricted fund are recorded based on the specific group or activity which will benefit or expend the funds. The activity in the restricted "accounts" is presented as total revenues and transfers in and total expenditures and transfers out for each account. A corresponding "fund balance" is presented for each account. Although the restricted fund is a single fund, each account within the fund must present its portion of the restricted fund balance. Transfers reported on the financial statements represent authorized movement of funds between restricted accounts as well as between funds.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20x2**

3. Inventory

Inventories are stated at lower of cost (first-in, first-out) or market (net realizable value). Inventory items are recognized as expenditures when used (consumption method). Fund balances have been reserved for the amount of inventories on hand at year end. Inventory from noncash assistance (commodities) is not recorded in the cafeteria fund in accordance with the *Tennessee Internal School Uniform Accounting Policy Manual*.

Note B - Collateralization of Deposits

Cash in bank represents funds on deposit in various depositories. These balances were entirely insured by the FDIC or through the Bank Collateral Pool with the State of Tennessee.

Note C - Commitments

1. Long-Term Noncancelable Leases

Typical School System has entered into certain noncancelable leases which have been approved by the local legislative body. These leases are reported as a part of the primary government's general long-term debt. However, the various schools are obligated to make the monthly payments on these leases.

City Elementary School entered into a lease agreement with Apex Corporation for the purchase of a copier. Monthly lease payments are \$400. The balance of the lease at June 30, 20X2, was \$2,360.

Minimum lease payments:

20X3	\$2,360
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Central High School entered into a lease agreement with Apex Corporation for the purchase of a copier. Monthly lease payments are \$400. The balance of the lease at June 30, 20X2, was \$3,200.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20x2**

Minimum lease payments:

20X3	\$3,200
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Note D - Fixed Assets

Fixed assets acquired by the individual schools are recorded as expenditures at the time of purchase. Title and accountability for fixed assets purchased pass automatically to the board of education.

Note E - Prior Period Adjustment

City Elementary School's beginning fund balance was adjusted by \$233 in order to properly reflect fund balance at July 1, 20X1. Revenue was not recorded in the prior year's financial statements, resulting in last year's revenue and ending fund balance being understated.

Central High School's beginning fund balance was adjusted by \$536 in order to properly reflect fund balance at July 1, 20X1. Prior year accounts payable were overstated resulting in expenses being overstated and fund balance being understated.

**Typical School System - Activity Funds
Balance Sheet - Central High School
June 30, 20X2**

	ASSETS							LIABILITIES AND FUND BALANCES					
								LIABILITIES		FUND BALANCES			
	Cash on Hand	Cash in Bank- Checking	Cash in Bank- Savings	Due from/ Accounts Receivable	Inventory	Other Assets	Total Assets	Due to/ Accounts Payable	Total Liabilities	Reserved for Inventory	Unreserved	Total Fund Balances	Total Liabilities and Fund Balances
General Fund	\$ 69	\$ 2,054	\$ 7,000	\$ 97	\$ 534	\$ 35	\$ 9,789	\$ -	\$ -	\$ 534	\$ 9,255	\$ 9,789	\$ 9,789
Restricted Fund:													
Athletic	\$ -	\$ 142	\$ 1,500	\$ 363	\$ -	\$ -	\$ 2,005	\$ 78	\$ 78	\$ -	\$ 1,927	\$ 1,927	\$ 2,005
Beta Club	-	878	-	-	-	-	878	-	-	-	878	878	878
Student Council	-	255	795	-	-	-	1,050	-	-	-	1,050	1,050	1,050
Biology Club	-	339	-	-	-	-	339	-	-	-	339	339	339
Class of 20X3	-	-	-	-	-	-	-	-	-	-	-	-	-
Class of 20X4	-	362	498	-	-	-	860	-	-	-	860	860	860
Class of 20X5	-	777	207	-	-	-	984	-	-	-	984	984	984
Business Club	-	43	-	-	-	-	43	-	-	-	43	43	43
FFA	-	719	-	-	-	-	719	-	-	-	719	719	719
Pep Club	-	185	-	-	-	-	185	-	-	-	185	185	185
Home Economics	-	246	-	-	-	-	246	-	-	-	246	246	246
Total Restricted Fund	\$ -	\$ 3,946	\$ 3,000	\$ 363	\$ -	\$ -	\$ 7,309	\$ 78	\$ 78	\$ -	\$ 7,231	\$ 7,231	\$ 7,309
Total General and Restricted	\$ 69	\$ 6,000	\$ 10,000	\$ 460	\$ 534	\$ 35	\$ 17,098	\$ 78	\$ 78	\$ 534	\$ 16,486	\$ 17,020	\$ 17,098

The notes to the financial statements are an integral part of this statement.

**Typical School System - Activity Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances - Central High School
For the Year Ended June 30, 20X2**

	Fund Balances 7/1/20X1	Prior Period Adjustments	Adjusted Fund Balances 7/1/20X1	Revenues	Expenditures	Other Financing Sources (Uses)			Fund Balances 6/30/20X2
						Transfers In	Transfers Out	Change (Increase) (Decrease) in Inventory	
General Fund:									
Fund Drives				\$ 4,300	\$ 2,580				
Resale Items				6,925	5,540				
Gifts, Bequests & Donations				5,250	-				
Fines, Fees & Dues				374	-				
Administration				-	2,140				
Instruction				-	1,495				
Operation & Maintenance				-	1,422				
Total General Fund	\$ 3,145	\$ -	\$ 3,145	\$ 16,849	\$ 13,177	\$ 2,673	\$ -	\$ 299	\$ 9,789
Restricted Fund:									
Athletic	\$ 1,302	\$ -	\$ 1,302	\$ 13,386	\$ 13,397	\$ 636	\$ -	\$ -	\$ 1,927
Beta Club	200	-	200	878	200	-	-	-	878
Student Council	600	-	600	3,945	2,007	-	1,488	-	1,050
Biology Club	188	-	188	1,386	1,235	-	-	-	339
Class of 20X3	700	-	700	4,900	4,415	-	1,185	-	-
Class of 20X4	233	-	233	811	184	-	-	-	860
Class of 20X5	133	-	133	3,663	2,812	-	-	-	984
Business Club	965	-	965	232	1,154	-	-	-	43
FFA	300	-	300	465	46	-	-	-	719
Pep Club	236	-	236	730	145	-	636	-	185
Home Economics	109	-	109	300	163	-	-	-	246
Total Restricted Fund	\$ 4,966	\$ -	\$ 4,966	\$ 30,696	\$ 25,758	\$ 636	\$ 3,309	\$ -	\$ 7,231
Total General & Restricted Funds	\$ 8,111	\$ -	\$ 8,111	\$ 47,545	\$ 38,935	\$ 3,309	\$ 3,309	\$ 299	\$ 17,020

The notes to the financial statements are an integral part of this statement.

