REVISED MANUAL FOR STUDENT ACTIVITY ACCOUNTING FOR VIRGINIA’S PUBLIC SCHOOLS

by

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(ABSTRACT)

Student activities accounting procedures are carried out in all public school systems throughout the Commonwealth of Virginia. These accounts are created to allow individual educational agencies to deposit, disburse, and account for all funds relating to school activities. In 1954 the original manual for Student Activities Accounting was developed by the Virginia State Department of Education and was revised in 1989.

The policies and procedures contained in this manual are intended for application throughout all public schools in Virginia, and are not considered regulatory. However, local school board policies should be reviewed so that they meet the objectives of the manual while conforming to the policies and procedures that are unique to each school system.

The purpose of this manual is to provide assistance to those persons who are involved in the financial accounting and management of school activity funds for all Virginia Public Schools. It reflects the newest legislation concerning school accounting and considers the opinions of the Executive Director of the Association of School Business Officials and Virginia Certified Public Accountants. Recommendations were solicited from assistant superintendents of finance representing small, medium and large school divisions as well as elementary, middle and high school bookkeepers. Additionally, Attorneys’ General opinions relative to the management of school activity funds were obtained and are included in the revised manual.
All aspects of student activities accounting procedures and practices are covered. The manual is designed to be a user-friendly guide that allows school personnel easy access to accounting information. It offers recommendations to ensure proper accounting policies and procedures as related to student activity accounting, guidance for accurate disposition and accounting for all funds, and explicit explanation of the forms needed to carry out day-to-day business practices. It is available in binder form and disk to all public school systems throughout Virginia. There are several accounting software packages available at reasonable costs that will save time and will help to eliminate careless accounting errors. Technology will also provide the principal and bookkeeper with immediate information through detailed printed reports, receipts and check printing. The manual contains examples of all necessary forms which may be duplicated or may be purchased through the State Department of Education. The forms have been revised to allow utility for bookkeepers who use a ledger or computer software.
Dedication

I dedicate this book to my dear parents Emory and Juanita Hundley, who instilled in me the determination and will to meet obstacles positively. I hope they can some way know that their daughter made their dream come true. To my mom and dad, I love you and hope I have made you proud.
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Chapter 1

Introduction

Public schools in the Commonwealth of Virginia have seen an increase in the need for accountability in the handling and administration of student activity funds. “Being answerable, or accountable, to the public for the operation of educational programs is a long-standing concept in educational administration. Much educational legislation during the 1970’s and 1980’s has been based on increasing the accountability of educational administrators” (Kimbrough and Nunnery, 1988, p. 77). “Accountability means that local schools can demonstrate that they are operating in conformance with state statutes, using funds as intended, and improving student performance. Few question the need for accountability; but many question how best to achieve it” (Jordan and Lyons, 1992, p. 28). “No other single aspect of the administration of a school system is given as much surveillance as the management of the school money” (Grieder, Pierce, Jordan, 1969, p. 403). School activity accounting systems must provide an accurate and efficient means to account for and disperse funds within a school setting. Monthly reports should give an overall financial picture of the school’s accounts and proper cash controls must be in place to assure the public that these funds are safe. Sam Tidwell (1960) shared that “The greatest service that a well-planned accounting system can provide for the board of education is an effective and efficient procedure that produces accurate and reliable financial statements while safeguarding the assets and resources of the school district and the integrity of every employee of the school district charged with the responsibility of handling money or property” (p. 219).
Statement of the Problem

Similar to most states, the Commonwealth of Virginia has attempted to provide leadership to the individual school divisions and schools by publishing and distributing a school activity funds manual. This manual entitled *School Activity Funds* is intended to be used as a guide to school personnel who are responsible for the administration and implementation of school activity funds. Unfortunately, this manual has not been updated since 1989. Since the 1989 publication of *School Activity Funds* several significant statutory and regulatory changes have occurred resulting in a manual that is both misleading and outdated.

Purpose of the Study

The purpose of the study is to revise and streamline the *Student Activity Funds* guidebook published nearly a decade ago by incorporating legislation and regulations that have occurred since 1989. Where appropriate, the revised manual will be reformatted to better serve public school personnel who are responsible for the administration of school activity funds.

Delimitation of the Study

The range of this study will be limited to:

1. legal, legislative and policy mandates specific only to the Commonwealth of Virginia;
2. the public schools of the Commonwealth of Virginia;
3. funds accounted for in the individual schools including those schools who operate a decentralized school nutrition program.

Concepts and Guidelines for Management of Student Activity Funds

Managing student activity funds requires a great deal of planning and leadership. Principals and bookkeepers are required to carefully monitor the financial affairs of the
school and stay abreast of changing legislation pertaining to school activity fund accounting. Morphet, Johns, and Reller (1967) gave three basic concepts in the management of school activity funds. “School financial accounting should furnish an historical record of receipts and expenditures, provide a basis for evaluating the faithfulness of stewardship and promote a basis for both fiscal and educational management with respect to budget preparation, control, cost analysis and reporting” (p. 472).

Jordan (1969) issued the following guidelines in the administration of school activity funds. These same guidelines still reflect today’s goals and objectives of prudent fiscal responsibility. Jordan’s list included the following guidelines:

1. Sound financial procedures and accounting practices should be used in the administration of the funds.

2. The basic criterion for establishing and maintaining a fund should be whether or not its intended use can be educationally justified.

3. Adequate safeguards should be provided to assure that funds will be used for their intended purposes and not diverted to other uses.

4. Efforts should be exerted to maintain a high level of flexibility in the operation of the accounting program so that regulations will not restrict the effectiveness of individual activities.

5. The program should be considered as an opportunity to assist students in the development of decision-making skills and of an appreciation for the benefits which may be obtained through sound fiscal planning.

6. Sufficient faculty supervision should be provided to assure adequate control, but this should not result in faculty dictation.

7. In the absence of statutes or state regulations to the contrary, the local school board must assume that it has the ultimate responsibility for all activities which take place under the auspices of the schools; therefore, the board has policy-making power and may require periodic reports to have assurances that the funds are being handled properly.

8. Applicable state statutes and regulations should be reviewed and closely observed in the conduct of the program (p. 155-156).
Jordan also communicated that “An accounting system will be effective to the degree that reliable information can be secured, analyzed, recorded and reported. The local school district must have a sound communication system to accomplish these aims” (p. 139). All staff members have a contribution to make in the effective operation of the school accounting program (p. 149).

**Principles and Procedures**

There are certain general principles and procedures that make up a sound accounting system in every school. Burrup, Brimley, and Garfield (1993) summarized these principles in four classifications:

1. *Accuracy*—an accounting system must be accurate. Audits are useful in discovering and reporting errors, but they are a very poor substitute for original accuracy. More than a minimum of errors not only make financial reports ineffective or useless, but may jeopardize the reputation of the administration or ruin the positive image that the school business administrator may otherwise have created.

2. *Completeness and currency*—regular reports of income, expenditures, encumbrances, and other useful kinds of information should be made periodically. Any information that the administrator or the school board needs should always be readily available.

3. *Simplicity*—Accounting practices and procedures are intended to provide information to administrators, school boards, the state, and local citizens. Their purpose is to explain, not confuse or deceive anyone. They are valuable if understood or worthless if not. Simplicity is therefore a necessity in school accounting practices.

4. *Uniformity*—Account classifications and funding practices must be standardized to ensure uniformity and utility (p. 338).

There exists a need to improve student activity accounting procedures due in large part to an increased need for additional funding from outside sources within the local community. As more funding is obtained from these sources, staff development among school personnel becomes crucial in order to obtain improved
performance in student activity fund accounting. If students, teachers, bookkeepers, and principals understand the need to follow required practices and procedures in the handling of funds, improvement should occur. Cuzzetto (1995) shared in his article on school accounting that there is an increase in the amount of money being raised by schools, untrained personnel are handling substantial amounts of cash, and ethical standards for those in charge of handling funds received is paramount. There is a need for proper accounting procedures and not only must a good job be done, but information to substantiate it must be conveyed to the public (Grieder, et al., 1969, p. 403). Burrup, et al. (1993) concurred,

Personal integrity is important, but so are records. The accounting system for such funds should follow acceptable guidelines, such as a centralized accounting for all student activity funds, receipts issued for all monies received, early deposit of cash receipts (with only minimal amounts of cash left in the school safe at any time), and unlocked-safe policy when protecting small amounts of money of less value than the safe door, all payments made by two-signature checks issued only after proper authorization, accurate and complete records of all transactions, supervision of all accounting systems by a faculty member or administrator, continuous internal auditing by qualified personnel, and regular external audits (p. 352).

It shall be the duty of the school principal to see that accounting records are maintained in accordance with the regulations and rules promulgated by the local school board. The principal or designee shall perform the duties of finance officer (Salmon, 1992, p. 1). “The day-to-day handling of the budget constraints of so many details, both small and large, that these duties need to be the responsibility of a member of the school staff who has the special skills to handle all of the school’s accounts” (Ridler, 1989, p. 243). The principal cannot do this function alone, therefore delegation of duties is a necessity in school activity accounting. Delegation requires a high degree of trust in personnel, continuous staff development, ample fiscal resources and accountability standards.
Stephen Covey (1989) describes the *Stewardship Delegation* model as a delegation paradigm that focuses on results instead of methods. It gives people choice of method and makes them responsible for results (p. 173). This model of delegation involves "clear, up-front mutual understanding and commitment regarding expectations in five areas:

- **Desired Results.** Create a clear, mutual understanding of what needs to be accomplished, focusing on ‘what’, not ‘how’; results not ‘methods’. Spend time. Be patient. Visualize the desired result.

- **Guidelines.** Identify the parameters within which the individual should operate.

- **Resources.** Identify the human, financial, technical, or organizational resources that the person can draw on to accomplish the desired results.

- **Accountability.** Set up the standards for performance that will be used in evaluating the results and the specific times when reporting and evaluation will take place.

- **Consequences.** Specify what will happen, both good and bad and the result of the evaluation" (p. 174).

When assistant principals, bookkeepers and student activity sponsors are aware of these important delegation elements, it becomes apparent that quality work is expected, even demanded at this level. Ridler and Shockley (1989) encourage "spot checks" of accounting records periodically. On an unannounced and unscheduled basis, the school bookkeeper would bring accounting records to the principal. The principal should select several accounts and randomly check deposits, disbursements, transfers of funds, and documentation. If the principal has questions or does not understand any of the entries, the bookkeeper should give an explanation of the questionable entries (p. 251). The focus of the account spot checking is to ascertain whether the funds are being used specifically for their intent and to make sure that no illegal procedures are being used (p. 250).

**Objectives for Accounting Controls**

Sound financial administration of school activity fund accounting is essential to the
integrity of all school personnel dealing with these funds. So often, especially at the elementary level, secretaries are employed as school bookkeepers with little or no training in the area of accounting. Miller, Moyer, and Patrick (1956) stated that the rapid growth of school activities have not always been accompanied by the development of business-like methods for managing these accounts (p. 116). According to Kimbrough (1968)

For many years educators and school board members paid little attention to the administration of funds collected in schools. Much interest in the funds followed the reports of several statewide studies revealing that public schools collected millions of dollars from various activities. As a result of much discussion of the large amount these internal funds, practically all of the states and local school districts established orderly processes for the financial accounting and administration of the funds collected by schools (p. 357).

It is not uncommon for students to bring in cash on a daily basis and merely hand it to the teacher without documentation. Teachers send these collected funds to the school bookkeeper to deposit in several accounts. The accounts may include but are not limited to school store, ice cream, pictures, yearbooks, or school spirit items. The bookkeeper must account for the money given to her, prepare deposit tickets, post the transactions and deposit these funds in a local bank usually within a 24 hour period. It is imperative that school bookkeepers have in place an organized plan to take care of these funds in a timely manner.

Johns and Morphet (1975) offered the following to avoid the risk of mishandling school funds.

The handling of cash should be minimized in school operations. Considerable amounts of cash come in to schools daily and although this cash is from nontax sources, it is school money regardless of its sources and should be handled with as much honest and propriety as tax money. If cash is not handled properly, it may never get into the accounts. Procedures for handling cash should be established so as to minimize the chances for losing funds by theft or carelessness (p. 452-453).
Horrigan, emphasized that the school administrator should establish the control structure and then hold those persons directly involved in the various activities responsible and accountable (1993). Controls define directives and authorize the administration of activity funds. According to Horrigan, "No one should feel threatened by controls. Controls do not imply impropriety. They provide procedures for accounting for cash receipts, procedures that are simply good business practice designed for everyone's protection" (Association of Business Officials, future reference ASBO, 1993). There is little disagreement that the implementation of internal controls for accounting systems will help eliminate impropriety in the school setting. Cuzzetto (1995) developed a model that exemplifies proper internal controls as well as the added feature of "Quality" which should be present in all student activities accounting procedure. Cuzzetto's Student Activity Funds Quality Control Process model is presented in Figure 2 of the Appendix located in Chapter 4 of the revised manual. Horrigan (1993) listed the following objectives for accounting controls:

1. Examine a variety of cash generating school operations and identify areas where controls are needed.

2. Examine specific techniques for ensuring effective cash controls.

3. Suggest internal audit procedures that will address the need for complete accountability for cash receipts.

4. Focus on problem prevention by having carefully developed highly visible (and hopefully respected) controls in place (p. 2).

"As the number, size and complexity of schools have grown, so has the concern as to how these activities should be financed and administered" (ASBO, 1986, p. 6). Burrup (1993) stated that school officials have a responsibility to spend funds wisely to provide high quality education and to meet the challenge of protecting school funds and property and the
reputation of those involved in disbursing school money (275). *Guidelines for Student Activity Accounting*, concurred,

A good student activities program is a necessary facet of the total educational program of each school. The board of education has an obligation to provide its students with an activities program that is attractive, meaningful and worthwhile. A well-planned program will ultimately enrich the curriculum, provide new learning experiences, promote interest in classroom work and improve morale and discipline. The successful operation of any program is dependent upon the formulation of sound policy and effective guidelines. These elements give the program a strong base that will enable it to expand and flourish while keeping it within the boundaries of a good educational system. All student activities programs must function within the framework of the educational and organizational policies of the board of education. In view of the large amount of money received from and expended for student activities, the demand has developed for efficient, thorough and safe management of these funds (ASBO, 1986, p. 7).

Student activities have seen its greatest expansion at the secondary level with additional sports and academic programs; however, programs at the elementary and middle schools also have continued to flourish. Grieder, et. al. (1969) contend that when receipts from athletic events, club activities, and other school functions are combined into the school activity fund, the total amount of money is often much larger than would be anticipated. “Every precaution should be taken to assure that adequate safeguards are provided through sound accounting, reporting, and auditing procedures” (p. 478).

Horrigan (1993) substantiated the need for cash controls,

The fact of the matter is that large amounts of cash are handled in the operation of school activities. With a growing need to find new and increased sources of funding to support activities and services in a time of severe budget constraints, many school districts are greatly expanding their cash generating operations. If effective cash controls are not carefully in place, at best this lack of controls can lead to embarrassing questions and cynical comments; at worst it can lead to substantial losses (p. 2).
Increased Public Interest

It is the responsibility of all school personnel to efficiently and effectively manage and account for all school funds. In order to promote positive school-community relations, the principal and the school staff should have in place a sound accounting financial plan that always takes into consideration the needs of the students. Parents who contribute large amounts of money to support extra-curricular activities and promote school spirit expect prudent fiscal administration of these funds.

"Educators and parents alike have more and more developed the opinion that student activities programs constitute a significant contribution of the educational growth of the child" (Karlin and Berger, 1971, p. 19). Citizens expect the same level of fiscal responsibility practiced with activity funds as they do with tax sources. "As may be expected, issues pertaining to the stewardship of school funds have been a major subject of litigation. Accountability for public funds is always a concern for the watchful public eye" (Alexander and Salmon, 1995, p. 17).

Student activity funds are technically considered quasi-public funds and should be treated with the same fiduciary responsibility (Salmon, 1992). Grieder, et. al. (1969) concurred,

Financial accounting programs in local school districts should not be viewed as historical records of past expenditure patterns, for their true value resides in the information which they yield as decisions are made concerning operation of the current program, and as plans are formulated for future educational programs. Local school administrators will be expected to assess the implications of their decisions and impact on the financial resources of the school district (p. 462).

Sound financial policies and effective guidelines must be in place to ensure propriety by all parties responsible for depositing and distributing money pertaining student activities. Accurate and current information concerning financial records must be made
available to the public if continued support is to be expected and provided. Principals are
bound by local board of education policy to ensure regularity and uniformity in all aspects
in the accounting of student activity programs. “Every board of education should have in
effect rules, regulations and procedures for accountability of student activity funds”
(ASBO, 1986, p. 7). It is paramount that all parties involved with student activity
accounting, including principals, secretaries, bookkeepers and teachers receive appropriate
and continuous training in the understanding of policies and procedures regarding the
control and efficient handling of school funds. Auditors should provide principals and
bookkeepers information concerning current legislative policy and procedural changes on
an annual basis. Extracurricular money shares the same disposition as tax funds and
governance of such funds should be treated accordingly. It is an accepted principle that
schools need to have in place the best possible system of collecting, expending and
accounting for the large sums of money required. Burrup, et al. (1993) maintained,

Yet the history of accounting for such funds, especially at the site-level unit
of organization, has not been a particularly outstanding one. There have
been far too many examples of shoddy practices and even malfeasance have
been brought to light. Such malpractices have done much to cause states
and local school districts to require better accounting systems with stronger
guidelines and appropriate legal requirements for operating school business
(335).

There are certain risks involved in accounting for student activity funds. “The
funds have a high risk because of their liquidity, the large number of individuals who
handle them and the lack of support and staff development offered to the individuals who
are responsible for these funds” (Cuzzetto, 1995, p. 18).

“An efficient and effective system of controls over student activity funds is critical
(1993) wrote that “shoddy or inadequate records can serve to impugn the actions of those
in charge, even where there has been no dishonest intent” (p. 335). Community members who assist schools in raising additional funds must feel a sense of security that all funds raised will be spent for stated purposes. “Student activity funds are to be used solely in accordance with the purpose for which funds are collected. These funds, in general, must contribute to the educational experience of pupils and shall not conflict with the instructional program. Funds derived from the student body as a whole shall be so expended as to benefit the student body as a whole either directly or indirectly” (Virginia Department of Education, future reference DOE, 1989). School patrons support school fund-raising activities and therefore it is important that these individuals be kept informed concerning:

- forthcoming fund-raising events
- reasons for the fund-raising events
- purposes for which the money will be spent
- the total amount of money raised at the conclusion of the activity (Ridler, p. 249).

Principals and staff members have many avenues to keep parents and other school patrons involved and informed about these activities. Newsletters, parent meetings, radio announcements and parent-teacher conferences are excellent ways to announce and inform. Ridler and Shockley offer the following pro-active steps that will assist the school principal and staff with their fund raising activities (p. 255).

- Limit fund-raising activities to only a few drives.

- Choose fund-raising activities that are considered to be a tradition in your school community.

- Choose fund-raising activities that offer a valuable product or service that the public will appreciate.

- Consider the policy of accepting only cash, certified checks, or money orders.
Collect money in advance, whenever possible, to prevent the problem of having customers change their minds about orders.

Give a receipt and keep a detailed record of all orders.

Cooperate with other organizations' fund-raising programs.

The author also suggests the following prohibitives regarding fund raising activities:

Students should not be exploited.

Instructional time must not be sacrificed.

School members must not be overtaxed.

Community must not be saturated with fund drives.

Door-to-door campaigns should not be allowed.

Long-term fund-raising contracts should be limited.

Contract that obligates a school to a fixed level of indebtedness should be avoided.

Competition in fund-raising activities among clubs or classes should be avoided.

Large bank balances are not necessary.

Deposit all funds within 24 hours.

The real tests of success of a fund-raising activity in the local school are:

The public supported the drive.

Both parents and students were satisfied with the activity.

All involved seemed pleased with items or services offered.

The public relations image of the school was improved (p. 254).

Summary

In summary, schools operate by receiving and expending funds for distinct purposes and intentions. It is the chief responsibility of all school personnel that money is
spent wisely and that accurate records reflect the principles of sound school accounting. It is of utmost importance that concise records be kept, procedural accounting guidelines followed, accurate reports generated each month and that external audits be performed to determine that all school financial operations are logical, proper and legal in all respects. Local school board policy should reflect the district's policies and procedures as related to school accounting and must be communicated to the users impacted by these policies. Fund-raising activities should be kept to a minimum and strict adherence to guidelines is imperative. Funds should be expended in accordance with the intent of the fund-raising activity and should benefit every student.

