

TABLE OF CONTENTS

<u>INTRODUCTION AND BACKGROUND INFORMATION</u>	1
<u>General Provisions</u>	1
<u>Basic Principles of School Activity Funds</u>	1
<u>Accounting Systems</u>	2
<u>Internal Control</u>	2
<u>Classification of Accounts</u>	3
<u>Coding of Student Activities</u>	6
<u>Computer Accounting</u>	7
<u>CASH RECEIPTS</u>	8
<u>Receipts from Teachers</u>	8
<u>Documentation</u>	8
<u>Balancing and Daily Cash Deposit</u>	8
<u>Posting Receipts to Cash Receipts Journal</u>	9
<u>Bank Reconciliations</u>	9
<u>Petty Cash Fun</u>	10
<u>CASH DISBURSEMENTS</u>	11
<u>Purchasing and Procurement System</u>	11
<u>PURCHASING CODE</u>	12
<u>Exempt Purchases</u>	12
<u>Levels of Purchasing Authority</u>	12
<u>Purchases less than \$1,000</u>	12
<u>Purchases between \$1,000 and \$5,000</u>	12
<u>Purchases between \$5,001 and \$15,000</u>	12
<u>Check Preparation</u>	12
<u>Posting Disbursements</u>	13
<u>TRANSFERS</u>	14
<u>Documentation and Management</u>	14
<u>Transfers of Allotment Funds</u>	14
<u>Activity Fund Management</u>	14
<u>INVESTMENTS</u>	15
<u>Purpose</u>	15
<u>Accounting for Investment/Savings Funds</u>	15
<u>Investment Interest</u>	15
<u>VOIDING TRANSACTIONS</u>	16
<u>Voiding Receipts and Disbursements</u>	16
<u>UNCLAIMED PROPERTY</u>	17
<u>Purpose and Procedures</u>	17
<u>HERITAGE BACKUP</u>	18
<u>Recommendations</u>	18
<u>FINANCIAL STATEMENTS</u>	19
<u>Preparation of Monthly Financial Statements</u>	19
<u>Annual Financial Statement Reporting</u>	19
<u>AUDIT INFORMATION</u>	20
<u>General</u>	20

<u>Documentation</u>	20
<u>OTHER MATTERS</u>	21
<u>State Sales Tax</u>	21
<u>Ticket Sales</u>	21
<u>Taxable Earnings Paid to Individuals</u>	22
<u>Fund Raisers</u>	22
<u>Allotment Funds from the School Board</u>	22
<u>PRINCIPAL'S GUIDELINES</u>	24
<u>Accounting Procedures</u>	24
<u>General Procedures</u>	25

INTRODUCTION AND BACKGROUND INFORMATION

The purpose of this manual is to provide the school administrator and bookkeeper a better understanding of the procedures and practices associated with bookkeeping for the school system's activity accounts. This manual supersedes all previous accounting manuals for Pulaski County Public Schools internal accounting.

The procedures and practices outlined in this manual represent the rules and regulations promulgated by the State Department of Education and Pulaski County Public Schools and should be adhered to in order that the accounting practices at all schools may be standardized.

General Provisions

Each School shall keep an accurate record of all receipts and disbursements so that a clear and concise statement of the condition of each activity fund may be determined at all times. It shall be the duty of each principal to see that such records are maintained in accordance with these regulations and rules promulgated by the Pulaski County Public School Board. The principal, or person designated by him/her, shall perform the duties of school finance officer or central treasurer. Approval should be obtained from the school system's Director of Business and Finance prior to designating someone other than the principal to be the finance officer.

Basic Principles of School Activity Funds

The principles that have been established by the State to assist school divisions in administering school activity funds are:

- School activity funds shall be used solely in accordance with the purpose for which such funds are collected.
- Projects for raising school activity funds shall contribute to the educational experience of pupils and shall not conflict with the instructional program.
- Funds derived from the student body as a whole shall be used to benefit the student body as a whole.
- Generally, school activity funds shall be spent in such a way as to benefit those pupils who are in school and who have contributed to the accumulation of such funds.
- Student representation is encouraged in the management of funds raised by the student body and spent for its benefit, subject to faculty supervision.

- School activity funds shall be managed in accordance with the best business practices including, sound budgetary and accounting procedures.
- Principals, through their representatives, shall participate in the preparation, modification and interpretation of the policies, regulations and procedures affecting student body affairs.

Accounting System

Educational accounting and financial Reporting must satisfy a number of objectives simultaneously. A method of accounting exists to provide complete, accurate, and timely financial information to persons responsible for the operation of the school. Deficit balances are not allowed in any school activity fund. However, at specific times during the school year, there may be a deficit in an account, but it should be cleared by the reimbursement of funds. At the end of the school year, no deficits are permitted in school activity funds.