**Typical School System - Activity Funds
Balance Sheet - Central Middle School
June 30, 20X2**

	ASSETS							LIABILITIES AND FUND BALANCES					
	Cash on Hand	Cash in Bank-Checking	Cash in Bank-Savings	Due from/Accounts Receivable	Inventory	Other Assets	Total Assets	Due to/Accounts Payable	Total Liabilities	Reserved for Inventory	Unreserved	Total Fund Balances	Total Liabilities and Fund Balances
General Fund	\$ 13	\$ 1,520	\$ 12,396	\$ -	\$ 135	\$ 60	\$ 14,124	\$ -	\$ -	\$ 135	\$ 13,989	\$ 14,124	\$ 14,124
Restricted Fund:													
Athletic	\$ -	\$ 432	\$ -	\$ -	\$ -	\$ -	\$ 432	\$ 66	\$ 66	\$ -	\$ 366	\$ 366	\$ 432
Beta Club	-	187	458	-	-	-	645	-	-	-	645	645	645
Student Council	-	202	750	-	-	-	952	57	57	-	895	895	952
Biology Club	-	151	-	-	-	-	151	-	-	-	151	151	151
Band	-	322	404	-	-	-	726	-	-	-	726	726	726
Spanish Club	-	136	-	-	-	-	136	-	-	-	136	136	136
Drama Club	-	193	-	-	-	-	193	-	-	-	193	193	193
FFA	-	278	492	237	-	-	1,007	-	-	-	1,007	1,007	1,007
Pep Club	-	179	500	-	-	-	679	-	-	-	679	679	679
Home Economics	-	200	-	-	-	-	200	-	-	-	200	200	200
Total Restricted Fund	\$ -	\$ 2,280	\$ 2,604	\$ 237	\$ -	\$ -	\$ 5,121	\$ 123	\$ 123	\$ -	\$ 4,998	\$ 4,998	\$ 5,121
Total General and Restricted	\$ 13	\$ 3,800	\$ 15,000	\$ 237	\$ 135	\$ 60	\$ 19,245	\$ 123	\$ 123	\$ 135	\$ 18,987	\$ 19,122	\$ 19,245

The notes to the financial statements are an integral part of this statement.

**Typical School System - Activity Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances - Central Middle School
For the Year Ended June 30, 20X2**

	Fund Balances 7/1/20X1	Prior Period Adjustments	Adjusted Fund Balances 7/1/20X1	Revenues	Expenditures	Other Financing Sources (Uses)			Fund Balances 6/30/20X2
						Transfers In	Transfers Out	Change {Increase (Decrease)} in Inventory	
General Fund:									
Fund Drives				\$ 5,215	\$ 4,800				
Resale Items				8,312	4,050				
Gifts, Bequests & Donations				-	-				
Fines, Fees & Dues				185	-				
Administration				-	1,467				
Instruction				-	204				
Operation & Maintenance				-	132				
Total General Fund	\$ 10,645	\$ -	\$ 10,645	\$ 13,712	\$ 10,653	\$ 500	\$ -	\$ (801)	\$ 14,124
Restricted Fund:									
Athletic	\$ 5,982	\$ -	\$ 5,982	\$ 27,958	\$ 33,657	\$ 83	\$ -	\$ -	\$ 366
Beta Club	172	-	172	931	458	-	-	-	645
Student Council	891	-	891	2,001	1,497	-	500	-	895
Biology Club	137	-	137	395	381	-	-	-	151
Band	255	-	255	18,501	18,030	-	-	-	726
Spanish Club	133	-	133	1,523	1,520	-	-	-	136
Drama Club	56	-	56	1,013	876	-	-	-	193
FFA	1,075	-	1,075	733	801	-	-	-	1,007
Pep Club	727	-	727	502	467	-	83	-	679
Home Economics	195	-	195	203	198	-	-	-	200
Total Restricted	\$ 9,623	\$ -	\$ 9,623	\$ 53,760	\$ 57,885	\$ 83	\$ 583	\$ -	\$ 4,998
Total General & Restricted Funds	\$ 20,268	\$ -	\$ 20,268	\$ 67,472	\$ 68,538	\$ 583	\$ 583	\$ (801)	\$ 19,122

The notes to the financial statements are an integral part of this statement.

Typical School System - Activity Funds
Balance Sheet - Central Elementary School
June 30, 20X2

	ASSETS							LIABILITIES AND FUND BALANCES					
								LIABILITIES		FUND BALANCES			
	Cash on Hand	Cash in Bank-Checking	Cash in Bank-Savings	Due from/Accounts Receivable	Inventory	Other Assets	Total Assets	Due to/Accounts Payable	Total Liabilities	Reserved for Inventory	Unreserved	Total Fund Balances	Total Liabilities and Fund Balances
General Fund	\$ 35	\$ 350	\$ 2,637	\$ -	\$ -	\$ -	\$ 3,022	\$ 22	\$ 22	\$ -	\$ 3,000	\$ 3,000	\$ 3,022
Restricted Fund:													
Athletic	\$ -	\$ 350	\$ 1,363	\$ -	\$ -	\$ -	\$ 1,713	\$ -	\$ -	\$ -	\$ 1,713	\$ 1,713	\$ 1,713
Total Restricted Fund	\$ -	\$ 350	\$ 1,363	\$ -	\$ -	\$ -	\$ 1,713	\$ -	\$ -	\$ -	\$ 1,713	\$ 1,713	\$ 1,713
Total General and Restricted	\$ 35	\$ 700	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,735	\$ 22	\$ 22	\$ -	\$ 4,713	\$ 4,713	\$ 4,735

The notes to the financial statements are an integral part of this statement.

