

WEST VIRGINIA  
SECRETARY OF STATE

KEN HECHLER

ADMINISTRATIVE LAW DIVISION

Form #2

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OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

AGENCY: West Virginia Board of Education TITLE NUMBER: 126  
RULE TYPE: Legislative; CITE AUTHORITY W.Va. Code §§18-2-5, 18-9A-17, and 18-9B-1, et seq.

AMENDMENT TO AN EXISTING RULE: YES  NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: 2

TITLE OF RULE BEING AMENDED: Individual School Accounting  
Procedures (1224.1)

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: \_\_\_\_\_

TITLE OF RULE BEING PROPOSED: \_\_\_\_\_

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON February 9, 1996 AT 5 p.m. ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS.

Joseph Panetta, Director  
Office of School Finance  
West Virginia Department of Education  
Building 6, Room 215  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0330

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.

Victor A. Barone  
Victor A. Barone  
Director, Legal Services

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL

12.20

**EXECUTIVE SUMMARY  
REVISION OF STATE BOARD POLICY 1224.1**

**Policy Number and Title:**            Policy 1224.1. Individual School Accounting Policy

**Public Comment Period Ends:** February 9, 1996    **Adopted:** \_\_\_\_\_

**Background:**

Policy 1224.1 prescribes the accounting requirements for the public schools in the State of West Virginia. An integral part of the policy is an accounting procedures manual that is distributed to every school throughout the State. The policy is revised periodically to update established practices and procedures for the accounting of all revenues received by the schools. The policy was last revised in August 1989. The proposed changes included in this revision were developed by the Office of School Finance in cooperation with the Accounting Procedures Committee of the Association of School Business Officials, the Department of Tax and Revenue, Chief Inspector Division, and county chief school business officials.

**Purpose:**

The purpose of the policy is to describe the minimum system of accounting that is to be adopted by the individual schools throughout the State in order to safeguard the financial assets of a school. County boards of education are encouraged to develop local policies and regulations that supplement the provisions prescribed in this policy.

**Key Provisions:**

- The manual is divided into separate sections to provide specific guidance for the individuals at a school who are responsible for the collection and disbursement of general school funds, child nutrition funds, faculty senate funds, athletic funds and funds collected by PTAs, booster groups and other organizations.
- Each county board is to establish by local policy the number of funds the schools within a county are authorized to maintain. The different funds that may be maintained are: General, Child Nutrition, Faculty Senate, and Athletic.
- County boards may authorize the individual schools within a county to establish a change drawer to be used as starting cash for athletic events, concession stands or other school activities.
- Each school is required to prepare monthly and annual financial statements and submit at least one signed copy to the county board's chief school business official.

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- All schools that conduct tournaments on behalf of the Secondary School Activities Commission (SSAC) are to deposit all proceeds received from the tournament into a school bank account and remit the total amount by check to the SSAC. The SSAC is to pay all expenses incurred as a result of the tournament, including payment for all personal services.
- Each board of education is to establish by local policy accounting procedures that are to be followed by PTAs, booster groups or other organizations that collect money in the name of a school within the county. At a minimum, each organization is to be approved by the county board, the organization is to provide the school principal with an annual financial statement, and the organization is to advise the school principal of any fund raiser that is being conducted in the name of the school.

OSF-6144

**EXPLANATION OF MAJOR CHANGES  
PROPOSED REVISION OF STATE BOARD POLICY 1224.1**

The proposed revisions completely rewrites the policy as it is currently adopted to provide more specific guidance to county boards of education and to the various groups of school personnel who are responsible for the accounting of school funds. The major changes are:

Current Policy	Proposed Revisions
1. The manual is presented in one section and provides only generic instructions.	1. The revised manual is presented in separate sections to provide specific guidance for general school revenues, child nutrition operations, faculty senate funds, athletic funds and activities of PTAs, booster groups and other support organizations.
2. Schools are required to maintain two funds; the general and food service funds.	2. County boards granted authority to establish by board policy the number of funds the schools within a county are allowed to maintain, limited to the following: general, child nutrition, faculty senate, and athletic funds.
3. Guidance is not provided for the accounting of specific types of revenues collected.	3. Guidance is provided for the accounting of specific revenues, such as concession sales, vending machine sales, fund raisers, gate receipts, etc.
4. Bank deposits to be made in a timely manner or when total collections exceed \$200.	4. Bank deposits required to be made weekly, or when total collections exceed \$500.
5. Vague on whether two signatures are required on checks issued by a school.	5. Requires two signatures on every check issued by a school, with the principal being one of the individuals.
6. Guidance not provided for specific types of disbursements, such as reimbursement of travel expenditures.	6. Guidance provided for specific types of disbursements. In addition, county boards granted discretion to allow schools to obtain school credit cards for use by authorized employees when traveling.
7. No specific authority for schools to establish a starting cash drawer for school events.	7. County boards granted authority to allow schools to establish a starting cash drawer not to exceed \$500 for use at school events.
8. No specific requirement to forward monthly financial statements to central board office or to make a copy available for review.	8. One copy of monthly financial statements to be forwarded to central board office and a copy to be made available for review at the school.

<p>9. No specific guidance included in policy for the accounting of child nutrition funds. Instructions included in child nutrition regulations only.</p>	<p>9. Specific instructions provided for the accounting of child nutrition funds, including the different ways to collect fees, collection of delinquent accounts, and preparation of monthly and annual financial statements.</p>
<p>10. No specific guidance provided for the accounting of faculty senate funds.</p>	<p>10. Specific instructions provided for the accounting of faculty senate funds, including preparation of budgets, allocation of funds to individual teachers, and preparation of monthly and annual financial statements.</p>
<p>11. No specific guidance provided for the accounting of athletic fund activities.</p>	<p>11. Specific instructions provided for the accounting of athletic fund activities, including the accounting of funds collected from concession sales and gate receipts, starting cash drawers, and preparation of monthly and annual financial statements.</p>
<p>12. No specific guidance provided for the accounting of funds collected for SSAC sanctioned athletic events.</p>	<p>12. Specific instructions provided for the accounting of funds collected for SSAC sponsored tournaments. Funds to be deposited in school accounts and remitted in total to the SSAC. SSAC to pay all expenses.</p>
<p>13. No requirement for county boards to establish by local policies the procedures PTAs, booster groups and other school support organizations that collect funds in the name of a school are to use.</p>	<p>13. Each board of education is to establish by local policy the procedures such groups are to follow. At a minimum, each organization is to be approved by the county board, the organization is to provide the school principal with an annual financial statement, and the organization is to advise the school principal</p>
<p>14. No specific guidance provided for activities of PTAs, booster groups and other school support organizations.</p>	<p>14. Specific guidance provided for such groups, including organization, maintenance of minutes, preparation of annual financial statements and consumer sales tax requirements.</p>

TITLE 126  
LEGISLATIVE RULE  
WEST VIRGINIA BOARD OF EDUCATION

SERIES 2  
ACCOUNTING PROCEDURES MANUAL FOR THE PUBLIC SCHOOLS  
IN THE STATE OF WEST VIRGINIA (1224.1)

**§126-2-1. General.**

1.1. Scope - This legislative rule prescribes the accounting requirements for the public schools in the State of West Virginia.

1.2. Authority - West Virginia Code §§18-2-5, 18-9A-17, and 18-9B-1 et seq.

1.3. Filing Date - --

1.4. Effective Date - --

**§126-2-2. Incorporation by Reference.**

2.1. Copies - A copy of the rules and regulations is attached. Copies may be obtained in the Office of Secretary of State and in the West Virginia Department of Education, Division of Administrative Services.

2.2. Summary of the rules and regulations - County boards of education, subject to the provisions of statute and the rules and regulations of the State Board of Education, have the authority and responsibility to require that records be kept of all receipts and disbursements of all funds collected or received by any principal, teacher, student, or other person connected with a school, and all programs, activities or other endeavors of any nature operated or carried on by or in the name of the school, or any organization or body directly connected with the school, to audit such funds, and to conserve such funds. All such funds so collected shall be deemed quasi-public moneys, and shall be expended for the benefit of the students of the school.

This rule establishes the minimum system of accounting practices and procedures that is to be used by the public schools throughout the State. County boards of education are encouraged to develop local policies and regulations that supplement the provisions specified herein.

The accounting procedures manual has been developed as a guide for school principals, secretaries and others involved with the accounting of school funds to use in the performance of their duties. It is revised periodically to update established practices and procedures.

The revisions incorporated in the current manual were developed by the Office of School Finance in cooperation with the Accounting Procedures Committee of West Virginia Association of School Business Officials, the Department of Tax and Revenue, Chief Inspector Division, and county chief school business officials.

## CHAPTER 1 GENERAL FUND OPERATIONS

### 1. Accounting System:

An accounting system is comprised of the forms, records, procedures and controls used to process financial data and produce reliable reports. An accounting system includes three basic functions:

1. The recording of transactions.
2. The summarizing of transactions.
3. The reporting and interpreting of summary information.

### 2. Internal Control Structure:

An integral part of any effective accounting system is a well designed internal control structure. A school's control structure consists of the "overall attitude, awareness and actions" of the principal and other management personnel.

A good internal control structure is a key factor in the effective management of a school. Internal controls encompass both accounting and administrative control procedures.

The purpose of internal accounting and administrative controls is to provide a means for safeguarding a school's assets, checking the reliability of its accounting records, promoting operational efficiency and encouraging adherence to prescribed accounting practices and procedures.

Some of the characteristics of a good internal control system include:

- Proper authorization of transactions and activities.
- Adequate segregation of duties.
- Adequate documentation and records.
- Adequate safeguards over use and access.
- Independent checks over performance.

### 3. Separate Accounting Entity:

Each school is considered to be a separate and distinct financial accounting entity. As such, a complete set of accounting records must be maintained for each school in which is recorded all financial activities of the school. Separate monthly and annual financial statements are to be prepared by each school, including multi-county vocational centers.

Only financial activities of the school are to be recorded in the school's accounting records; personal transactions of the staff, such as coffee or flower fund collections, are not to be entered in the school's accounting records or mixed in with the revenues of the school.

#### **4. Responsibility:**

The school principal is responsible for the financial management of the school. The principal must ensure that all provisions of this manual and local board policies and procedures are complied with, that all accounting records are maintained accurately, and that all financial reports are prepared and submitted in a timely manner.

#### **5. Fund Accounting:**

A fund is a separate group of self-balancing accounts in which all cash, revenues, expenditures and residual balances are recorded and segregated for a specific purpose or objective. For an efficient system of operation, only the minimum numbers of funds necessary for sound financial management should be maintained.

Each county board of education shall establish by local policy the number of funds the schools within the county are authorized to maintain. In establishing such policy, the board should consider the size of the school, the benefits to be derived from maintaining separate funds, and the availability of adequate personnel at the school to perform the accounting tasks required in maintaining separate funds.

The different funds that may be maintained at a school are limited to the following:

- General Fund - The fund used to account for the general operations of the school and all other financial resources of the school except those accounted for in another fund. Every school is required to maintain a General Fund.
- Child Nutrition Fund - A fund used to account for the operations of the child nutrition program at each school. In county school districts with a centralized child nutrition program, the maintenance of this fund is optional. The fund must be maintained at each school in school districts that operate a decentralized child nutrition program.

Note: In school districts that operate a centralized child nutrition program, the Child Nutrition Fund may be closed and the activities of the child nutrition program recorded in the General Fund.

- Faculty Senate Fund - A fund used to account for the revenues and expenditures of the school's faculty senate.
- Athletic Fund - A fund used to account for the revenues and expenditures of the athletic programs at each school.

A separate set of accounting records and a separate bank depository account must be maintained for each fund maintained by a school.

All bank accounts in which school funds are deposited must contain the name of the county board of education, the name of the school and the county board's Federal Employer Identification Number (FEIN). The school principal and the chief school business official of the county must have signature authority for every such bank account.