The Virginia Revised Manual for Student Activity Accounting found in Chapter 4, is intended to be a user-friendly guide that will assist school personnel with proper accounting procedures and guidelines. All aspects of school accounting have been addressed to help ensure propriety by individuals who deal with activity funds. Examples of accounting forms are included to assist school officials in the proper documentation for all school accounting transactions and is available on disk formatted for Macintosh and Windows.
Chapter 2

Review of the Literature and Related Research

History of Student Activities Accounting

The original Manual for Student Activity Accounting was developed by the State Board of Education in August 1954 and updated in March 1989. Copies of the manual are furnished through the Accounting and Finance Office, Department of Education, to all public schools in the Commonwealth. The management practices listed in the manual are considered to be a guide yet are not considered regulatory. The Association of School Business Officials (1986) in its Guidelines to Student Activities Fund Accounting stated,

A program of co-curricular activities established by the board of education should ensure that young people have an opportunity to take part in co-curricular and extra-classroom experiences; should provide efficient procedures for their creation, operation and demise; and should outline a system for the safeguarding, accounting and internal control of extra-classroom activity funds. The raising and expending of activity money by student bodies should have but one purpose: to promote the general welfare, education and morale of all students and to finance the normal legitimate co-curricular activities of the student body organization (p. 6).

Needed Qualities of Student Activities Accounting Manual

There are many qualities that comprise a good accounting system (Brimley, 1993; Burrup, 1993; Garfield, 1993; Johns, 1967; McKeown, 1985; Morphet, 1967; Mort, 1960; Pittenger, 1925; Polley, 1960; Reller, 1967; Reusser, 1960; Salmon, 1985; Tidwell, 1974 and Webb, 1985). Pittenger (1925) contended

There are three distinctive qualities which mark a good accounting system as contrasted with a poor one. The first mark of a satisfactory system is adequacy. It must be both complete and accurate. It must provide all needed information for school authorities and every item of this information must be reliable. The second mark is simplicity. The best accounting system ever devised depends in the final analysis on the human
element. In the third place, a good system will be standardized (p. 130-131).

A thorough review of the literature reveals that principals and bookkeepers should work closely with auditors throughout the school year to avoid problems at the end of each fiscal year. Monthly reports need to be in agreement with bank account reconciliation and accounts monitored continuously. Bookkeepers should be aware at all times of account balances and see that accounts contain sufficient funds to cover expenses before crediting the accounts. A transfer of funds may be used to avoid negative balances in the individual accounts.

**State Board of Education Policy**

The Commonwealth of Virginia’s 1989 “School Activity Funds” provided each school division a guide to manage school activity funds. According to the Regulations of the Board of Education, school activity funds are defined as,

> All funds received from extracurricular school activities, such as entertainment, athletic contests, cafeteria, club dues, etc., and from any and all activities of the school involving personnel, students, or property are hereby classified as school activity funds (internal accounts). Local school boards shall be responsible for the administration of these regulations in the schools under their control, and may determine which specific funds in any school may be excluded from those subject to these regulations. (Funds defined by law as public funds are not subject to these regulations and are to be handled as provided by law) (DOE, 1954).

Each school shall keep an accurate record of all receipts and disbursements, so that a clear and concise statement of the condition of each fund may be determined at all times. It shall be the duty of each principal to see that such records are maintained in accordance with these regulations and rules promulgated by the local school board. The principal or person designated by him or her shall perform the duties of school finance officer or central treasurer. The school finance officer shall be bonded, and the local school board shall prescribe rules governing such bonds for employees who are responsible for these funds (DOE, 1989).
"The use of specific forms prescribed by the State Board of Education is not mandatory; however, the basic information required must be incorporated in a system which may be substituted for the system designed by the State Department of Education" (DOE, p. 3). School activity funds must be audited at least once a year by outside person or persons approved by the local school board and a copy of the audit report must be filed in the office of the division superintendent; monthly reports of such funds shall be prepared and filed in the principal's office; and annual reports shall be filed in the office of the principal and division superintendent (DOE, p. 14). "State laws over student funds allow for little flexibility and are strictly limited to extracurricular activities" (Cuzzetto, 1995, p. 19).

Local School Board Policy

Local school boards are urged to adopt rules and regulations to supplement those adopted by the State Board of Education. Local regulations would include such items as:

- General rules of conduct for organized student groups within the school;
- Policy governing fund-raising activities, purposes, etc.;
- Budget planning for each activity fund under faculty supervision;
- Forms of insurance coverage, fidelity, liability, theft (Salmon, 1992, p. 1).

Johns and Morphet (1960) summarized that "boards of education have a responsibility for internal accounts although these do not include tax funds. Any funds administered under the auspices of the school are school funds. A board of education should require all schools under its jurisdiction to follow uniform accounting and budgeting procedures in administering all internal accounts" (p. 465). "The building principal is primarily responsible for the student activity funds in most school districts" (Jarvis, Gentry, Stephens, 1967, p. 327). The principal shall be responsible for the approval of
requisitions for the expenditures of funds, and any other duties as assigned by the superintendent of the school district (ASBO, 1986, p. 8).

**Accounting Problems and Concerns**

There are many control issues which must be examined to identify areas of concern and address weaknesses of accounting procedures. Several issues could cause noncompliance, ultimately leading to problems in activity accounting. Cuzzetto (1995) indicated there are legal requirements and accounting jargon that are not user-friendly for school bookkeepers. He goes on to explain that school board policy may be unclear and not communicated to those in charge of these funds. Double work is performed when manual registers are used in lieu of computerized accounting. He also felt that external audits are conducted too long after the close of the school year which prohibits bookkeepers from identifying procedural problems. School bookkeepers have limited time to accomplish their work, are working with outdated technology, and have no control over staff (p 20).

**Goal Setting for Internal Control**

School personnel are required to follow policies and procedures outlined by local school board policy with regard to school activity accounting. Having implemented internal controls to protect assets will assist in the assurance that bookkeepers are performing duties to the best of their ability. *Guidelines to Student Activity Accounting* (ASBO, 1986) listed 10 basic concepts of internal control:

1. Management responsibility
2. Reasonable assurance
3. Methods of data processing
4. Limitations
5. Personnel
6. Segregation of functions
7. Execution of transactions
8. Recording of transactions
9. Access to assets
10. Comparison of recorded accountability with assets (p. 16).

Also stated in the same publication, are illustrations of ways that adequate internal controls can provide protection against: fraud and waste; noncompliance of local policy and state laws; inefficiency in operations; and inaccuracy of accounting procedures (p. 16).

Areas of Noncompliance and Control Weaknesses

Cuzzetto (1995) contended that problems and issues in student activity accounting must be compiled in order to bring about the paradigm shift from noncompliance and control weaknesses to proper control and compliance (p. 19). He has identified seven areas of cause and effect relating to noncompliance.

Audit
Internal--inconsistent
External--Poor timing, time consuming

Equipment and Process
No training
Old technology/hardware/software
Manual ledgers--not practical

District Policies and Procedures
Procedures--not need sensitive, cumbersome
Policies and regulations--not clear, not communicated

Legal Requirements
Accounting manuals--not user friendly
State laws--too strict, gray areas, need co-curricular

School Site Personnel
Activity Advisors--lack of training, no control over staff
Administration--no accountability
Bookkeepers--limited time, old technology, no control over staff
Students--not involved, little freedom, strict rules
Teachers--low priority, not enough time, low stipend
Central Administration
Management Information Systems (MIS) -- no support
Purchasing and Food Service--slow processing, limited use of PO’s
Food sales compete
Business Office--too many rules, not flexible, not visible
Maintenance--poor custodial support

Other External
Vendors--unfamiliar with billing, unfamiliar with contracts, unfamiliar with purchasing
Donors--don’t know the rules

Cuzzetto (1995) summarized the need for internal controls,

The goal is to redesign a new system, one that is easy to implement, easy to follow and one in which everyone can take ownership. Simplifying rules and regulations, updating technology and providing adequate and appropriate training are underlying many of the identified ‘causes.’ Other areas may take some time and effort, such as changing state laws, educating vendors, etc. All of the identified areas, with team effort, can be reviewed and improved or fixed (p. 20).

Mort, Reusser and Polley (1960) explained that a number of principles or criteria of a good accounting system illustrate the purposes of accounting and assist the administrator in evaluating the adequacy of his/her own system. Among these characteristics are completeness, ease of securing information from records, uniformity of keeping the accounts, simplicity of accounts and records and the degree of permanency desired (p. 376). Preparation of a Student Activity Funds Self-Assessment Checklist is essential in reengineering present accounting practices. You must first look at three important areas; receipts, expenditures and accountability. Cuzzetto (1995) has developed a checklist for schools to use when designing or redesigning a control system for student activity accounting. This checklist, located in the Appendix in Chapter 4, concentrates on the areas of receipts, expenditures and the accountability of each. Bookkeepers may use this form to assist in monthly checking of financial reports and in preparation of the annual audit.
Site-Based Management

The push for site-based management is a philosophy that many school divisions have chosen to embrace. Decentralization of decision-making in the business world has been a trend for sometime and many believe that schools should be run in the same manner. Site-based management requires school districts to set goals and prioritize spending, but allows flexibility in achieving the end result. This empowerment of staff and community members allows local educational agencies to decide how best to raise and spend money. This would include both tax dollars as well as student activity funds allocated for spending. According to Candoli, Hack, Ray and Stollar (1984),

School policy makers and administrators have responded to the public demand for accountability not only by implementing program-oriented accounting systems but also by decentralizing educational policy making and administration. The major vehicle used to accomplish decentralized administration is site-based management. This concept requires the implementation of an accounting system which provides budgeting, revenue, expenditure, and accounting data at the level of the building or administrative unit (p. 166).

"The goal of site-based decision making is to empower school staff and parents by providing them the authority to allocate resources in ways that address the educational needs in their individual school" (Jordan and Lyons, 1992, p. 113). Since the primary responsibility of fund accounting is assigned to the school bookkeeper, the principal must select this individual with great care. According to Ridler one school bookkeeper described the responsibilities of her position as follows:

To receive and deposit all funds for the school.
To receive and check in shipments of equipment, supplies, and materials of instruction for the school.
To keep accurate records of all accounts.
To prepare checks for bills that are due on each account.
**To keep faculty sponsors informed concerning balances in accounts.**
To keep the principal informed and up to date on balances in the school accounts.
To advise the principal on the handling of balances in the bank.
To keep the principal informed concerning any problems with accounts.
To advise the principal concerning details of setting up next year's budget.
To keep the principal "out of trouble" (p. 244).

It is important to note that site-based management can be constructed in many formats. Local school divisions usually dictate the degree of implementation in management policy and procedures to individual schools. As mentioned previously, staff development is paramount when transferring power from the central office decision makers to the building level.

**Need for Computer Technology**

The use of computers for accounting procedures is growing throughout the state; however, there are still some school divisions in Virginia that continue to record their financial transactions manually. Computer hardware and software are available today and all local educational agencies should adopt a technology plan that embraces this policy. There are many affordable software packages available that may be purchased by school divisions to assist bookkeepers and principals in the accounting process. Software programs such as EPES, Manatee, WOS Fund Accounting and others, as well as programs developed at the division level will help maintain accuracy and efficiency in student activity accounting. Included with the software programs are instructional manuals as well as telephone support capabilities. Every bookkeeper should be afforded a computer system with the latest upgrade in accounting software and offered training sessions to best achieve prudent fiscal management of activity funds. According the Burrup et. al., (1993),

Microcomputers can be purchased for minimal expense, with accompanying software designed to meet most state regulations and reporting requirements. Such equipment will soon pay for itself through reduction of labor costs and improved efficiency in operations (p. 344).

He goes on to say that consideration must be given to analysis of need, in-service training
for all personnel, equipment maintenance and program compatibility.

Audit of Records

Auditing is defined as "the process of examining documents, records, reports, systems of internal controls, accounting and financial procedures and other evidence for the purpose of testing their accuracy, truth and authenticity" (ASBO, 1981, p. 1). The State Auditor of Public Accounts requires that "all counties, cities and towns with a population of over 3,500 or a separate school division to prepare a comprehensive annual financial report according to the provisions of Governmental Accounting Standards Board (GASB) Section 2100" (Commonwealth of Virginia, 1993, p. 2-51). Section 15.1-167, Code of Virginia "requires that local governmental audits be performed by an independent CPA or the Auditor of Public Accounts according to the specifications furnished by the Auditor of Public Accounts. Auditors' reports must include a statement that the audit was performed pursuant to the specifications, contracts and bid documents" (1993, p 2-51). § 2.1-153.3 of the Code of Virginia. According to the Specifications for Audits of Counties, Cities and Towns, of the Commonwealth of Virginia, (1993) Audits of school activity funds, including school cafeteria funds, must be performed in accordance with the School Activity Funds Guidelines published by the DOE (p. 2-15).

In section 2-8.6 of the aforementioned specifications,

School cafeteria funds may be separately audited or may be audited in connection with the audit of the local government. Regardless of the type of audit, school cafeteria funds must be included in the locality's Comprehensive Annual Financial Report and must be reported on by an independent auditor. If the school board contracts for a separate audit of the school cafeteria funds, the two auditors should coordinate their efforts to ensure that the cafeteria audit can be incorporated into the locality's annual report (p. 2-16).
The State Auditor of Public Accounts (1993)

strongly endorses using Generally Accepted Accounting Principles (GAAP) in preparing local government financial statements in the Commonwealth. GAAP are a body of principles, theories and practices that are generally accepted as providing a basis for the fair presentation of the financial position and results of operations embodied in the financial statements. These principles have evolved over time and are the product of a number of standard setting bodies (p. 2-3).

In its manual for school board members, the Virginia School Boards Association (1993) discussed the need for school board members to make intelligent decisions through use of current financial data. “Such data are only available if the accounting system and procedures are adequate. Not only public funds, but school activity funds should be subject to the accounting policies adopted by the school board. Annual auditing of public funds is required. School activity funds also must be audited at least once each year” (p. 71). Jordan (1969) explained,

Well-administered school districts use audits for the same basic reasons as private businesses and industry. The board of directors or the school board is provided with a financial report prepared by an outside, independent agency; through this report, the board will be furnished with information relative to the current financial status of the school district and will also be provided with an evaluation of the accounting procedures which are being followed in the management of school funds (p. 156).

The audit must be conducted by a certified public accountant or an accounting firm approved by the local school board. If a CPA is not used, the local board should document the rationale for not using one. The CPA or accounting firm should be independent of the employees who are responsible for the financial operations of the school. The Department of Education offers the following information concerning annual school activity fund audits. The objectives of the annual audit should determine:

1. Whether the financial statements of the school activity fund(s) are presented in conformity with generally accepted accounting principles;
2. Whether school financial activities are in compliance with applicable laws and regulations; and

3. Whether an adequate internal control structure has been established to safeguard fund assets and to ensure compliance with school activity fund regulations (p. 14).

The purpose of the audit is to enable the auditors to advise the local school board, superintendent and the principal of the overall condition and management of the school activity funds. The audits should be conducted using Generally Accepted Government Auditing Standards. In addition, decentralized cafeteria funds may be subject to the Single Audit Act of 1984 and OMB Circular 128 when audits are conducted. Reports of annual audits must be published as soon as possible after the completion of the audit work and delivered to the local school board. The audit report should be forwarded to the superintendent or designee and principal concerned. Within 30 days after receipt of an annual audit report, the superintendent is required to respond to the findings and recommendations. The response must state concurrence or outline action taken or contemplated to remedy the exception and to provide target dates for completion of such action. Copies of the audit report and the superintendent’s response to the findings and recommendations shall be filed in the superintendent’s office (p. 14-15).

**Virginia Statutes Related Activity Accounting**

In every state there are certain state statutes that are relative to student activity accounting practices. State statutes and changes in legislation concerning student activity accounting should be monitored annually to ensure that principals and bookkeepers are in compliance with current laws and policies. The Commonwealth of Virginia’s Statutes relevant to School Activity Accounting are listed as follows:
Section 4 of Article VIII of the Constitution of Virginia states that the general supervision of the public school system shall be vested in a Board of Education of nine members, to be appointed by the Governor, subject to the confirmation by the General Assembly (Virginia School Laws, 1996, p. 6).

Section 22.1-16 of the Code of Virginia states that, "The Board of Education may adopt bylaws for its own government and promulgate such regulations as may be necessary to carry out its powers and duties and the provision of this title (Code 1950, § 22-19; 1971, Ex. Sess., c. 203; 1980, c. 559)" (1996, p. 17).

Section 22.1-79 of the Code of Virginia states that the local school board shall among other duties:

"See that the school laws are properly explained, enforced and observed, and care for, manage and control the property of the school division..." (1996, p. 44).

Section 22.1-89.2 of the Code of Virginia states that "School boards shall retain and dispose of financial records in accordance with the regulations concerning financial records retention and disposition promulgated pursuant to the Virginia Public Records Act (§ 42.1-76 et seq.) by the State Library Board. However, school boards shall not be required to retain such records pertaining to nonappropriated school activity funds for longer than five years (1990, c. 451)" (1996, p. 50).

Section 22.1-115 of the Code of Virginia states that "The State Board, in conjunction with the Auditor of Public Accounts, shall establish and require each school division a modern system of accounting for all school funds, state and local, and the treasurer or other fiscal agent of each school division shall render each month to the school board a statement of funds in his hands available for school purposes. The Board shall prescribe the following major classifications for expenditures of school funds: (i)
instruction, (ii) administration, attendance and health, (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other noninstructional operations, (vi) facilities, and (vii) debt and fund transfers (Code 1950, § 22-143; 1979, c. 630; 1980, c. 559; 1984, c. 130; 1989, c. 94.)” (1996, p. 58).

Section 22.116 of the Code of Virginia states that, “The treasurer or comparable officer of each county, city or part thereof constituting a school division or town, if the town constitutes the school division, shall be charged with the responsibility for the receipt, custody and disbursement of the funds of the school board and shall keep such funds in an account or accounts separate and distinct from all other funds (Code 1950, §§11-132,22-133,1959, Ex. Sess., c. 79, §1; 1960, c. 222; 1980, c. 559)” (1995, p. 95).

Section 22.1-22.1 of the Code of Virginia states that, “A school board, by resolution and subject to approval of the governing body, may establish accounts in each of its schools committed solely for the purchase of instructional materials and office supplies which are not stocked or purchased directly by the school division, items costing no more than $500 per order and essential to meet the immediate health, safety, or security needs. The school board may authorize the transfer of a percentage of the funds budgeted for a school, not to exceed thirty-five percent of the allocation, into such account. Such account shall be managed by the principal of the school who shall file a monthly accounting of the funds with the division superintendent. No additional funds shall be transferred into any such account unless the monthly accounting has been filed. The funds in the account may be disbursed for payment of obligations by issuing a negotiable check signed by the principal and a second person to be designated by the school board. At the close of the fiscal year, all funds remaining in the accounts shall be returned to the school board simultaneously with a full accounting of the disbursements. All such

Section 22.1-123 of the Code of Virginia states that, “Any school board may by resolution establish one or more petty cash funds, not exceeding $2,000 each, for the payment of claims arising from commitments made pursuant to provisions of law. A school board may appoint an agent or other person who shall be authorized only to approve payment of claims arising from commitments made pursuant to provisions of law from such petty cash funds may be established by the school board. Any agent or person into whose hands any such fund is placed may pay such claims therefrom without necessity of prior receipt and audit of the claims by the school board and without approval and issuance of the warrant of the school board.

The clerk of the school board shall report this action to the school board or to any appointed agent of the school board for approval and reimbursement at least within thirty days of the month following the month in which any claim has been paid. Any agent or person into whose hands such fund is placed shall give bond with surety in the amount of $4,000, provided that additional bond shall not be required of any agent or person already bonded in the required amount (Code 1950, § 22-74; 1972, c. 462; 1976, c. 18; 1980, c. 559; 1985, c. 194; 1991, c. 386; 1994, c. 55)” (1996, p. 61).