**Typical School System - Activity Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances - Central Elementary School
For the Year Ended June 30, 20X2**

	Fund Balances 7/1/20X1	Prior Period Adjustments	Adjusted Fund Balances 7/1/20X1	Revenues	Expenditures	Other Financing Sources (Uses)			Fund Balances 6/30/20X2
						Transfers In	Transfers Out	Change {Increase (Decrease)} in Inventory	
General Fund:									
County Board of Education				\$ 13,287					
Fund Drives				10,430	\$ 6,377				
Sale of Supplies				8,500	8,200				
Concessions				5,004	4,000				
Fines, Fees & Dues				1,648					
Fall Festival				4,491					
Administration					5,500				
Insurance					10,000				
Maintenance					2,900				
Books					600				
Field Trips					5,016				
Total General Fund	\$ 2,000	\$ 233	\$ 2,233	\$ 43,360	\$ 42,593	\$ -	\$ -	\$ -	\$ 3,000
Restricted Fund:									
Athletic				\$ 6,713	\$ 5,000				\$ 1,713
Total Restricted Fund	\$ -	\$ -	\$ -	\$ 6,713	\$ 5,000	\$ -	\$ -	\$ -	\$ 1,713
Total General & Restricted Funds	\$ 2,000	\$ 233	\$ 2,233	\$ 50,073	\$ 47,593	\$ -	\$ -	\$ -	\$ 4,713

The notes to the financial statements are an integral part of this statement.

**Typical School System
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 20X2**

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Federal Awards</u>						
US Department of Agriculture (National School Lunch Program)	10.555	N/A	\$ 35,192	\$ 195,026	\$ 171,617	\$ 11,783
US Department of Agriculture (National School Breakfast Program)	10.553	N/A	10,334	55,840	48,871	3,365
Noncash Assistance:						
US Department of Agriculture/TN Department of Agriculture (Commodity Assistance)	10.550	GR9707367	6,255	20,651	20,977	5,929
TOTAL FEDERAL AWARDS			\$ 51,781	\$ 271,517	\$ 241,465	\$ 21,077
<u>State Awards</u>						
Tennessee Arts Commission	N/A	GR9704391	\$ -	\$ 2,000	\$ 2,000	\$ -

Note 1: Schedule is prepared on the modified accrual basis of accounting.

**Typical School System - Activity Funds
 Schedule Of Interfund And Interaccount Transfers
 (By School)
 For The Year Ended June 30, 20x2**

CENTRAL HIGH SCHOOL

TRANSFER TO

TRANSFER FROM

	<u>Student Council</u>	<u>Class of 20X2</u>	<u>Pep Club</u>	<u>Total</u>
General	\$1,488	\$1,185		\$2,673
Athletic	—	—	<u>\$636</u>	<u>636</u>
Total	<u>\$1,488</u>	<u>\$1,185</u>	<u>\$636</u>	<u>\$3,309</u>

CENTRAL MIDDLE SCHOOL

TRANSFER TO

TRANSFER FROM

	<u>Student Council</u>	<u>Pep Club</u>	<u>Total</u>
General	\$500		\$500
Athletic	—	<u>\$83</u>	<u>83</u>
Total	<u>\$500</u>	<u>\$83</u>	<u>\$583</u>

Typical School System - Activity Funds
 Schedule Of Salary Supplements
 (By School)
 For The Year Ended June 30, 20x2

<u>School</u>	<u>Amount</u>	<u>Source of Funds</u>	<u>Board Approved</u>	<u>Proper Withholding</u>
<u>CENTRAL HIGH SCHOOL</u>				
M. Luther	\$ 50	Athletic	Yes	Yes
J. Piper	340	Athletic	Yes	Yes
J. Wesley	210	Athletic	Yes	Yes
G. Whitfield	85	Athletic	Yes	Yes
C. Brooks	55	Athletic	Yes	Yes
B. Falls	80	Athletic	Yes	Yes
J. Meadors	80	Athletic	Yes	Yes
C. Finney	<u>100</u>	Athletic	Yes	Yes
Total	<u>\$1,000</u>			
<u>CENTRAL MIDDLE SCHOOL</u>				
J. Edwards	\$ 70	Athletic	Yes	Yes
C. Spurgeon	120	Athletic	Yes	Yes
B. Graham	200	Athletic	Yes	Yes
J. Calvin	150	Athletic	Yes	Yes
E. Elliott	35	Athletic	Yes	Yes
T. Evans	55	Athletic	Yes	Yes
C. Lewis	110	Athletic	Yes	Yes
S. Brown	40	Athletic	Yes	Yes
R. Sproul	<u>40</u>	Athletic	Yes	Yes
Total	<u>\$ 820</u>			
<u>CITY ELEMENTARY</u>	NONE			

**Typical School System
Activity and Food Service Funds
Schedule of Fidelity Bond Coverage
June 30, 20X2**

Company:	Tennessee School Boards Liability Trust
Type of Coverage:	Employee Fidelity Bond
Amount:	\$150,000 each and every loss \$500 deductible, each occurrence
Period Covered:	07/01/X1 - 07/01/X2
Positions Covered:	All Employees

Section 8

**School Food
Authority Fund
Operating
Procedures**

Section 8: School Food Authority Fund - Operating Procedures

Title 1, General Rules and Regulations

Application

All procedures in this Manual apply to the operation of the school food authority fund except where this section may conflict with other procedures in the Manual.

Petty Cash and Change Accounts

A predetermined amount of cash may be set aside as a “change account” for the purpose of making change in the cash collecting operation only. A petty cash account is not allowed in the school food authority fund. The change account shall be reconciled each day. Only the exact predetermined amount of change shall be withheld from each day’s deposit. (**NOTE:** The change account cannot be used to balance overages and shortages in collections.)

Utilization of School Food Authority Fund Money

Income accruing to the school food authority fund in any school, including interest earned on school food authority accounts, shall be used only for school food authority fund purposes. Such income shall **not** be used to purchase land, to acquire or construct buildings.

Vending Machines – Fund Raising

Vending machines operated by the School Nutrition Program and fund raising for the benefit of the School Nutrition Program will follow rules established by federal, state, and local rules and regulations.

Banquets and Special Functions

A formal contract document should be developed for use by the director of schools and/or board of education in authorizing banquets and special functions. School food authority fund money and commodities from the U.S. Department of Agriculture (USDA) must not be used to subsidize these activities. The contract must include the amount to be paid by the requesting organization to cover all costs of the function. The itemized costs on the contract should include food, nonfood supplies, food inventory used, nonfood supplies inventory used, labor, fringe benefits, utilities and any other itemized expenses incurred. Regulations require that a school system have documentation that the funds received by the school food authority for the banquets and special function cover all costs.