Internal Control

Internal control techniques are used by all managers to make their operations conform to a desired pattern to achieve established objectives. The most important financial activities in handling school activity funds are receipt and disbursement of cash. The sensitive nature of cash demands strong internal control procedures. However, some of the most desirable internal controls over cash cannot be fully implemented in school activity fund procedures because of the shortage of personnel and the nature of operations. As an alternative, it may be necessary to rely on a review of the funds by the principal and an analysis of internal reports. The basic standards of internal control are defined as follows:

- **Documentation** – Internal controls shall be clearly described in writing, in an orderly manner, and documentation shall be readily available in a central or limited number of locations.
- **Recording of Transactions** – Transactions shall be recorded as executed and shall be properly classified.
- **Execution of Transactions** – Independent evidence shall be maintained that authorizations are issued by persons acting within the scope of their authority and that transactions conform to the terms of authorizations.
- **Separation of Duties** – Key duties such as authorizing, approving and recording transactions, issuing or receiving assets, making payments and reviewing or auditing such transactions shall be assigned to separate individuals to maximize the effectiveness of internal control and to minimize the risk of loss. Internal control depends largely on the elimination of opportunities to conceal errors or irregularities.

Such control, in turn, depends on the assignment of work in such a manner that no one individual is responsible for all phases of an activity or transaction, thereby creating a situation that would permit errors or irregularities to go undetected.

- **Supervision** – Qualified and continuous supervision shall be provided to ensure that approved procedures are followed. Lines of responsibility and accountability shall be clearly defined.
- **Access to Resources** – Access to resources shall be limited to authorized personnel. Access includes both direct physical access and indirect access through the preparation or processing of documents that authorize the use and disposition of resources. Periodic comparison shall be made of the resources used with the recorded accountability of the use to detect any discrepancy.
- **Competent Personnel** – Reasonable care shall be taken to ensure that key personnel have high standards of integrity and are competent. This assurance can be achieved by education, training, and relevant experience.
- **Reasonable Assurance** – Internal controls will provide reasonable, but not absolute, assurance that objectives will be accomplished. This standard recognizes that the cost of internal controls should not exceed the benefits to be derived from the controls. The benefits consist of significant reductions in the risks of failing to achieve the stated objectives.
- **Records** – Procedures shall be implemented to ensure that records, regardless of medium, be secure from unauthorized use, alteration or destruction, and be retained in accordance with school board policy.

Classification of Accounts

This section categorizes standard accounts that make up the components of a school activity fund; only general categories are included, and no attempt is made to list all types of activity accounts. The accounts can be classified in two separate categories; Regular School Activity Accounts and Clearing /Control Accounts, with subsections under these mail headings.

Regular School Activity Accounts

Instructional Accounts - Instructional accounts contain funds to be used for the support of specific instructional programs. Funds available to each instructional account are spent to the extent deemed necessary by faculty and the principal.

Characteristics of an instructional account include the following:

- Contains funds primarily denoted to support instruction
- May receive general and/or specific revenue

- May be spent by teachers/level chairs with principal approval

Examples of instructional accounts include, but are not limited to, the following:

- Business
- Foreign Language
- Instructional Materials
- Library Fund
- Summer School

Clubs and Organizations – Organization accounts contain funds that are to be used for the benefit of a distinct group of students who have formed an organized entity with officials elected by the group. The activity is planned to occupy the attention and interest of the group concerned as opposed to the interest and concern of the entire student body.

Characteristics of an organization must include the following:

- Must be organized with elected student officers
- Is of concern or interest to a limited group
- Is not involved in a competitive sense with other schools
- Accumulates funds for its own use

Examples of organization accounts include, but are not limited to, the following:

- Civic Clubs
- History Club
- Class of (year)
- Key Club
- National Honor Society

Major Activity Accounts - contain funds to be used for the benefit of the entire student body or school. Most school activities which generate revenue from fees, admissions, fund-raising drives, grants and donations are in this category. Students involved in these activities may serve as official representatives of the school in activities or competitions with other schools. Authority for expenditures rests jointly with student officers, fund sponsors and the principal, or with fund sponsors and the principal where student participation is not appropriate.

Characteristics of a major activity account include the following:

- May be used by the school to finance competitive events.
- Is denoted for the benefit of the entire student body.
- Comprises most of major revenue producers.

Examples of major activity accounts include, but are not limited to, the following:

- Bookstore
- Pictures
- Publications

Athletic Accounts – Athletic accounts contain funds to be used to support and maintain boys’ and girls’ sports programs. These funds are spent at the discretion of the athletic director and administrator.