A school may establish as many separate sub-accounts within each fund as is considered necessary to accurately account for the financial activity of the school.

#### **6. Basis of Accounting:**

Basis of accounting refers to when revenues and expenditures are recognized in the accounting records and reported in the financial statements. Specifically, it relates to the timing of the measurements made.

All schools are to maintain their accounting records on the cash basis of accounting, modified at year end to reflect any receivables or payables that may exist. Revenues are to be recognized when received and expenditures when checks are issued.

#### **7. Accounting Records:**

The following accounting records must be maintained for each fund:

- Pre-numbered receipt forms
- Transaction (Receipts and disbursements) Journal
- Requisition and purchase orders
- Bank checkbook
- Bank deposit slips
- Monthly financial statements
- Annual financial statements

#### **8. Transaction Journal:**

A transaction (receipts and disbursements) journal is to be maintained for each fund established at a school to record all receipts and disbursements of the fund. It is recommended that all county boards acquire a computerized accounting system for all schools within a county to use.

Regardless of whether a computerized or manual system is used, the following transactions must be posted to the transaction journal in a timely fashion: all receipts; all disbursements; all voided receipts; all voided checks; all interest earned; all bank charges; all transfers between accounts within a fund; all transfers between different funds; and all transfers between depository and investment bank accounts.

Each posting must include the following: the date of the transaction; receipt or check number listed in numeric order, name of payor or payee; and individual account(s) for which the collection or disbursement was made.

A cash control/ balance column must be maintained to reflect the cash balance available at any time in the fund.

The transaction journal for each fund is to be footed and cross-footed (added down and across) each month to ensure that errors have not been made. If errors are found to exist, they must be identified and corrected as soon as possible, using correcting journal entries.

Do not write over or use correcting fluid to make corrections. Make the necessary journal entries and include a brief explanation of why the adjusting entries were made.

### **9. Bank Accounts:**

Every bank account in which school funds are deposited must be insured or the bank must provide adequate bond to cover the maximum amount that may be deposited at any one time. The account must contain the name of the county board of education, the name of the school, the name of the fund, and the county board's Federal Employer Identification Number (FEIN).

The bank signature cards must be maintained current at all times. The school principal and the chief school business official of the county must have signature authority for every account in which school funds are deposited.

Every check issued by a school must contain two signatures, regardless of the fund from which issued. One of the signatures must be that of the school principal. The second signature is to be that of an individual designated by the principal or by the faculty senate, if the check is for the faculty senate fund.

All checks must have pre-printed on them the name of the school, the fund, the school address, the check number and two blank spaces for signatures. Current stocks of checks, however, may be used until exhausted.

### **10. Collections:**

All moneys collected from school activities must be remitted daily to the school principal or to the individual designated by the principal to be responsible for the fund. In situations where the moneys are collected after normal school hours or on week-ends, the funds are to be remitted the following school day.

The total amount of money remitted to the principal or designee must be reconciled to the detailed records that support the collections.

Certain types of collections from students, such as for field trips and meals, will require the preparation of a detailed record in which is listed each student's name and amount remitted.

Detailed records are also to be maintained for all fund raisers conducted in the name of the school. See Appendix X for a sample copy of the form.

To decrease the risk of theft, each check received by a school is to be stamped on the back with a restrictive endorsement at the time of receipt. The endorsement stamp should state the following:

- For deposit only
- The name of the school
- The name of the fund
- The account number

#### **11. Concession Sales:**

If concession stands are operated by a school, local procedures must be established to safeguard the inventory of goods sold to protect against pilferage or unauthorized use and to ensure that the sales proceeds are being receipted and deposited correctly.

All proceeds from concession sales operated by a school are to be receipted and deposited intact into the school's General Fund. Merchandise purchased for resale is to be purchased by check issued for that purpose. The purchase invoices are to be retained as supporting documentation for the disbursements.

Periodically, a profit and loss statement is to be prepared to compare actual sales proceeds to the expected sales totals that should have been recognized from the amount of merchandise sold. See Appendix X for a sample copy of the form to be used.

#### **12. Vending Machine Sales:**

If vending machines are maintained at a school, it is recommended that the vendors be required to stock the machines and remove all sales proceeds. In this manner, the school will not be responsible for purchasing, storing and safeguarding the inventory, removing and accounting for the sales proceeds or remitting the corresponding consumer sales tax.

If the school stocks the machine and removes the sales proceeds, local procedures must be established to ensure that the stock is safeguarded and that all proceeds are receipted and deposited in the school's General Fund.

All proceeds from vending machine sales are to be receipted and deposited in the school's General Fund. Merchandise purchased for resale is to be purchased by check issued for that purpose. The purchase invoices are to be retained as documentation for the disbursements.

Periodically, a profit and loss statement is to be prepared to compare actual sales proceeds to the expected sales totals that should have been recognized from the amount of merchandise sold. See Appendix X for a sample copy of the form to be used.

### **13. Fund Raisers:**

If fund raising activities are conducted by a school, local procedures must be established to regulate such activities to ensure that they are conducted in a proper manner and that all proceeds are receipted and deposited correctly.

All proceeds from fund raisers conducted by a school are to be receipted and deposited intact into one of the school's depository accounts. Merchandise purchased for resale is to be purchased by checks issued for that purpose. The purchase invoices are to be retained as supporting documentation for the disbursements.

A profit and loss statement must be prepared for each fund raising activity conducted by a school that shows gross proceeds, cost of goods sold and net proceeds. See Appendix X for a sample copy of the form to be used.

In addition, certain fund raising activities are subject to the collection and remittance of consumers sales tax. See Appendix X for more information.

### **14. Gate Receipts:**

Pre-numbered tickets are to be used at any event where an admission fee is charged or a donation accepted for admittance. Whenever practical, separate individuals should be used to sell and collect the tickets. As tickets are collected from fans, they should be torn in half; one half should be returned to the individual as a receipt and the other half should be retained.

A ticket reconciliation report must be prepared for each event to reconcile tickets sold to cash collected. The report must show the following: beginning cash balance; first and last numbers of each type of ticket sold (student, adult, other); total number of tickets sold by type; price of each type of ticket; total sales; ending cash balance; total cash in cash box; and differences, if any. In addition, total sales from tickets sold prior to the event must be shown.

The reconciliation report must also show the activity and date, and must be signed by the preparer and the principal. See Appendix X for a sample copy of the form to be used.

### **15. Issuance of Receipts:**

A pre-numbered receipt must be issued for all collections at the time the funds are collected, regardless of whether the collections are in cash or by check. This includes all revenues collected from students and parents; vending machine, concession stand and cafeteria sales; gate receipts from competitive events; proceeds from carnivals, book fairs and other student activities; fund drive collections; donations; interest earned on bank accounts; refunds from vendors; and reimbursements from the central board office. The total amount of receipts issued must equal the total amount of funds received.

Receipts are not to be issued for deposits that result from the transfer of funds from savings or investment account or for the initial re-deposit of personal checks that have been returned by the

bank for insufficient funds. Receipts, however, are to be issued when the funds are recovered from re-deposited checks that are returned a second time for insufficient funds. See Section 15 for the proper accounting procedures to use for checks returned a second time.

Receipts are to be prepared in duplicate: the original is to be given to the individual from whom the funds were received at the time the moneys were remitted; the copy is to be retained in numeric order, either in the receipt book or in a file established for this purpose.

Every receipt issued must show the following information: the date, amount received, name of the individual from whom received, purpose of the collection, fund or account for which received, and whether the collection was in cash or by check.

In many cases the individual who is remitting the funds to the school office is not the same party from whom the funds were actually received. Every receipt issued must identify both the party from whom the funds were originally received and the individual who is remitting the funds to the school.

In situations where classroom teachers, sponsors, or other individuals are originally collecting fees from a group of students for some student activity, the collections may be recorded on a single list rather than issuing a receipt to each student individually.

The list must reflect the student's name, amount being collected, date of collection, whether the collection was by check or cash, and the purpose for the collection. A copy of the list must be provided to the school principal or designee at the time the collections are remitted to the school to support the total amount being remitted. A sample copy of the form is illustrated in Appendix X. The list is to be retained in the receipt file.

If an error is made while preparing a receipt, void the receipt and issue another one. To void a receipt, write the word "VOID" across the face of the receipt and retain the original along with the copy in the receipt file. Do not discard voided receipts.

All receipts written must be posted to the transaction journal on a daily basis and in numeric order, including those that were voided. Receipts should normally be posted individually but may be posted in a batch, if the funds received are from the same source and receipted on consecutively numbered receipts. The range of receipt numbers in the batch must be shown in the receipt journal.

## **16. Bank Deposits:**

All funds collected must be deposited intact in a bank depository account. If more than one bank account is being maintained at a school, care must be exercised to be certain that collections are deposited in the correct bank account. No cash disbursements are to be made from collections and no personal checks are to be cashed.

To minimize the risk of loss or theft, it is recommended that bank deposits be made on a daily basis. A bank deposit must be made whenever total collections on hand exceed \$500 or before any extended school holiday. Bank deposits must be made at least weekly, regardless of the amount of collections.

If bank deposits are not made on a daily basis, it is recommended that the bank deposit slip be prepared on a daily basis with the total collections for the day sealed in a deposit envelope and placed in a safe or otherwise safeguarded until the deposit is actually delivered to the bank. In this manner, daily collections can be easily reconciled to individual bank deposits on the bank statement.

Undeposited receipts must be safeguarded against theft, loss or unauthorized use. Undeposited receipts are the responsibility of the custodian of the funds and the principal.

Each bank deposit slip must contain the following information:

- The name of the school
- The bank account number
- The date the deposit slip was completed
- The series of receipt numbers comprising the deposit
- The total amount of cash included in the deposit
- A list of the individual checks included in the deposit
- The total amount of the deposit

Bank deposit slips are to be prepared in duplicate. The original is to be remitted to the bank with the funds being deposited; the copy is to be retained on file.

All checks being deposited must be listed separately either on the deposit slip or on a separate schedule attached to the school's copy of the deposit slip. The beginning and ending receipt numbers for the deposit must be listed on the deposit slip.

Non-sufficient fund checks that are being redeposited for the first time are to be clearly identified on the deposit slip or they are to be listed on a separate deposit slip. On all such redeposits, the original receipt number is to be clearly written on the bank deposit slip.

#### **17. Checks Returned by the Bank for Insufficient Funds:**

At times, checks received by the school for various activities may be returned by the bank for insufficient funds. Normally, banks allow such checks to be redeposited at least once, because in many cases, sufficient funds are available to pay the checks upon redeposit.

If the checks are returned for insufficient funds a second time, however, they should be considered worthless and steps must be taken to recover the funds. In addition, an adjusting entry must be posted to the transaction journal to reduce the amount of funds recorded as having been received.

The principal or designee is responsible for collecting all worthless checks. This includes not only recovering the face value of the check but all bank fees, court costs or other charges incurred by the school as a result of the check. Local procedures should be established to provide guidance. When the funds are recovered, a receipt is to be issued for the total amount recovered and the total is to be deposited in the school's depository account.

If any checks are determined to be uncollectible, the school is to file an annual report with the chief school business official showing the names of the individuals from whom the checks were received and the total amount that has not been collected. A file should be maintained for each individual to show the actions taken.

#### **18. Purchase Orders:**

A purchase order system is to be maintained at each school whereby all purchases of materials, equipment, supplies and services are made through a pre-numbered purchase order approved in writing by the principal or designee before the purchase is made.

Purchase orders, however, are not required for utilities, executed contracts, maintenance agreements, remittances to the central board office, refunds, reimbursement of travel expenses, or the allocation of faculty senate funds to individual teachers and librarians.

If an individual other than the principal is designated to approve purchase orders, that individual cannot be the same one who initiated the requisition.