The school food authority must have complete documentation. The cost of nonfood supplies and foods in inventory (other than USDA commodities) could be determined with an issue record. These issue records, along with invoices, time sheets, allocation summaries for utilities, and documentation for other costs should be filed with each record of payment and contract. Other charges for facilities, use of facilities and equipment, damage deposit, etc. may or may not be included. If the cost for the special function includes a profit, the local board should decide its disposition. The school food authority fund must be reimbursed for all costs.

When the school food authority is centralized, the scheduling and all accountability procedures required for banquets and special functions are the responsibility of the centralized school food authority staff.

In a non-centralized school food authority, all accountability procedures required for banquets and special functions are the responsibility of the cafeteria manager and the principal. Payments for services to cafeteria employees who cater such affairs must be channeled through the individual's payroll records and are subject to all necessary withholdings. Authorization of the function by the director of schools and/or the board of education constitutes authorization for such payments.

Centralization

A fully centralized school food authority is one in which the central office staff has day-to-day control over the following areas:

- a) Fiscal Management
- b) Procurement of Goods and Services
- c) Personnel
- d) Menu Planning

Separate Accounting Required

Separate accounting records must be maintained for all school food authority funds and should include the same accounting records as described in the accounting and reporting section. Many of the activities of a cafeteria are similar to or would require similar documentation as addressed in previous sections of this Manual. These include ticket sales, cash register use, overall controls, teacher/other collections, collection logs, expenditures, etc.

Indirect Cost

Indirect costs may be included for each program in a Claim for Reimbursement only through the application of an indirect cost rate. The school food authority's indirect cost rate is established by the Tennessee Department of Education. Local education agencies can recover indirect costs only from the reserve fund that exceeds three (3) months operating expenses.

Charges

If charges are allowed, the local education agency must have a board approved charge policy. Uncollected charges must be recouped from other than school Nutrition Program funds.

State Matching Funds

State Matching Funds must be used solely in the School Nutrition Program. Ten percent of the State Matching Funds shall be applied to the costs of one or more of the following:

1. employment of a certified school food service supervisor.
2. employment of cafeteria managers or assistant managers accredited by the Tennessee School Food Service Association or working toward such accreditation.
3. Professional training programs for non-accredited personnel.

Retention of Records

School Nutrition Records must be retained for a period of three years after submission of the final claim for reimbursement for the fiscal year. If audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit.

Financial Statements and Schedules

The school food authority financial statements are prepared in accordance with the reporting standards established by the Governmental Accounting Standards Board. See section 7-6, "Illustrative Financial statements and Schedules", which addresses certain basic reporting requirements that also apply to the School Food Authority Funds.

**Typical School System - School Food Authority Funds
 Individual Balance Sheets - All Schools
 June 30, 20x2**

ASSETS	Central High School	Central Middle School	City Elementary
Cash on Hand	\$28	\$50	\$-
Cash in Bank - Checking	17,601	12,154	10,902
Cash in Bank - Savings	10,000	15,000	5,000
USDA Receivable	6,600	6,263	2,285
Inventory	1,803	2,284	1,856
Due From	-	-	-
Other Assets	353	-	-
Total Assets	\$36,385	\$35,751	\$20,043
LIABILITES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$-	\$115	\$-
Other Liabilities	230	-	-
Due To	-	-	-
Total Liabilities	\$230	\$115	\$-
Fund Balance:			
Reserved for Inventory	1,803	2,284	1,856
Unreserved	34,352	33,352	18,187
Total Fund Balance	\$36,155	\$35,636	20,043
Total Liabilities and Fund Balance	\$36,385	\$35,751	\$20,043

The notes to the financial statements are an integral part of this statement.

**Typical School System - School Food Authority Funds
 Individual Statements of Revenues, Expenditures, and
 Changes in Fund Balances - All Schools
 For the Year Ended June 30, 20x2**

	<u>Central High School</u>	<u>Central Middle School</u>	<u>City Elementary</u>
Fund Balance, July 1, 20X1	\$39,353	\$56,035	\$27,355
Prior Period Adjustments (See Note 3)	536	-	-
Adjusted Fund Balance, July 1, 20X1	\$39,889	\$56,035	\$27,355
Revenues:			
Lunch Payments - Students	\$28,657	\$18,051	\$20,083
Lunch Payments - Adults	5,125	2,979	2,982
Breakfast Payments - Students	1,420	1,418	2,516
Breakfast Payments - Adults	208	5	297
USDA Reimbursements	90,877	88,132	41,479
Supplemental Income	2,909	2,678	26,370
Interest Income	545	608	410
All Other Income	400	25	1,334
Total Revenues	\$130,141	\$113,896	\$95,471
Expenditures:			
Food	\$52,763	\$48,527	\$40,118
Labor	57,795	56,028	48,506
Operations and Maintenance	2,388	4,144	3,802
Equipment	12,859	18,704	2,324
Nonfood Supplies	7,919	7,411	8,338
Total Expenditures	\$133,724	\$134,814	\$103,088
Excess (Deficiency) of Revenues Over Expenditures	(\$3,583)	(\$20,918)	(\$7,617)
Change in Reserve for Inventory	(151)	879	305
Fund Balance June 30, 20X2	\$36,155	\$35,996	\$20,043

The notes to the financial statements are an integral part of this statement.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20X2**

Note A - Summary of Significant Accounting Policies

1. Financial Reporting Entity

This report includes only the non-centralized school food authority funds of Typical School System.

2. Basis of Accounting

The accounting and financial reporting requirements for school food authority funds are illustrated in the *Tennessee Internal School Uniform Accounting Policy Manual*, issued by the Tennessee Department of Education. The school food authority financial statements are prepared in accordance with the reporting standards established by the Governmental Accounting Standards Board.

3. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The school food authority funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Management policies define available as collectible within 60 days (*change this reference as needed to reflect the school system's policy*) after the fiscal year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

4. Fund Structure and Financial Statement Presentation

The school food authority fund of the individual schools is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of accounts which are comprised of the fund's assets, liabilities, fund equity, revenues and expenditures. The financial statements consist of individual fund balance sheets and individual fund

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20X2**

statements of revenues, expenditures and changes in fund balance presented before the notes to the financial statements.