Characteristics of an athletic account include the following:

- Funds provided by ticket sales for sporting events and support from boosters clubs
- Contains funds designated for expenses incurred for equipment, officiating, security, etc.
- May be spent by coaches with athletic director/administrator approval

Examples of athletic accounts include, but are not limited to, the following:

- Baseball
- Basketball – Girls
- Basketball – Boys
- Football

Fees - Fees accounts record funds collected and disbursed for goods and services. These funds are spent in support of the designated programs as necessary by the faculty and principal.

Characteristics of a fees account include the following:

- Receives specific revenue for goods and/or services
- All or some portion may be sent to designated supervisor
- May be spent by designated instructor with administrator approval

Examples of fees accounts include, but are not limited to, the following:

- Guidance PSAT Test
- Non-Resident
- PE Uniforms
- Student Activities

Miscellaneous Accounts – The miscellaneous accounts are used for receipts and disbursements occurring during the course of regular school/staff business and are not directly related to instruction. Funds are disbursed as necessary by staff/administrators with administrative approval.

Characteristics of a miscellaneous account include the following:

- May receive specific and/or general revenue
- Contains funds for general operating expenses
- May be spent at administrative discretion

Examples of miscellaneous accounts include, but are not limited to, the following:

- Faculty Fund
- General Fund

- Interest Income
- Vending

Special Accounts – Special accounts receive outside funds that may come from public or private sources (i.e., grants, contributions). Disbursement of these funds may be directed by the contributor and/or administrator. Special accounts include Capital Outlay, Grants, and Scholarships.

Clearing/Control Accounts

Clearing Accounts - Clearing accounts are accounts in which funds flow in and out in equal amounts so that a zero balance is achieved over a period of time, usually at the end of the school year. In general, these accounts hold fund balances which will be forwarded to destinations outside the school (or in some cases inside the school), and any deficit balances will be cleared by reimbursements. Clearing accounts are generally designated for specific purposes and are not available for use in other school activities.

Characteristics of a clearing account include the following:

- Is not available for school activities
- Normally has an end-of-year balance of zero unless a deficit indicates a reimbursement due

Examples of clearing accounts include, but are not limited to, the following:

- Building Use
- Field Trips
- Student Drives
- Summer School Tuition
- Cafeteria Fund

Control Accounts – Control accounts are records which account for cash assets not in the checking account; for example, savings accounts, petty cash funds, and change funds.

Coding of Student Activities

Prudent and effective fund management and accounting depend upon the account structure established for financial transactions. A school activity account may be established only with the approval of the school principal, and the account name and code number must be selected from the Master Chart of Accounts as approved by the Director of Business and Finance. No new codes or account names may be created without that director's authorization. All school activity funds will be accounted for within one set of accounts under the control and direction of the principal. A separate fund ledger should be set up for each activity fund, and the receipts and disbursements of each fund should be recorded on the proper fund ledger. The account title should reflect the purpose for which the fund account was established. Numerical account numbers should follow the

same structure as the other accounts within the school, with each activity fund having its own account number.

Computer Accounting

Pulaski County Public Schools has adopted the Heritage Accounting System for use in all schools and departments. This accounting manual should be consulted for technical or procedural questions, and the Heritage manual should be consulted for questions related to computer execution of these procedures.

CASH RECEIPTS

School activity fund revenues may be generated from a number of sources including athletics, concessions, publications, club activities, gifts, fund-raising drives, and other activities. Because most revenues come in the form of cash receipts, including checks, the maintenance of adequate cash control procedures is extremely important.

Receipts from Teachers

Teachers should complete and provide copies of receipts to the payer or maintain written records of monies (for amounts less than \$2.00 per student) collected for classroom activities. All collections should be receipted by a pre-numbered receipt form written promptly upon receipt of funds. Completed teacher receipt books and written records should be kept by the bookkeeper for the year until the audit has been completed. Teachers are responsible for taking all cash collections to the office on a daily basis. **No money should be left in the classroom overnight!!** Teachers will not turn over cash or checks to the bookkeeper without receiving a signed receipt generated by Heritage for the amount of money turned in. The receipt book/records should be totaled by the bookkeeper for the day and must agree with the amount of cash collected from the teacher.

Documentation

Accounting for cash receipts by the school bookkeeper begins when cash is brought into the office. Cash should be in the form of coins, currency, money orders, or checks. A receipt should be issued to the payer once the cash has been counted and collected. The receipt should indicate the school, date, payer, amount in numeric form, and be signed by the bookkeeper and the payer. In addition, the activity fund account number(s) should be included on the receipt to indicate which activity fund receives the cash. Duplicate copies are printed from Heritage.