The purpose for maintaining a purchase order system at each school is to provide the principal with a means of maintaining control over purchases to ensure that: maximum value is obtained for each dollar spent; funds are available before the purchase is made; and unauthorized purchases are not made.

Purchase orders are to be prepared in duplicate with the original being provided to the vendor and a copy retained in a file by the school.

All purchase orders must be approved in writing by the school principal or his/her designee and approval can only be made when sufficient funds are available.

No purchases may be made from a fund or account in excess of the funds currently available in that fund or account. Purchases may not be made which will obligate the funds of a subsequent year.

Blanket purchase orders may be issued for items that are purchased from the same vendor on a recurring basis. If blanket purchase orders are used, they should be issued on a monthly basis.

#### **19. Authorized Expenditures:**

All moneys received by a school are considered quasi-public funds and are to be expended for the benefit of the students at the school. Such funds may not be expended for flowers, gifts, banquets, or service awards for school employees.

The only exception is if donations are received from private sources specifically for service awards or recognition banquets for employees. Such donations must be accounted for in a separate account in the General Fund and not co-mingled with other school funds.

## **20. Disbursements:**

All disbursements must be made by check, except for those from petty cash. The check must be made payable to the individual or vendor to whom the payment is being made, not to another party that is subsequently making payment on behalf of the school. Every check and check stub must be completely filled out at the time the check is issued.

Checks are not to be made payable to cash. If starting cash is needed for an event from which to make change, the check must be made payable to the individual who will be cashing the check.

If an error is made while preparing a check, void the check and issue another one. Never write over an original entry to make a correction or use correcting fluid to cover a mistake on a check.

To void a check, write the word "VOID" across the face of the check and check stub. Retain the voided check and file in numeric order with all checks paid by the bank. Leave the check stub for the voided check in the checkbook. Never discard voided checks or check stubs.

Two signatures are required on every check issued by the school, regardless of the fund from which issued. One of the signatures must be that of the school principal. Both signatures cannot be by the same individual.

The second signature is to be that of an individual designated by the principal or by the faculty senate, if the disbursement involves faculty senate funds. Blank checks are never to be pre-signed.

The following information must be imprinted on the check form:

- Name of the school
- Name of the fund
- School address
- Check number
- Account number

The check form must also provide spaces for two signatures. The memorandum line is not to be used as the second signature line. Schools, however, may continue using their current stock of checks until they are exhausted even if the check forms currently being used do not contain all of the above information.

## **21. Itemized Claim For Payment:**

Schools are not permitted to expend any funds unless an itemized claim (invoice) for payment is filed by the claimant. If the claim is for services rendered, the invoice must identify the kind of service, the date performed, the person performing the service and the amount due. If the claim is for materials, equipment or supplies, the invoice must identify in detail the vendor, the items provided, the quantity, the date provided, to whom provided and the amount due.

All invoices should be verified for clerical and mathematical accuracy when received. Any errors noted should be brought to the vendor's attention.

All invoices must be approved for payment by the principal or designee prior to the payment being made. Consequently, the practice of paying for merchandise at the time of delivery should be discouraged, if not completely disallowed.

Invoices should be stamped as paid at the time payment is made. A convenient way to accomplish this is to use a cancellation stamp with the following information imprinted:

- Check Number \_\_\_\_\_
- Date Paid \_\_\_\_\_
- Amount Paid \_\_\_\_\_
- Approved By \_\_\_\_\_

## **22. Reimbursement of Travel Expenses:**

Schools may reimburse employees for all reasonable and necessary travel expenses actually incurred in the performance of their official duties upon presentation of an itemized statement signed by the employee and approved by the principal. Such reimbursements, however, are subject to the policies, procedures, and limitations prescribed by the county board of education.

Schools may also pay all reasonable and necessary travel expenses actually incurred by students on trips authorized by the principal or designee. Such payments are to be supported by an itemized statement which lists the date and purpose of the trip, the names of all students and chaperones on the trip and the amounts paid.

If funds are paid to students in order that they may pay their own expenses, each student's signature is to be obtained as verification of receipt of the funds. If payment is made directly to a vendor, such as to a motel or restaurant, receipts must be obtained to support the disbursement.

Each travel statement must be signed and dated by the staff member in charge of the trip. The statement and all supporting receipts are to be turned in to the school principal or designee as soon as possible upon return. See Attachment X for a sample copy of the form.

If cash is needed for a trip, it is to be provided by check made payable to the staff member in charge of the trip. Checks are not to be made payable to cash and pre-signed blank checks are not allowed. Upon return from the trip, any remaining cash is to be deposited into the school's depository account.

If authorized by local board policy, schools may obtain credit cards in the name of the school to be used for the payment of official travel expenses. Such cards are to be safeguarded against theft or unauthorized use.

### **23. Payment for Personal Services:**

All payments made by a school to an individual for services rendered are to be considered wages and are to be paid through the normal payroll process at the central board office, unless it can be clearly shown that the individual is an independent contractor in accordance with the criteria established by the Internal Revenue Service. See Appendix X for a listing of the criteria to be used for making such determination.

This includes payment for part-time or temporary help for office secretaries, library assistants, cafeteria helpers, chaperones, concession stand workers, ticket takers, or other workers at athletic events, carnivals, or other activities, regardless of whether the individual is a full-time employee of the board or not. —

The only exceptions are payments made to athletic officials, as permitted by the Internal Revenue Service (IRS) and a State Attorney General's Opinion, dated March 3, 1986. See Appendix X.

County boards are to establish by local policy the procedures to be used by the individual schools in the county for the reporting and payment of wages to all individuals who perform services for the schools.

For all payments made to individuals who are determined to be independent contractors, schools are required to report such payments to the central business office on an annual basis so that a determination can be made of whether an IRS Form 1099 MISC. is to be filed for the individual.

### **24. Petty Cash:**

If authorized by county board policy, schools may establish a petty cash drawer to be used for the purchase of incidental items of nominal value. The maximum amount that may be authorized is \$50. The cash and receipts in the petty cash drawer must always equal the amount established. Personal checks are not to be cashed from petty cash.

The petty cash drawer is to be replenished periodically by a check made payable to the school principal for the amount required. The itemized receipts and/or invoices obtained as a result of the purchases made from petty cash are to be used as supporting documentation for the check.

### **25. Starting Cash:**

If authorized by county board policy, schools may establish a change drawer to be used as starting cash for athletic events, concession stands or other school activities. The maximum amount that may be authorized is \$500.

The cash in the change drawer must equal the amount established at all times. Personal checks are not to be cashed from starting cash. The balance in the drawer is to be deposited in the school's depository account at times when it is not needed or at the end of each school year.

## **26. Posting Disbursements:**

All checks issued must be posted daily to the general journal of the fund from which the disbursement is being made. The checks are to be posted individually to the journal in numeric order. Checks may not be posted in a batch.

The amount of the check must be classified to the account from which the disbursement is being made. Proper classification is based on the nature of the disbursement. Proper classification may require that a disbursement be posted to more than one account. The total amount posted to all accounts must equal the total disbursement.

## **27. Stop Payments and Cancellation of Outstanding Checks:**

At times it may become necessary to stop payment on a check that was issued by the school or cancel a check that has been outstanding for an extended period of time. In either situation, proper journal entries need to be posted to the transaction journal to accurately reflect the account balances.

If the check is canceled during the same fiscal year in which it was issued, a negative expenditure is to be posted to the proper account in the transaction journal to reduce total expenditures recorded and increase the cash balance.

If the check is canceled in a subsequent year from when it was issued, a receipt must be written for the amount of the canceled check and posted to the transaction journal to increase the cash balance to the correct amount. The receipt must indicate that it was written for a prior year check that was canceled. The canceled check is to be removed from the outstanding check list.

## **28. Reconciliation of Bank Statements:**

For an effective system of internal accounting control, all bank statements are to be presented to the school principal unopened as soon as they are received through the mail. The principal is to open the envelopes and review the bank statements and canceled checks for any possible irregularities, such as checks made payable to cash or unauthorized individuals, checks presented for payment without the proper signatures, or bank deposits not made in a timely fashion.

After this review, the bank statements and canceled checks are to be forwarded to the individuals who will be preparing the bank reconciliations. Every bank account must be reconciled monthly as soon as possible after the bank statements are received.

Any differences noted between the balance reflected in the school's checkbook and the bank statement must be resolved immediately. After the bank reconciliations are completed, the bank statements are to be signed and dated by both the individual who performed the reconciliation and the principal.

All bank statements are to be filed in chronological order. Canceled checks are to be filed either in numeric order with the monthly bank statements or in a separate canceled check file in numeric order by school year.

In situations where a bank is providing only an image of the canceled checks to the school with the bank statements rather than returning the actual canceled checks, the bank is to provide an image of both the front and back of every check.

Voided checks are to be retained and filed in the correct numeric sequence with the canceled checks.

### **29. Monthly Financial Statements:**

Monthly financial statements are to be prepared for each fund maintained by a school in a timely manner. All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed and dated by the preparer and the school principal.

The principal is required to submit at least one signed copy of the financial statements for each fund to the county board's chief school business official and make one copy available for review at the school by anyone who desires to do so.

Multi-county vocational centers are to provide one signed copy of their monthly financial statements to their fiscal agent. The monthly financial statements are to include all financial activities of the school for the month for which the statements are prepared.

### **30. Annual Financial Statements:**

Annual financial statements are to be prepared for each fund maintained by a school on forms provided by the State Department of Education. The annual financial statements are to be prepared on the fiscal year basis of July 1 through June 30 each year and are to include all financial activities of the school for the year for which prepared.

All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed by the preparer and the school principal.

In addition to the annual financial statements, a list must be prepared of all outstanding purchase orders at year end, all invoices that have not been paid and all revenues, if any, that have been earned but not received.

The principal is required to submit two signed copies of the annual financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

Multi-county vocational centers are to provide two signed copies of their annual financial statements to their fiscal agent and one copy to the Department of Education, Office of School Finance.

### **31. Investments:**

Good fiscal management dictates that all excess funds be invested to maximize the amount of funds available to a school. Each principal or designee should closely monitor the available cash balance of each fund for investment possibilities.

The types of investments that schools are permitted to make are:

- Interest bearing checking accounts
- Savings accounts
- Certificates of deposit
- Money market certificates
- State Consolidated Investment Fund

Every account in which school funds are deposited must be insured or the bank must provide bond to cover the maximum amount that may be invested at any one time.

### **32. Consumer Sales Tax on Purchases:**

Public schools are statutorily exempt from the payment of consumer sales and use taxes on all purchases of goods and services (WVC§11-15-9) as long as a properly completed exemption certificate (Form CST-280) is issued to the vendor.

In order to be able to issue a tax exemption certificate, public schools must be registered with the Department of Tax and Revenue and have a current business registration certificate. See Section 34 for an explanation of how to apply for a business registration certificate.

All invoices should be reviewed at the time of receipt to ensure that consumer sales tax has not been charged on the purchase. If so, the vendor should be notified and the tax subtracted before payment is made.

### **33. Consumer Sales Tax on Sales:**

Public schools, however, are required to collect and remit consumers sales tax on all sales that are considered taxable. Unless there is a specific exemption in the tax law, all sales of goods and services are taxable, even sales by or through public schools.

The following sales of items other than food by public schools are exempt for sales tax:

- (1) Sales of textbooks, workbooks instructional aids, and standardized test materials required by a school;
- (2) Sales of school newspapers and yearbooks, compiled and edited by students of the school when sold to students or school employees;

- (3) Rentals of locks, lockers, storage space, clothing and other materials and equipment owned by the school and furnished solely to students;
- (4) Class dues and library fines;
- (5) Sales of tickets for activities sponsored by the school;
- (6) Casual and occasional sales by a parent-teacher association (PTA) or similar organization if the organization (1) has a current business registration certificate; (2) is exempt from federal income taxes under Internal Revenue Code §§ 501(c)(3) or 501(c)(4); and (3) is an organization with no paid employees and whose gross income from fund raisers, less reasonable and necessary expenses, is donated to the school.