Section 22.1-124 of the Code of Virginia states that, “It shall be unlawful for any county, municipal or state officer to acquire by purchase directly or indirectly, at less than its face value any warrant or other evidence of indebtedness issued for any school purpose whatsoever by the governing body of any county, city or town or by any school board. Any violation of the provisions in this section shall be a Class 3 misdemeanor. Upon the conviction of any such officer of a violation of this section, his office shall be

**Section 2.1-167** of the Code of Virginia states that, "The Auditor of Public Accounts, when requested by the governing body of any unit of local government, may make and establish a system of bookkeeping and accounting for such unit which shall conform to generally accepted accounting principles. He shall make and establish a uniform system of fiscal reporting for the treasurers or other chief financial officers, clerks of the courts and school divisions of all counties and cities, and all towns having a population of 3,500 or over and all towns constituting a separate school division regardless of population. He may at any time, examine the books and accounts of such officers, and report to the supervisors or councils, the findings of his investigation, if it relates to the affairs of such county or city or town (Code 1950, § 2-138; 1950 p. 692; 1966, c. 677; 1972, c. 73; 1979, c. 318; 1985, c. 315)" (1996, p. 183).

**Section 11.35, of Article I** of the Code of Virginia is cited as the Virginia Public Procurement Act. "The purpose of this chapter is to enunciate the public policies pertaining to governmental procurement..."(1996, p. 243).

**Section 11.41, of Article II** of the Code of Virginia contains contract formation and administration. It states, "All public contracts with nongovernmental contractors for the purchase or lease of goods, or for the purchase of services, insurance, or construction, shall be awarded after competitive sealed bidding, or competitive negotiation as provided in this section, unless otherwise authorized by law." (1996, p. 247). Section G in this same statute states, "Any local school board may authorize any of its public schools or its school division to enter into contracts providing that caps and gowns, photographs, class rings, yearbooks and graduation announcements will be available for purchase or rental by students, parents, faculty or other persons using
nonpublic money through the use of competitive negotiation as provided in this chapter, competitive sealed bidding not necessarily being required for such contracts (1996, p. 247-248).

Section 58.1-608 of the Code of Virginia, (63), states, "Notwithstanding the other provisions of this subsection, the tax shall not apply to the sale of class rings, school photographs, and other fund raising programs for which an elementary or secondary school conducted not for profit receives a commission or the net proceeds after the payment of vendors and other direct expenses. Therefore tax is not applicable to the sale of class rings, school photographs, etc. to students by vendors" (DOE, Supts. Memo No. 234, November, 1986). House Bill 149, effective July 1, 1986, amended this section of the code to include Parent Teacher Associations and Organizations, or "other groups associated with an elementary or secondary school conducted for not-for-profit for use in fund-raising activities. 'Other groups' include the schools and their related fund-raising activities. The activities are defined to include the fund within the school that may be designated as 'general'. The exemption applies equally to the purchase and subsequent resale of fund-raising items" (Supts. Memo No. 234, 1986; Forst, Virginia Department of Taxation, November, 1986).

The amended bill reads as follows:

Tangible personal property purchased for use, consumption, or sale at retail by a Parent Teacher Association or other group associated with an elementary or secondary school conducted not for profit for use in fund-raising activities, the net proceeds (gross receipts less direct expenses) of which are contributed directly to the school or used to purchase certified school equipment; and certified school equipment purchased by such groups for contribution directly to the school. For the purposes of this paragraph, 'certified school equipment' shall mean that equipment for which the Parent Teacher Association or other group has received certification from the school that it will accept a donation of the equipment. The certification provided by the school shall be in accordance with regulations promulgated by the Tax Commissioner.
Attorney’s General Opinion

According to Salmon (1992) “Certain items ultimately purchased by students from independent vendors have raised the interest of the Attorney General of the Commonwealth, resulting in the issuance of an Attorney General Opinion. These items include photography services, class rings, caps and gowns, graduation announcements, and similar items” (p. 8).

When fund-raising is NOT an objective of the activity, the following guidelines apply:

a. The only criteria which should be used in selecting the supplier are the lowest available price for goods and services, and the highest quality and the best delivery or service terms;

b. The amount of money or other consideration of value a supplier is willing to give the school board should not be considered in making a decision on the contract award;

c. The school may deduct expenses for the time and personnel needed to collect money due the supplier;

d. The school may receive a percentage of the money due to the supplier in exchange for services performed by the school or its personnel, but only if the percentage represents a good-faith attempt to reflect the actual cost of the services rendered. However, any percentage charge may be suspect and the Office of the Attorney General has advised that it would be better to use an itemized non-percentage charge which will more accurately reflect a good-faith negotiation as to the value of the schools’ services; and

e. The school may not accept free services from the supplier in exchange for awarding a contract, e.g., use of cameras, free film and film processing, purchase of advertising in yearbooks (Salmon, p. 9).

When fund raising IS an objective, the following guidelines apply;

a. The fact that the school intends to raise funds in connection with the activity and a reasonable estimate of the amount of revenue expended;

b. A list of free services which the supplier will provide throughout the year; and

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Assurance that the student is not required to purchase goods or services through the supplier selected by the school, along with necessary instructions on the use of an alternate supplier, e.g., photograph standards that must be met to be acceptable to the school (Salmon, p. 9).

"Even though proper disclosure has been made, school authorities are obligated to serve the interests of the students rather than seeking a contract which will provide the maximum revenue for the school. Even the appearance of questionable conduct should be avoided. In that regard, complete records detailing the award of the contract and processing of funds are necessary. Further, the supplier selected should not be designated the official supplier" (Salmon, p. 10).

Court Cases Relating To School Activity Accounts

In Re German T.P. School Directors, District and County Court of Pennsylvania, 1942. 46 D. & C. 562. Case number 36 -- Control of School Activities and Funds by Committee of Board.

This particular case involves controversial actions made by school board members in relation to extra-curricular activities involving sporting events and admission money. "Respondents, as members of the school board, proceeded upon the theory that athletic activities, high school band organizations, and other extra-curricular activities may be entirely segregated from the supervision and control of the board as a board" (Reutter, 1985, p. 311). The board took in proceeds from athletic contests and deposited them in a bank without proper authorization. Therefore the funds never were properly accounted for and could not be audited. Upon a check of the accounts maintained by the board, transactions from 1940-1941 indicated purchases of athletic supplies and equipment and band uniforms thus violating procurement policy and procedures. Findings: (Reutter,

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1985) “The school board may hereafter continue to permit the athletic board of
control to manage and direct extra-curricular activities, but all money received
therefrom and all expenditures for equipment to be used therein, must be reported to
and approved by the board. The board of athletic control must be considered
merely as a committee, with like powers and duties as the teachers’ committee, the
committee on supplies, or the building committee” (p. 313).

Petition of Auditors of Hatfield Township School District

388, 54 A. 2d 833. determined that “money or property derived under the auspices
of the public school is accountable in the same manner as other tax funds”
(Alexander and Alexander, 1992, p. 804). The appellants ask the courts to
determine whether the activities account was subject to official audit even though no
tax money was in it. The court found “where money or property are derived
directly or indirectly through the use of the school buildings, or from the
expenditure of public funds of the district, the money thus derived are public
property, must be handled exactly as tax money and be paid to the district treasurer”

Exemption From Payment of Sales Tax

The following information was taken from the Fairfax County Financial
Management of School Activity Accounts Guidelines (1994). Most purchases from school
activity funds are exempt from payment of state sales tax by using the Sales and Use Tax
Certificate of Exemption Form ST-12 or ST-13 located in the Appendix of Chapter 4 of the
revised manual. The following purchases are tax exempt:

1. Tangible personal property purchased by school groups (including
   student clubs and organizations) for use, consumption, or resale in
fund-raising activities for the benefit of schools.

2. Purchases of textbooks, supplies and materials (instructional, library, office, custodial) purchased from local school activity funds.

3. Purchases of equipment.

4. Purchases of athletic or other school team uniforms.

5. Purchases of services, e.g., consultants and speakers.

6. Purchases of textbooks and supplies for resale to students in the adult education program.

7. Occasional sales, e.g., sale of a single textbook to an individual.

8. Purchases of materials from general fees, e.g., industrial arts fees.

9. Purchases for resale at bookfairs from which the proceeds are to become a part of the school activity funds and used for the benefit of the students.

10. Purchases for resale of class rings, school photographs and yearbooks, if treated as a fund-raising activity.

11. Purchases of items for sale to students through vending machines.

Payment of Sales Tax

The following purchases are subject to payment of state sales tax. If a nonexempt purchase order is issued to a vendor who holds a valid Sales and Use Tax Certificate of Exemption from the school or School Board, the purchase order shall clearly state that the order is subject to Virginia Sales Tax. Forms ST-10, ST-12 and ST-13 are located in the Appendix in Chapter 4.

1. Purchases by, or for the use of, faculty -- except for purchases of items intended as gifts to the school.

2. Purchases from faculty accounts for sale through vending machines.

3. Purchases of food and supplies used for special luncheons, dinners, etc., for which a charge is made.

4. Payments for meals and/or lodging (p. 37-38).
Summary

In summary, there are certain laws, Attorneys’ General Opinions, rules, regulations, policies and procedures that must be followed when working with money related to student activities. Salmon (1992) stated that the principal of the school ultimately is responsible for the safeguarding, accounting for, and managing of school activity funds. It is the duty of the principal to have a designated person oversee the day-to-day operations of student activity funds. That person must be given detailed instructions as to the duties to be performed, proper methods and procedures, and be given adequate supervision and guidance (p. 4).

Each student activities accounting system should be designed to provide accuracy, completeness, simplicity and uniformity. The ultimate goal of any accounting system should be of quality and compliance at all levels. The use of a Student Activity Funds Self-Assessment Checklist is one way to assist bookkeepers with the proper checks and balances of accounting policies. Careful attention to detail, accurate reconciliation of bank statements, strict adherence to accounting policies and procedures and accurate monthly reporting of the financial picture of the school will make the year-end audit a smooth process. In addition, state laws must be followed at all times by school personnel and it is imperative to keep abreast of changes in legislation.

There will always be some risk involved in the handling of school activity accounts. However, following state statutes relevant to these funds, using careful and consistent bookkeeping methods, maintaining accurate monthly reports that contain concise and accurate documentation of all money spent will result in a preventative system and should reduce the risk of noncompliance and impropriety. Charles Cuzzetto (1995) summed it up best by saying,
There will never be a system that will completely protect a school system from loss or theft of student activity funds. However, a system designed by users, supported by central office administration, that transfers knowledge with responsibility and accountability, and provides for checks and balances can go a long way in preventing problems. A system that concentrates on prevention, rather than detection, is more efficient and will reduce risk (p. 22).
Chapter 3

Methodology

Survey Information

In August 1995, 134 surveys were mailed to each Virginia school division's finance officer to ascertain the preferred accounting guidelines used in each division for student activity accounting. Figure 8 in the Appendix, indicates that 107 counties and cities responded to the survey. Forty-two Virginia school divisions sent their guidebooks as well as Beaufort County Public Schools in North Carolina for use in the preparation of the new document.

Sixty-five Virginia school divisions utilize some form of a Student Activity Accounting Guidebook as indicated in Figure 8 in the Appendix. When asked if the school division would like a copy of the revised guidebook, 92 divisions responded favorably. Twenty-six school divisions wrote on the survey that their division used the “Red Book” or 1989 School Activity Accounts guidebook. Some school divisions utilized a specific guide conducive to their needs and accounting software packages inherent to their school system.

Each of the accounting guides were rated and organized by points of interest that could be used in the revised manual. The handbooks were judged on completeness, user-friendliness, simplicity, accuracy and generic accounting capabilities. The Virginia Revised Student Activities Accounting Manual reflects the ideas of finance officers representing a wide array of school divisions relating to fiscal propriety and procedural processes.

The first draft was completed in May 1996, and was sent to Henry County’s Superintendent, Assistant Superintendent of Finance and County Director of Accounting and Data Processing for their input and opinion. They both concurred that the first manual included too many unnecessary policies, procedures and not enough user-friendly
information or accounting forms.

During the summer of 1996, the Virginia State Department of Education expressed an interest in having a Revised Student Activities Accounting Manual prepared that could be offered to all school divisions in the Commonwealth in binder form or on disk. Kathy Kitchen, former Chief of Finance for the State Department of Education, supported the effort and agreed to disseminate the Revised Student Activities Accounting Manual to all school divisions upon its completion. A compilation of policies, procedures, state statutes, personnel responsibilities, instructions and proprietary guidelines were included in the draft manual in December 1996.

The original draft manual was reviewed by several experts in the field of school finance, including Virginia Tech Professor Richard G. Salmon, Assistant Superintendent of Business for Henry County Public Schools James L. Beckner, and elementary school bookkeeper Janice Goss. Generally remarks were favorable, but all agreed that the manual needed more procedural guidelines as well as the inclusion of Virginia statutes relevant to student activity accounting methods. Upon completion of the literature review, many features were added to the manual that would prove to be user-friendly, complete and accurate. Notable key issues inherent to all of the manuals were considered and incorporated into the revised guidebook for all school personnel dealing with activity fund administration.

The draft Student Activities Accounting Manual was prepared and distributed in January 1997 to the following for opinion and suggestions:

Richard G. Salmon, Professor
Virginia Polytechnic Institute and State University

James L. Beckner, Assistant Superintendent for Finance
Henry County Public Schools
Don I. Tharpe, Executive Director  
Association of School Business Officials

Lawrence M. Morgan, Director of Finance  
State Department of Education

Jane Logan, Director of School Nutrition  
State Department of Education

Robert Aylor, Director of Finance  
Chesterfield County Public Schools

Thomas Smith, Certified Public Accountant  
Robinson, Farmer, Cox Associates  
Charlottesville, Virginia

Russell E. Shipe, Certified Public Accountant  
Manning, Perkinson, Floyd  
Danville, Virginia

David Cline, Director of Finance  
Prince William Public Schools

Jimmie Wright, Director of Accounting and Data Processing  
Henry County

Aubrey H. Price, Principal  
Henry County Public Schools

Janice Goss, Elementary School Secretary  
Henry County Public Schools

Carolyn Prillaman, Middle School Secretary  
Henry County Public Schools

Linda Pugh, High School Secretary  
Henry County Public Schools

The opinions and suggestions from each of these individuals were compared and notable comments were implemented in the revised manual. The following opinions and suggestions were made concerning the draft manual.
Certified Public Accountant's Opinion

Two Certified Public Accountants who specialize in auditing school activity accounts were interviewed by telephone and questionnaire to determine common problems and concerns with school bookkeeping. Russell E. Shipe, CPA, with Manning Perkinson and Floyd of Danville, Virginia stated that in his seven years of auditing school activity accounts he found that daily deposits of school funds were not made promptly, that bank statements were not reconciled properly and that disbursements did not have proper documentation. He was also concerned that bookkeepers handle large amounts of cash and this could sometimes foster an environment for misappropriation of funds if financial controls were not properly implemented. Shipe felt that computerized accounting procedures definitely made the student activity accounting process more efficient and accurate. He also indicated that if school divisions would all adopt a uniform accounting software package, it would eliminate the need for CPA’s to familiarize themselves with several different software packages.

When asked about on-site audits Shipe felt that questions could be answered immediately, books would remain in the school, and auditors would have to schedule and complete the audits in a timely manner. He admitted that this type of audit is more expensive and some divisions may not have allocated funds to cover this added expenditure. He felt that annual workshops should be held to answer accounting questions and concerns that bookkeepers might have. Staff development is especially needed for new bookkeepers who do not have bookkeeping experience or an accounting background. Too often secretaries are promoted to bookkeeping positions and have never been properly trained in accounting principles or procedures.
Thomas Smith, Principal CPA for Robinson, Farmer, Cox Associates shared his ideas regarding activity accounting. He has worked for more than 20 years auditing school activity accounts and was on the committee to revise the 1954 Student Activity Accounting Manual. He felt it important that bookkeepers obtain a complete understanding of the accounting system and processes and that records be kept current. He also stated that bookkeepers should frequently ask questions to knowledgeable parties when in need of information. He was concerned that internal controls were threatened due to the lack of cash receipts, that disbursements lacked prior approval and there was noncompliance of procurement. All three of these items were continual problems found in school books identified during the annual audit. Concerning the option of on-site audits, he felt that questions could be answered in a more expedient manner and audit findings could be reviewed with the school administrator and bookkeeper upon audit completion. However, he stated that rarely does a school have an adequate or suitable environment to audit the books and it has proven inefficient for small schools because of travel and set-up times. When asked about computerized accounting software, Smith admitted to being a proponent of “true” accounting fund software, and discouraged the use of software that is normally utilized for personal or business purposes. He spoke in favor of offering staff development to review specific problem areas and internal control alerts on an annual basis.

School Bookkeepers

The school bookkeepers gave excellent input and suggestions for clarity and user-friendly wording to assist those who have the greatest impact on school records and audits. All three bookkeepers commented favorably on the revisions of explanations and the additions of the forms provided in the new manual. The 1989 manual provided only 11 forms that could be ordered or reproduced for use. The new manual provides the
bookkeeper with 21 forms with a complete explanation of procedural guidelines.

**Director of Association of School Business Officials' Opinion**

According to Don Tharpe, Executive Director of the Association of School Business Officials, bookkeepers are not trained well before taking over student activities accounting duties and responsibilities. He felt that if care is not taken in assigning accounting responsibilities to a trustworthy person, "it is an accident waiting to happen." He commented that the Revised Student Activities Manual was not only "good for Virginia, but could be used as a model for other states" (D. Tharpe, personal communication, March 5, 1997. ditharpe@sprynet.com).

**Directors of Finance Opinion**

Jim Beckner of Henry County Public Schools was instrumental in providing assistance from the onset with this project. He furnished notable manuals and was anxious to review and give suggestions for improvement and clarification. He commented on the need to make directions clear and concise and the need for on-site audits. He made the suggestion to include information on bad checks and how to deal with them should the need arise.

David Cline of Prince William County along with several of his staff members reviewed the manual in order to give suggestions. He recommended that the activity account section be more specific and examples be listed; address or recognize "freebies" offered to schools such as yearbooks or pictures for staff; eliminate threshold amounts in petty cash and State procurement so the manual will not become quickly outdated; and address how charitable donations are handled through activity accounts. He also recommended that a section be added to show bookkeepers how to handle bad checks and bank deposit totals when the total money deposited does not match the deposit ticket. He
said, "Overall, I think you have an excellent manual" (D. Cline, personal communication, March 18, 1997. clined@pws.edu).

Robert Aylor of Chesterfield County and several of his staff members reviewed the proposed manual and gave the following suggestions for improvement. Deposit of funds should be made daily to the school bookkeeper and felt that expenditure voucher should be synonymous with purchase order. They also made notice that all receipt forms should be pre-numbered for accountability purposes. Cline recommended that all receipt books be pre-numbered and that clarification was needed in the manual for petty cash disbursements where a purchase order or voucher is not used and when sums of money are returned to classes for refunds.

**Virginia Tech Professor’s Opinion**

Richard Salmon reviewed the guidebook in its earliest draft stages. He assisted in editing and assimilating needed information in a format that was conducive to both administrators and bookkeepers. His findings closely correlated with the Directors of Finance and both certified public accountants. He recommended a glossary of terms be added as well as state statutes related to student activities accounting and notable Attorney’s General opinions.

**County Director of Accounting and Data Processing’s Opinion**

Jimmie Wright, CPA, of Henry County indicated that he was glad to see that a new manual was being developed. He has conducted internal audits of school activity funds prior to having outside auditors perform this duty. He recalled several instances of poor record keeping, poor or no documentation regarding purchase orders, and an improper loan made from the school’s petty cash fund. He agreed that the use of computer software programs can help make accounting practices more efficient and accurate. He stressed the
need for the guidebook to be user-friendly for bookkeepers and that accounting jargon be eliminated. He questioned the use of purchase orders that are done "after-the-fact" and recommended this be avoided.