Balancing and Daily Cash Deposit

All checks should be endorsed “for deposit only” immediately upon receipt. At the end of the day, cash collected should agree with the total of daily receipts issued. Once this is completed, a deposit slip must be prepared. Each deposit slip lists currency, coins, and checks on the front. On the reverse side, checks should be listed and totaled to agree with the check amount on the front of the deposit slip. If necessary, use additional deposit slips attached to the first one. The total of checks, coins and currency per deposit slip should equal the total amount of the cash deposit as well as total cash receipts for the day as shown on the Checkbook and/the Ledger in Heritage. If cash is received after the deposit is made, a second deposit should be prepared and identified as deposit #2 in

Heritage. Please note that on the bank statement, the “bank date” is usually the next business day for posting purposes if the deposit is taken to the bank after 2:00 PM **No money should be left in the building overnight.** (Exception: petty cash)

Posting Receipts to Cash Receipts Journal

In Heritage, receipts may be posted one at a time as they are entered or posted in one step after all receipts for the day are entered and edited for accuracy. The posting process automatically posts figures to the Checkbook and the appropriate accounts in the General Ledger.

Bank Reconciliations

Bank reconciliations must be performed on a monthly basis for all cash accounts. The reconciliations should be prepared using the Heritage process no later than five school days following receipt of the bank statement.

The bank reconciliation forges the relationship between the bank statement and financial records of the school. Bank balances in most cases do not agree with the accounting records because of outstanding checks and deposits in transit. Outstanding checks are defined as checks which have been written against an account in Heritage but have not cleared the bank as of the bank statement date. Deposits in transit are defined as deposits recorded as receipts in Heritage that have not cleared the bank as of the bank statement date. Other reconciling items include bank charges and errors.

Deposits in transit are receipts that were recorded in Heritage but had not been recorded by the bank as of the last day of the month. In order to find deposits in transit, you must go through the bank statement and compare deposits made by the bank to the Checkbook in Heritage. Any deposits recorded in the Checkbook that are not on the bank statement are deposits in transit on the bank reconciliation.

Outstanding checks are checks that have been deducted in Heritage but have not cleared the bank as of the last day of the month. To find outstanding checks, you should agree each check returned with your statement to your disbursements journal and mark it as cleared in Heritage. These outstanding checks are reconciling items on the Heritage bank reconciliation.

It is *imperative* that timely bank reconciliations be performed. Because bank reconciliations readily point out errors, this can affect an individual fund or school’s financial status.

In most cases, errors will not be significant enough to redo a monthly financial statement. These errors can usually be corrected with an adjustment in the subsequent month.

All unreconciled items must be identified and corrected in Heritage each month before the Principal reviews and signs. A copy of the reconciliation, signed by the Principal, must be sent to the Director of Business and Finance within 10 days of receiving financial statement.

Petty Cash Fund

As stated previously, at no time should checks be written to "Cash." A suggested amount to maintain in petty cash is \$25. When a purchase is made, a receipt, noting amount taken and purpose of money should be included in the fund. A check made payable to Petty Cash can be written charging the general fund for the amount needed to reimburse the account fully to \$25. Purchases of less than \$10 can be made from this fund for miscellaneous purposes, and no purchase order documentation is required. When Petty Cash is used to lend students lunch money that is repaid, a larger sum may be required for this fund.

CASH DISBURSEMENTS

Purchasing and Procurement System

All disbursements should be made by check, not with cash. Before any disbursement is made, a purchase order or requisition must be filled out by the party requesting the supplies or services. All orders should be placed using the Heritage purchase order system and no check should be issued without a completed and approved document.

Purchasing documents should include the school's name and address, the vendor's name and address, date of request, and the activity fund to be charged. Also included should be the quantity and description of the item ordered, the unit price, and the extended cost of the items with a total at the bottom. Unit prices should be estimated if not known. The document should be signed by the requestor/sponsor of the activity fund and approved by the principal/administrator **prior** to the ordering of materials. Once it has been completed, it can be sent to the vendor as needed.

Copies of purchasing documents should be kept in the bookkeeper's custody. A numeric sequence of computerized purchase orders and their status is maintained by Heritage.

There are some exceptions to when purchase orders must be used. They are not required when:

- Funds are transferred from one activity account to another,
- Checks are written from one cash account to another
- Maintenance agreement payments are being made,
- Any other contract payment is made, or
- Where not practical (i.e., vending machine orders).