The following sales of food by public schools are exempt:

- (1) Food sold by a school, school sponsored parent-teacher associations or school sponsored student organizations, to students enrolled in the school or to employees of the school during normal school hours;
- (2) Food sold by a school sponsored student or parent-teacher association or similar organization at athletic, cultural, social or fund raising event when the proceeds of such sales, after payment of reasonable and necessary expenses, are donated to the school or used to purchase tangible personal property or services for the school.

The following sales by public schools are taxable:

- (1) Sales of food through vending machines, regardless of where the machine is located, who owns the machine, or when the sale occurs;
- (2) Sales of food to the general public during normal school hours unless such sales meet all of the conditions listed in Item (6) above.

See Appendix X for a more complete explanation of taxable and non-taxable sales.

#### **34. Business Registration Certificate:**

As discussed in Section 32 of this manual, in order for a public school to be able to issue a tax exemption certificate for purchases, the school must register with the West Virginia Department of Tax and Revenue and obtain a business registration certificate (WVC §11-12-3). Schools, however, are exempt from payment of the registration fee.

In applying for a business registration certificate, it is recommended that every school in a county use the same basic Federal Employer Identification Number (FEIN) as the county board, but request that the State Department of Tax and Revenue assign a different three digit suffix. In this manner, each school will not need to apply for a separate FEIN number simply to register with the State Department of Tax and Revenue for a business registration certificate.

### 35. Annual Examination:

County boards of education are responsible for ensuring that an annual examination is conducted of the financial records of every school within the county. The examination is to include all funds maintained by the school.

The governing boards of the multi-county vocational centers are responsible for ensuring that an annual examination is conducted of the school activity accounts of the multi-county vocational centers. The examination of the school activity accounts of multi-county vocational centers can be conducted as a separate examination or it can be incorporated into the audit of the general revenue funds of the multi-county vocational center conducted under the audit jurisdiction of the Department of Tax and Revenue.

A report is to be issued for each school individually in which is presented the financial statements of each fund maintained by the school and all instances of noncompliance and other reportable conditions noted during the examination.

The examination is to be completed and the report issued within twelve months after the end of the fiscal year. The examination may be conducted by personnel employed by the county board of education, by a certified public accountant, or by the Department of Tax and Revenue, Chief Inspector Division.

For schools that receive a total of \$25,000 in federal financial assistance during a year, such as schools that operate a decentralized child nutrition program or administer student financial assistance programs, the examination must be conducted in accordance with generally accepted auditing standards, the Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments."

For those schools that do not receive \$25,000 in total federal financial assistance during a fiscal year, the examination of the financial records may be but does not have to be conducted in accordance with the audit standards described in the preceding paragraph.

The financial records may be examined in accordance with agreed upon review procedures developed by the county board. Such procedures, however, must include a review of compliance with the provisions of this manual and policies and regulations of the county board and a review of the school's internal control structure.

Copies of the report are to be provided to the county board of education, to the superintendent and to the school principal. A copy of each school's report is to be kept on file at the central board office and made available for public review.

If any reportable conditions are noted in the report for a particular school, the principal is to provide the board with a corrective action plan. All reportable conditions are to be corrected as soon as practical but not later than six months after receipt of the report.

Working papers supporting the examination are to be prepared and retained for at least three years. The working papers are to be made available to the auditor conducting the subsequent year's examination.

The cost for the examination may be paid by the board of education or charged proportionally to each school in an equitable manner.

All transaction journals, bank statements, receipt books, checkbooks, canceled checks, invoices, purchase orders, and other related records which may be requested are to be available to the auditor for examination upon request.

In addition to an annual examination of each school, periodic reviews should be made of each school by the chief school business official or a member of that individual's staff to review internal control procedures, to ensure that transactions are being posted in a timely fashion and to provide assistance during the course of the year if needed.

### **36. Records Retention:**

All financial records of the school belong to the county board of education and must be delivered or handed over to the superintendent or designee upon request. The books and records of the school are to be kept at the school and safeguarded at all times, unless directed to do otherwise by the superintendent or designee.

Copies of the school's annual financial statements and audit reports are to be retained permanently. The transaction journals, bank statements, and canceled checks are to be retained for at least five (5) years, or until all instances of noncompliance are resolved. All other financial records are to be retained for at least three (3) years.

## CHAPTER 2 CHILD NUTRITION FUNDS

### 1. General:

Child nutrition funds are to be accounted for in the same manner as all other school funds. The same accounting practices and procedures described in pages 1 through 20 of this manual for the general activity funds of the school are to be followed for child nutrition funds.

The requirements presented in this section of the manual have been developed to provide more specific guidance to school personnel who are responsible for the accounting of child nutrition funds.

### 2. Fund Accounting:

As discussed in Paragraph 5 under the General Section of the manual, each county board of education must establish by local policy the number of funds the schools within a county are authorized to maintain.

In school districts with a centralized child nutrition program, the local school board has the option of allowing the schools within the county to close the child nutrition fund and related bank account and record all child nutrition collections and disbursements in a separate sub-account within the school's general fund, or the board may require the schools to continue maintaining the child nutrition fund as a separate fund with its own bank account.

In school districts with a decentralized child nutrition program, a separate child nutrition fund must be maintained at each school with its own checking account.

### 3. Accounting Records:

The following accounting records must be maintained for each fund:

- Pre-numbered receipt forms
- Transaction (Receipts and disbursements) Journal
- Requisition and purchase orders
- Bank checkbook
- Bank deposit slips
- Monthly financial statements
- Annual financial statements

#### **4. Transaction Journal:**

A transaction (receipts and disbursements) journal is to be maintained for each fund established at a school to record all receipts and disbursements of the fund. It is recommended that the county boards acquire a computerized accounting system for all schools in a county to use. Regardless of whether a computerized or manual system is used, the following transactions must be posted to the transaction journal in a timely fashion: all receipts; all disbursements; all voided receipts; all voided checks; all interest earned; all bank charges; all transfers between accounts within a fund; all transfers between different funds; and all transfers between checking and investment accounts.

Each posting must include the following: the date of the transaction; receipt or check number listed in numeric order, name of payor or payee; and individual account(s) for which the collection or disbursement was made.

A cash control/balance column must be maintained to reflect the cash balance available at any time in the fund.

The transaction journal for each fund is to be footed and cross-footed each month to ensure that errors have not been made. The entries in each column are added to arrive at a total and the totals of each column are added across to arrive at the grand total for the month. If errors are found to exist, they must be identified and corrected as soon as possible, using correcting journal entries. Do not write over or use correcting fluid to make corrections. Make the necessary journal entries and include a brief explanation of why the adjusting entries were made.

#### **5. Bank Account:**

If a separate fund is maintained for the child nutrition fund, a separate bank account must be maintained. The bank account must contain the name of the board of education, the name of the school, the name of the fund, and the board's Federal Employer Identification Number (FEIN).

The school principal and the chief school business official of the county must have signature authority for every bank account in which school funds are deposited, including child nutrition funds.

Every bank account in which school funds are deposited must be insured or the bank must provide adequate bond to cover the maximum amount that may be deposited at any one time.

Two signatures are to be required on every check issued by a school, regardless of the fund from which issued. One of the signatures must be that of the school principal. The second signature is to be that of an individual designated by the principal.

All checks must have pre-printed on them the name of the school, the fund, the school address, the check number and two blank spaces for signatures. Current stocks of checks, however, may be used until they are exhausted.

#### **4. Collections:**

County boards of education are to establish by local board policy the method the schools within a county are to use for the collection of child nutrition funds. A variety of methods are currently being used which include: periodic collections from the students by classroom or homeroom teachers; periodic payments by the students and teachers to the cafeteria manager, school secretary, or other individual designated by the school principal to collect the funds; payment for each meal in the cafeteria line at the time the meals are served; monthly billings to parents and teachers at the end of each month, either by the school or by the central board office; and billings at the beginning of the month establishing a credit balance against which the meals are charged.

As a convenience for parents, teachers and school personnel, county boards should seriously consider using a monthly billing or credit voucher system for the collection of child nutrition funds.

Regardless of the method used, moneys collected for the child nutrition program must be remitted daily to the school principal or to the individual designated by the principal to be responsible for the fund.

The total amount of money remitted to the principal or designee must be reconciled to the detailed records that support the collections. Certain types of collections from students will require the preparation of a detailed record in which is listed each student's name and amount remitted. Detailed records are also being maintained for all fund raisers conducted in the name of the school. See Appendix X for a sample copy of the form.

To decrease the risk of theft, each check received by a school is to be stamped on the back with a restrictive endorsement at the time of receipt. The endorsement stamp should state the following:

- For deposit only
- The name of the school
- The name of the fund
- The account number

#### **5. Issuance of Receipts:**

A pre-numbered receipt must be issued for all collections at the time the funds are collected, regardless of whether the collections are in cash or by check. This includes all revenues collected from students and parents; vending machine, concession stand and cafeteria sales; gate receipts from competitive events; proceeds from carnivals, book fairs and other student activities; fund drive collections; donations; interest earned on bank accounts; refunds from vendors; and reimbursements from the central board office. The total amount of receipts issued must equal the total amount of funds received.

Receipts are not to be issued for deposits that result from the transfer of funds from savings or investment account or for the initial re-deposit of personal checks that have been returned by the bank for insufficient funds. Receipts, however, are to be issued when the funds are recovered

from re-deposited checks that are returned a second time for insufficient funds. See Section 15 for the proper accounting procedures to use for checks returned a second time.

Receipts are to be prepared in duplicate: the original is to be given to the individual from whom the funds were received at the time the moneys were remitted; the copy is to be retained in numeric order, either in the receipt book or in a file established for this purpose.

Every receipt issued must show the following information: the date, amount received, name of the individual from whom received, purpose of the collection, fund or account for which received, and whether the collection was in cash or by check.

In situations where the classroom or homeroom teachers are originally collecting the funds from their students, the collections may be recorded on a single list rather than issuing a receipt to each student individually. The list must reflect the student's name, amount being collected, date of collection, whether the collection was by check or cash, and the purpose for the collection. A copy of the list must be provided to the school principal or designee at the time the collections are remitted to the school to support the total amount being remitted. A sample copy of the form is illustrated in Appendix X. The list is to be retained in the receipt file.

If an error is made while preparing a receipt, void the receipt and issue another one. To void a receipt, write the word "VOID" across the face of the receipt and retain the original along with the copy in the receipt file. Do not discard voided receipts.

All receipts written must be posted to the transaction journal on a daily basis and in numeric order, including those that were voided. Receipts should normally be posted individually but may be posted in a batch, if the funds received are from the same source and receipted on consecutively numbered receipts. The range of receipt numbers in the batch must be shown in the receipt journal.

## **6. Accounts Receivable:**

The school principal or designee is responsible for ensuring that all unpaid child nutrition charges are collected. This includes not only recovering the actual amount due for meals, but all court costs or other charges incurred by the school as a result of the collection effort. Local procedures should be established to provide guidance. When the funds are recovered, a receipt is to be issued for the total amount recovered and the total is to be deposited in the school's depository account.

If accounts receivable are determined to be uncollectible, the school is to file an annual report with the chief school business official showing the names of the individuals from whom the bills are due and the total amount that has not been collected. A file should be maintained for each individual to show the actions taken.

## **6. Bank Deposits:**

All funds collected must be deposited intact in a bank depository account. If more than one bank account is being maintained at a school, care must be exercised to be certain that collections are deposited in the correct bank account.

No cash disbursements are to be made from collections and no personal checks are to be cashed.