6. Inventory

Inventories are stated at lower of cost (first-in, first-out) or market (net realizable value). Inventory items are recognized as expenditures when purchased (purchases method). Fund balances have been reserved for the amount of inventories on hand at year end. Donated inventory from USDA (commodities) is not recorded in the cafeteria fund in accordance with generally accepted accounting principles applicable to governmental funds.

Because the cafeteria utilizes the single inventory method for all inventory, whether purchased or donated, the value of ending inventory related to commodities has been estimated based on the assumption that commodities are consumed prior to the use of purchased inventory. The value of the ending inventory related to commodities is not reported in the financial statements and is estimated to be \$5929. The value of commodities received during the fiscal year was \$20,651 and the value of commodities used is estimated to be \$20,977.

Note B - Collateralization of Deposits

Cash in bank represents funds on deposit in various depositories. These balances were entirely insured by the FDIC or through the Bank Collateral Pool with the State of Tennessee.

Note C - Commitments

1. Long-Term Non-cancelable Leases

Typical School System Food Authority Funds has entered into certain non-cancelable leases which have been approved by the local legislative body. These leases are reported as a part of the primary government's long-term debt. However, the various school food authority funds are obligated to make the monthly payments on these leases.

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20X2**

City Elementary School Food Authority Fund entered into a lease agreement with Apex Corporation for the purchase of an ice cream machine. Monthly lease payments are \$400. The balance of the lease at June 30, 20X2, was \$2,360.

Minimum lease payments:

20X3	\$2,360
------	---------

Central High School Food Authority Fund entered into a lease agreement with Apex Corporation for the purchase of a freezer bin. Monthly lease payments are \$400. The balance of the lease at June 30, 20X2, was \$3,200.

Minimum lease payments:

20X3	\$3,200
------	---------

Note D - Capital Assets

Capital assets acquired by the individual school food authority funds are recorded as expenditures at the time of purchase. Title and accountability for capital assets purchased pass automatically to the board of education.

Note E - Retirement Plan

Certain school food authority funds' employees have elected to participate in the Tennessee Consolidated Retirement System (TCRS) via a plan administered through ABC County, Tennessee. Information related to this plan can be found in the audit report of ABC County, Tennessee.

Note F - Prior Period Adjustment

Central High School Food Authority fund's beginning fund balance was adjusted by \$536 in order to properly reflect fund balance at July 1, 20X1. Prior year accounts payable were overstated resulting in expenses being overstated and fund balance being understated.

Note G - Risk Management

**Notes to the Financial Statements
Typical School System
for the Year Ended June 30, 20X2**

Typical School System food authority funds are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which ABC County, Tennessee carries commercial insurance. Settlements have not exceeded coverage for each of the past three fiscal years.

**Typical School System - School Food Authority Funds
 Schedule of Salary Supplements
 (By School)
 For the Year Ended June 30, 20x2**

<u>School</u>	<u>Amount</u>	<u>Source of Funds¹</u>	<u>Proper Withholding</u>
<u>CENTRAL HIGH SCHOOL</u>			
M. Luther	\$ 50	Cafeteria	Yes
J. Piper	340	Cafeteria	Yes
J. Wesley	210	Cafeteria	Yes
G. Whitfield	85	Cafeteria	Yes
C. Brooks	55	Cafeteria	Yes
B. Falls	80	Cafeteria	Yes
J. Meadors	80	Cafeteria	Yes
C. Finney	100	Cafeteria	Yes
	<hr/>		
Total	<u><u>\$ 1,000</u></u>		
<u>CENTRAL MIDDLE SCHOOL</u>			
J. Edwards	\$ 70	Cafeteria	Yes
C. Spurgeon	120	Cafeteria	Yes
B. Graham	200	Cafeteria	Yes
J. Calvin	150	Cafeteria	Yes
E. Elliot	35	Cafeteria	Yes
T. Evans	55	Cafeteria	Yes
C. Lewis	110	Cafeteria	Yes
S. Brown	40	Cafeteria	Yes
R. Sproul	40	Cafeteria	Yes
	<hr/>		
Total	<u><u>\$ 820</u></u>		
<u>CITY ELEMENTARY</u>	NONE		

¹Although the salary supplements were paid through the cafeteria fund, sufficient money was paid to the fund from the appropriate restricted fund account(s) to pay for these supplements.

**Typical School System - School Food Authority Funds
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 For the Year Ended June 30, 20x2**

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning		Cash Receipts	Expenditures	Ending (Accrued) Deferred
			(Accrued) Deferred				
US Department of Agriculture: National School Lunch Program	10.555	N/A	\$35,192		\$195,026	\$171,617	\$11,783
National School Breakfast Program	10.553	N/A	10,334		55,840	48,871	3,365
Total Child Nutrition Cluster			\$45,526		\$250,866	\$220,488	\$15,148
Noncash Assistance--							
Through the TN Department of Agriculture: Commodities Assistance	10.550	N/A	6,255		20,651	20,977	5,929
Total Through the US Department of Agriculture			\$51,781		\$271,517	\$241,465	\$21,077

Section

9

Chart of Accounts

Internal School
Uniform
Accounting Policy
MANUAL

Section 9: Chart of Accounts

Title 1, Account Codes

The account codes in this section are presented to illustrate account numbers that could be used in an individual school for internal school funds. While the account titles and descriptions should be used uniformly in all schools, the account numbers below are suggestions only. Each school must determine which account codes work best for its manual or computerized accounting system.

Account No.	Accounts	Fund		
		General	Restricted	Food Service
1-99	Balance Sheet	X	X	X
101-199	Revenue			X
201-299	Expenditure			X
301-399	Revenue	X		
401-499	Expenditure	X		
601-699	Revenue & Expenditure		X	

Section 9: Chart of Accounts

Title 2, General or Restricted Funds

Balance Sheet Accounts

Assets

Account Number	Account
11	Cash on hand
12	Cash in banks - checking
13	Cash in banks - savings
21	Other investments
31	Accounts receivable

Liabilities and Fund Balance

Account Number	Account
61	Due to board of education
71	Accounts payable
81	Accrued expenses payable
91	General fund balance
92	Restricted fund balance

NOTE: Any account may be expanded to create a sub-level of reporting.