The idea is to keep documentation of the disbursement. The first two items above are not purchases while the second two items already have documentation as to request for purchase (i.e., the contract). **(NOTE: If teachers use their own funds to purchase supplies without prior approval in writing from the Principal, reimbursement to the teacher is not guaranteed.)**

Purchasing Code

Purchasing activities at the school level are subject to the state procurement code as adopted by the School Board. Sections related to activity fund purchases are outlined as follows:

- Under \$1,000: Schools can purchase items anywhere they want; however, in order to get the best price, it is recommended that the using department or school check with more than one vendor and select the vendor with the lowest price meeting specifications.
- \$1,000 to \$5,000: A minimum of three (3) telephone price quotes is required.
- \$5,001 to \$15,000: Written price quotations must be obtained. Form submitted to Central Office requesting permission to purchase.
- Anyone making purchases is legally bound to conduct the purchase transaction in a manner that is consistent with the State code. Specifically, the transaction must be administered in a way that ensures that the following takes place:
 - that goods and services, of appropriate quality to meet the school's need, are obtained at a reasonable cost,
 - that all procurement procedures be conducted in a fair and impartial manner,
 - that competition be sought to the maximum feasible degree to achieve the best use of the citizens' dollar,
 - that specifications reflect the needs of the school rather than being drawn to favor a particular vendor.
- Any person engaging in any school purchasing transactions is initially responsible for and liable for any violation of the State code that might occur in that transaction.

Check Preparation

As soon as the goods or services have been received, the receiving person will inspect the goods/services to assure compliance with the order. That person will date, sign, and forward the packing slip and/or invoice to the bookkeeper, noting on the document any discrepancies. After the bookkeeper has obtained the properly approved invoice and confirmation that goods have been received, a check may be issued to the vendor. The following should be on every check: check number, date, payee, amount in numerical and written form, and **two** official signatures. Identical information should be written on the check stub along with the fund account number charged and the amount. The

bookkeeper will combine and file copies of all documents, including the purchase order, invoice/packing slip, and check stub.

Official check signatories should include the principal, bookkeeper, and one other designated official (i.e., assistant principal) if needed. Check signers should be sure that the purchase is complete and the merchandise or service has been received. ***When turnover among check signers occurs, it is important to immediately go to the bank and have check signature cards changed to reflect the new check signers.***

Checks should never be written to “cash.” Checks written to “cash” are bearer documents and anyone who holds the check may cash it. (The one exception is for “petty cash.”) In addition, checks must be written for vendors or individuals performing services to document this payment for tax purposes. No vendor or individual should be paid with cash. Our failure to document these costs may result in a penalty payable to the Internal Revenue Service for improper disclosure.

Posting Disbursements

Each cash disbursement made by the school should be posted individually to the Check Book in Heritage. The journal is the point of original entry to the accounting system. Disbursements should be posted entering the date of check, number of check, purchase order number (if applicable), payee name, brief explanation, activity account to be charged and amount of disbursement. As each check is generated, the figures are automatically posted by Heritage to the appropriate account in the General Ledger. The total balance on the ledgers should equal the total of the checkbook.

TRANSFERS

Documentation and Management

Transfers involve the reallocation of funds from one activity account to another. No check is written, nor is there any receipt or disbursement of cash. While individual activity fund balances change, the overall fund balance does not change. This transaction is merely “intra-fund,” and no money changes hand with a third party. Transfers can be made for various reasons, such as to close out an account or to reimburse an activity account for payments made by another account.

Transfers should be documented using a budget transfer form and include date, accounts to/from, amount of transfer, and principal’s signature. These transfers should be made only if they are justified and must be approved by the principal before being made. Transfers should not be made from one account to another to keep certain activities from overdrawing their account unless specific approval is made by the principal. In most cases, activity fund accounts should maintain a positive balance and not require aid from other activity funds to stay operational.

Transfers of Allotment Funds

School Allotment accounts are funded by allocations from the school board and are public monies. It is very important that the transfer of monies from one school allotment account to another school allotment account is not made without proper authorization. Transfers of allotment monies are prohibited without written permission from the Director of Business and Finance at the Central Office. The director will grant or deny, in writing, your request for the transfer of funds. Once approval is granted, the transfer can be made.

Activity Fund Management

The State Department of Education mandates that all funds have a positive or zero balance at the end of the year. There are different types of funds (i.e., administrative funds, athletic funds, general funds, club accounts, etc.). In most cases, to relieve negative balances in general funds at the end of the year, transfers should come from other general funds. These transfers must be approved by the Principal. When club accounts are overdrawn, the bookkeeper should notify the club supervisor and principal of the overspent account and plans should be made to restore the account to a positive balance.

INVESTMENTS

Purpose

Investments, short term and/or long term, should be considered by any school or department with surplus funds in excess of current operational needs.