To minimize the risk of loss or theft, it is recommended that bank deposits be made on a daily basis. A bank deposit must be made whenever total collections on hand exceed \$500 or before any extended school holiday. Bank deposits must be made at least weekly, regardless of the amount of collections.

If bank deposits are not made on a daily basis, it is recommended that the bank deposit slip be prepared on a daily basis with the total collections for the day sealed in a deposit envelope and placed in a safe or otherwise safeguarded until the deposit is actually delivered to the bank. In this manner, daily collections can be easily reconciled to individual bank deposits on the bank statement.

## **7. Checks Returned by the Bank for Insufficient Funds:**

At times, checks received by the school for the child nutrition program may be returned by the bank for insufficient funds. Normally, banks allow such checks to be redeposited at least once, because in many cases, sufficient funds are available to pay the checks upon redeposit.

If the checks are returned for insufficient funds a second time, however, they should be considered worthless and steps must be taken to recover the funds. In addition, an adjusting entry must be posted to the transaction journal to reduce the amount of funds recorded as having been received.

The principal or designee is responsible for collecting all worthless checks. This includes not only recovering the face value of the check but all bank fees, court costs or other charges incurred by the school as a result of the check. Local procedures should be established to provide guidance. When the funds are recovered, a receipt is to be issued for the total amount recovered and the total is to be deposited in the school's depository account.

If any checks are determined to be uncollectible, the school is to file an annual report with the chief school business official showing the names of the individuals from whom the checks were received and the total amount that has not been collected. A file should be maintained for each individual to show the actions taken.

## **8. Purchase Orders:**

In school systems with a decentralized child nutrition program, a purchase order system is to be maintained for the program whereby all purchases of food, supplies, equipment and services that are purchased are made through a pre-numbered purchase order approved in writing by the

principal or designee before the purchase is made. Purchase orders, however, are not required for equipment maintenance agreements or remittances to the central board office.

If an individual other than the principal is designated to approve purchase orders, that individual cannot be the same one who initiated the requisition.

The purpose for maintaining a purchase order system at each school is to provide the principal with a means of maintaining control over purchases to ensure that: maximum value is obtained for each dollar spent; funds are available before the purchase is made; and unauthorized purchases are not made.

Purchase orders are to be prepared in duplicate with the original being provided to the vendor and a copy retained in a file by the school.

All purchase orders must be approved in writing by the school principal or his/her designee and approval can only be made when sufficient funds are available.

No purchases may be made from a fund or account in excess of the funds currently available in that fund or account. Purchases may not be made which will obligate the funds of a subsequent year.

Blanket purchase orders may be issued for items that are purchased from the same vendor on a recurring basis. If blanket purchase orders are used, they should be issued on a monthly basis.

#### **9. Authorized Expenditures:**

All moneys received for the child nutrition program may be expended only for the operation of the program. Such funds may not be expended for flowers, gifts, banquets, or service awards for school employees.

#### **10. Disbursements:**

All disbursements for the child nutrition program must be made by check. The check must be made payable to the individual or vendor to whom the payment is being made, not to another party that is subsequently making payment on behalf of the school. Every check and check stub must be completely filled out at the time the check is issued.

Checks are not to be made payable to cash. If starting cash is needed for an event from which to make change, the check must be made payable to the individual who will be cashing the check for the change.

If an error is made while preparing a check, void the check and issue another one. Never write over an original entry to make a correction or use correcting fluid to cover a mistake on a check.

To void a check, write the word "VOID" across the face of the check and check stub. Retain the voided check and file in numeric order with all checks paid by the bank. Leave the check stub for the voided check in the checkbook. Never discard voided checks or check stubs.

Two signatures are required on every check issued by the school, regardless of the fund from which issued. One of the signatures must be that of the school principal. Both signatures cannot be by the same individual.

The second signature is to be that of an individual designated by the principal or by the faculty senate, if the disbursement involves faculty senate funds. Blank checks are never to be pre-signed.

The following information must be imprinted on the check form:

- Name of the school
- Name of the fund
- School address
- Check number
- Account number

The check form must also provide spaces for two signatures. The memorandum line is not to be used as the second signature line. Schools, however, may continue using their current stock of checks until they are exhausted even if the check forms currently being used do not contain all of the above information.

#### **11. Itemized Claim For Payment:**

Schools are not permitted to expend any funds unless an itemized claim (invoice) for payment is filed by the claimant. If the claim is for services rendered, the invoice must identify the kind of service, the date performed, the person performing the service and the amount due. If the claim is for materials, equipment or supplies, the invoice must identify in detail the vendor, the items provided, the quantity, the date provided, to whom provided and the amount due.

All invoices should be verified for clerical and mathematical accuracy when received. Any errors noted should be brought to the vendor's attention.

All invoices must be approved for payment by the principal or designee prior to the payment being made. Consequently, the practice of paying for merchandise at the time of delivery should be discouraged, if not completely disallowed.

Invoices should be stamped as paid at the time payment is made. A convenient way to accomplish this is to use a cancellation stamp with the following information imprinted:

- Check Number \_\_\_\_\_
- Date Paid \_\_\_\_\_
- Amount Paid \_\_\_\_\_
- Approved By \_\_\_\_\_

## **12. Payment for Personal Services:**

All payments made by a school to an individual for services rendered are to be considered wages and are to be paid through the normal payroll process at the central board office, unless it can be clearly shown that the individual is an independent contractor in accordance with the criteria established by the Internal Revenue Service. See Appendix X for a listing of the criteria to be used for making such determination.

This includes payment for part-time or temporary help for office secretaries, library assistants, cafeteria helpers, chaperones, concession stand workers, ticket takers, or other workers at athletic events, carnivals, or other activities, regardless of whether the individual is a full-time employee of the board or not.

The only exceptions are payments made to athletic officials, as permitted by the Internal Revenue Service (IRS) and a State Attorney General's Opinion, dated March 3, 1986. See Appendix X.

County boards are to establish by local policy the procedures to be used by the individual schools in the county for the reporting and payment of wages to all individuals who perform services for the schools.

For all payments made to individuals who are determined to be independent contractors, schools are required to report such payments to the central business office on an annual basis so that a

## **13. Posting Disbursements:**

All checks issued must be posted daily to the general journal of the fund from which the disbursement is being made. The checks are to be posted individually to the journal in numeric order. Checks may not be posted in a batch.

The amount of the check must be classified to the account from which the disbursement is being made. Proper classification is based on the nature of the disbursement. Proper classification may require that a disbursement be posted to more than one account. The total amount posted to all accounts must equal the total disbursement.

## **14. Reconciliation of Bank Statements:**

For an effective system of internal accounting control, all bank statements are to be presented to the school principal unopened as soon as they are received through the mail. The principal is to open the envelopes and review the bank statements and canceled checks for any possible irregularities, such as checks made payable to cash or unauthorized individuals, checks presented for payment without the proper signatures, or bank deposits not made in a timely fashion.

After this review, the bank statements and canceled checks are to be forwarded to the individuals who will be preparing the bank reconciliations. Every bank account must be reconciled monthly as soon as possible after the bank statements are received.

Any differences noted between the balance reflected in the school's checkbook and the bank statement must be resolved immediately. After the bank reconciliations are completed, the bank statements are to be signed and dated by both the individual who performed the reconciliation and the principal.

All bank statements are to be filed in chronological order. Canceled checks are to be filed either in numeric order with the monthly bank statements or in a separate canceled check file in numeric order by school year.

In situations where a bank is providing only an image (copy) of the canceled checks to the school with the bank statements rather than returning the actual canceled checks, the bank is to provide an image of both the front and back of every check. Voided checks are to be retained and filed in the correct numeric sequence with the canceled checks.

#### **15. Monthly Financial Statements:**

Monthly financial statements are to be prepared for each fund maintained by a school in a timely manner. All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed and dated by the preparer and the school principal.

The principal is required to submit at least one signed copy of the financial statements for each fund to the county board's chief school business official and make one copy available for review at the school by anyone who desires to do so.

#### **16. Annual Financial Statements:**

Annual financial statements are also to be prepared for each fund maintained by a school on forms provided by the State Department of Education. The annual financial statements are to be prepared on the fiscal year basis of July 1 through June 30 each year and are to include all financial activities of the school for the year for which prepared.

All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed by the preparer and the school principal.

In addition to the annual financial statements, a list must be prepared of all outstanding purchase orders at year end, all invoices that have not been paid and all revenues, if any that have not been received.

The principal is required to submit two signed copies of the annual financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

Multi-county vocational centers are to provide two signed copies of their annual financial statements to their fiscal agent and one copy to the Department of Education, Office of School Finance.

## CHAPTER 3 FACULTY SENATE FUNDS

### 1. General:

A faculty senate is to be established at every public school operated by a board of education, including vocational and multi-county vocational centers (WVC §18-5A-5).. Each faculty senate is to be comprised of all permanent, full-time professional educators employed at the school.

Permanent, full-time professional educators should be considered to be those professional educators as defined in West Virginia Code §18A-1-1 who are employed on at least a 200 day contract, regardless of whether they are employed for a half day or a full day.

The professional educators who are assigned to more than one school should be considered to be a member of the faculty senate of their choice.

Faculty senate funds are to be accounted for in the same manner as all other school funds. The same accounting practices and procedures described in pages 1 through 18 of this manual for the general activity funds of the school are to be followed for faculty senate funds.

The requirements presented in this section of the manual have been developed to provide more specific guidance to school personnel who are responsible for the accounting of faculty senate funds.

### 2. Control of Funds:

Faculty senates are to control the funds allocated to each school from the legislative appropriations of \$200 per professional instructional personnel or funds donated to the faculty senate. County boards are required to distribute the faculty senate funds received from legislative appropriations to each faculty senate during the month of September each year.

Of the total allocation received by each faculty senate, \$50 is to be allocated to each classroom teacher, counselor and librarian for expenditure during the instructional year for academic materials, supplies or equipment which in the judgement of the individual will assist him or her in providing instruction. This includes expenditures for programs and materials that, in the opinion of the teacher, enhance student behavior, increase academic achievement, improve self-esteem and address the problems of students-at-risk.

The remaining funds are to be expended only for academic materials, supplies or equipment in accordance with a budget approved by the faculty senate.

If the amount allotted to each classroom teacher, counselor and librarian is not expended during the instructional year, it is to be returned to the faculty senate.

### **3. Annual Budget:**

Every faculty senate is to prepare an annual budget approved by the membership which reflecting how the faculty senate funds are to be expended. The budget is to be made a part of the minutes.

Expenditures are to be made only in accordance with the budget. Revisions to the budget may be made as frequently as necessary. Revisions are to be approved by the membership in the same manner as the original budget.

### **4. Fund Accounting:**

As discussed in Paragraph 5 under the General Section of the manual, each county board of education must establish by local policy the number of funds the schools within a county are authorized to maintain. The schools may be authorized to maintain a separate fund for faculty senate funds or they may be required to maintain the faculty senate funds as a separate account within the school's general fund.

If a separate fund is being maintained for faculty senate funds, a separate bank account must be established.

### **5. Bank Account:**

The bank account in which faculty senate funds are deposited must contain the name of the board of education, the name of the school and the county board's Federal Employer Identification Number (FEIN). Faculty senates funds are not to be deposited in a bank account in the name of the faculty senate.

The school principal and the chief school business official of the county must have signature authority for every bank account in which school funds are deposited, including faculty senate funds.

Every bank account in which school funds are deposited must be insured or the bank must provide adequate bond to cover the maximum amount that may be deposited at any one time.

Two signatures are to be required on every check issued by a school, regardless of the fund from which issued. One of the signatures must be that of the school principal. The second signature is to be that of an individual designated by the principal or by the faculty senate.

All checks must have pre-printed on them the name of the school, the fund, the school address, the check number and two blank spaces for signatures. Current stocks of checks, however, may be used until exhausted.