Section 9: Chart of Accounts

Title 3, General Fund

Revenue Classification By Subsource

Account Number	Account
302	Gate receipts – entertainment
302.1	Movies
302.2	Plays
302.3	Assemblies
302.4	Carnivals
302.5-9	Other entertainment gate receipts (specify)
303	Gate receipts – miscellaneous
303.1	Lectures
303.2	Rallies
303.3-9	Other miscellaneous gate receipts (specify)
304	Resale items
304.1	Bookstore supplies
304.2	Pictures
304.3	Vending
304.5-9	Other resale items (specify)
305	Sale of school publications
305.1	School newspapers
305.3	School yearbooks
305.4-9	Other school publications (specify)
306	Fundraising
306.4-9	Other fund drives (specify)

Account Number	Account
307	Unrestricted gifts, bequests, and donations
307.1	Gifts
307.2	Bequests
307.3	Donations
307.4-9	Other gifts, bequests or donations (specify)
309	Board of education allocation
309.1	For supplies
309.2	For books
309.3	For equipment
309.4	For services
309.5-9	Other board allocations (specify)
310	Fines, fees, and dues
310.1	Library fines
310.2	Breakage fees
310.3	Class dues
310.4	Club dues
310.5-9	Other fines, fees, or dues (specify)
311	Interest income
312	Rent
312.1	For school facilities
312.2-9	For other facilities (specify)
313-399	Other revenue (designate)

Expenditure Classification (by Function, Subfunction and Object)

Account Number	Account
401	Administration
401.01	Salaries (paid to board of education)
401.02	Contracted services
401.03	Supplies and materials
401.05	Fixed charges
401.07	Equipment
401.09	Other
402	Instruction
402.02	Contracted services
402.03	Supplies and materials
402.07	Equipment
402.09	Other
403	Expenditures from board of education allocation
403.02	Contracted services
403.03	Supplies and materials
403.07	Equipment
403.09	Other
404	Operation and maintenance
404.02	Contracted services
404.03	Supplies and materials
404.07	Equipment
404.09	Other
406	Entertainment
406.1	School group performances
406.12	Contracted services
406.13	Supplies and materials

Account Number	Account
406.17	Equipment
406.19	Other
406.2	Movies
406.22	Contracted services
406.23	Supplies and materials
406.27	Equipment
406.29	Other
406.3	Contracted performers
406.32	Contracted services
406.33	Supplies and materials
406.39	Other
406.9	Other (must report object)
406.92	Contracted services
406.93	Supplies and materials
406.97	Equipment
406.99	Other
407	School publications
407.1	School yearbook
407.12	Contracted services
407.13	Supplies and materials
407.17	Equipment
407.19	Other
407.2	School newspaper
407.22	Contracted services
407.23	Supplies and materials
407.27	Equipment
407.29	Other
407.9	Other
407.92	Contracted services
407.93	Supplies and materials

Account Number	Account
407.97	Equipment
407.99	Other
408	Field trips and other off-campus events
408.02	Contracted services
408.03	Supplies and materials
408.07	Equipment
408.09	Other
409	Items for resale
409.03	Supplies and materials
409.07	Equipment
409.09	Other
411	Fundraising
411.11	Carnivals
411.12	Car washes
411.13	Candy sales
411.14	Other
412	Other (list function)

Explanation of Expenditure by Function

- 401** Administration - Those expenditures that are generally for the offices of the principal, assistant principals, bookkeeper, and other administrative staff.

- 402** Instruction - Those expenditures which benefit the instructional program of the school.

- 403** Expenditures from local board allocations - The local board allocations normally will be accounted for separately and often limited to specific items.
- 404** Operation and maintenance - All expenditures for the operation and maintenance of the buildings and grounds.
- 406** Entertainment - All expenditures for school entertainment.
- 407** School publications - All expenditures for school publications, such as yearbooks and newspapers.
- 408** Field trips and other off-campus events - Those expenditures incurred in preparation for off-campus events and all expenditures incurred during the events.
- 409** Items for resale - The cost of items purchased that will be resold. This account will include such items as bookstore and concession supplies and materials.
- 411** Fundraising - All costs related to fundraising activities.
- 412 – 499** Other - Use these accounts to provide a detailed explanation of expenditures that cannot properly be charged to one of the functions above.

Section 9: Chart of Accounts

Title 4, Restricted Fund

Revenue/Expenditure Accounts

601-999 All Restricted Accounts

Account No.	Account
601-699	Athletics
601	All athletics (general ledger account or not used)
602	Basketball (subsidiary ledger account or general ledger account)
603	Baseball (subsidiary ledger account or general ledger account)
604	Football (subsidiary ledger account or general ledger account)
605	Golf (subsidiary ledger account or general ledger account)
606	Tennis (subsidiary ledger account or general ledger account)
607	Track (subsidiary ledger account or general ledger account)
608	Swimming (subsidiary ledger account or general ledger account)
609-699	Other (name)
701-799	Class accounts
701	Class of 20X3
702	Class of 20X4
703	Class of 20X5
704	Class of 20X6
801-899	Club accounts
801	Beta club
802	FFA club
803	Forensic club
804	Journalism club
805	Science club
807	FHA club

Account No.	Account
901-999	Other activities (name)
901	Band boosters club
902	Athletic band boosters club
903	Teacher materials and supplies account

Section 9: Chart of Accounts
Title 5, Food Service Fund

Balance Sheet Accounts

Assets

Account Number	Account
11	Cash on hand
12	Cash in bank
13	Cash in savings account
21	Other investments
31	Accounts receivable

Liabilities and Fund Balance

Account Number	Account
61	Income tax withheld
62	Social security tax payable
63	Retirement withheld and payable
65	Insurance withheld and payable
66	Other payroll deductions
71	Accounts payable
81	Accrued payroll
94	Food service fund balance

NOTE: Any account may be expanded to create a sub-level of reporting.