Accounting for Investment/Savings Funds

Accounting for investment transactions has some unique features. It is important to visualize what is actually happening when an investment transaction is being made. For deposits to an investment/savings account, create a disbursement from one cash account to another (i.e., checking #10 to investment #25), writing a check to the appropriate banking institution. For a check from an investment withdrawal, create a receipt from one cash account to another (i.e., investment #25 to checking #10). Funds have only moved from one cash account to another, in effect, a transfer. Therefore, total cash is the same and fund balances do not change. In a case where the bank will make a transfer from one account to another, or issue a cashier's check, a simple transfer from one cash account to another is all that is necessary in Heritage.

Investment Interest

Interest from investments and/or interest checking is the same as a cash receipt. While no cash comes to the office, the actual amount of cash increases in the investment account. Therefore, the appropriate cash account and the appropriate activity fund (preferably an interest income account) should each be increased by the interest amount in Heritage. This is done by using the interest on the reconciliation screen or new receipt. The investment interest activity fund is treated as a general account and may be used for transfers at year end in June.

Important: *Interest income must be posted to June books for all investment earnings through June 30.*

VOIDING TRANSACTIONS

Voiding Receipts and Disbursements

At some point during the school year, it may be necessary to void the posting of a school receipt. Reasons for voiding receipts include receipt posting errors. To void a receipt, follow the Void Receipt procedure in Heritage. Another option would be to create an adjustment for posting to the cash receipts journal and fund ledger, except the amount of the receipt would be negative for the amount that is voided. In effect, you are reversing a transaction originally made in these records because that is what voiding a transaction accomplishes. To post a voided receipt as a disbursement would overstate the amount of disbursements.

Reasons for voiding a disbursement include writing a check for the wrong amount and subsequently correcting with a new check or adding back checks in excess of time limits for payees to cash these checks (usually six months). To void a disbursement, follow the Void Check procedure in Heritage. Another option would be to create an adjustment for posting to the cash disbursements journal and fund ledger, except the amount of disbursement will be negative for the amount voided. As explained above, you are reversing a disbursement. Making this transaction a receipt would overstate the amount of receipts during the year.

UNCLAIMED PROPERTY

Purpose and Procedures

Each year, the School Board is required to submit a report to the Commonwealth of Virginia showing any property that has not been claimed. This includes checks that have been written by the school to cover invoices, reimbursements or payroll. These checks would have been outstanding for one fiscal year.

Every September, the Business and Finance Office will compile a listing of checks that have not been cashed from the previous fiscal year. **Each individual will be notified in writing that they were issued a check that has not been cashed.** They will have a period of ten days to cash the check or request a replacement check. If the check is not cashed within ten days, the bookkeeper will be asked to void the check in Heritage and issue a new check payable to the School Board. The Business and Finance Office will remit these checks to the State with an unclaimed property report showing the name and address of the person to whom the check was issued. **Bookkeepers should not void any stale checks since they will ultimately be sent to the State as unclaimed property.**

HERITAGE BACKUP

Recommendations

Back up of your Heritage system is very important in the event your computer or network malfunctions. The bookkeeper should back up Heritage each day to the C and F drive.

FINANCIAL STATEMENTS

Closeout of Monthly Transactions

Financial statements for the school activity funds should be prepared immediately after the monthly bank reconciliation. The day for monthly closeout should be as of the last day of each month. In order to close out the books for the month, all transactions must be entered and posted for that month prior to reconciliation.

Preparation of Monthly Financial Statements

Monthly financial statements should be run immediately upon closing of the books and the originals kept on file. They should include the appropriate: Reconciliation Report, Transaction Register, Checkbook Register, Fund Details, Transfer Details & Outstanding check Register. These original statements must be signed by the principal and the bookkeeper and retained. A copy of the approved Monthly Report should be submitted to the Director of Business and Finance within thirty days of the closing. For example, the Monthly Report for August will be due in the central office by September 30. A backup of Heritage books will be sent to the Director of Business and Finance office after closing each day. This allows for an off-site backup of your data on a daily basis.

Annual Financial Statement Reporting

Annual financial statements should merely be a compilation of all months' activity for each fund during the year. Statements should be prepared as specified by the independent auditors.

In addition to the annual financial statement, a listing of accounts receivable and accounts payable will be needed as of the end of the year. Accounts receivable are defined as items billed or monies not received as of the end of the year but which are owed to the school funds. Accounts payable are defined as obligations incurred by the school funds before the end of the year which have not been paid. These will be requested by the independent certified public accountants at the time of the audit.