## **6. Issuance of Receipts:**

A pre-numbered receipt must be issued for all moneys received by the faculty senate at the time the funds are received. This includes the faculty senate funds allocated to each school from legislative appropriations as well as contributions received from others.

## **7. Bank Deposits:**

All funds received must be deposited intact in a bank depository account in a timely manner. If more than one bank account is being maintained at a school, care must be exercised to be certain that collections are deposited in the correct bank account.

A bank deposit must be made whenever total receipts on hand exceed \$500 or before any extended school holiday. Bank deposits must be made at least weekly, regardless of the amount of collections.

## **8. Purchase Orders:**

A purchase order system is to be maintained at each school whereby all purchases of materials, equipment, supplies and services are made through a pre-numbered purchase order approved in writing by the principal or designee before the purchase is made.

Purchase orders, however, are not required for the \$50 allocation of faculty senate funds to individual teachers, counselors and librarians. Purchase orders are required for expenditure of the remaining faculty senate funds.

## **9. Individual Allotments:**

The allotment to each classroom teacher, counselor and librarian may be made in one of several ways. Local procedures should be established by each county board. Two suggested methods are:

- (1) A \$50 check could be issued to each classroom teacher, counselor and librarian at the beginning of the school year with the understanding that the individuals receiving the allotment are to submit receipts by the end of the school year to show how the funds were expended or refund any difference.

If this method is selected, recipients should be instructed that funds would have to be refunded: if the entire amount were not expended during the school year; if funds were expended for unauthorized purposes; or if itemized receipts were not submitted.

- (2) Require each individual to submit a request for reimbursement after the purchase is made. Individuals could be allowed to submit requests for reimbursements after each purchase or be required to wait until a certain dollar amount is reached.

If the reimbursement method is selected, an account balance would need to be maintained for each individual.

With either method, local forms should be developed for each individual to use to list the items purchased. This makes it easier to ascertain that the expenditures were for an authorized purpose. See Appendix X for a sample form.

If the amount allotted to each classroom teacher, counselor and librarian is not expended during the instructional year, the unexpended amount is to be returned to the faculty senate. This also applies if a classroom teacher, counselor or librarian resigns or transfers to another school during the course of the school year.

Funds allocated to classroom teachers, counselors or librarians are to remain with the faculty senate to which the individual was originally assigned; the funds are not to be transferred among faculty senates.

#### **10. Authorized Expenditures:**

The funds allocated to faculty senates are to be expended for academic materials, supplies or equipment in accordance with a budget approved by the faculty senate.

The \$50 allocated to each classroom teacher, counselor and librarian is to be expended during the instructional year for academic materials, supplies or equipment which in the judgement of the individual will assist him or her in providing instruction. This includes expenditures for programs and materials that, in the opinion of the teacher, enhance student behavior, increase academic achievement, improve self-esteem and address the problems of students at risk.

Receipts are to be submitted for all purchases made to provide an accounting of how the funds were expended. Any funds not expended during the course of the school year are to revert back to the faculty senate to be expended in accordance with the faculty senate's approved budget.

The remainder of the \$200 legislative appropriation allocated to each school is to be expended only for academic materials, supplies or equipment in accordance with a budget approved by the faculty senate.

Faculty senate funds not expended during the course of the school year are to be carried forward to the subsequent year.

#### **11. Disbursements:**

All disbursements by the faculty senate must be made by check. The check must be made payable to the individual or vendor to whom the payment is being made, not to another party that is subsequently making payment on behalf of the school. Checks are not to be made payable to cash.

Every check and check stub must be completely filled out at the time the check is issued.

Two signatures are required on every check issued by the school, regardless of the fund from which issued. One of the signatures must be that of the school principal. Both signatures cannot be by the same individual. The second signature is to be that of an individual designated by the principal or by the faculty senate.

## **12. Posting Disbursements:**

All checks issued must be posted daily to the general journal of the fund from which the disbursement is being made. The checks are to be posted individually to the journal in numeric order. Checks may not be posted in a batch.

The amount of the check must be classified to the account from which the disbursement is being made. Proper classification is based on the nature of the disbursement. Proper classification may require that a disbursement be posted to more than one account. The total amount posted to all accounts must equal the total disbursement.

## **13. Reconciliation of Bank Statements:**

For an effective system of internal accounting control, all bank statements are to be presented to the school principal unopened as soon as they are received through the mail. The principal is to open the envelopes and review the bank statements and canceled checks for any possible irregularities, such as checks made payable to cash or unauthorized individuals, checks presented for payment without the proper signatures, or bank deposits not made in a timely fashion.

After this review, the bank statements and canceled checks are to be forwarded to the individuals who will be preparing the bank reconciliations. Every bank account must be reconciled monthly as soon as possible after the bank statements are received.

Any differences noted between the balance reflected in the school's checkbook and the bank statement must be resolved immediately. After the bank reconciliations are completed, the bank statements are to be signed and dated by both the individual who performed the reconciliation and the principal.

All bank statements are to be filed in chronological order. Canceled checks are to be filed either in numeric order with the monthly bank statements or in a separate canceled check file in numeric order by school year.

In situations where a bank is providing only an image of the canceled checks to the school with the bank statements rather than returning the actual canceled checks, the bank is to provide an image of both the front and back of every check.

Voided checks are to be retained and filed in the correct numeric sequence with the canceled checks.

#### **14. Consumer Sales Tax on Purchases:**

Public schools are statutorily exempt from the payment of consumer sales and use taxes on all purchases of goods and services (WVC§11-15-9) as long as a properly completed exemption certificate (Form CST-280) is issued to the vendor. This includes purchases made by faculty senates in the name of the school.

In order to be able to issue a tax exemption certificate, public schools must be registered with the Department of Tax and Revenue and have a current business registration certificate. See Section 34 for an explanation of how to apply for a business registration certificate.

All purchase invoices should be reviewed at the time of receipt to ensure that the vendor has not charged consumer sales taxes. If so, the vendor should be notified and the tax subtracted before payment is made.

Normally, vendors are required to collect consumer sales tax on all purchases made by individuals. Consequently, the consumer sales tax paid by classroom teachers, counselors and librarians on purchases made from their \$50 allotment is to be considered an authorized expenditure. In the school systems that have selected the reimbursement method for allocating the \$50, the consumer sales tax paid should be included in the total amount reimbursed.

#### **15. Monthly Financial Statements:**

Monthly financial statements are to be prepared for each fund maintained by a school on a monthly basis. All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed and dated by the preparer and the school principal.

The principal is required to submit at least one signed copy of the financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

Multi-county vocational centers are to provide one signed copy of their monthly financial statements to their fiscal agent. The monthly financial statements are to include all financial activities of the school for the month for which the statements are prepared.

#### **16. Annual Financial Statements:**

Annual financial statements are also to be prepared for each fund maintained by a school on forms provided by the State Department of Education. The annual financial statements are to be prepared on the fiscal year basis of July 1 through June 30 each year and are to include all financial activities of the school for the year for which prepared.

All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed by the preparer and the school principal.

In addition to the annual financial statements, a list must be prepared of all outstanding purchase orders at year end, all invoices that have not been paid and all revenues, if any, that have not been received.

The principal is required to submit two signed copies of the annual financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

Multi-county vocational centers are to provide two signed copies of their annual financial statements to their fiscal agent and one copy to the Department of Education, Office of School Finance.

## CHAPTER 4 ATHLETIC FUNDS

### 1. General:

Athletic funds are to be accounted for in the same manner as all other school funds. The same accounting practices and procedures described in pages 1 through 18 of this manual for the general activity funds of the school are to be followed for athletic funds.

The requirements presented in this section of the manual have been developed to provide more specific guidance to school personnel who are responsible for the accounting of athletic funds.

### 2. Fund Accounting:

As discussed in Paragraph 5 under the General Section of the manual, each county board of education is to establish by local policy the number of funds the schools within a county are authorized to maintain. The schools may be authorized to maintain a separate fund for athletic activity funds or they may be required to maintain the athletic funds as a separate account within the school's general fund.

### 3. Bank Account:

If a separate fund is authorized for athletic funds, a separate bank account must be established. The bank account must contain the name of the board of education, the name of the school, the name of the fund, and the county board's Federal Employer Identification Number (FEIN).

The school principal and the chief school business official of the county must have signature authority for every bank account in which school funds are deposited, including athletic funds.

Every bank account in which school funds are deposited must be insured or the bank must provide adequate bond to cover the maximum amount that may be deposited at any one time.

Two signatures are to be required on every check issued by a school, regardless of the fund from which issued. One of the signatures must be that of the school principal. The second signature is to be that of an individual designated by the principal.

All checks must have pre-printed on them the name of the school, the name of the fund, the school address, the check number, and two blank spaces for signatures. Current stocks of checks, however, may be used until exhausted.

#### **4. Collections:**

All moneys collected from school activities must be remitted daily to the school principal or to the individual designated by the principal to be responsible for the fund. In situations where the moneys are collected after normal school hours, the funds are to be remitted the following school day.

The total amount of money remitted to the principal or designee must be reconciled to the detailed records that support the collections. Certain types of collections from students will require the preparation of a detailed record in which is listed each student's name and amount remitted. Detailed records are also being maintained for all fund raisers conducted in the name of the school. See Appendix X for a sample copy of the form.

To decrease the risk of theft, each check received by a school is to be stamped on the back with a restrictive endorsement at the time of receipt. The endorsement stamp should state the following:

- For deposit only
- The name of the school
- The name of the fund
- The account number

#### **5. Concession Sales:**

Schools may operate concession stands on their own or they may authorize booster organizations or other clubs to operate the concessions during school functions.

If the concession stands are operated by a school, local procedures must be established to safeguard the inventory of goods sold to protect against pilferage or unauthorized use and to ensure that the sales proceeds are being receipted and deposited correctly.

All proceeds from concession sales operated by a school are to be receipted and deposited intact into a school depository account. Merchandise purchased for resale is to be purchased by check issued for that purpose. The purchase invoices are to be retained as documentation for the disbursements.

Periodically, a profit and loss statement is to be prepared to compare actual sales proceeds to the expected sales totals that should have been recognized from the amount of merchandise sold. See Appendix X for a sample copy of the form to be used.

If the concession stands are operated by booster organizations or other clubs, they are to be required to provide in a timely manner reports which reconcile sales, inventories and profits. Such reports are to be retained on file.

## **6. Gate Receipts:**

Pre-numbered tickets are to be used at any event where an admission fee is charged or a donation accepted for admittance. Whenever practical, separate individuals should be used to sell and collect the tickets. As tickets are collected from fans, they should be torn in half; one half should be returned to the individual as a receipt and the other half should be retained.

A ticket reconciliation report must be prepared for each event to reconcile tickets sold to cash collected. The report must show the following: beginning cash balance; first and last numbers of each type of ticket sold (student, adult, other); total number of tickets sold by type; price of each type of ticket; total sales; ending cash balance; total cash in cash box; and differences, if any. In addition, total sales from tickets sold prior to the event must be shown.

The reconciliation report must also show the activity and date, and must be signed by the preparer and the principal. See Appendix X for a sample copy of the form to be used.

## **7. Issuance of Receipts:**

A pre-numbered receipt must be issued for all collections at the time the funds are collected, regardless of whether the collections are in cash or by check. This includes all gate receipts from athletic events, donations; interest earned on bank accounts; refunds from vendors; and reimbursements from the central board office. The total amount of receipts issued must equal the total amount of funds received.

Receipts are to be prepared in duplicate: the original is to be given to the individual from whom the funds were received at the time the moneys were remitted; the copy is to be retained in numeric order, either in the receipt book or in a file established for this purpose.

## **8. Bank Deposits:**

All funds collected must be deposited intact in a bank depository account. If more than one bank account is being maintained at a school, care must be exercised to be certain that collections are deposited in the correct bank account. No cash disbursements are to be made from collections and no personal checks are to be cashed.