Revenue Accounts

Lunch

Account Number	Account
111	Students
112	Adults
113	Other
114	USDA

Breakfast

Account Number	Account
121	Students
122	Adults
123	Other
124	USDA

Milk

Account Number	Account
131	Students
132	Adults
133	Other
134	USDA

Other Programs

Account Number	Account
141	Students
142	Adults
143	Other
144	Interest income

Expenditure Accounts

Account Number	Account
210	Labor
220	Food
240	Supplies
250	Utilities
260	Contracted services
270	Equipment
290	Other

Appendix **A**

**Applicable Laws
and Exhibits**

Appendix A: Applicable Laws and Exhibits

The Internal Accounting Law, as amended, is reproduced below. The text of the Internal Accounting Law follows:

INTERNAL ACCOUNTING LAW (Section 49-2-110, TCA)

Student activity fund--Regulations--Handling and management--Accounting--Bond.--(a)The several schools may, if authorized by the particular board of education having jurisdiction over such school or schools, receive funds for student activities as hereinafter provided, and for events held at or in connection with the school, including contracts with other schools for inter-school events and funds derived from such sources shall be the property of the respective schools; however, the board of education granting such authorization, shall provide for its school system reasonable regulations, standards, procedures, and an accounting manual covering the various phases of student body activity funds and other internal school funds accounting, including, but not limited to: (1) the bonding of those who are responsible for handling the funds; (2) the proper handling of cash receipts, the making of deposits, the management of funds, the expenditures of funds and the accounting for funds; (3) the auditing of funds; (4) the making of financial reports; (5) the carrying of necessary insurance; (6) the use of proper business and accounting forms; (7) the collection of state and federal taxes; (8) the purchase of supplies and equipment; (9) the powers and responsibilities of the principal of the school in connection with the handling of student body activity funds and other internal school funds; (10) the preparation of a student body activity fund budget and the budgetary control of expenditures; and (11) ways and means of evaluating and improving all phases of student body financial activities and the handling of other internal school funds in accordance with accounting practices and procedures as are generally recognized in public

school systems . . . (c) The school shall not require any student to pay a fee to the school for any purpose, except as authorized by the board of education, and no fees or tuitions shall be required of any student as a condition to attending the public school, or using its equipment while receiving educational training. (d)The principal of each school shall have the duty of instituting and following the reasonable regulations, standards, procedures, and the accounting manual adopted by the board of education having jurisdiction over the school (1) The principal shall be liable to account for the safekeeping and handling of all funds of every character raised by student activities, school services, and school events, irrespective of the sources of such funds, or the purpose for which they were raised . . . (e) The department of education shall prepare a uniform accounting policy manual for local school systems, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration, and each local school system is required to adopt such manual when issued and maintain all activity fund books and records in accordance with the requirements of such manual. . . .

The text of the **internal school audit law** follows:

ANNUAL AUDITS OF SCHOOLS (Section 49-2-112, *TCA*)

(a)(1) The local board of education shall cause an annual audit to be made of the accounts and records of all schools under its jurisdiction which receive and disburse funds. (2) The audit shall include, but not be limited to, the activity funds described in *TCA* 49-2-110.

(b)(1) The Comptroller of the Treasury, through the department of audit, shall be responsible for ensuring that the audits are prepared in accordance with generally accepted government auditing standards and determining if the audits meet minimum audit standards and regulations which

shall be prescribed by the Comptroller of the Treasury. (2) No audit may be accepted as meeting the requirements of this section until such audit has been approved by the Comptroller of the Treasury.

(c)(1) Such audits may be prepared by certified public accountants, public accountants or by the department of audit. (2) In the event the board of education fails or refuses to have the audit prepared then the Comptroller of the Treasury may appoint a certified public accountant or public accountant or direct the department of audit to prepare the audit: The cost of such audit to be paid by the board of education.

(d)(1) All such audits shall be completed as soon as practicable after June 30 of each year. (2) One (1) copy of each audit shall be furnished to the superintendent of schools, each member of the board of education, and the Comptroller of the Treasury. Copies of each audit shall also be made available to the press.

(e) All audits performed by the internal audit staffs of any such schools shall be conducted in accordance with the standards established by the Comptroller of the Treasury pursuant to *TCA 4-3-304(9)*.

Appendix **A**

**Applicable Laws
and Exhibits**

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school systems . . . (c) The school shall not require any student to pay a fee to the school for any purpose, except as authorized by the board of education, and no fees or tuitions shall be required of any student as a condition to attending the public school, or using its equipment while receiving educational training. (d)The principal of each school shall have the duty of instituting and following the reasonable regulations, standards, procedures, and the accounting manual adopted by the board of education having jurisdiction over the school (1) The principal shall be liable to account for the safekeeping and handling of all funds of every character raised by student activities, school services, and school events, irrespective of the sources of such funds, or the purpose for which they were raised . . . (e) The department of education shall prepare a uniform accounting policy manual for local school systems, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration, and each local school system is required to adopt such manual when issued and maintain all activity fund books and records in accordance with the requirements of such manual. . . .

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(d)(1) All such audits shall be completed as soon as practicable after June 30 of each year. (2) One (1) copy of each audit shall be furnished to the superintendent of schools, each member of the board of education, and the Comptroller of the Treasury. Copies of each audit shall also be made available to the press.

(e) All audits performed by the internal audit staffs of any such schools shall be conducted in accordance with the standards established by the Comptroller of the Treasury pursuant to *TCA 4-3-304(9)*.

FUNDRAISER PROFIT ANALYSIS REPORT

SECTION 1 (To be completed by sponsor)

Fundraising activity _____
 Fund/club/class _____
 Sponsor _____
 Approval date _____ Beginning date _____ Ending date _____

EXPECTED COLLECTIONS

Date	Check #	Item Purchased	Quantity	X	Selling Price	=	Expected Collections
Subtotal							\$ _____
Total from page 2							\$ _____
GRAND TOTAL							\$ _____

ACTUAL COLLECTIONS

Date	Cash Receipt Number	Amount
Subtotal		\$ _____
Total from page 3		\$ _____
GRAND TOTAL		\$ _____

ENDING INVENTORY

Number of items on hand X selling price = ending inventory value

_____ X \$ _____ = \$ _____

ANALYSIS

Expected collections	\$ _____
Less: actual collections	\$ _____
Less: ending inventory	\$ _____
Overage/shortage*	\$ _____

*Attach detailed documentation or explanation for this amount.