AUDIT INFORMATION

General

Audits of the financial records for each of the school's activity funds are performed to assure the financial records have been fairly presented on a recorded cash basis and that accounting procedures are properly adhered to. The auditor will discuss non-compliance with procedures and general financial management recommendations with the bookkeeper and principal as well as communicate in a written letter to School Board.

Audits will usually occur within two to six weeks after the end of the fiscal year. Because some bookkeepers are on ten or eleven month contracts and may not be able to close out and reconcile June in a timely fashion, the auditor will schedule final month(s) close out and audits with each school individually. Based on the agreed upon schedule for preparing those yearly financial statements, bookkeepers should cut off activity as of a specified date, obtain a statement from the bank as of that date, and prepare statements. The auditor will advise those bookkeepers as to handling subsequent transactions between that date and the end of the fiscal year.

Documentation

In order to be prepared for the audit, the following items must be available:

- Monthly financial statements
- General ledger
- Cash receipts and disbursement journals
- Receipt books (if applicable)
- Monthly bank statements and reconciliations with appropriate signatures on each
- Deposit tickets and canceled checks
- Checkbook/check stubs
- Completed year-to-date financial statements (including Transaction Register, and Checkbook Register)
- Purchase orders
- Invoices for purchases
- Transfers journal
- Reports for ticket sales, if applicable
- Listing of any accounts payable and/or receivable at the end of the year

OTHER MATTERS

State Sales Tax

State legislation allows exemption from state sales tax for any tangible personal property purchased by or sold at retail by the school, or by a Parent Teacher Association, or any other groups associated with public nonprofit elementary and secondary schools in connection with fund-raising activities. The net proceeds (sales price less direct expense) associated with the fund raiser must be contributed directly to the public school or used by the group to purchase “certified” school equipment to contribute to the school. “Certified” means any equipment that the school has said it will accept as a donation. Below is a concise and clear definition of the Virginia Sales Tax Regulations:

Schools are exempt from the payment of Virginia State Sales Tax for all purchases made for goods and services which become the property of the school or which contribute to the operation of the school and are paid for with public funds or funds of the nonprofit institution of learning. This exempts the school for most purchases including fund-raising purchases for resale.

Purchases for goods and services are not exempt from sales tax when they do not contribute to the instructional program or the operation of the school or are not paid for out of public funds. Examples include food purchases not used in the food preparation classes, gifts, and dining and lodging arrangements for social gatherings outside the school.

To become eligible for state sales tax exemption, the public school making the purchase must supply the vendor with a completed form ST-12 (Appendix A). One copy of the appropriate form to each vendor is sufficient since it also applies to subsequent purchases for eligible exemption.

Ticket Sales

Admission to activity events should normally be handled through the sale of pre-numbered tickets, which shall be under the control of the bookkeeper. Each ticket salesman shall check out tickets from the bookkeeper, who will note the beginning ticket number. At the end of the event, each ticket salesman shall return all un-issued tickets to the bookkeeper, reporting the number of the next un-issued ticket, the number of tickets sold, price per ticket, and the total calculated amount of sales (Appendix B). The calculated amount of sales should equal the amount of cash collected during the event.

In cases where there are more than one person selling tickets, the bookkeeper may require that a Consolidated Box Office Report must be completed indicating ticket salesmen, total sales, change fund, total accountability, amount remitted to the bookkeepers and any

variances (Appendix C). This report should be signed by the ticket management and bookkeeper noting they have received the monies.

Taxable Earnings Paid to Individuals

Each school is required to report annually to the Business and Finance Office taxable earnings paid to Individual/Sole proprietors, Corporations, or Partnerships from the school's activity fund. Payments made for personal services (i.e. coaching supplements, field trip bus drivers, clerical, stipends) must be made through the Payroll Office and are not to be paid directly to the individual from the school activity fund. The bookkeeper should send time sheets with W-2s to the Payroll Office for payment and should maintain a file with copies of all such time sheets. The Payroll Office will subsequently invoice the school for these expenses, and the bookkeeper must reconcile these invoices against that file. The Heritage bookkeeping system does not prepare IRS Form 1099 Miscellaneous Income for those rendering services as independent contractors.

The following guidelines should be used in collecting and documenting this information:

- Verify that (a) the social security number is correct, (b) the name is as shown on the individual's social security card and (c) the mailing address is correct. It is important that this data is accurate since the payments are reported to the IRS and the 1099 form will be mailed to the individual. Form W-9 can be used to gather taxpayer identification information including: name, address, social security number or employer identification number.
- Checks may be written for travel and expense reimbursements (not personal services) through the Activity Fund and are not taxable to the individual.