Summary

There are many experts in the field of student activity accounting that assisted in the streamlining of the revised document. Their individual expertise, varied experience in the field, and diverse ability levels gave several perspectives relating to prudent fiscal management of school fund accounting. The revised manual found in Chapter 4 is intended to assist all personnel who work in the administration of school activity funds. A review of the literature clearly stated the need for continual staff development at all levels, current computer technology or management information system platforms, knowledge concerning State statutes and legislation relating to activity accounting, and a clear understanding of the generally accepted accounting practices required to adequately deposit and disperse these funds.
Chapter 4

Virginia Revised Student Activity Accounting Guidebook

The purpose of the *Virginia Revised Student Activity Accounting Guidebook* is to provide assistance to those persons who are involved in the financial accounting and management of school activity funds in all Virginia Public Schools. It establishes the framework for administrative control over the receipt and disbursement of school activity funds and creates guidelines for accurate recording of financial transactions relating to these funds. Consideration has been given to establishing internal controls designed to provide reasonable assurance regarding the safeguarding against unauthorized use or disposition of funds and the reliability of financial records used in preparing financial statements and maintaining financial accountability. The policies and procedures contained in this manual are intended for application in all school divisions of Virginia. Local school board policy should be reviewed to ensure policies and procedures are inherent to each school division.

This chapter is the actual manual or guide that will be issued to all Virginia school divisions for use to assist school personnel with accounting practices and procedures. There is a table of contents, form explanation, glossary of terms and examples of the revised forms that are available. The manual will be offered in a 3-ring binder for ease in copying the needed forms and will be available on disk for Windows or Macintosh computers using WordPerfect. The forms may be duplicated or printed from the disk provided. School divisions who do not use computerized accounting software will have to order the needed forms that require duplicate or triplicate copies from the State Department or they may purchase them from a local printer. A revised order form is included for these
purposes.

With the help of many people throughout the Commonwealth of Virginia, the *Revised Student Activities Accounting Guidebook* has become a reality. The book is a compilation of suggestions, ideas and opinions from experts including certified public accountants, directors of finance, school bookkeepers, principals, university professors and other individuals who work in the field of financial record management.
ACKNOWLEDGEMENT

The Virginia Department of Education would like to acknowledge the cooperation of the many school divisions which participated in a survey conducted by the committee formed to consider and write this document. In reality, this document is a composite of documents provided by the many school divisions across the State of Virginia. In gratitude, the names of the school divisions responding to our survey and providing us with model budget manuals to consider are listed in the Appendix.
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INTRODUCTION

The purpose of this manual is to provide assistance to those persons who are involved in the financial accounting and management of school activity funds for all Virginia Public Schools. It establishes the framework for administrative control over the receipt and disbursement of school activity funds and creates guidelines for accurate recording of all financial transactions relating to these funds. Consideration has been given to establishing internal controls designed to provide reasonable assurance regarding the safeguarding against unauthorized use or disposition of funds and the reliability of financial records used in preparing financial statements and maintaining financial accountability.

The policies and procedures contained in this manual are intended for application throughout all public schools in Virginia, but are not considered regulatory. However, local school board policies should be reviewed so that they meet the objectives of the manual while conforming to the policies and procedures that are unique to each school system.

Virginia Statutes Related Activity Accounting

In every state there are certain State statutes that are relative to student activity accounting practices. State statutes and changes in legislation concerning Student Activity Accounting should be monitored annually to ensure that principals and bookkeepers are in compliance with current laws and policies. The Commonwealth of Virginia’s State Statutes relevant to School Activity Accounting are listed as follows:
Section 4 of Article VIII of the Constitution of Virginia states that the general supervision of the public school system shall be vested in a Board of Education of nine members, to be appointed by the Governor, subject to the confirmation by the General Assembly (Virginia School Laws, 1996, p. 6).

Section 22.1-16 of the Code of Virginia states that, "The Board of Education may adopt bylaws for its own government and promulgate such regulations as may be necessary to carry out its powers and duties and the provision of this title (Code 1950, § 22-19; 1971, Ex. Sess., c. 203; 1980, c. 559)" (1996, p. 17).

Section 22.1-79 of the Code of Virginia states that the local school board shall among other duties:

"See that the school laws are properly explained, enforced and observed, and care for, manage and control the property of the school division..." (1996, p. 44).

Section 22.1-89.2 of the Code of Virginia states that "School boards shall retain and dispose of financial records in accordance with the regulations concerning financial records retention and disposition promulgated pursuant to the Virginia Public Records Act (§ 42.1-76 et seq.) by the State Library Board. However, school boards shall not be required to retain such records pertaining to nonappropriated school activity funds for longer than five years (1990, c. 451)" (1996, p. 50).

Section 22.1-115 of the Code of Virginia states that "The State Board, in conjunction with the Auditor of Public Accounts, shall establish and require each school division a modern system of accounting for all school funds, state and local, and the treasurer or other fiscal agent of each school division shall render each month to the school board a statement of funds in his hands available for school purposes. The Board shall prescribe the following major classifications for expenditures of school funds: (i)
instruction, (ii) administration, attendance and health, (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other noninstructional operations, (vi) facilities, and (vii) debt and fund transfers (Code 1950, § 22-143; 1979, c. 630; 1980, c. 559; 1984, c. 130; 1989, c. 94.)” (1996, p. 58).

**Section 22.116** of the Code of Virginia states that, “The treasurer or comparable officer of each county, city or part thereof constituting a school division or town, if the town constitutes the school division, shall be charged with the responsibility for the receipt, custody and disbursement of the funds of the school board and shall keep such funds in an account or accounts separate and distinct from all other funds (Code 1950, §§11-132,22-133,1959, Ex. Sess., c. 79, §1; 1960, c. 222; 1980, c. 559)” (1995, p. 95).

**Section 22.1-22.1** of the Code of Virginia states that, “A school board, by resolution and subject to approval of the governing body, may establish accounts in each of its school committed solely for the purchase of instructional materials and office supplies which are not stocked or purchased directly by the school division, items costing no more than $500 per order and essential to meet the immediate health, safety, or security needs. The school board may authorize the transfer of a percentage of the funds budgeted for a school, not to exceed thirty-five percent of the allocation, into such account.

Such account shall be managed by the principal of the school who shall file a monthly accounting of the funds with the division superintendent. No additional funds shall be transferred into any such account unless the monthly accounting has been filed. The funds in the account may be disbursed for payment of obligations by issuing a negotiable check signed by the principal and a second person to be designated by the school board. At the close of the fiscal year, all funds remaining in the accounts shall be returned to the school board simultaneously with a full accounting of the disbursements. All such

Section 22.1-123 of the Code of Virginia states that, “Any school board may by resolution establish one or more petty cash funds, not exceeding $2,000 each, for the payment of claims arising from commitments made pursuant to provisions of law. A school board may appoint an agent or other person who shall be authorized only to approve payment of claims arising from commitments made pursuant to provisions of law from such petty cash funds may be established by the school board. Any agent or person into whose hands any such fund is placed may pay such claims therefrom without necessity of prior receipt and audit of the claims by the school board and without approval and issuance of the warrant of the school board.

The clerk of the school board shall report this action to the school board or to any appointed agent of the school board for approval and reimbursement at least within thirty days of the month following the month in which any claim has been paid. Any agent or person into whose hands such fund is placed shall give bond with surety in the amount of $4,000, provided that additional bond shall not be required of any agent or person already bonded in the required amount (Code 1950, § 22-74; 1972, c. 462; 1976, c. 18; 1980, c. 559; 1985, c. 194; 1991, c. 386; 1994, c. 55)” (1996, p. 61).

Section 22.1-124 of the Code of Virginia states that, “It shall be unlawful for any county, municipal or state officer to acquire by purchase directly or indirectly, at less than its face value any warrant or other evidence of indebtedness issued for any school purpose whatsoever by the governing body of any county, city or town or by any school board. Any violation of the provisions in this section shall be a Class 3 misdemeanor. Upon the conviction of any such officer of a violation of this section, his office shall be

Section 2.1-167 of the Code of Virginia states that, “The Auditor of Public Accounts, when requested by the governing body of any unit of local government, may make and establish a system of bookkeeping and accounting for such unit which shall conform to generally accepted accounting principles. He shall make and establish a uniform system of fiscal reporting for the treasurers or other chief financial officers, clerks of the courts and school divisions of all counties and cities, and all towns having a population of 3,500 or over and all towns constituting a separate school division regardless of population. He may at any time, examine the books and accounts of such officers, and report to the supervisors or councils, the findings of his investigation, if it relates to the affairs of such county or city or town (Code 1950, § 2-138; 1950 p. 692; 1966, c. 677; 1972, c. 73; 1979, c. 318; 1985, c. 315)” (1996, p. 183).

Section 11.35, of Article I of the Code of Virginia is cited as the Virginia Public Procurement Act. “The purpose of this chapter is to enunciate the public policies pertaining to governmental procurement…” (1996, p. 243).

Section 11.41, of Article II of the Code of Virginia contains contract formation and administration. It states, “All public contracts with nongovernmental contractors for the purchase or lease of goods, or for the purchase of services, insurance, or construction, shall be awarded after competitive sealed bidding, or competitive negotiation as provided in this section, unless otherwise authorized by law” (1996, p. 247). Section G in this same statute states, “Any local school board may authorize any of its public schools or its school division to enter into contracts providing that caps and gowns, photographs, class rings, yearbooks and graduation announcements will be available for purchase or rental by students, parents, faculty or other persons using
nonpublic money through the use of competitive negotiation as provided in this chapter, competitive sealed bidding not necessarily being required for such contracts (1996, p. 247-248).

Section 58.1-608 of the Code of Virginia, (63), states, “Notwithstanding the other provisions of this subsection, the tax shall not apply to the sale of class rings, school photographs, and other fund raising programs for which an elementary or secondary school conducted not for profit receives a commission or the net proceeds after the payment of vendors and other direct expenses. Therefore tax is not applicable to the sale of class rings, school photographs, etc. to students by vendors” (DOE, Supts. Memo No. 234, November, 1986). House Bill 149, effective July 1, 1986, amended this section of the code to include Parent Teacher Associations and Organizations, or “other groups associated with an elementary or secondary school conducted for not-for-profit for use in fund-raising activities. ‘Other groups’ include the schools and their related fund-raising activities. The activities are defined to include the fund within the school that may be designated as ‘general’. The exemption applies equally to the purchase and subsequent resale of fund-raising items” (Supts. Memo No. 234, 1986; Forst, Virginia Department of Taxation, November, 1986).

The amended bill reads as follows:

Tangible personal property purchased for use, consumption, or sale at retail by a Parent Teacher Association of other group associated with an elementary or secondary school conducted not for profit for use in fund-raising activities, the net proceeds (gross receipts less direct expenses) of which are contributed directly to the school or used to purchase certified school equipment; and certified school equipment purchased by such groups for contribution directly to the school. For the purposes of this paragraph, ‘certified school equipment’ shall mean that equipment for which the Parent Teacher Association or other group has received certification from the school that it will accept a donation of the equipment. The certification provided by the school shall be in accordance with regulations promulgated by the Tax Commissioner.
Attorney's General Opinion

Certain items ultimately purchased by students from independent vendors have raised the interest of the Attorney General of the Commonwealth, resulting in the issuance of an Attorney General Opinion. These items include photography services, class rings, caps and gowns, graduation announcements, and similar items.

When fund-raising is NOT an objective of the activity, the following guidelines apply:

a. The only criteria which should be used in selecting the supplier are the lowest available price for goods and services, and the highest quality and the best delivery or service terms;

b. The amount of money or other consideration of value a supplier is willing to give the school board should not be considered in making a decision on the contract award;

c. The school may deduct expenses for the time and personnel needed to collect money due the supplier;

d. The school may receive a percentage of the money due to the supplier in exchange for services performed by the school or its personnel, but only if the percentage represents a good-faith attempt to reflect the actual cost of the services rendered. However, any percentage charge may be suspect and the Office of the Attorney General has advised that it would be better to use an itemized non-percentage charge which will more accurately reflect a good-faith negotiation as to the value of the schools’ services; and

e. The school may not accept free services from the supplier in exchange for awarding a contract, e.g., use of cameras, free film and film processing, purchase of advertising in yearbooks.

When fund raising IS an objective, the following guidelines apply:

a. The fact that the school intends to raise funds in connection with the activity and a reasonable estimate of the amount of revenue expended;

b. A list of free services which the supplier will provide throughout the year; and

c. Assurance that the student is not required to purchase goods or services through the supplier selected by the school, along with necessary instructions on the use of an alternate supplier, e.g. Photograph standards that must be met to be acceptable to the school.
Even though proper disclosure has been made, school authorities are obligated to serve the interests of the students rather than seeking a contract which will provide the maximum revenue for the school. Even the appearance of questionable conduct should be avoided. In that regard, complete records detailing the award of the contract and processing of funds are necessary. Further, the supplier selected should not be designated the official supplier.

Sales Tax Exemption

Section 58.1-608 of the Code of Virginia, (63), states, "Notwithstanding the other provisions of this subsection, the tax shall not apply to the sale of class rings, school photographs, and other fund raising programs for which an elementary or secondary school conducted not for profit receives a commission or the net proceeds after the payment of vendors and other direct expenses. Therefore tax is not applicable to the sale of class rings, school photographs, etc. to students by vendors" (DOE, Supts. Memo No. 234, November, 1986). House Bill 149, effective July 1, 1986, amended this section of the code to include Parent Teacher Associations and Organizations, or "other groups associated with an elementary or secondary school conducted for not-for-profit for use in fund-raising activities. 'Other groups' include the schools and their related fund-raising activities. The activities are defined to include the fund within the school that may be designated as 'general'. The exemption applies equally to the purchase and subsequent resale of fund-raising items" (Supts. Memo No. 234, 1986; Forst, Virginia Department of Taxation, November, 1986). See page 56 for amended bill clarification.
Exemption From Payment of Sales Tax

Public schools in Virginia are exempt from paying sales tax on tangible personal property purchased for use, consumption, or sale at retail at the schools, provided the net proceeds are contributed to the school or are used to purchase certified school equipment for contribution directly to the school. Form ST-12 or ST-13 Commonwealth of Virginia Sales and Use Tax Certificate of Exemption should be prepared and delivered to vendors. The form, which may be obtained from the Department of Taxation, provides four areas of educational exemption. Examples of these forms are located in the Manual's Appendix.

The following purchases are tax exempt:

1. Tangible personal property purchased by school groups (including student clubs and organizations) for use, consumption, or resale in fund raising activities for the benefit of schools.

2. Purchases of textbooks, supplies, and materials (instructional, library, office, custodial) purchased from local school activity funds.

3. Purchases of equipment.

4. Purchases of athletic or other school team uniforms.

5. Purchases of services, e.g., consultants and speakers.

6. Purchases of textbooks and supplies for resale to students in the adult education program.

7. Occasional sales, e.g., sale of a single textbook to an individual.

8. Purchases of materials from general fees, e.g., industrial arts fees.

9. Purchases for resale at bookfairs from which the proceeds are to become a part of the school activity funds and used for the benefit of the students.

10. Purchases for resale of class rings, school photographs, and yearbooks, if treated as a fund-raising activity.

11. Purchases of items for sale to students through vending machines.
Payment of Sales Tax

The following purchases are subject to payment of state sales tax. If a nonexempt purchase order is issued to a vendor who holds a valid Sales and Use Tax Certificate of Exemption from the school or School Board, the purchase order shall clearly state that the order is subject to Virginia Sales Tax.

1. Purchases by, or for the use of, faculty -- except for purchases of items intended as gifts to the school.

2. Purchases from faculty accounts for sale through vending machines.

3. Purchases of food and supplies used for special luncheons, dinners, etc. for which a charge is made.

4. Payments for meals and/or lodging. (p. 37-38)

Duties and Responsibilities

Superintendent

The superintendent shall have the authority to implement all policies and rules pertaining to the supervision and administration of school activity funds in schools under his/her jurisdiction pursuant to established policies and regulations of the Virginia State Department of Education as well as local school board policies and regulations.

Assistant Superintendent for Business/Chief Financial Officer

The assistant superintendent for business or chief financial officer shall assist the superintendent by providing leadership in developing, achieving, and maintaining the best possible educational programs and services through the implementation of the fiscal program.
Building Principal

 Principals shall have the sole responsibility for safeguarding, accounting, and managing school activity funds. This responsibility shall include the conduct of student financial activities in accordance with policies, rules, and procedures set forth by the Commonwealth, the local school division, and the local school superintendent. The duties which must be performed in providing proper management and security of the funds may be delegated to the degree desired by the principal, but the responsibility for managing school activity funds remains with the principal.

 Principals need to at least use the following minimal management practices:

1. Be familiar with and enforce all laws, regulations, and policies of the Commonwealth of Virginia, State Board of Education, State Department of Education, Local School Division, and Local Governing Agencies.

2. Properly instruct the finance assistant or bookkeeper as to the duties to be performed and provide adequate supervision and guidance.

3. Obtain accurate and timely reports from the bookkeeper covering the results of operations and the status of school activity funds.

4. Review and analyze, at least monthly, the status and operations of the school activity funds. The review process should involve the finance officer, department heads, and fund sponsors to the extent considered appropriate. The review should include but not necessarily be limited to areas such as:

   a. Reviewing deficit accounts and accounts that have been inactive or have had minimal activity.

   b. Assessing the liquid position (funds in checking plus control accounts) considering reserve funds, if any, and anticipated cash flow (receipts versus disbursement) with the objective of determining whether checking account funds should be committed to savings.

   c. Assessing the reasonableness of reported receipts and disbursements, by account and in total, to include comparison with prior periods.

   d. Assessing the adequacy of and compliance with cash control provisions.
e. Verify bank statement reconciliations, sign both the financial statement and the bank reconciliation to document the principal’s review of the statements.

f. Discuss proper financial practices periodically with staff or fund sponsors to include the following:

1. proper budget planning
2. prior approval before committing school activity funds
3. need for receiving reports
4. ticket control
5. proper control of funds collected through use of receipts and daily submission to the bookkeeper
6. proper use of purchase orders/requisitions
7. approval and proper procedures for fund raising.

5. Review all purchase orders, checks, and other supporting documents to ensure that purchases and expenditures are authorized and supported properly.

6. Ensure that adequate facilities and physical controls are available and are used for protection of cash and other financial assets.

7. Monitor the operation of revenue-producing activities to avoid unanticipated losses.

8. Monitor implementation of approved audit recommendations and management decisions of the principal or higher authority.

9. Approve all annual school activity budgets and make necessary changes ordered by the central office.

10. Ensure that management is in agreement with responsibilities and rights of students.

**Assistant Principal**

Assistant principals shall perform duties as delegated by the principal and shall be familiar with the duties of the principal as they relate to fiscal affairs.
School Bookkeeper

The bookkeeper, under supervision of the principal, shall receive, receipt, deposit, account for, and disburse all funds flowing through the school activity fund accounts, except as otherwise directed by the principal. The bookkeeper shall comply with all pertinent provisions of this manual and perform the following duties:

1. Collect and deposit all funds within twenty-four hours of collection.

2. Maintain all required records in a current and accurate manner pursuant to by state regulations and under the directive of the school board financial officer.

3. Submit all required monthly reports accurately as directed by state regulations and the school board financial officer.

4. Keep the principal informed of current or potential problems regarding school accounts.

5. Provide the principal with timely reports as directed.

6. Accurately reconcile monthly bank statements, complete monthly reports of all transactions in the student activities account.

7. Perform other such duties as directed by the principal.

Student Activity Sponsors and Other Personnel

Those people responsible for activities with a student activity account (fund sponsors, department heads, student representatives, etc.) shall review the financial operations and status of the respective accounts monthly or more frequently if necessary. All school student activity fund functions shall be supervised and guided by an account sponsor appointed by the school principal.

Account sponsors may be responsible for more than one account or activity and their responsibilities include the following:

1. Approval and submission an activity fund annual budget plan to the principal.
2. Approve and submit purchase requests to the bookkeeper.

3. Ensure that the billings are pertinent to the fund, and received by the bookkeeper are correct (including sales tax provisions) prior to final payment.

4. Collect and receipt funds received from students.

5. Deposit funds promptly with the bookkeeper.

6. Control inventories of salable merchandise. This control includes accurate records of quantity and adequate measures for safeguarding the assets.

7. Is aware of ticket control requirements when events requiring admission control are scheduled.

8. Provide necessary training to students who are assigned responsibilities for handling funds to ensure that they know the requirements for accounting and control.

**Budget Planning Committee**

A budget planning committee should be formed at each school for the purpose of helping the principal, school staff, and students in order to effectively manage and prudently use school activity funds. The major benefit from this activity will be derived from allowing people to look into the future and make logical plans to keep activities within a scope that can be supported by probable revenue. The budgets should be prepared carefully and should be amended only in a special needs situation. Final authority on all budgetary issues with respect to school activity funds shall rest with the principal.