ADVERTISING SALES FOR YEARBOOK PROFIT ANALYSIS REPORT

EXPECTED COLLECTIONS				
Size of Ad	No. of Ads Printed in Publication	X	Selling Price	Expected Collections
			Subtotal	\$
			Total from page 2	\$
			GRAND TOTAL	\$

ACTUAL COLLECTIONS			
Date	Cash Receipt Number	Amount	
		Subtotal	\$
		Total from page 3	\$
		GRAND TOTAL	\$

ANALYSIS	
Expected collections	\$ _____
Less: actual collections	\$ _____
Overage/shortage*	\$ _____
*Sponsor should provide explanation for any variance	

ADVERTISING SALES FOR YEARBOOK PROFIT ANALYSIS REPORT

EXPECTED COLLECTIONS				
Size of Ad	No. of Ads Printed in Publication	X	Selling Price	Expected Collections
			Subtotal	\$
			Total from page 2	\$
			GRAND TOTAL	\$

ACTUAL COLLECTIONS		
Date	Cash Receipt Number	Amount
		Subtotal
		Total from page 3
		GRAND TOTAL

ANALYSIS	
Expected collections	\$ _____
Less: actual collections	\$ _____
Overage/shortage*	\$ _____
*Sponsor should provide explanation for any variance	

VENDING PROFIT ANALYSIS REPORT

EXPECTED COLLECTIONS							
Date	Check #	Item Purchased	Quantity	X	Selling Price	=	Expected Collections
Subtotal							\$
Total from page 2							\$
GRAND TOTAL							\$

ACTUAL COLLECTIONS		
Date	Cash Receipt Number	Amount
Subtotal		\$
Total from page 3		\$
GRAND TOTAL		\$

ENDING INVENTORY

Number of items on hand X selling price = ending inventory value

_____ X \$ _____ = \$ _____

ANALYSIS

Expected collections	\$	_____
Less: actual collections	\$	_____
Less: ending inventory	\$	_____
Overage/shortage*	\$	_____

*Attach detailed documentation or explanation for this amount.

DONATION/ALLOCATION SUMMARY REPORT

(Page 1 of 2)

Source of Donation/Allocation _____

Purpose of Donation/Allocation _____

Fund/Account Name Donated/Allocated To _____

Date Received _____

Amount of Donation/Allocation \$ _____

Total Purchases with Donation/Allocation (from page 2) \$ _____

*Difference \$ _____

*If the amount spent is less than the donation/allocation, please provide explanation and intended disposition of balance.

Completed by _____ Date _____

Reviewed by _____ Date _____

Any change in authorized purpose must be accompanied by a written authorization from the donor.

PRENUMBERED RECEIPT- CASHIER

RECEIPT	Central High School Main Boulevard Anytown, TN 00000	No. 0001	
Received from	<u>Coach John Smith</u>		
Amount	<input type="text" value="\$100.00"/>	One hundred and no/100 dollars	
Purpose	Concessions \$60 Football Jackets \$40	Account Name Account No.	Football 604
Cash <input type="checkbox"/>	Check <input type="checkbox"/>	By <u>Ima Cashier</u>	
\$20	\$80		

PRENUMBERED RECEIPT-TEACHER/OTHER

RECEIPT	Central High School Main Boulevard Anytown, TN 00000	No. 0002	
Received from	<u>Ima Student</u>		
Amount	<input type="text" value="\$10.00"/>	Ten and no/100 dollars	
Purpose	<u>English I</u>	Account Name	Class fees
Cash <input type="checkbox"/>	Check <input type="checkbox"/>	By <u>Ima Teacher</u>	
\$10			

TICKET RECONCILIATION

Date _____ vs. _____

Type of event _____

STUDENT TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

ADULT TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

RESERVE/SPECIAL TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

BEGINNING CHANGE FUND

\$20s	_____	Total	\$ _____
\$10s	_____	Total	\$ _____
\$5s	_____	Total	\$ _____
\$1s	_____	Total	\$ _____
\$0.25s	_____	Total	\$ _____
		Total change fund	\$ _____

I certify that I checked the ticket color, beginning number, ending number, and the change fund of this ticket seller box and found it to be correct as listed above.

 Signature of Designee

 Signature of Ticket Seller

Beginning change fund	\$ _____
Total ticket sales	\$ _____
Athletic fund donations received by ticket seller	\$ _____
Total due in ticket sales box	\$ _____
Total in ticket sales box	\$ _____
BOX OVER or (SHORT)	\$ _____

I certify that I checked the AFTER SALES beginning and ending number of remaining tickets and collections from this ticket box and found it to be correct as listed above.

 Signature of Designee

 Signature of Ticket Seller

TICKET RECONCILIATION

Date _____ vs. _____

Type of event _____

STUDENT TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

ADULT TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

RESERVE/SPECIAL TICKETS

Ticket color _____ Sale price \$ _____

Roll Ending No. _____ **Roll Beginning No.** _____

After sales _____
 Before sales _____
 Difference _____ X \$ _____ = \$ _____ sales

BEGINNING CHANGE FUND

\$20s	_____	Total	\$ _____
\$10s	_____	Total	\$ _____
\$5s	_____	Total	\$ _____
\$1s	_____	Total	\$ _____
\$0.25s	_____	Total	\$ _____
		Total change fund	\$ _____

I certify that I checked the ticket color, beginning number, ending number, and the change fund of this ticket seller box and found it to be correct as listed above.

 Signature of Designee

 Signature of Ticket Seller

Beginning change fund	\$ _____
Total ticket sales	\$ _____
Athletic fund donations received by ticket seller	\$ _____
Total due in ticket sales box	\$ _____
Total in ticket sales box	\$ _____
BOX OVER or (SHORT)	\$ _____

I certify that I checked the AFTER SALES beginning and ending number of remaining tickets and collections from this ticket box and found it to be correct as listed above.

 Signature of Designee

 Signature of Ticket Seller

COUNT OF COLLECTIONS

Activity _____

Fund/Account Name _____

Sponsor _____

Date of Activity _____

Authorized Purpose _____

Beginning Change \$ _____

Amount Collected \$ _____

Total to be Turned Over to Cashier \$ _____

I have counted the money collected and beginning change for this activity, and the amount shown above is the amount I counted.

Counted by: _____

Date _____

Counted by: _____

Date _____

DAILY COLLECTION REPORT

Central High School

Date _____

Fund/Account Name	Fund/Account No.	Receipt Nos.	Amount
General:			
Board of Education Allocations	309.2	1011	\$1,000.00
Fines, Fees, and Dues	310.1	1010, 1013, 1014	225.00
Restricted:			
Class of 20X4	704	1012	200.00
Beta Club	801	1015	75.00
Total Amount Received			\$1,500.00
Amount Deposited			1,500.00
Overage/Shortage			\$ 0.00

AUTHORIZATION BY STUDENT ORGANIZATION

Date _____

Name of Student Class or Organization _____

Sponsor _____

The following expenditures/transfers have been authorized by the membership of this organization:

Item/Service/Transfer	Expected Cost/Amount

President of Organization

Date

Treasurer of Organization

Date

Sponsor of Organization

Date

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