Fund Raisers

Fund raising campaigns must be reviewed by the principal before commencement. Campaigns should not be entered into frivolously and should recognize a reasonable amount of profit in relation to effort generated. Any item for sale should be eligible for return to the vendor. Therefore, customized items should be carefully scrutinized since they are usually not returnable for credit to the vendor.

Allotment Funds from the School Board

In accordance with state law, school board allotments for instructional supplies, library materials, copier costs or any other use will be deposited upon receipt. An account must

be established from the master list provided by the Director of Business and Finance for each specific allotment as indicated by the allotment letter accompanying the check. All receipts and disbursements for school board allotments should be posted to a separate account (i.e., Guidance, Administrative, Math, or Science). No receipts should be made to the allotment accounts except for school board allotments, and disbursements should be for appropriate purchases or expenditures within the scope of the allotment type.

Transfers of allotment monies to another account are *prohibited* without written permission from the Director of Business and Finance at the central office. These are “public monies” and cannot be used for other school activity funds.

It is suggested that each allotment be used fully during the fiscal year in which it is issued. Any allotment funds not spent by the end of the year must be returned to the central office by June 30. However, a balance of \$10 remaining in an allotment account will not be considered a finding by the auditors.

PRINCIPAL'S GUIDELINES

Accounting Procedures

Principals have the responsibility to ensure that complete and accurate financial records of the school activity funds are maintained in accordance with State Department of Education and County of Pulaski guidelines. At any given time, the financial position of an activity fund should be available. To achieve this goal, the principal should periodically check to ensure the following procedures are adhered to:

Cash Receipts – Receipts are written for every office collection. Receipts are made payable to the individual giving monies to the office in numerical format and signed by the person (usually the bookkeeper) issuing the receipt and by the person remitting the money.

When classroom collections are necessary, teachers must complete an accurate written record or a written receipt for the amount of money received from the student or the parent. Receipts must list name, amount of receipt in numerical and written form, purpose of receipt and signature of teacher. No money is to remain in the classroom overnight. It should be submitted with the receipt book or record to the office every day that cash comes in as soon as collected, preferably before 10:00 AM.

Cash collections should be deposited in the bank on a daily basis. The total amount of daily receipts posted to Heritage should equal the amount of the deposits for the day.

Cash Disbursements – All cash disbursements are to be made by check. A purchase order or request for reimbursement for the amount of goods or services purchased must be submitted by the fund supervisor and signed by the principal or his/her designee before the order can be placed.

Procurement procedures established by the County of Pulaski and adopted by the school board must be followed.

Written verification of the receipt of goods must be acknowledged by a staff member on the invoice or packing slip.

Checks must be signed by **two** authorized individuals, usually the bookkeeper and principal or his/her designee. No check should be issued until full receipt of goods and services has been satisfied and any disputes with the vendor have been settled.

Cash disbursements recorded in Heritage on any day must equal the dollar amount of checks issued during the day. Two exceptions will be when a voided check is posted and when a check is written to invest surplus monies.

Bank Reconciliation – The bank reconciliation must be performed monthly within five school days after receipt of the bank statement. The statement should be given unopened to the principal for review. After signing and dating, the principal will then give the statement to the bookkeeper for reconciliation.

- The general format of the bank reconciliation as performed in Heritage is as follows:

Balance per bank statement	XX
Plus deposits in transit	XX
Minus outstanding checks	XX
Transfers and adjustments	XX
Reconciled balance	XX
Posted balance per books	XX
Un-reconciled items (if any)	XX

Any un-reconciled items must be corrected in Heritage. The bank reconciliation should be run again until un-reconciled items equal zero.

- When the reconciliation is complete, the principal must sign the reconciliation as complete and accurate and immediately forward a copy to the Director of Business and Finance.

General Procedures

- Depending on the size of the school, a range of \$10 to \$50 is suggested as an amount to set aside for petty cash purchases and change for students/teachers. Receipts should be issued to the petty cash fund for purchases and should be reimbursed through a general activity fund account. No purchase orders are required for petty cash purchases.
- Collection of vending machine monies is at the discretion of the principal. If this money is collected by the bookkeeper, a review of the vending account should be performed periodically. Monies collected from vending machines should be counted in the presence of another and receipted and deposited to the bank on the same day as collected.
- Checks cannot be written payable to Cash. All checks should be written payable to the appropriate vendor.

- School board allotments should be deposited immediately upon receipt and credited to the appropriate account. No transfers of allotment monies to or from other accounts (including other allotment accounts) are permitted without written permission from the Director of Business and Finance at the central office.
- General care should be taken in the investment of surplus funds to ensure the covering of monthly operating expenses while maximizing interest income opportunities.