The budget planning committee shall be organized by the principal. Consideration should be given to include the following people:

a. Department chairpersons

b. Community representatives

c. Assistant principals

d. Support staff representatives
e. Teachers
f. Publication sponsors
g. Students
h. Any other personnel the principal deems necessary

General Policies and Procedures

Purpose of School Activity Funds

The purpose of student activity funds should be to promote the general welfare, education and morale of all students and to finance the normal co-curricular activities of student body organizations. Any project intended to raise school activity funds shall contribute to the educational experience of pupils and shall not conflict with any part of the instructional program. Any fund raising activity conducted for the sole purposes of producing revenue is not permitted in Virginia Public Schools.

Student activity funds include all money collected for the school or school program by any staff member or student shall be considered student activity funds. All money shall be posted to the appropriate student activity fund account. The funds collected should be deposited in the principal's office with the person designated as the bookkeeper. These are public funds of the school, and they shall be handled in accordance with the regulations of this manual. Once activity funds are collected and deposited, they are considered quasi-public funds and as such, they are subject to many of the rules and regulations of public funds, including the requirement to conduct an annual financial audit.

Activity funds do not include support groups such as, but not limited to Parent Teacher Associations or Organizations, booster organizations, or any other support group. All support organizations should maintain their own financial records. All money raised by
Funds for extracurricular activities may be generated from any administratively approved source providing that the welfare and long-range benefits of schools are the primary consideration. Each school shall keep an accurate record of all receipts and disbursements so that a clear and concise statement of the condition of each activity may be maintained at all times. The principal of each school shall be responsible for insuring that such records are maintained in accordance with the regulations in this manual.

**Fund Transfers**

It may become necessary to transfer money from one account to another. To properly account for money transferred, fill out the form S-62 completely and accurately, along with a purchase order to document the transaction. The transfer voucher must show approval of both the activity fund sponsor and the principal. In order to manually transfer money from one account to another, it is necessary to write a check out of the "Transferred From Fund" ledger and receipt the money in the "Transferred To Fund" ledger. Those bookkeepers using computerized fund accounting may transfer funds automatically using on-screen instructions.

**Financial Reports**

One of the major components of good internal controls is the analysis of financial reports. Monthly report preparation is required in all school divisions and should be sent to the division superintendent or designee. These reports include a monthly listing of all accounts, revenues, disbursements, and balances in each account. Accounts should not show a negative balance. Annual activity fund statements will be prepared and balanced against checking accounts from July 1 through June 30 of each school year. The principal will certify and sign monthly activity fund statements.
Audit of Records

State regulations require that school activity funds be audited by an outside agency at least once a year. The audit must be conducted by a certified public accountant or an accounting firm approved by the local school board. If a CPA is not used, the local board should document the rationale for not using one. The CPA or accounting firm should be independent of the employees who are responsible for the financial operations of the school. The objectives of the annual audit should determine:

1. Whether the financial statements of the school activity fund(s) are presented in conformity with generally accepted accounting principles;
2. Whether school financial activities are in compliance with applicable laws and regulations; and
3. Whether an adequate internal control structure has been established to safeguard fund assets and to ensure compliance with school activity fund regulations.

The purpose of the audit is to enable the auditors to advise the local school board, superintendent, and the principals of the overall condition and management of the school activity funds. The audits should be conducted using Generally Accepted Government Auditing Standards. In addition, decentralized cafeteria funds may be subject to the Single Audit Act of 1984 and OMB Circular 128 when audits are conducted.

Reports of annual audits, addressed to the local school board, must be published as soon as possible after the completion of the audit work and delivered to the local school board. The audit report should be forwarded to the superintendent or designee and principal concerned. Within thirty days after receipt of an annual audit report, the superintendent is required to respond to the findings and recommendations. The response must state concurrence or outline action taken or contemplated, and provide target dates for completion of such action. Copies of the audit report and the superintendent's response to
the findings and recommendations shall be filed in the superintendent's office.

**Bonding**

The school finance officer shall be bonded and the local school board shall prescribe rules governing such bonds for employees who are responsible for school activity funds. School boards are obligated to cover every person that has access to school money. The most widespread bond used today is the Honesty Blanket Bond which covers all employees who actually handle money or property available to a public school.

**Computerized Accounting**

There are many software programs available to expedite accounting procedures and increase accuracy. Most software packages meet state requirements for monthly reporting of cash receipts and disbursements, check writing, reconciling bank statements, managing purchase orders, requisitions and auditing. Software packages such as EPES, MANATEE, and WOS are popular programs that can aid school bookkeepers in accounting operations. Refer to phone numbers below to obtain more information concerning these products:

EPES -- 1-800-424-7512  
MANATEE -- 1-800-627-2051  
WOS -- 1-607-295-8002

**Principles of School Activity Funds**

1. School activity funds shall be used solely in accordance with the purpose for which such funds are collected.

2. Projects for raising school activity funds shall contribute to the educational program.

3. Funds derived from or for the student body as a whole shall be used to benefit the student body as a whole.

4. Generally, school activity funds shall be expended in such a way as to benefit those pupils who are in school and who have contributed to the accumulation of such funds.
5. School activity funds shall be managed pursuant to with the best business practices, including but not limited to sound budgetary and accounting procedures.

6. Principals and their designee shall participate in the preparation, modification, and interpretation of the policies, regulations, and procedures affecting student body affairs.

Activity Accounts

Instructional Accounts

Instructional accounts contain funds to be used for the benefit of specific instructional programs. Funds available to each instructional account are spent in support of the appropriate instructional program to the extent deemed necessary by the principal. Instructional accounts contain funds primarily intended to support instruction and may be expended only by authority of the principal and his/her designee. Revenue is derived from grant, admission receipts, donations or fund raisers undertaken to produce funds for a specific instructional project.

The account must show a zero or positive balance as of June 30 of each year and balances may be carried over with the consent of the principal. Instructional accounts include, but are not limited to individual teacher accounts, art, vocational technology, library, band, science, athletics, field trips, etc.

Club Organization Accounts

Club organization accounts contain funds dedicated to the use for a specific student group organization. Revenue is derived from club fund raisers, donations, dues or other similar activities in accordance with local school board policies.

The account balance must show a zero or positive balance as of June 30 of each year and balances may be carried forward to the next school year. Examples include, but are not limited to drama, National Honor Society, cheerleaders, SCA, technology, staff courtesy, etc.
Revenue Accounts

Revenue Accounts contain funds generated by fund raisers, donations, contributions, vending machine commissions, and interest earned from checking/money market accounts.

The account balance must be transferred to appropriate expenditure accounts leaving a zero balance. Revenue accounts include, but are not limited to school pictures, yearbooks, bookfairs, interest income, ice cream, school store, snack funds, etc.

Accounts Receivable

General Provisions

All persons who are responsible for overseeing the collection of funds shall be provided with receipt books that are standard throughout the school division. The books shall include records of all money collected by staff members, sponsors and students affiliated with the specific organization. The staff member will be held responsible for the money shown on each receipt. Care should be taken to be accurate in writing receipts. All used, partly used, and unused receipt books must be returned to the bookkeeper prior to June 30 for audit purposes.

All money collected from any source should be recorded on pre-numbered student activity group receipts, pre-numbered tickets or other auditable records. When tickets are used for sports or other events, ticket stubs and unsold tickets should be available for audit purposes.

Funds collected by other personnel should be returned within twenty-four hours after collection. The bookkeeper shall receipt all collections to the sponsoring staff member within twenty-four hours.
Special Activities

The principal may choose to waive the writing of receipts to individual students when significant numbers of students are required to pay precisely the same amount for a specific activity. Amounts collected should be less than $20.00 per student. Staff members should use the school deposit form in the Appendix when depositing the money received from students to bookkeeper. In these cases the master record form may be used. Examples may include, but are not limited to field trips, book orders, rentals, ice cream, etc.

Daily Collection of Monies

The principal shall establish a daily collection deadline at which time all funds collected within a twenty-four hour period shall be turned into the bookkeeper for daily accounting and processing. If refunds are necessary, they shall be made by the bookkeeper by school check to provide a proper audit trail. In the case of a large number of students that require a refund, the sponsoring staff member or teacher may be given the entire amount and the staff member will properly dispense money to the students using a master form with proper students initials. The bookkeeper will provide the sponsoring staff member with a standard form of receipt for all money turned in within a twenty-four hour period. The staff member is responsible for keeping a record of all receipts given for money collected and turned in.

Depositing Funds to Bookkeeper

Collections shall be deposited with the bookkeeper after being properly reconciled in a sealed envelope or deposit bag supplied by the principal. School deposit forms must be completed and must accompany the deposits forwarded to the bookkeeper. Staff members are asked to be especially careful and maintain accuracy for all money sent to the
bookkeeper. The envelope or lock bag must be clearly marked with the teacher's name and room number or assigned money bag number. The envelope or lock bag should be turned into the bookkeeper by the staff member compiling the deposit. Students may be allowed to bring deposits to the office at the discretion of the principal but should be minimized in order to reduce confusion.

Under no circumstances should money collected by staff members be held or stored in the classroom or removed from the school grounds. If this occurs and the money is lost or stolen, the staff member should be responsible for lost or stolen funds. Once money has been collected by the teacher, it immediately becomes the property of the school and must be turned into the bookkeeper for deposit.

Receipt of Monies Collected

Staff members should be instructed that when making daily deposits with the bookkeeper, money shall be accompanied by the school deposit form (See Appendix). The bookkeeper should not accept money without the completed deposit form signed by the sponsoring staff member.

It is the bookkeeper's responsibility to reconcile the money deposited and determine that the total amount deposited agrees with the amount listed on the group receipt form turned in by each staff member. If there is a disagreement, the sponsoring staff member should be notified immediately. When there is agreement, a receipt should be written to the staff member listing the organization, the date received, and the amount. The bookkeeper then signs the receipt and gives it to the staff member to be retained for his/her records. The bookkeeper shall write one receipt for each activity fund contained in the teacher's collection being deposited. If the funds are deposited by a substitute teacher, the receipt should be written to the regular teacher, with notation made of the name of the substitute on
the receipt.

Receipts should be issued for all funds received within a twenty-four hour period.

All receipts should include the following information:

a. Name of the school
b. Date received
c. Received of
d. Received by
e. Amount
f. Activity or organization
g. Bookkeeper's signature

Voiding Receipts

Receipts to be voided should be done within one working day and prior to the journal entries. The original and any copies of receipts to be voided should be marked VOID across the face of the receipt and placed in the receipt book. If it has not been given out, it should not be torn from the receipt book. If by error, it has been removed, carefully staple the original receipt to the copy. Never issue cash for a refund, always use a school check to insure a proper audit trail.

Daily Deposit of Funds

Money collected during the day shall be reconciled according to the receipt form turned in by each sponsoring staff member. Money will be aggregated and a bank deposit slip prepared for deposit. All money collected and the bank deposit slip shall be placed in the money lock bag and secured. The money should be deposited daily with the appropriate bank. The money should be deposited by the bookkeeper or person designated by the principal. In the case of night time collections, the money should be stored in the school
safe overnight after being properly reconciled, and deposited at the designated time during the next business day or placed in the bank's night depository. Copies of the receipts should be attached to the copy of the office deposit slip to show where monies have been received and to which account they are deposited.

In some instances money is collected daily at each school by armored car, excluding gate receipts collected at late night academic or athletic events. Such receipts should be deposited at the bank through the twenty-four hour deposit service. Escorts to the night deposit should be provided by law enforcement personnel.

**Petty Cash Fund**

Each principal is authorized to maintain an office fund or petty cash account during the school year. This account shall be used to assist in the efficient and economical day-to-day management of the school and to alleviate the necessity for writing checks for very small sums of money. One petty cash fund account per school is authorized and should be replenished at least once a month or as needed. Personal checks should not be cashed using petty cash funds.

At the beginning of the school year, the principal should authorize a check made payable to the bank for an amount determined by local school board policy. The petty cash fund shall be maintained in the school office and stored in a secure box in the school vault. This fund shall not be left in the office overnight or taken home by a staff member. Receipts must be kept for all purchases made through the petty cash account.

At the end of the school year and prior to the annual audit, the total amount in the petty cash fund shall be deposited in the school account. Should the amount in the change fund be less than the amount of the original, the difference must be supported by receipts for any small purchases made from the fund.
Library Fines/Lost Books

The media specialist of each school may maintain a cash change fund from overdue book fines with the amount to be determined by local school policy. This should be kept in a locked drawer or cabinet and if possible in the school vault. A record of overdue book fines paid by students shall be maintained by the media specialist, or a designee, and shall be made available at the end of the school year to the bookkeeper, along with the funds for deposit into the school account, and reconciliation for the annual audit. Payment to the library for lost or damaged books or other materials or fines shall require an individual receipt to the individual making the payment, and should be deposited with the bookkeeper daily as collected. Any fees taken in through the media center must be receipted by the media specialist.

Vending Machines

Responsibility for the collection, accounting, and depositing money received from vending machines shall be determined by the principal. Money should be removed from machines daily and stored temporarily in the school vault. Deposits from money received from vending machines should be deposited in the bank on a daily basis.

CASH DISBURSEMENTS

All purchasing and procurement for goods and services made by a school from its school activity funds accounts are subject to the procurement procedures outlined in Virginia Public Law.
Approval of Disbursements

All disbursements made from a school's activity fund must be approved by the principal in accordance with local school board policy.

Disbursement Guidelines

All purchases made whether by purchase order or payment voucher must have the prior approval of the principal. Before any cash disbursement is made, a purchase order/requisition/voucher must be filled out and signed by the party requesting supplies or services. (Purchase order, requisition and voucher are synonymous) All orders should be placed through a purchase order and no check should be issued without a completed and approved purchase order. The principal or designee should sign and date the purchase order in advance of the placement of the order for goods or services. Issuance of the payment should occur upon proper receipt of the goods or services and after receipt of the invoice.

All expenditures are to be made by check; no cash payments are allowed. Disbursements must be substantiated by a vendor's invoice or delivery ticket/receipt, where such is possible, or by a signed statement from the person receiving the check where feasible. Do not make payments on the basis of "Balance Due" statements. Check all extensions and prove the addition on the basis of all vendor's invoices. Give careful attention to any discounts allowed and make payments within the period of time stated on the invoice. When the material or service is received, the delivery ticket should be checked to see that the quantity received is the same as shown on the purchase order. If any difference, the person receiving the material should note such on the purchase order and sign the invoice before forwarding to the bookkeeper. Loans are not to be made from school funds for any amount to any individual.
A PURCHASE ORDER MUST BE PREPARED FOR ALL DISBURSEMENTS, except in the use of petty cash funds. No disbursement should be made without adequate supporting documentation. All invoices or other supporting documentation should be canceled at the time the check is signed to prevent duplicate payment. All checks should be drawn to a specific payee and are not payable to cash.

Purchase orders should include the school's name and address, the vendor's name and address, date of request, and the activity fund account number to be charged. Also included should be the quantity and description of the item ordered, the unit price, and the extended cost of the items with a bottom line total. Unit prices should reflect the written or verbal price quotations received by school personnel and the assigned purchase order number. Once it has been completed, the purchase order can be sent to the vendor as needed.

Purchase orders should be kept in the bookkeeper's custody. A numeric sequence of outstanding purchase orders must be maintained and can be checked off as completed through a purchase order log. There are some exceptions to when cash disbursement purchase orders must be used. They need not be used when:

1. funds are transferred from one activity account to another,
2. checks are written from the checking account to an investment account,
3. maintenance agreement payments are being made,
4. any other contract payment is made, or
5. where not practical (i.e., vending machine orders, etc.).

The idea is to keep documentation of the disbursement. Items (1) and (2) above are not purchases while items (3) and (4) already have documentation as to request for purchase (i.e., the contract). NOTE: If teachers use their own funds to purchase supplies
without prior approval in writing from the principal, funds are not to be reimbursed to that teacher.

**Procurement Procedures**

Another important facet of purchasing is the adherence to procurement procedures. It is recommended that school personnel review the Procurement Code and local school board policy annually for revisions in the code. General provisions for procurement, §11-35 of the Virginia Code cites:

For contracts on purchases not expected to exceed five thousand dollars ($5,000.00) price quotes shall be secured prior to placing an order. For purchases on contracts exceeding five thousand dollars ($5,000.00) but not exceeding ten thousand dollars ($10,000.00) written quotes shall be secured. The procurement of all purchases not exceeding ten thousand dollars ($10,000.00) shall provide for competition whenever practical.

The School Board may authorize any of its public schools or its school division to enter into contracts providing that caps and gowns, photographs, class rings, yearbooks and graduation announcements will be available for purchase or rental by students, parents, faculty or other persons using nonpublic money through the use of competitive negotiations as provided within the purchasing regulations, competitive sealed bidding not necessarily being required for such contracts.

Upon determination made in advance by the School Board and set forth in writing that the purchase of goods, products or commodities from a public auction sale is in the best interest of the public, such items may be purchased at the auction. The writing shall document the basis for this determination.
The Local Education Agency may participate in, sponsor, conduct or administer a cooperative procurement agreement with one or more other public bodies, [or] agencies of the United States, for the purpose of combining requirements to increase efficiency or reduce administrative expenses. The school division, when entering into such cooperative procurement with a county, city or town whose governing body has adopted alternative policies and procedures, may comply with said alternative policies and procedures.

In the solicitation or awarding of contracts, no agent shall discriminate because of the race, religion, color, sex or national origin of the bidder or offeror.

The following procurement guidelines should be followed:

1. When soliciting three sources by telephone for supplies or services, document data received. Write down the name of the contact person, the date of the call, the amount quoted (or explain why no quote was given) and any other pertinent information. Form S 72-Ed, in the Appendix, is provided to assist personnel in obtaining telephone quotations.

2. Specifications for bidding will not be written by a vendor.

3. Providing a vendor with the price quoted by other sources or indicating to a vendor that the price being quoted is higher than prices quoted by other sources is not permitted.

4. Breaking up large orders into several smaller orders less than the established procurement amounts is not permitted nor are repeated purchases (stacking) from one vendor throughout the year.

5. Justification of reason for not selecting the low bidder shall be properly documented in accordance with procurement regulations.

6. To avoid possible conflict of interest and other legal implications, no employee shall accept gifts from vendors.

7. Any acts which could be construed as favoritism to a particular vendor are discouraged.

8. Sole source vendors and emergency purchases shall be in strict accordance with procurement regulations.
9. Any procurement or disposition made by any person in the name of a public school in which procurement or disposition is not in compliance with these regulations shall be deemed unauthorized.

10. To avoid potential problems, give written specifications to all vendors. Should additional information be needed, prepare an addendum to ensure that all vendors have the same information.

11. Misrepresentations in procurement transactions are prohibited by the Virginia Public Procurement Act. Willful violation constitutes a Class I misdemeanor.

Examples of violations include, but are not limited to:

a. Declaring a vendor to be a sole source knowing that it is not.
b. Describing requirements in such a manner so as to limit competition.
c. Soliciting other than valid sources so as to limit competition.
d. Altering any procurement document so as to change the outcome.

School Purchase Orders

All disbursements must be supported by documents that indicate what was purchased. If for any reason an independent, outside document (such as vendor invoice) is not available, a "School Purchase Order" form will support the disbursement. Purchase Orders are mandatory for all disbursements except in the use of petty cash funds where proper receipt documentation must accompany all purchases from this fund.

Purchase Orders must be signed and approved by the principal before the disbursement is made. Purchase Orders are subject to the same restrictions as other purchases. As a minimum, the Purchase Order should include the following information:

1. Date
2. Payee/Vendor
3. Reason for disbursement
4. Fund to be charged
5. Amount paid
6. Principal's approval
7. Check number
8. Date check is written
9. Purchase Order Number

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A flow chart is located in the Appendix to illustrate the proper procedural guidelines that must be followed when purchasing goods or services.

Receiving Goods and Services

An invoice or voucher must be presented when a school receives goods or services. The person receiving the goods/services should verify the quantity received or service rendered and indicate their approval by signing and dating the invoice. The invoice number should be noted on the check stub and attached to the canceled check when it is returned from the bank. Teachers should be encouraged to turn in invoices as soon as possible so payments can be made in a timely manner. Invoices should not be paid before goods/services are received unless approved by the principal.

Check Preparation

After goods or services have been received and the bookkeeper has obtained the properly approved purchase order and confirmation that goods have been received, a check may be issued to the vendor. On the check should be noted the number of the check, the date, the payee, the amount in numerical and written form, and the proper, official signature. Identical information should be written on the check stub along with the fund account number charged and the amount deleted from the checkbook balance.