To minimize the risk of loss or theft, it is recommended that bank deposits be made on a daily basis. A bank deposit must be made whenever total collections on hand exceed \$500 or before any extended school holiday. Bank deposits must be made at least weekly, regardless of the amount of collections.

If bank deposits are not made on a daily basis, it is recommended that the bank deposit slip be prepared on a daily basis with the total collections for the day sealed in a deposit envelope and placed in a safe or otherwise safeguarded until the deposit is actually delivered to the bank. In this manner, daily collections can be easily reconciled to individual bank deposits on the bank statement.

Undeposited receipts must be safeguarded against theft, loss or unauthorized use. Undeposited receipts are the responsibility of the custodian of the funds and the principal.

Each bank deposit slip must contain the following information:

- The name of the school
- The bank account number
- The date the deposit slip was completed
- The series of receipt numbers comprising the deposit
- The total amount of cash included in the deposit
- A list of the individual checks included in the deposit
- The total amount of the deposit

Bank deposit slips are to be prepared in duplicate. The original is to be remitted to the bank with the funds being deposited; the copy is to be retained on file.

All checks being deposited must be listed separately either on the deposit slip or on a separate schedule attached to the school's copy of the deposit slip. The beginning and ending receipt numbers for the deposit must be listed on the deposit slip.

Non-sufficient checks that are being redeposited for the first time are to be clearly identified on the deposit slip or they are to be listed on a separate deposit slip. On all such redeposits, the original receipt number is to be clearly written on the bank deposit slip.

## **9. Purchase Orders:**

A purchase order system is to be maintained at each school whereby all purchases of materials, equipment, supplies and services that are purchased are made through a pre-numbered purchase order approved in writing by the principal or designee before the purchase is made.

Purchase orders, however, are not required for utilities, executed contracts, maintenance agreements, remittances to the central board office, refunds, reimbursement of travel expenses, or the allocation of faculty senate funds to individual teachers and librarians.

If an individual other than the principal is designated to approve purchase orders, that individual cannot be the same one who initiated the requisition.

The purpose for maintaining a purchase order system at each school is to provide the principal with a means of maintaining control over purchases to ensure that: maximum value is obtained for each dollar spent; funds are available before the purchase is made; and unauthorized purchases are not made.

Purchase orders are to be prepared in duplicate with the original being provided to the vendor and a copy retained in a file by the school.

All purchase orders must be approved in writing by the school principal or his/her designee and approval can only be made when sufficient funds are available.

No purchases may be made from a fund or account in excess of the funds currently available in that fund or account. Purchases may not be made which will obligate the funds of a subsequent year.

Blanket purchase orders may be issued for items that are purchased from the same vendor on a recurring basis. If blanket purchase orders are used, they should be issued on a monthly basis.

#### **10. Authorized Expenditures:**

All moneys received by a school are considered quasi-public funds and are to be expended for the benefit of the students at the school. Such funds may not be expended for flowers, gifts, banquets, or service awards for school employees.

#### **11. Disbursements:**

All disbursements must be made by check, except for those from petty cash. The check must be made payable to the individual or vendor to whom the payment is being made, not to another party that is subsequently making payment on behalf of the school. Every check and check stub must be completely filled out at the time the check is issued.

Checks are not to be made payable to cash. If starting cash is needed for an event from which to make change, the check must be made payable to the individual who will be cashing the check.

If an error is made while preparing a check, void the check and issue another one. Never write over an original entry to make a correction or use correcting fluid to cover a mistake on a check.

To void a check, write the word "VOID" across the face of the check and check stub. Retain the voided check and file in numeric order with all checks paid by the bank. Leave the check stub for the voided check in the checkbook. Never discard voided checks or check stubs.

Two signatures are required on every check issued by the school, regardless of the fund from which issued. One of the signatures must be that of the school principal. Both signatures cannot be by the same individual.

The second signature is to be that of an individual designated by the principal or by the faculty senate, if the disbursement involves faculty senate funds. Blank checks are never to be pre-signed.

The following information must be imprinted on the check form:

- Name of the school
- Name of the fund
- School address
- Check number
- Account number

The check form must also provide spaces for two signatures. The memorandum line is not to be used as the second signature line. Schools, however, may continue using their current stock of checks until they are exhausted even if the check forms currently being used do not contain all of the above information.

## **12. Reimbursement of Travel Expenses:**

Schools may reimburse employees for all reasonable and necessary travel expenses actually incurred in the performance of their official duties upon presentation of an itemized statement signed by the employee and approved by the principal. Such reimbursements, however, are subject to the policies, procedures, and limitations prescribed by the county board of education.

Schools may also pay all reasonable and necessary travel expenses actually incurred by students on trips authorized by the principal or designee. Such payments are to be supported by an itemized statement which lists the date and purpose of the trip, the names of all students and chaperones on the trip and the amounts paid.

If funds are paid to students in order that they may pay their own expenses, each student's signature is to be obtained as verification of receipt of the funds. If payment is made directly to a vendor, such as to a motel or restaurant, receipts must be obtained to support the disbursement.

Each travel statement must be signed and dated by the staff member in charge of the trip. The statement and all supporting receipts are to be turned in to the school principal or designee as soon as possible upon return. See Attachment X for a sample copy of the form.

If cash is needed for a trip, it is to be provided by check made payable to the staff member in charge of the trip. Checks are not to be made payable to cash and pre-signed blank checks are not allowed. Upon return from a trip, any remaining cash is to be deposited into the school's depository account.

If authorized by local board policy, schools may obtain credit cards in the name of the school to be used for the payment of official travel expenses. Such cards are to be safeguarded against theft or unauthorized use.

## **13. Payment for Personal Services:**

All payments made by a school to an individual for services rendered are to be considered wages and are to be paid through the normal payroll process at the central board office, unless it can be clearly shown that the individual is an independent contractor in accordance with the criteria established by the Internal Revenue Service. See Appendix X for a listing of the criteria to be used for making such determination.

This includes payment for part-time or temporary help for office secretaries, library assistants, cafeteria helpers, chaperones, concession stand workers, ticket takers, or other workers at athletic events, carnivals, or other activities, regardless of whether the individual is a full-time employee of the board or not.

The only exceptions are payments made to athletic officials, as permitted by the Internal Revenue Service (IRS) and a State Attorney General's Opinion, dated March 3, 1986. See Appendix X.

County boards are to establish by local policy the procedures to be used by the individual schools in the county for the reporting and payment of wages to all individuals who perform services for the schools.

For all payments made to individuals who are determined to be independent contractors, schools are required to report such payments to the central business office on an annual basis so that a determination can be made of whether an IRS Form 1099 MISC. is to be filed for the individual.

#### **14. Starting Cash:**

If authorized by county board policy, schools may establish a change drawer to be used as starting cash for athletic events, concession stands or other school activities. The maximum amount that may be authorized is \$500.

The cash in the change drawer must equal the amount established at all times. Personal checks are not to be cashed from starting cash. The balance in the drawer is to be deposited in the school's depository account at times when it is not needed or at the end of each school year.

#### **15. Posting Disbursements:**

All checks issued must be posted daily to the general journal of the fund from which the disbursement is being made. The checks are to be posted individually to the journal in numeric order. Checks may not be posted in a batch.

The amount of the check must be classified to the account from which the disbursement is being made. Proper classification is based on the nature of the disbursement. Proper classification may require that a disbursement be posted to more than one account. The total amount posted to all accounts must equal the total disbursement.

#### **16. Reconciliation of Bank Statements:**

For an effective system of internal accounting control, all bank statements are to be presented to the school principal unopened as soon as they are received through the mail. The principal is to open the envelopes and review the bank statements and canceled checks for any possible irregularities, such as checks made payable to cash or unauthorized individuals, checks presented for payment without the proper signatures, or bank deposits not made in a timely fashion.

After this review, the bank statements and canceled checks are to be forwarded to the individuals who will be preparing the bank reconciliations. Every bank account must be reconciled monthly as soon as possible after the bank statements are received.

Any differences noted between the balance reflected in the school's checkbook and the bank statement must be resolved immediately. After the bank reconciliations are completed, the bank statements are to be signed and dated by both the individual who performed the reconciliation and the principal.

All bank statements are to be filed in chronological order. Canceled checks are to be filed either in numeric order with the monthly bank statements or in a separate canceled check file in numeric order by school year.

In situations where a bank is providing only an image of the canceled checks to the school with the bank statements rather than returning the actual canceled checks, the bank is to provide an image of both the front and back of every check.

Voided checks are to be retained and filed in the correct numeric sequence with the canceled checks.

#### **17. SSAC Tournaments:**

All schools that conduct tournaments on behalf of the Secondary School Activities Commission (SSAC) are to deposit all proceeds received from the tournament intact into a school depository account and remit the total amount by check to the SSAC. The SSAC is to pay all expenses incurred as a result of the tournament, including payment for all personal services. Schools are not to make payment for any tournament expenses.

#### **18. Uniforms, Equipment and Team Merchandise:**

All uniforms, equipment or other team merchandise purchased with school funds belong to the school. An inventory is to be maintained of all such items. Uniforms provided to athletes and coaches are to be returned to the school at the end of the season.

#### **19. Consumer Sales Tax on Purchases:**

Public schools are statutorily exempt from the payment of consumer sales and use taxes on all purchases of goods and services (WVC§11-15-9) as long as a properly completed exemption certificate (Form CST-280) is issued to the vendor. This includes purchases made by faculty senates in the name of the school.

In order to be able to issue a tax exemption certificate, public schools must be registered with the Department of Tax and Revenue and have a current business registration certificate. See Section 34 for an explanation of how to apply for a business registration certificate.

All purchase invoices should be reviewed at the time of receipt to ensure that the vendor has not charged consumer sales taxes. If so, the vendor should be notified and the tax subtracted before payment is made.

## **20. Monthly Financial Statements:**

Monthly financial statements are to be prepared for each fund maintained by a school in a timely manner. All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed and dated by the preparer and the school principal.

The principal is required to submit at least one signed copy of the financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

## **21. Annual Financial Statements:**

Annual financial statements are also to be prepared for each fund maintained by a school on forms provided by the State Department of Education. The annual financial statements are to be prepared on the fiscal year basis of July 1 through June 30 each year and are to include all financial activities of the school for the year for which prepared.

All accounts maintained by the school within each fund are to be listed separately. The financial statements are to be signed by the preparer and the school principal.

In addition to the annual financial statements, a list must be prepared of all outstanding purchase orders at year end, all invoices that have not been paid and all revenues, if any that have not been received.

The principal is required to submit two signed copies of the annual financial statements for each fund to the county board's chief school business official in a timely manner and make one copy available for review at the school by anyone who desires to do so.

## **22. Records Retention:**

All financial records of the school belong to the county board of education and must be delivered or handed over to the superintendent or designee upon request. The books and records of the school are to be kept at the school and safeguarded at all times, unless directed to do otherwise by the superintendent or designee.

Copies of the school's annual financial statements and audit reports are to be retained permanently. The transaction journals, bank statements, and canceled checks are to be retained for at least five (5) years, or until all instances of noncompliance are resolved. All other financial records are to be retained for at least three (3) years.

**CHAPTER 5  
PARENT-TEACHER ASSOCIATIONS, BOOSTER GROUPS  
AND OTHER SCHOOL SUPPORT ORGANIZATIONS**

**1. General:**

It is recognized that parent-teacher associations, booster groups and many other school support organizations provide an essential function in the support and funding of various curricular and extra-curricular programs offered by the public schools throughout the State. Countless hours are devoted by teachers, parents and other school supporters in fund raising activities to provide the funds and donate the uniforms and equipment necessary for such programs. Without this support, many schools would not have the financial resources to provide many of the programs that are being provided to their students.