Official signatures should be the principal, bookkeeper, and any other designated official such as an assistant principal. Checks should always have at least two signatures. Check signers should be aware that the purchase is complete and the merchandise or service has been received. When turnover among check signers occurs, it is important to immediately go to the bank and have check signature cards changed to reflect the new check signers.
At no time should checks be written to "Cash." Checks written to "Cash" are bearer documents and anyone who holds the check may cash it. In addition, checks must be written for vendors or individuals performing services to document this payment for tax purposes. Failure to document these costs may result in a penalty payable to the Internal Revenue Service for improper disclosure.

Return of Goods

When goods are returned for any reason, accurate accounting is necessary to ensure that the school receives proper credit for the return. Never return goods to a vendor without first contacting the vendor for the procedure to be followed in shipping the merchandise and a return authorization number if the vendor requires one. A Return of Goods Form S-66 ED is located in the Appendix.

A Return of Goods form must be completed, and a copy forwarded to the school bookkeeper for purchases made from school activity funds.

The information needed to complete the form includes:

1. Vendor name
2. Address where the goods are being returned
3. Vendor authorization number (if required by the vendor)
4. Name of vendor representative authorizing the return
5. Date shipped
6. Carrier (U.S. Mail, UPS, etc.)
7. Purchase order number under which goods were ordered
8. Reason for the return
9. Quantity and description of items being returned
10. Signature of person handling the return
11. Signature of the principal
Payment of Invoices

When the bookkeeper receives an invoice for payment, the invoice should be checked for receipt of the goods/services, and the quantity, unit price, and total amount verified. The due date should also be noted, so that any allowable discounts can be taken. Invoices should be paid promptly to claim the discount. If the vendor sends statements, the charges on the statements should be checked against the invoices, and the invoices should be attached to the statement to support the disbursement. All unpaid invoices and obligations of the school should be paid prior to the June 30 of school year.

Posting Disbursements to Cash Disbursements Journal

Each cash disbursement made by the school should be posted individually to the cash receipts and disbursements journal. The journal is the point of original entry to the accounting system and should be available to give the total fund balance for the school at any given time. Disbursements should be posted chronologically entering date of check, number of check, purchase order number, payee name, brief explanation, activity account to be charged, amount of disbursement and control balance which should equal the checkbook at the end of the day. If the books are computerized, all of the above is accomplished by generating a check. If the books are not computerized, these entries must be performed manually.

Posting Disbursements to Fund Ledger

After the disbursement is recorded in the cash receipts and disbursements journal, it must be posted to the proper fund ledger account. Postings should be organized by check number to ensure all disbursements are posted properly. Postings to each fund ledger should include the date, check number, purchase order number, payee, brief explanation (invoice number of product purchased), disbursement amount, and calculation of fund
balance after disbursement. The total of fund balances on the ledger cards should equal the amount in the cash receipts and disbursements journal and checkbook plus investment fund. If the books are manual, please perform steps as noted above.

**General Ledger**

The General Ledger contains two main sections -- Cash Control Account and Activity Accounts. All transactions must be posted to both sections.

1. Control Account

   This account serves as a check upon the mathematical accuracy of the various fund accounts; therefore, its balance equals the total of the balances in the fund accounts. This account should be posted up-to-date, and when maintained properly it shows the bank balance at all times. All transactions must be posted to this account.

2. Activity Accounts

   This account consists of separate accounts for the various activities. All transactions must also be posted to the appropriate ledger accounts; up-to-date balances being determined for each. A total of all fund balances must equal the control account balance at all times. Keep the receipts and disbursements for each fund in its own folder.

   Principals and bookkeepers must exercise extreme caution to ensure that expenditures which are primarily for the benefit of the faculty are made only from the faculty fund. Items such as remembrances on occasions of illness, faculty luncheons, improvements to faculty offices are all examples of expenditures which should be made only from the faculty fund. Profit from vending machines installed exclusively for faculty use may be transferred from that vending machines account to the faculty fund account for such expenditures.
The picture and senior class fund accounts, as examples, should be closed at the end of each fiscal year, provided all expenses have been paid. The picture fund serves as a means of accumulating picture proceeds for each year and should be transferred within the same year. The senior class for any given year will not be returning, therefore, this account should not carry a fund balance at year end.

Accounting for Transactions

Receipt Posting

Post the date and bookkeeper's receipt number, name of the teacher or person money received from, any remark explaining the collection, the account name or number to be credited and the amount. Do not post by daily totals. Show the total of each individual receipt, even if more than one account is involved.

Disbursement Posting

Post the date and check number, name of person the money is being paid to, any remark explaining the expenditure, the account name or number to be charged and the amount. Also list voided checks. When a check covers expenditures for more than one account, show only the total of the check.

Voiding a Check

If an error is made in writing a check, mark the check and stub "VOID" in ink and render it nonnegotiable by removing the signature block. The check should be attached to the check stub in the check book. If computerized bookkeeping is utilized, The voided check must also be recorded in numerical order in the computer with the word "VOID" entered in the description column (Paid to/Received from).

If a check must be voided after entry in the check book, the stub should be marked "VOID" and the date voided. The amount of the void check should be added back to the
check book balance with an explanation given. If a check to be voided is not received until after closing out for the month, the check can be treated as a redeposit and receipted.

**SUMMARY OF INTERNAL CONTROLS - CASH DISBURSEMENTS**

**Checklist for Bookkeepers**

The following is a summary of procedures which will provide internal control over purchases and cash disbursements:

1. The availability of funds should be checked with the bookkeeper or principal before a purchase is made.

2. Invoices should be checked as to footings, extensions, pricing, and evidence that the goods or services have been received.

3. Purchase Orders should be prepared and approved by the principal for purchases where no vendor invoice is available.

4. School employees must present adequate documentation for reimbursement of their personal funds.

5. No disbursements shall be made unless adequately supported by approved invoices, vouchers, or other proper documents. All disbursements must be approved by the principal.

6. Invoices should be paid promptly within discount periods.

7. Original invoices, school vouchers, or other supporting documents should be marked paid or otherwise canceled by indicating the check number and date paid when checks are issued.

8. Checks should be written in ink, typewritten, or computer generated. Never issue a check in pencil.

9. If a mistake is made in writing a check, the check and the stub should be clearly marked "VOID" and rendered nonnegotiable. The void check should be stapled to the back of the check stub with the pre-printed number visible.

10. Checks shall not be made payable to cash. An individual or company name should be in the space provided for Payee. Checks must never be signed in advance or in blank.
11. If payment is made based upon vendor statement, charges should be checked against supporting invoices and the invoices attached to the statement before payment is made.

12. Checks and check stubs should indicate the purpose of payments to vendors in the space provided (i.e. "payment for invoice #______", "payment of statement dated ______,", etc.).

13. As an aid in tracing, check stubs should indicate the detail account from which the check is being paid.

**Payment for Services**

When payment for services of an individual is made from school activity funds, withholding for income taxes or social security deductions cannot be accomplished by the school. To ensure compliance with applicable laws, the following procedures shall be followed:

**Athletic Officials**

Officials for major athletic events may be paid directly from school activity funds based upon the agreement reached between the athletic district and the officiating organization. Generally, invoices listing the names of the officials and the dates of games are presented to the school for payment. These invoices shall be verified and signed by the principal and processed for payment directly to the organization or individual as required by the official's who submitted the invoice. A request for taxpayer information shall be signed upon receipt of payment. An "Officials Form" is located in the Appendix for use by all schools requiring this service. Officials receiving income totalling $600 or more are subject to remitting a 1099 -- Miscellaneous form to the IRS by April 15 of each year.

**Law Enforcement Officers**

Requests for law enforcement officers for school activity fund events shall be placed with the appropriate law enforcement agency by the principal or designee. The law
enforcement agency furnishes officers for athletic events and other school activities. The school shall be responsible for paying the law enforcement officer at the conclusion of the school activity. A Law Enforcement Payment Form S-67 ED is located in the Appendix. Law enforcement officers receiving income totalling $600 or more are subject to remitting a 1099 -- Miscellaneous form to the IRS by April 15 of each year.

**School Board Employees**

School Board employees who are also employed by school activity funds shall be paid through the regular School Board payroll process in accordance with local school board regulations. At no time should school funds be paid directly to a public school employee for any employment activities. All disbursements for employment activities must be processed by the Central Office Payroll Department.

**Substitute Teachers**

School activity funds shall not be used to make payments to substitute teachers.

**Others**

Employment of people other than those listed above must be done in accordance with local school board policies and regulations. It is recommended that student activity funds not be used to pay individuals for services.

**Ticket Sales**

Pre-numbered tickets shall be used for paid admission events; there should be accountability by ticket number for tickets issued, sold, and returned. Records from the sale of tickets shall be reconciled with cash collected from ticket sales by a person or persons designated by the principal. Report of Ticket Sales Form is required and should be completed and submitted with money collected to the bookkeeper or administrator on duty. The Report of Ticket Sales Form S-54 ED is located in the Appendix for your use.
Inventory of Equipment

To identify and safeguard certain assets, an inventory control system shall be maintained to render accurate and current accounting for all property and equipment purchased through activity funds. A complete record of property owned should be maintained by the principal or designee. Each piece of equipment should be labeled or barcoded and checked periodically for inventory. This equipment should be added to the school division’s inventory of fixed assets when the equipment is purchased.

School activity fund personnel should be discouraged from maintaining large inventories of resale items because of losses which could result from theft or damage. Inventory security can be obtained by rapid turnover of resalable items. Access to stored inventory should be limited to personnel responsible for these items. End of the year inventories should be conducted and the same inventory shall be verified at the beginning of the new school year. If losses have occurred, responsibility for losses should be established, if possible. Establishment of the preceding procedures should assist in fulfilling the school board’s fiduciary responsibility over these assets and aid in maintaining proper insurance coverage in the event of a loss.
APPENDIX
## SCHEDULE 1

### RECORDS RETENTION AND DISPOSITION SCHEDULE

**COMMONWEALTH OF VIRGINIA**

**§§42.1-76 et seq Code of Virginia**

**Effective February 15, 1996**

<table>
<thead>
<tr>
<th>Category</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable Records and Reports</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Accounts Receivable Records and Reports</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Audit Records</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Internal Audit Records</td>
<td>Retain 5 years after audit, then destroy.</td>
</tr>
<tr>
<td>Report on external Audit</td>
<td>Retain record copy permanently (Code § 15.1-167)</td>
</tr>
<tr>
<td>Cash Reports and Records</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Settlement Records</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Transmittal Records</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Check/Warrant Records</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Bank Statements and Reconciliations</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Canceled Checks</td>
<td>Retain 5 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Duplicate Checks</td>
<td>Retain 3 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Registers</td>
<td>Retain 5 years or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Contracts</td>
<td>Retain 5 years after contract expiration or until audit, whichever is longer, then destroy.</td>
</tr>
<tr>
<td>Credit Card Receipts</td>
<td>Retain 3 years or for the terms of your contract, whichever is longer, then destroy.</td>
</tr>
</tbody>
</table>
Deposit Records
Retain 3 years or until audit, whichever is longer, then destroy.

Financial Accounting Reports
Retain 3 years or until audit, whichever is longer, then destroy.

Grant Files, Federal and State
Retain 3 years or until audit, or for the terms of the grant, whichever is longer, then destroy.

Insurance Records and Reports
Retain 3 years after policy expiration or until audit, whichever is longer, then destroy.

Invoices
Retain 5 years or until audit, whichever is longer, then destroy.

Ledger Cards
Retain 5 years or until audit, whichever is longer, then destroy.

Ledger, General
Retain 10 years, then destroy.

Ledgers and Journals, Subsidiary
Retain 3 years or until audit, whichever is longer, then destroy.

Purchasing Records
- Bid and bid proposal records
  Retain 5 years or until audit, whichever is longer, then destroy.
- Logs and registers
  Retain 3 years after completed, then destroy.
- Manuals
  Retain until superseded, then destroy.
- Orders and requisitions
  Retain 5 years or until audit, whichever is longer, then destroy.

Receipt Records
Retain 3 years or until audit, whichever is longer, then destroy.

Reimbursement Records and Reports
Retain 3 years or until audit, whichever is longer, then destroy.

Vouchers, Accounting
Retain 5 years or until audit, whichever is longer, then destroy.
Glossary of Terms

Account  A descriptive heading under which are recorded financial transactions that are similar in terms of purpose, object and source.

Accountability  The responsibility to account for the expenditure of money and the commitment of other resources in terms of the results received.

Accounting  The procedure of maintaining systematic records of events relating to persons, objects, or money and summarizing, analyzing, and interpreting the results thereof.

Accounts Receivable  Amounts due an open account from private person, firms, or corporations for goods and services they ordered.

Activity Fund  Financial transactions related to school-sponsored pupil activities and interscholastic activities. These activities are supported in whole or in part by income from pupils, gate receipts, and other fund raising activities.

Admissions  Money received for a school-sponsored activity such as a dance, athletic event, or drama and may be recorded in separate accounts according to the type of activity.

Audit  The examination of records and documents and the securing of other evidence for one or more of the following purposes: (a) determining the propriety of proposed or completed transactions; (b) ascertaining whether all transactions have been recorded; (c) determining whether transactions are accurately recorded in the accounts and in the statements drawn from the accounts.

Books of Original Entry  The record in which the various transactions are formally recorded for the first time, such as the cash journal, check register, or general journal.

Budget  A plan of financial operation incorporating an estimate of proposed expenditures for a given period or purpose, and the proposed means of financing them.

Current  The term refers to the fiscal year in progress.
Disbursements  Payments made in cash, check, or money order.

Entry  The record of a financial transaction in its appropriate book of accounts. Also the act of recording a transaction in the books of accounts.

Expenditures  Charges incurred, whether paid or unpaid, which are presumed to benefit the current fiscal year.

Flow Chart  A symbolic way of representing information about the relationship of discrete parts or steps in a process.

Food Services  Activities involved with the food services program which includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food.

Fund Accounts  All accounts necessary to set forth the financial operations and financial condition of a fund.

General Fund  Used to account for all transactions which do not have to be accounted for in another fund. Used to account for all ordinary operations of a school system.

Imprest System  A system for handling disbursements whereby a fixed amount of money is set aside for a particular purpose. Disbursements are made from time to time as needed. The total cash plus receipts of disbursements made must always equal the fixed sum of cash. Petty cash funds are considered imprest funds.

Invoice  An itemized list of merchandise purchased from a particular vendor. The list includes quantity, description, price, terms, and date.

Ledger  Contains all the accounts of a particular fund or all those detailed accounts which support a particular General Fund account.

Petty Cash  A sum of money set aside for the purpose of paying small obligations for which the issuance of a formal voucher or purchase order would be too expensive and time consuming.
Posting  The act of transferring to an account in a ledger the detailed or summarized data contained in the cash receipts book, cash register, journal voucher, or similar books or documents of original entry.

Purchase Order  The document by which goods or services are procured. Every purchase order must include such information as name and address of school, order number, date, name and address of vendor, description of materials, quantity, price, and signature authorization.

Refund  A return of an overpayment or overcollection. The return may be either in the form of check or a credit to an account.

Student Activities  Direct and personal services for public school pupils such as interscholastic athletics, entertainment, publications, clubs, band, and orchestra, that are managed or operated generally by the student body under the guidance and direction of adults or a staff member, and which are not part of the regular instructional program.

Voucher  A document which authorizes the payment of money and usually indicates the accounts to be charged.
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<tr>
<th>Form</th>
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<td>Order Blank</td>
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<tr>
<td>Fund Ledger</td>
<td>Form S-50 ED</td>
</tr>
<tr>
<td>Cash Receipts and Disbursements Record</td>
<td>Form S-51 ED</td>
</tr>
<tr>
<td>Receipt Form for teacher/students</td>
<td>Form S-52 ED</td>
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<tr>
<td>Receipt Form for bookkeeper</td>
<td>Form S-53 ED</td>
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<td>Report of Ticket Sales</td>
<td>Form S-54 ED</td>
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<tr>
<td>Consolidated Box Office Report</td>
<td>Form S-55 ED</td>
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<tr>
<td>Daily Report of Cash Collections:Cafeteria</td>
<td>Form S-56 ED</td>
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<tr>
<td>Purchase Order/Requisition</td>
<td>Form S-57 ED</td>
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<td>Cafeteria Payroll</td>
<td>Form S-60 ED</td>
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<td>Payroll Record:Cafeteria</td>
<td>Form S-61 ED</td>
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<tr>
<td>Transfer Voucher</td>
<td>Form S-62 ED</td>
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<td>Activity Receipt Log</td>
<td>Form S-63 ED</td>
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<tr>
<td>Activity Fund Deposit</td>
<td>Form S-64 ED</td>
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<td>Bank Authorization</td>
<td>Form S-65 ED</td>
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<td>Return of Goods</td>
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<td>Payment of Officials</td>
<td>Form S-67 ED</td>
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<td>Purchase Order Log</td>
<td>Form S-69 ED</td>
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<td>Record of Deposits</td>
<td>Form S-70 ED</td>
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<tr>
<td>Record of Returned Checks</td>
<td>Form S-71 ED</td>
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<tr>
<td>Telephone Quotation Log</td>
<td>Form S-72 ED</td>
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State Department of Education
School Activity Forms

The next several pages include forms that are available from the Department of Education with a brief description of the form. The forms are listed in numerical order. An order blank is included for your convenience.

We are providing these forms for guidance. If your school division has developed its own form, all pertinent information contained herein should be included on the form. We are providing forms for cafeteria operations for those divisions who have decentralized and treat cafeteria as an activity fund.

For those school systems who have automated books, reports may be printed to take the place of these forms. All pertinent information must be included on all computer generated forms. The forms provided in this section may be copied or printed from the disk provided except those forms which require duplicate or triplicate copies. These forms may be purchased from the State Department of Education or a local printer.
**Fund Ledger (Form S-50-ED)**

A separate sheet should be set up for each activity fund. Each transaction of a particular fund should be detailed on this ledger. The form is to be used for both receipts and disbursements. If using an accounting software package, this form is not necessary.

**Cash Receipts and Disbursements Record: Control Account (Form S-51-ED)**

This is the control account over all funds, and the receipts and disbursements entered on the Fund Ledgers should also include detailed information. In column 6, you may use the name of the fund or an assigned account number. Balances listed on each fund ledger should agree with the balance on the Cash Receipts and Disbursements Record Control Account. If using an accounting software package, this form is not necessary.

**Receipt (Form S-52-ED) To be used by teacher/student collector**

Receipt Form S-52-ED may be checked out through the school bookkeeper. Teachers and/or student collectors should prepare a receipt each time money is collected. (See exceptions to this in the cash receipts section of this manual) All information must be included on each receipt. When a receipt book is complete, it should be turned in to the school bookkeeper for audit and retention.

**Receipt (Form S-53-ED) To be used by school bookkeeper**

Receipt Form S-53-ED must be prepared each time money is collected by the school bookkeeper. This receipt is used in posting collections to the Activity Fund Ledger or computerized accounting systems. The receipt should be prepared in triplicate. The original is to be given to the payer, the duplicate is to be used as a posting copy and attached to the deposit slip each time a deposit is made, and the triplicate remains in the receipt book for auditing purposes. If computerized accounting software is used, receipts may be printed to take the place of this form.
Report of Ticket Sales (Form S-54-ED)

The Report of Ticket Sales should be prepared in duplicate for each ticket seller by the box office manager whenever tickets are sold for school functions. The first and last numbers of each type of ticket issued to each ticket seller should be noted in the columns provided on the respective reports. At the completion of the ticket sales for each event, the ticket seller should list the first and last numbers of each type of ticket unsold and return these tickets to the box office manager. Calculations should be made to give the exact number of tickets sold, the total amount of revenue received, and change funds added to give the total accountability of funds. Upon completion of the report, both copies should be certified by the ticket seller and the original should be turned in with the money to the box office manager. The box office manager then signs in the spaces provided on both the original and the duplicate to indicate receipt of the money. The ticket seller should retain the duplicate copy as evidence of remittance.

Consolidated Box Office Report (Form S-55-ED)

When the box office manager has received a Report of Ticket Sales from each of the ticket sellers, he/she prepares a Consolidated Box Office Report. This form should be filled out completely and accurately. The report should be totaled and certified by the box office manager and all money should be submitted to the principal or designee with supporting documents. The principal or designee should remit forms and monies to the school bookkeeper for deposit.

Daily Report of Cash Collections: Cafeteria (Form S-56-ED) for decentralized cafeterias only

The daily report of cash collections is to be prepared by the cashier in the school cafeteria each day when the cash settlement is made. Columns are provided on the form for the separate settlement of each cash register operator as well as the total amount. The form should be prepared in duplicate and certified by the head cashier. The original should be turned in to the school bookkeeper with the cash collected. Both copies of the report should be signed and dated in the space provided. A receipt (Form S-53-ED) should also
be prepared by the school bookkeeper for the amount of money received and given to the cafeteria manager. The cafeteria manager should attach a copy of the Daily Report of Cash Collections and retain for auditing purposes.

School Nutrition Program forms are available through the Department of Education and include SNP-12 Daily Meal Claim Record, SNP-14 Financial Report for School Nutrition Programs as well as general information SNP-4/95 for all cafeteria managers.

Requisition and Purchase Order (Form S-57-ED)

A Purchase Requisition and Order should be prepared in duplicate or triplicate by the school bookkeeper whenever a request for purchase of articles is made by an authorized person. The form must be filled out completely and accurately and approved by the principal in advance before an order may be placed. The original should be sent to the vendor from whom the purchase is made and the duplicate should be retained by the school bookkeeper. If a triplicate form is used, it is returned to the requestor.

Cafeteria Payroll (Form S-60-ED)

Each employee whose salary is paid from the Cafeteria Fund should be listed on the cafeteria payroll at the end of each pay period. The cafeteria manager should list the names of the employees and include all information accurately and legibly. The completed form should then be turned in to the school bookkeeper for auditing purposes and upon certification, the form should be signed by the principal. Payroll checks may then be written and delivered to each employee.

The tax money withheld from the employee's salaries should be deposited in a bank designated to receive the income tax withheld from cafeteria employees. This check, with the report of taxable wages, should be delivered to the school board. At the end of each quarter a check should be drawn to the Treasurer of Virginia for the total FICA taxes withheld as well as the employer's portion. This check and a report of covered wages should be delivered to the school board for inclusion in the Social Security report. The same method of posting to the Fund Ledger, Control Account, or computerized accounting would apply to the Cafeteria Payroll.
Payroll Record (Form S-61-ED)

The payroll record is provided to accumulate information for each employee for the purpose of preparing quarterly Social Security reports (OAR S-3) and W-2 statements of employee earnings at year end. A separate record should be maintained by the school bookkeeper for each employee of the cafeteria paid through activity funds and should reflect each payroll amount each pay period.

Transfer Voucher (Form S-62-ED)

This form is to be used when it becomes necessary to transfer money from one account to another. Vouchers are to be filled out completely and accurately by the school bookkeeper and should be retained for auditing purposes. Transfer vouchers will bear evidence of approval by the principal. Computerized accounting programs will allow bookkeepers to transfer money and will accurately keep a record of each transaction. If your division chooses to devise a transfer voucher, all pertinent information must be listed on the form.

Activity Receipt Log (Form S-63-ED)

This form is to be used by school bookkeepers when issuing receipt books to teachers or student collectors. Information should be listed accurately and legibly. A copy of this should be filed for auditing purposes.

Activity Fund Deposit (Form S-64-ED)

This form should be filled out by teachers or student collectors when money is turned into the school bookkeeper. All information should be listed accurately and legibly. The school bookkeeper should then write a receipt to the teacher for the amount of the total deposit.
Bank Authorization (Form S-65-ED)

This form should be filled out by the school bookkeeper and kept on file. The form should reflect only those individuals who are authorized to sign checks and in the event of a change in leadership or bookkeeper, the form should be filled out and the local bank notified of in all changes.

Return of Goods (Form S-66-ED)

This form is to be filled out by the school bookkeeper or authorized person who ordered articles from a particular vendor when goods need to be returned for any reason. All information must be included and should be accurate and legible. The principal must sign the Return of Goods form.

Payment of Officials (Form S-67-ED)

This form should be filled out by the principal or designee when it is necessary to pay game officials upon completion of calling an athletic event. The form should be completed accurately and legibly making sure that a signature is obtained for the amount paid to the official. This sheet should be retained by the school bookkeeper for auditing purposes. The paid officials may be required to submit a 1099 form.

Law Enforcement Payment (Form S-68-ED)

There are times that law enforcement officials are hired to cover school events. This form is provided for payment of services to law enforcement officials. It must be filled out accurately and legibly making sure that a signature is obtained for the amount paid to the police official. It is important to get the officer’s address. This sheet should be retained by the school bookkeeper for auditing purposes. The paid officers may be required to submit a 1099 form.
Requisition/Purchase Order Log (Form S-69-ED)

This form should be filled out each time a requisition/purchase order form is filled out to order articles. All information should be included and reported accurately and legibly. Each entry should be listed numerically and used to verify orders and delivery of goods. The school bookkeeper should retain this form.

Record of Deposits Made (Form S-70 ED)

This form should be filled out each time the school bookkeeper makes a deposit to the activity fund account.

Record of Returned Checks (Form S-71 ED)

This form should be filled out when the bookkeeper receives a returned check that has been deposited to the activity fund account. All information should be included and checked for accuracy. The bookkeeper should also keep a copy of the returned check for school records.

Telephone Quotation Log (Form S-72-ED)

This form may be used by all school personnel when obtaining telephone quotations from prospective vendors in accordance with State purchasing regulations. The form must be filled out completely and accurately. This is not an order form and orders do not have to be placed when obtaining a quotation. If an order is placed, place the appropriate requisition/purchase order number at the bottom of the form.
Dear Sir,

Please furnish the above address with the following School Activity Fund Forms and/or School Board Forms and submit your invoice to: __________________________

_____________________________, VA ________________ Zip Code.

<table>
<thead>
<tr>
<th>School Board Forms</th>
<th>Form Number</th>
<th>Number of Copies</th>
<th>*Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Cash Journal Sheet (50 per pad)</td>
<td>S 7 ED</td>
<td></td>
<td>.65 pad</td>
<td></td>
</tr>
<tr>
<td>Columnar Disbursement Sheet (single sheet)</td>
<td>S 8 ED</td>
<td></td>
<td>.35 each</td>
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<tr>
<td>Appropriation and Expenditure Ledger (single sheet)</td>
<td>S 9 ED</td>
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<td>.03 each</td>
<td></td>
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<tr>
<td>Fund Ledger Sheet (single sheet)</td>
<td>S 10 ED</td>
<td></td>
<td>.16 each</td>
<td></td>
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<tr>
<td>School Textbook Fund Ledger Sheet (single sheet)</td>
<td>S 11 ED</td>
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<td>.24 each</td>
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<tr>
<td>Revenue Ledger Sheet (single sheet)</td>
<td>S 12 ED</td>
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<td><strong>School Activity Fund Forms</strong></td>
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<td>Fund Ledger Sheet (single sheet)</td>
<td>S 50 ED</td>
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<td>.02 each</td>
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<tr>
<td>Cash Receipts and Disbursements Record (Control ledger pages) (single sheet)</td>
<td>S 51 ED</td>
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<td>.02 each</td>
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<td>Receipt Form (optional form) 25 sets to book</td>
<td>S 52 ED</td>
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<tr>
<td>Receipt Form (50 sets to book)</td>
<td>S 53 ED</td>
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<td>Report of Ticket Sales (50 sets to pad)</td>
<td>S 54 ED</td>
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<td>.45 pad</td>
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<tr>
<td>Consolidated Box Office Report (50 sets to pad)</td>
<td>S 55 ED</td>
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<td>.80 pad</td>
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<tr>
<td>Daily Report of Cash Collections (50 sets to pad)</td>
<td>S 56 ED</td>
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<tr>
<td>Purchase Requisition and Order Form (50 sets to pad)</td>
<td>S 57 ED</td>
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<td>.80 pad</td>
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<td>Expenditure Voucher (50 sheets to pad)</td>
<td>S 58 ED</td>
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<td>Cafeteria Payroll (single sheet)</td>
<td>S 60 ED</td>
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<td>.01 each</td>
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<td>Payroll Record (single sheet)</td>
<td>S 61 ED</td>
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<td>.02 each</td>
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<td>Sort Binders (fits S 50, S 61, S 9, S 10)</td>
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<td>22.08 each</td>
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<td><strong>TOTAL</strong></td>
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</tbody>
</table>

*Subject to Change

Purchases & Store Use Only

Mailer ___________________________ Posted ___________________________

Initials __________________________ Postage/Shipped ___________________________
<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt or Check No.</th>
<th>Voucher Number</th>
<th>RECEIVED FROM</th>
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<tr>
<td></td>
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<td>PAID TO</td>
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<th>RECEIPTS</th>
<th>DISBURSEMENTS</th>
<th>BALANCE</th>
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BALANCE CARRIED FORWARD
<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt or Check No.</th>
<th>Voucher Number</th>
<th>RECEIVED FROM PAID TO</th>
<th>EXPLANATION</th>
<th>Fund Name or Number</th>
<th>Receipts</th>
<th>Disbursements</th>
<th>Balance</th>
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BALANCE CARRIED FORWARD
FORM 5-12 ED

ACTIVITY RECEIPT

NAME OF SCHOOL ____________________________

DATE __________________________ 19 __________

RECEIVED OF ________________________________

__________________________________________ DOLLARS

FOR ________________________________

$ ________________

HOMEROOM OR STUDENT ________________________________ ACTIVITY

COLLECTOR ________________________________

(TO BE USED BY STUDENT OFFICER OR TEACHER SPONSOR)

BY ________________________________ DEVIN SYSTEMS, INC.

107
VIRGINIA PUBLIC SCHOOLS
Activity Funds
RECEIPT

City
County_________________________ Date______________19____

Received of__________________________$________
_________________________________________Dollars

For____________________________________________________
Fund______________________________________________
(To be Used By Office)_____________________________School

By________________________________________
NAME OF SCHOOL

REPORT OF TICKET SALES

EVENT ___________________________________________ DATE __________ 19 ______

<table>
<thead>
<tr>
<th>TICKETS ISSUED</th>
<th>TICKETS RETURNED</th>
<th>PRICE OF TICKET</th>
<th>TOTAL AMOUNT</th>
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</thead>
<tbody>
<tr>
<td>First Number</td>
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</tbody>
</table>

Total Value of Tickets Sold: ________________________________
Change Fund: ____________________________________________
Total Accountability: ____________________________________
Cash Remitted This Report: ________________________________
Cash Over (Under): ______________________________________

Sales: ________________  Change Fund: ________________  CERTIFIED CORRECT

AMOUNT RECEIVED: ________________  Change Fund: ________________  TOTAL: ________________

BOX OFFICE MANAGER: ____________________________  TICKET SELLER: ____________________________
SCHOOL

CONSOLIDATED BOX OFFICE REPORT

EVENT______________________________________________DATE__________________19____

<table>
<thead>
<tr>
<th>RECEIVED FROM</th>
<th>TOTAL SALES</th>
<th>CHANGE FUND</th>
<th>TOTAL ACCOUNTABILITY</th>
<th>REMITTED TO TREASURER</th>
<th>OVER OR UNDER</th>
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</thead>
<tbody>
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</tbody>
</table>

TOTAALS

__________________________________________________________________________

RECEIVED $_________________ CERTIFIED CORRECT

________________________DATE________________ BOX OFFICE MANAGER______________
DAILY REPORT OF CASH COLLECTIONS

______________________________
Cafeteria

DATE_________________________19_______ NO.________

<table>
<thead>
<tr>
<th>Cash per count at close of business</th>
<th>Register Operator</th>
<th>Register Operator</th>
<th>Register Operator</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>LESS Change Funds</td>
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<tr>
<td>CASH SALES PER COUNT</td>
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<td>Collections per Register Readings</td>
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<tr>
<td>Cash Over or Under Register</td>
<td>OVER</td>
<td>UNDER</td>
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</tbody>
</table>

CASH REMITTED TO OFFICE THIS REPORT

Certified as Correct
___________________________ Cashier

Received by
_______ ___________________ Date________
PURCHASE REQUISITION AND ORDER

NAME OF SCHOOL

ADDRESS

Purchase From ........................................ Date ........................................

........................................

........................................ Account To

Be Charged ........................................

Please Furnish and Deliver the Following to: ........................................

<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>ARTICLE AND DESCRIPTION</th>
<th>UNIT</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
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</table>

APPROVED BY ........................................ DATE .......................... REQUESTED BY ........................................

DATE OF PAYMENT .......................... CHECK NO. .......................... APPROVED BY ........................................ TEACHER SPONSOR ........................................
# Cafeteria Payroll

**Payroll Period**
- Weekly [ ]
- Semi-Monthly [ ]
- Monthly [ ]
- Miscellaneous [ ]

**NOTE:** Be sure to mark "FINAL" after any employee’s name who is terminating services so that statement of Income Tax withheld receipt may be issued with check. If you desire check mailed, please put address above name of employee.

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee Name</th>
<th>Capacity</th>
<th>W-2 Tax Exempt</th>
<th>Hours</th>
<th>Rate</th>
<th>Amount Earned</th>
<th>W-2 Tax</th>
<th>FICA Tax</th>
<th>Hosp</th>
<th>Misc</th>
<th>NET</th>
<th>CHECK</th>
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**Audited and Approved for payment:**

**By:**

**Fund Code:**

**NOTE:** For more than one code or fund use reverse side.

**Voucher Number:**

**Checks Drawn:**

I hereby certify that the foregoing payroll containing _________ persons and totaling $__________ comprises the names of persons employed in the county or city under my direction and supervision during the period stated, and that the amounts shown above are in accordance with the duly authorized rates of compensation.

______ Cafeteria Manager

Principal
<table>
<thead>
<tr>
<th>DATE</th>
<th>GROSS SALARY</th>
<th>FICA TAX</th>
<th>WITHHOLDING TAX</th>
<th>NET SALARY</th>
<th>CHECK NUMBER</th>
<th>REMARKS</th>
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</table>

**QUARTER TOTAL**

**PAYROLL RECORD**

**NAME**

**SOCIAL SECURITY NUMBER**

**ADDRESS**

**STREET OR P.O. BOX**  

**CITY**  

**STATE**  

**ZIP CODE**
SCHOOL

TRANSFER VOUCHER

Date

Transfer FROM ________________________________
Account Name

Transfer TO ___________________________ $ __________
Account Name  Amount

Reason for transfer ________________________________

Approved By ________________________________
Signature of Sponsor  Signature of Student Representative if applicable

Approved By ________________________________
Signature of Principal  Date of Approval
**Student Activity Receipt Book Log**

**School**

<table>
<thead>
<tr>
<th>Teacher</th>
<th>Beginning Receipt # to Ending Receipt #</th>
<th>Last Receipt # Issued</th>
<th>Date Returned/Initials</th>
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</thead>
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</table>
FORM S-64 ED

________________________________________

School

Activity Fund Deposit

Teacher_________________________ Date_____________________

_____________ for _____ Students @ $______ = $___________

Type of Fee

_____________ for _____ Students @ $______ = $___________

Type of Fee

_____________ for _____ Students @ $______ = $___________

Type of Fee

Total deposit $_______________
FORM S-65 3D

Bank Authorization Form

School: ________________________________

Account Name: ______________________  Bank Name: ___________________________

Account Number: _____________________  Type of Account: _____________________

Individuals authorized to sign checks:

Type Names:                          Signatures:

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________

Account Name: ______________________  Bank Name: ___________________________

Account Number: _____________________  Type of Account: _____________________

Individuals authorized to sign checks:

Type Names:                          Signatures:

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________

__________________________________  ____________________________
FORM 5-66 ED

SCHOOL

Return of Goods

Date_________________________

Goods Returned to:

Vendor Name_________________________

Vendor Authorization Number (if required) ________________________________

Shipping Address ______________________________________________________

__________________________________________ Date Shipped ________________

Vendor Representative __________________ Carrier (UPS, USPS, FEDEX) ________________

<table>
<thead>
<tr>
<th>Item #</th>
<th>Qty</th>
<th>Catalog Number and Description</th>
<th>Purchase Order Number</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

Reason for return ________________________________

__________________________________________________________________________

Principal's Signature _____________________________________________________
School Name

Payment of Officials

Event: ___________________________ Date __________________

<table>
<thead>
<tr>
<th>Amount Received</th>
<th>Social Security No.</th>
<th>Print Name</th>
<th>Signature</th>
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</table>

Signature of Principal/Designee ___________________________ Date __________________
Law Enforcement Payment Form

Payment for services rendered at ____________________________ on ____________ The payment is for services rendered at the following event ____________________________.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Name of Payee</th>
<th>Address</th>
<th>City, State, Zip</th>
<th>Social Security Number</th>
<th>Signature</th>
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**SCHOOL**

Requisition/Purchase Order Log

<table>
<thead>
<tr>
<th>DATE</th>
<th>REQ/PO #</th>
<th>VENDOR</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
<th>RECEIVED</th>
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Page ___ of ___
Activity Fund Deposit Log

SCHOOL

Beginning Balance as of July 1, 19____  $__________

Deposits Made:

<table>
<thead>
<tr>
<th>Date</th>
<th>Deposit #</th>
<th>Account</th>
<th>Total Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Page ____ of ____

Total Deposits This Page $__________

123
Form S 71 ED

Record of Returned Checks

<table>
<thead>
<tr>
<th>Account</th>
<th>Date Check Returned By Bank</th>
<th>Maker of Check Name, Address, Telephone #</th>
<th>Amount of Check</th>
<th>Reason Check was Returned</th>
<th>Date of Redeposit</th>
<th>Comments Include date check cleared or cash received</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
Telephone Quotation Log

School

School personnel may use this form to obtain telephone quotations from prospective vendors, in accordance with the purchasing regulations. The form must be accurate and complete.

<table>
<thead>
<tr>
<th>Item #</th>
<th>Quantity &amp; Unit</th>
<th>Description</th>
<th>Price</th>
<th>Price</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

TOTAL BID PRICE

QUOTATIONS SOLICITED BY

VENDOR'S TELEPHONE NUMBER

NAME OF PERSON CONTACTED

DATE OF QUOTATION

DELIVERY DATE

PAYMENT TERMS

Award Approval_____________________________ Purchase Order # __________________

Remarks____________________________________
Figure 2  Quality Control Process Model

Student Activity Funds Quality Control Process

Current Process

Desired Process

TRAINING, AUDIT AND SUPPORT

Cuzzetto, 1995
### Student Activity Funds Self-Assessment Checklist

<table>
<thead>
<tr>
<th><strong>Receipts</strong></th>
<th>✓ Prenumbered documents and tickets are used for all receipts.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ All receipts are count verified.</td>
</tr>
<tr>
<td></td>
<td>✓ Receipts/cash registers indicate source of funds and cash versus checks.</td>
</tr>
<tr>
<td></td>
<td>✓ Receipts are deposited intact on a frequent basis.</td>
</tr>
<tr>
<td></td>
<td>✓ All transfers of funds are documented.</td>
</tr>
</tbody>
</table>

| **Expenditures** | ✓ Expenditures have proper accounting/approval; are for student purposes. |
|                  | ✓ District purchasing policies are followed.                      |
|                  | ✓ Imprest an petty cash claims are promptly processed.             |
|                  | ✓ Invoices are matched to PO's and receiving documents before processing |

| **Accountability** | ✓ Inventory records are maintained for ongoing sales.              |
|                   | ✓ Estimated sales from fund-raisers are compared with deposits.    |
|                   | ✓ Cash, bank accounts and financials are reconciled monthly.       |
|                   | ✓ Students are actively involved in the process.                   |
|                   | ✓ State and local rules and regulations are being followed.        |

(Cuzzetto, 1995, p. 22)
Figure 4  Flow Chart for Purchasing Procurement

Flow Chart of Purchasing Procurement for Goods and Services

Need develops for goods or services → Seek competitive prices or bid if required → Receive quotation or bid →

Purchase Order signed by principal or designee → Develop Purchase Order (completely and accurately) →

Place Order → Receive goods or services (certify accuracy) →

Initiate Payment for goods or services → Receive and Check Invoice

Maintain proper accounting procedures in accordance with established policies and procedures.
COMMONWEALTH OF VIRGINIA
SALES AND USE TAX CERTIFICATE OF EXEMPTION

(For use by a Virginia dealer who purchases tangible personal property for resale,
or for lease or rental, or who purchases materials or containers
to package tangible personal property for sale)

To: ____________________________ Date __________________

(Name of supplier)

(Number and street or rural route) (City, town, or post office) (State) (ZIP Code)

The Virginia Retail Sales and Use Tax Act provides that the Virginia sales and use tax shall not apply to tangible personal property purchased for resale; that such tax shall not apply to tangible personal property purchased for future use by a person for taxable lease or rental as an established business or part of an established business, or incidental or germane to such business, including a simultaneous purchase and taxable leaseback. The Act provides also that such tax shall not apply to packaging materials such as containers, labels, sacks, cans, boxes, drums or bags if the materials are marketed with a product being sold and become the property of the purchaser.