In order for these outside organizations to be effective in their efforts to provide financial support, however, they must maintain the trust and support of the school community. To do this, it is essential that each school and all of the organizations that support the school maintain an accurate accounting of all funds collected and expended.

County boards of education can assist the school support organizations to develop and maintain the trust of the school communities throughout the county by establishing local policies by which such organizations are to operate.

At a minimum, each board of education is to require annual financial statements be provided by any group that collects money in the name of the school; require that the school principal be made aware of any fund raiser that is being made in the name of the school and approve such fund raisers; and require that a list of all groups that will be collecting funds in the name of any school be approved by the board in advance.

**2. Organization:**

Every school support organization should be officially organized with a set of published by-laws and be governed by an elected board of directors consisting of at least a president, a vice president, a secretary and a treasurer.

Written minutes are to be prepared of each meeting and such minutes are to be made available to the anyone interested in them within a reasonable time after the meeting. At the least, the minutes should contain the following information:

- The date, time and place of the meeting,
- The name of each member of the governing board present and absent,
- All motions, proposals, and resolutions proposed, the name of the individual who made the proposal and their disposition, and
- The results of all votes.

### **3. Transaction Journal:**

A transaction (receipts and disbursements) journal should be maintained to record all receipts and disbursements. Each posting should include the following: the date of the transaction; receipt or check number listed in numeric order, name of payor or payee; and individual account(s) for which the collection or disbursement was made.

The transaction journal should be footed and cross-footed each month to ensure that errors have not been made. The entries in each column are added to arrive at a total and the totals of each column are added across to arrive at the grand total for the month. If errors are found to exist, they must be identified and corrected as soon as possible, using correcting journal entries. Do not write over or use correcting fluid to make corrections. Make the necessary journal entries and include a brief explanation of why the adjusting entries were made.

### **4. Bank Accounts:**

Every bank account in which the organization funds are deposited should be insured or the bank should be required to provide adequate bond to cover the maximum amount that may be deposited at any one time. The account should contain the name of the organization and the organization's Federal Employer Identification Number (FEIN).

The bank signature cards must be maintained current at all times. Two signatures should be required on every check issued by the organization. One of the signatures should be that of the organization's president.

All checks should have pre-printed on them the name of the organization, the name of the school, the organization's address, the check number and two blank spaces for signatures. Current stocks of checks, however, may be used until exhausted.

### **5. Collections:**

All moneys collected from activities on school property must be remitted to the school principal or designee in a timely manner to be receipted and deposited intact into one of the school's depository accounts.

The total amount of money remitted to the principal or designee must be reconciled to the detailed records that support the collections.

To decrease the risk of theft, each check received by the organization should be stamped or marked on the back with a restrictive endorsement stating "for deposit only" at the time of receipt.

### **6. Concession Sales:**

If concession stands are operated by a school organization on school property, local procedures must be established to safeguard the inventory of goods sold to protect against pilferage or

unauthorized use and to ensure that the sales proceeds are being receipted and deposited correctly.

All proceeds from concession sales operated on school property are to be remitted to the school principal or designee in a timely manner to be receipted and deposited intact into one of the school's depository accounts. Merchandise purchased for resale should be purchased by check issued for that purpose. The purchase invoices are to be retained as documentation for the disbursements.

Periodically, a profit and loss statement is to be prepared to compare actual sales proceeds to the expected sales totals that should have been recognized from the amount of merchandise sold. See Appendix X for a sample copy of the form to be used.

### **7. Fund Raisers:**

All school support organizations that will be conducting fund raisers must obtain approval from the county board of education in advance. Local procedures must be established to regulate all fund raising activities conducted by school organizations to ensure that they are conducted in a proper manner and that all proceeds are receipted and deposited correctly.

All proceeds from fund raisers conducted by a school organization should be receipted and deposited intact into one of the school's depository accounts. Merchandise purchased for resale is to be purchased by checks issued for that purpose. The purchase invoices are to be retained as documentation for the disbursements.

A profit and loss statement must be prepared for each fund raising activity conducted by a school that shows gross proceeds, cost of goods sold and net proceeds. See Appendix X for a sample copy of the form to be used.

In addition, certain fund raising activities are subject to the collection and remittance of consumers sales tax. See Section 11 and Appendix X for more information.

### **8. Gate Receipts:**

If activities are sponsored by school support organizations on school property at which an admission fee is charged or a donation is accepted for admittance, pre-numbered tickets should be used. Whenever practical, separate individuals should be used to sell and collect the tickets. As tickets are collected from patrons, they should be torn in half; one half should be returned to the individual as a receipt and the other half should be retained.

A ticket reconciliation report should be prepared for each event to reconcile tickets sold to cash collected. The report should show the following: beginning cash balance; first and last numbers of each type of ticket sold (student, adult, other); total number of tickets sold by type; price of each type of ticket; total sales; ending cash balance; total cash in cash box; and differences, if any. In addition, total sales from tickets sold prior to the event should be shown.

The reconciliation report should also show the activity and date, and must be signed by the preparer and the individual in charge of the event. See Appendix X for a sample copy of the form to be used.

#### **9. Annual Financial Statements:**

Annual financial statements are to be prepared by each school support organization and two copies are to be provided to the school principal. They should be prepared on the fiscal year basis of July 1 through June 30 and are to include all financial activities of the organization for the year for which prepared.

At a minimum, the financial statements should list the organization's cash balance at the beginning of the year, revenues collected during the year, expenditures paid during the year, and the cash balance at the end of the year. If any sub-accounts are maintained by the organization, they should be listed separately.

The financial statements are to be signed by the preparer and the organization's president. See Attachment X for a sample copy of the form to be used.

In addition to the annual financial statements, a list should be prepared which lists all invoices that have not been paid at the end of the year and all revenues, if any, that have not been received.

#### **10. Consumer Sales Tax on Purchases:**

Private nonprofit organizations such as Parent Teacher Associations, booster groups and other school support organizations, are not exempt from paying the consumer sales and use tax by reason of their nonprofit status alone, but must meet very specific requirements contained in State tax laws and legislative regulations. See Appendix X for an explanation of these specific requirements.

One of the requirements is that the organization must be currently registered with the West Virginia Department of Tax and Revenue and have a business registration certificate. Each organization must have its own business registration certificate; private nonprofit organizations are not to use the school's registration number.

#### **11. Consumer Sales Tax on Sales:**

Private nonprofit organizations that meet the requirements set forth in the preceding section for making tax exempt purchases may also make casual and occasional sales for fund raising purposes and not be required to collect and remit consumer sales tax on their sales.

For the purpose of this exemption, "casual and occasional sales" means fund raising events not conducted in a repeated manner or in the ordinary course of repetitive and successive transactions.

These fund raising events are limited to six events (which last no more than eighty-four consecutive hours each) in any twelve month period. Any fund raising event which lasts more than eighty-four hours will be considered as two or more events, depending upon the duration of the event.

If an organization holds more than six events during the course of a twelve month period, it must begin collecting and remitting consumer sales tax on all sales made at these succeeding events.

In addition to the exemption for "casual and occasional sales" discussed in the preceding paragraphs, certain other special exemptions may apply. For example, special exemptions apply to certain sales of food by school support organizations:

- Sales of food on an occasional basis, such as a bake sale, by private nonprofit organizations are exempt if the purpose of the sale is to obtain revenue for the functions and activities of the organization and the revenue so obtained is actually expended for that purpose. No exemption certificate is necessary.
- Sales of food by private nonprofit organizations on a recurring basis, such as through concession stands, if the purpose of the sales is to obtain revenue for the functions and activities of the organization and the revenues obtained from selling the food are actually used for that purpose: provided that the food items purchased for resale are not purchased tax exempt.

## **12. Business Registration Certificate:**

As discussed in Section 11 on a preceding page, in order for a private nonprofit organization to be able to issue a tax exemption certificate for purchases, the organization must register with the West Virginia Department of Tax and Revenue and obtain a business registration certificate (WVC §11-12-3). Private nonprofit organizations, however, are exempt from payment of the registration fee.

In applying for a business registration certificate, each organization must have its own business registration certificate and identification number; private nonprofit organizations are not to use the school's registration number.

## **13. Review of Financial Records:**

Boards of education have the authority, pursuant to the provisions of WVC §18-5-13(1), to examine the financial records of any parent teacher association, booster group or other school support organization collecting money in the name of a school, or to require the organization to provide the county board with financial statements that have been examined by an independent accountant.

The financial records may be examined in accordance with agreed upon review procedures developed by the county board. Such procedures, however, should include a review of compliance with the provisions of this manual and policies and regulations of the county board.

Copies of the report are to be provided to the county board of education, to the superintendent and to the school principal.

If any reportable conditions are noted in the report, the president of the organization is to provide the board with a corrective action plan. All reportable conditions are to be corrected as soon as practical but not later than six months after receipt of the report.

#### **14. Records Retention:**

All financial records, minute books and other documents maintained by or in the name of a school organization belong to the organization and must be delivered or handed over to the duly elected president of the organization, or to the county superintendent of schools, upon request.

Copies of the organization's annual financial statements and minute books are to be retained permanently. The transaction journal, bank statements, and canceled checks are to be retained for at least five (5) years. All other financial records are to be retained for at least three (3) years.

**FISCAL NOTE WORKSHEET**  
(Submit 4 Copies)

HD NO \_\_\_\_\_ DRAFT NO \_\_\_\_\_ BILL NO \_\_\_\_\_ RESOLUTION NO \_\_\_\_\_

SUBJECT Policy 1224.1 FUND \_\_\_\_\_

SOURCE OF REVENUE:  GENERAL FUND  SPECIAL  OTHER (SPECIFY) \_\_\_\_\_

COST OF ESTIMATE BASED ON:  AN ORIGINAL ESTIMATE  BUDGET BILL  OTHER (SPECIFY) \_\_\_\_\_

INCOME ESTIMATE BASED ON:  AN ORIGINAL ESTIMATE  BUDGET BILL  OTHER (SPECIFY) \_\_\_\_\_

**SHOW OVER-ALL EFFECT IN ITEMS 1 AND 2 & GIVE EXPLANATION OF BREAKDOWN BY FISCAL YEAR INCLUDING LONG-RANGE EFFECT**

EFFECT OF PROPOSAL	ANNUAL		FISCAL YEAR		
	INCREASE	DECREASE	CURRENT	NEXT	THEREAFTER
1. ESTIMATED TOTAL COST	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
PERSONAL SERVICES CURRENT EXPENSES REPAIRS/ALTERATIONS EQUIPMENT OTHER	\$	\$	\$	\$	\$
2. ESTIMATED TOTAL REVENUES	\$	\$	\$	\$	\$

3. EXPLANATION OF ABOVE ESTIMATES (INCLUDING LONG-RANGE EFFECT):

There will be no additional cost for implementation.

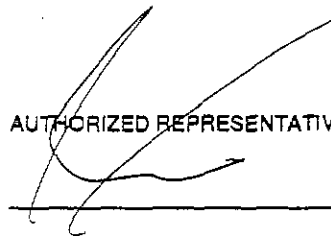
DATE

12-6-95

AGENCY

Department of Education

AUTHORIZED REPRESENTATIVE



**RESPONSE FORM**  
**POLICY 1224.1 - INDIVIDUAL SCHOOL ACCOUNTING POLICY**

Directions: Please use this form to comment on the proposed revisions to this policy.

Name of Individual or Organization \_\_\_\_\_

Address \_\_\_\_\_

General Comments: _____
Comments on Chapter 1:
Comments on Chapter 2:
Comments on Chapter 3: _____
Comments on Chapter 4: _____
Comments on Chapter 5:

Please submit comments by February 9, 1996 to:  
Joseph Panetta, Director  
Office of School Finance  
West Virginia Department of Education  
Building 6, Room 215  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0330