This Certificate of Exemption may not be used by a using or consuming construction contractor as defined in the Regulations.

☐ 1. Tangible personal property for RESALE only.
☐ 2. Tangible personal property for future use by a person for taxable LEASE OR RENTAL as an established business, or part of an established business, or incidental or germane to such business, or a simultaneous purchase and taxable leaseback.
☐ 3. Packaging materials such as containers, labels, sacks, cans, boxes, drums or bags that are marketed with a product being sold and become the property of the purchaser.

Name of Dealer ____________________________ Certificate of Registration No. ____________________________

Trading as ____________________________

Address ____________________________ ____________________________ ____________________________ ____________________________ ____________________________ ____________________________ (Number and street or rural route) (City, town, or post office) (State) (ZIP Code)

Kind of business engaged in by dealer ____________________________

I certify that I am authorized to sign this Certificate of Exemption and that, to the best of my knowledge and belief, it is true and correct, made in good faith, pursuant to the Virginia Retail Sales and Use Tax Act.

By ____________________________ ____________________________

(Signature) (Title)

(If the dealer is a corporation, an officer of the corporation or other person authorized to sign on behalf of the corporation must sign; if a partnership, one partner must sign; if an unincorporated association, a member must sign; if a sole proprietorship, the proprietor must sign.)

Information for supplier—A supplier is required to have on file only one Certificate of Exemption properly executed by the dealer who buys tax exempt tangible personal property for the purpose indicated hereon.

Virginia Department of Taxation
(Rev. 1988)
COMMONWEALTH OF VIRGINIA
SALES AND USE TAX CERTIFICATE OF EXEMPTION
(For use by the Commonwealth of Virginia, a political subdivision of the Commonwealth of Virginia, or the United States)

To: ___________________________________________ Date: _______________________

(Name of dealer) ________________________________
(Number and state or rural route) __________________ (City, town, or post office) ______ (State and ZIP Code) ____________

The Virginia Retail Sales and Use Tax Act provides that the Virginia sales and use tax shall not apply to tangible personal property for use or consumption by this State, any political subdivision of this State, or the United States. (This exemption does not apply to sales or leases to privately owned financial and other privately owned corporations chartered by the United States.)

The undersigned, for and on behalf of the governmental agency named below, hereby certifies that all tangible personal property purchased or leased from the above named dealer on and after this date will be for use or consumption by a governmental agency, that each such purchase or lease will be supported by the required official purchase order, and that such tangible personal property will be paid for out of public funds: (Check proper box below.)

☐ 1. Tangible personal property for use or consumption by the Commonwealth of Virginia.
☐ 2. Tangible personal property for use or consumption by a political subdivision of the Commonwealth of Virginia.
☐ 3. Tangible personal property for use or consumption by the United States.

(Name of governmental agency)

(Number and state or rural route) __________________ (City, town, or post office) ______ (State) ____________ (ZIP Code) __________

I certify that I am authorized to sign this Certificate of Exemption and that, to the best of my knowledge and belief, it is true and correct, made in good faith, pursuant to the Virginia Retail Sales and Use Tax Act.

By: ___________________________ (Signature) ___________________________ (Title)

Information for dealer.—A dealer is required to have on file only one Certificate of Exemption properly executed by the governmental agency buying or leasing tax exempt tangible personal property under this Certificate.
COMMONWEALTH OF VIRGINIA
SALES AND USE TAX CERTIFICATE OF EXEMPTION

TO: ______________ Date: ______________

(Name of Dealer) (Address)

(Number and Street or Rural Route) (City, Town, or Post Office) (State and Zip Code)

The Virginia Retail Sales and Use Tax Act provides that the Virginia sales and use tax shall not apply to the kinds and classes of tangible personal property shown in Items 1 through 11 below when purchased for the specific purposes set out in Items 1 through 11.

1. Tangible personal property purchased or leased for use or consumption by a non-profit college or other institution of learning or a non-commercial educational telecommunications entity.
2. Tangible personal property purchased or leased for use or consumption by a non-profit hospital, non-profit licensed nursing home, licensed non-profit, nonstock home for adults, or non-profit health maintenance organization.
3. Tangible personal property purchased or leased for use or consumption by a volunteer fire department or volunteer rescue squad, not conducted for profit, and construction materials to be incorporated into realty when sold to and used by such organization, rather than a contractor, in construction, maintenance, or repair of any property of such organization.
4. Tangible personal property purchased for use or consumption by a non-profit hospital cooperative or non-profit hospital corporation which is operated solely for the purpose of providing services to non-profit hospitals.
5. Historical documents, manuscripts, maps, and rare books purchased by a non-profit State historical society which maintains a research library open to the public without charge.
6. Controlled drugs purchased by a licensed physician for use in his professional practice.
7. Tangible personal property purchased or leased for use or consumption by a qualified non-profit nutritional program for the elderly.
8. Tangible personal property purchased or leased for use or consumption by a non-profit organization organized exclusively to provide education, training, and services to mentally disabled citizens provided that 1.) such property is used exclusively in providing these services and 2.) the organization receives more than 50% of its funding from government sources.
9. Tangible personal property purchased or leased for use or consumption by the Virginia Humane Society and other like non-profit organizations for the prevention of cruelty to or the protection of humane care of animals.
10. Tangible personal property for use or consumption by a non-profit food bank or other organization organized and operated exclusively for the distribution of food to infants, the ill, or the needy.
11. Tangible personal property purchased by Parent-Teacher Associations and other groups associated with nonprofit elementary and secondary schools in connection with fund raising activities where the net proceeds will be contributed directly to the school or used by the group to purchase certified school equipment; and certified school equipment purchased by such groups for contribution directly to the nonprofit school.

Name of purchaser __________________________________________

Certificate of Registration No., if any ________________________________

(Number and Street or Rural Route) (City, Town, or Post Office) (State and Zip Code)

I certify that I am authorized to sign this Certificate of Exemption and that, to the best of my knowledge and belief, it is true and correct, made in good faith, pursuant to the Virginia Retail Sales and Use Tax Act.

By ____________________________

Information for dealer.—A dealer is required to keep on file only one Certificate of Exemption properly executed by each purchaser buying or leasing tax exempt tangible personal property under this Certificate.

NOTE: This exemption certificate does not provide exemption for religious, charitable, civic, or any other non-profit organization except those specifically noted above.

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Chapter 5

Conclusion and Need for Further Study

Conclusion

Fiscal prudence is the responsibility of everyone in a school division. It originates with the superintendent and extends to all personnel. It is critical that all school personnel understand the importance of how to properly manage the fiscal affairs of a school. The utmost care must be given to ensure that all money is accounted for, received, deposited and dispersed in accordance with generally accepted accounting principles.

As stated in the Virginia Board of Education, Manual of System of Accounting for School Activity Funds, it is the responsibility of each school to keep an accurate record of all receipts and disbursements, so that a clear and concise statement of the condition of each fund may be determined at all times. It shall be the duty of each principal to see that such records are maintained in accordance with these regulations and rules promulgated by the local school board (Salmon, 1992). "Participating in the management of school finance and accounting should be a continuing interest among the faculty and administration of individual schools (Kimbrough, 1968, p. 362).

The principal will usually designate a bookkeeper to perform the duties of receipting, depositing and disbursing the school activity fund revenue. Care must be given to accuracy and efficiency in the handling of these funds. These are quasi-public funds and should be treated as such.

Accountability in the handling of student activity funds should demonstrate conformance and responsibility. There is a need for internal controls that provide guidance
and protection of money that flows through school building activity funds. As student activities continue to expand, receipts for larger amounts of money also continue to grow. If necessary precautions are taken to ensure adequate safeguards are provided through sound accounting policies and procedures, accountability is achievable. Petty cash funds should be monitored closely with documentation to verify amounts spent.

The Revised Student Activities Accounting Manual for Virginia’s Public Schools is intended to assist all personnel involved in the handling of school activity funds to do so efficiently and prudently. It includes the most recent State statutes related to student activity accounting, provides duties and responsibilities of all personnel handling these funds and policies and procedural accounting guidelines. The manual describes the necessary accounts each school is allowed to create, gives instructions on the proper receipt and disposition of money and procurement procedures, and provides a complete explanation on the proper use of school purchase orders. The most recent records retention and disposal disposition schedule is included to assist school personnel in the proper disposal of school records.

The guide explicitly explains how to carry out the day-to-day business practices of the school accounting office. Forms are provided to assist the bookkeeper with accountability and the disposition of funds. The use of computer technology is emphasized and encouraged. This needs to be a consideration even in the smallest office setting. With the additional accounting software packages on the market today, bookkeepers are given the tools to become more efficient and accounting accuracy is heightened. Figure 7 in the Appendix compares implemented changes in the 1989 manual with that of the revised manual.
Upon the completion of this project, it was apparent that the information contained in the manual needs to be continually updated and offered to bookkeepers and administrators. With the ease of updating through electronic media, this information could be offered at a very low cost by the State Department of Education. The Department should also get input regularly from local school divisions on new accounting software, auditor’s recommendations and any helpful information that would assist bookkeepers with the accountability of student activity funds.

Annual staff development workshops should be scheduled to include bookkeepers, principals and auditors to provide important information that would improve a school’s chance of receiving an excellent audit report. The workshops might include the implementation of computer assisted bookkeeping practices and procedures, problems and concerns that auditors face when auditing books for schools, and general guidelines of accounting procedures and principles. The accounting practices and policies outlined in this paper are intended to assist and guide school bookkeepers. These same guidelines can assist outside agencies of our school population in the same fiscal prudence. Ongoing staff development, constant upgrading of computer equipment and software, and continual informational updates will allow school personnel the greatest opportunity to practice well-defined implementation of student activities fund accounting.

Need for Further Study

The following are recommendations for further study:

1. The Virginia Department of Education could perform a field test on the revised manual to ascertain its effectiveness;

2. Compare local school divisions degree of site-based management practices as related to Student Activity Accounting;
3. An accounting resource book or guide could be developed to assist groups such as Parent Teacher Organizations and Associations, Booster Clubs and other types of student support groups that raise money for schools.

Since these funds are not usually deposited into student activity funds, it would be beneficial to those volunteering their time and effort to understand the important responsibility of prudent fund management. Considerable sums of money are received through booster clubs, school festivals or carnivals and prudent fiscal responsibility is often expected from untrained personnel. Treasurers of such clubs should be given information on accounting practices and procedures so that their propriety will not be questioned. It is important that receipts are written to parents when money is given to a club or booster treasurer and that proper documentation accompany any and all disbursements. Effective cash controls need to be implemented in order to avoid embarrassment and to ensure that substantial monetary losses do not occur. Inservice training should be offered to all booster club patrons who participate in the financial management of funds.

4. The manual should be updated periodically as changes occur through on-line capabilities. This could provide school personnel with immediate answers to accounting questions as well as current legislative changes. Forms could be printed from on-screen menus and thus eliminate the need for the State Department to provide new disks each year as implementation changes occur.
References


Appendix
Research Survey Form
School Activity Funds Accounting Guidebook Project
August, 1995

School Division__________________________________________

Person Completing Form____________________________________

Title________________________________________________________

Question: Does your school division currently utilize a School Activity Funds Accounting Guidebook for use by the school staff (i.e. principal, assistant principal, secretary, bookkeeper, club sponsor) ?

☐ Yes ☐ No

Question: Does your school division currently provide an Activity Funds Accounting Guidebook for use by support groups (i.e. PTA, PTO, athletic boosters, band boosters, etc.) ?

☐ Yes ☐ No

Please return this survey form and a copy of your Guidebook, if applicable to:

Mary Lou Skinner, Principal
Collinsville Primary School
214 Oakland Drive
Collinsville, VA 24078

A. Do you wish for us to return your school division’s copy of your guidebook to you?

☐ Yes ☐ No

B. Would you like a copy of the revised guidebook once completed?

☐ Yes ☐ No

Please return this form as soon as possible. Thank You!
Self-addressed, stamped envelope enclosed.
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Length of manual is 37 pages.</td>
<td>Length of manual is 83 pages.</td>
</tr>
<tr>
<td>Unattractive and cumbersome binder for accounting guidelines.</td>
<td>Offered in 3-ring binder as well as on disk for Macintosh or DOS platforms.</td>
</tr>
<tr>
<td>Three State statutes included.</td>
<td>Thirteen State statutes included.</td>
</tr>
<tr>
<td>Attorney’s General Opinion included; 1 sentence.</td>
<td>Attorney’s General Opinion included with detailed information</td>
</tr>
<tr>
<td>Listed responsibilities for: Superintendent, Principal, Bookkeeper, and Class/Club Sponsor.</td>
<td>Lists responsibilities for: Superintendent, Assistant Superintendent or Chief Financial Officer, Principal, Assistant Principal, School Bookkeeper, Student Activity Sponsors and Other Personnel, and Budget Planning Committee.</td>
</tr>
<tr>
<td>Vague list of responsibilities for personnel.</td>
<td>In-depth list of requirements to carry out the positions and responsibilities.</td>
</tr>
<tr>
<td>No list of policies and procedures.</td>
<td>In-depth explanation of policies and procedures.</td>
</tr>
<tr>
<td>Sales tax exemption contained 1 paragraph.</td>
<td>Sales tax exemption explanation included with reference to forms ST 10, 12, and 13 and amendment to the bill.</td>
</tr>
<tr>
<td>No explanation of sales tax payment.</td>
<td>Explanation provided indicating when sales tax exemption does not apply.</td>
</tr>
<tr>
<td>Outdated financial retention schedule.</td>
<td>Current financial retention schedule listed in easy-to-read format.</td>
</tr>
<tr>
<td>No reference to technology or computer software programs available.</td>
<td>Recommends technology to assist in prudent fiscal management and lists software programs used throughout the Commonwealth. Phone numbers are provided to obtain information concerning these products.</td>
</tr>
<tr>
<td>Change in Revised Student Activity Accounting Manual</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Some bonding information included.</td>
<td>Better explanation of bonding information included.</td>
</tr>
<tr>
<td>General information concerning revenues and disbursements consisted of 2 pages.</td>
<td>Indepth explanation of accounts receivable and payable.</td>
</tr>
<tr>
<td>No information concerning petty cash fund.</td>
<td>Detailed information concerning petty cash fund.</td>
</tr>
<tr>
<td>Virginia Procurement is mentioned in 1 paragraph.</td>
<td>Detailed explanation of current Virginia Procurement code.</td>
</tr>
<tr>
<td>Vague disbursement recommendations.</td>
<td>Detailed recommendations for disbursement.</td>
</tr>
<tr>
<td>No mention of funds taken in through library or vending machines.</td>
<td>Detailed explanation of funds taken in through library or vending machines.</td>
</tr>
<tr>
<td>Mentions need for purchase orders.</td>
<td>Detailed explanation of need for purchase orders and information required. Includes flow chart for purchasing procurement.</td>
</tr>
<tr>
<td>No mention of proper check preparation.</td>
<td>Detailed explanation of proper check preparation.</td>
</tr>
<tr>
<td>No mention of return of goods policy.</td>
<td>Detailed explanation of return of goods policy.</td>
</tr>
<tr>
<td>No mention of policy of returned checks.</td>
<td>Explanation of returned checks policy.</td>
</tr>
<tr>
<td>No mention of policy for voided checks.</td>
<td>Explanation of voided checks policy.</td>
</tr>
<tr>
<td>Few internal controls included.</td>
<td>Detailed explanation of internal controls including a checklist for bookkeepers.</td>
</tr>
<tr>
<td>No payment guidelines for services included.</td>
<td>Payment guidelines included for: athletic officials, law enforcement officers, school board employees, substitute teachers, and others.</td>
</tr>
<tr>
<td>Brief inventories/equipment included.</td>
<td>Detailed inventories/equipment explanation included.</td>
</tr>
<tr>
<td>No glossary of accounting terminology included.</td>
<td>Complete glossary of accounting terminology included.</td>
</tr>
</tbody>
</table>
Changes Implemented in the Revised Student Activity Accounting Manual for Virginia's Public School

<table>
<thead>
<tr>
<th>Explanation of 12 forms.</th>
<th>Explanation of 21 forms. Additional forms include: Activity receipt log, activity fund deposit, bank authorization, return of goods, payment of officials, payment of law enforcement officers, record of deposits made, record of returned checks, and telephone quotation form.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forms are outdated and are not legible in guidebook.</td>
<td>Forms are neat and legible.</td>
</tr>
<tr>
<td>No capability of printing forms via computer.</td>
<td>All forms may be printed via the computer.</td>
</tr>
<tr>
<td>Duplicate or triplicate forms must be purchased from DOE or local printer.</td>
<td>Use of accounting software, automatically prints those forms that require duplicate or triplicate copies.</td>
</tr>
<tr>
<td>No mention of Quality Control.</td>
<td>Quality Control Process included</td>
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### Figure 8

**Cities and Counties of Virginia Responses to Accounting Guidebook Survey**

**August, 1995**

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**Blank = No**

**X = Yes**

**Efes, Manatee = Software Package Used**

**City Finance Guide Used**

146
| FAIRFAX COUNTY | MANATEE | X |
| FALLS CHURCH CITY | X | X |
| FAUQUIER | X | X |
| FLOYD |
| FLUVANNA |
| FRANKLIN | X | X | X |
| FREDERICK | X | MANATEE | X |
| FREDERICKSBURG CITY |
| GALAX CITY | X | X |
| GILES | X | X |
| GLOUCESTER | X | X | X |
| GRAYSON | X | X |
| GREENSVILLE | X |
| HALIFAX | X | X | X |
| HAMPTON CITY | X | X | X |
| HANOVER | X | X | X |
| HARRISONBURG CITY | X | X | X |
| HENRICO | X | X | X |
| HENRY | X | EPES | X |
| HOPEWELL CITY | X | X | X |
| KING GEORGE |
| KING WILLIAM |
| LANCASTER | X | X | X |
| LEE | X |
| LEXINGTON CITY | X |
| LOUDON | X | X | X |
| LOUISA | X | X |
| LUNENBURG |
| LYNCHBURG CITY | X |
| MADISON |
| MANASSAS CITY | X |
| MANASSAS PARK CITY | X |
| MARTINSVILLE CITY | X | X |
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BLANK = NO
X = YES
EPES, MANATEE = SOFTWARE PACKAGE USED
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**City Finance Guide Used**
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CITY FINANCE GUIDE USED
Vita of
Mary Lou Skinner

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902 B Hillwood Drive
Murray, KY 42071

Date of Birth:
December 18, 1954

Education:

Virginia Polytechnic Institute and State University
Ed.D. Candidate
Certificate of Advanced Graduate Studies (CAGS), Educational Administration, 1996

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Master of Education, Elementary Education, Curriculum and Instruction, 1982

Averett College
Bachelor of Science, Elementary Education, 1979

Occupational Experience:

Principal, Southwest Calloway County, Kentucky, 1997-Present

Principal, Collinsville Primary School, Virginia, 1995-1997

Principal, Ridgeway Elementary School, Virginia, 1990-1995

Assistant Principal, Mt. Olivet Elementary School, Virginia, 1989-1990

Adult Basic Education Teacher, Bassett Furniture Industries, Virginia, 1989

Gifted and Talented Program Teacher, Grades 9-12, Virginia, 1987-1989

Gifted and Talented Program Teacher, Grades K-8, Virginia, 1985-1987

Classroom Teacher, Mt. Olivet Elementary School, Grades 4 & 6, Virginia, 1979-1985

Teacher’s Aide, Fieldale Elementary School, Virginia, Grades 4-7, 1976
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Commonwealth of Kentucky, Post Graduate Professional License

Elementary Principal

Teacher - Early Childhood NK-7

Published Works:

“Getting a Second Chance” Adult Basic Education Newsletter, 1989

Mary Lou Skinner