

## **FINANCE**

### **School Activity Funds**

#### **School Activity Funds Management**

This regulation supersedes Regulation 5810.6.

#### **I. PURPOSE**

To provide guidelines for the generation, disbursement, and management of school activity funds. Instructive how-to guidance that shall be used when accounting for school activity funds is available in users' guides provided by financial services.

#### **II. GENERAL INFORMATION**

##### **A. School Activity Funds Defined**

According to the regulations of the Virginia 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 . . ." For the purpose of this regulation, the term "student activity funds" is synonymous with the term "school activity funds."

##### **B. Basis for School Activity Fund Regulation**

Various policies and their corresponding regulations and notices are applicable to the overall administration and management of school activity funds. The basic policy is the current version of Policy 5810, Administration of School Activity Funds. Some examples of additional policies are the current versions of:

Policy 1370	Fund-Raising
Policy 1375	Charity Drives
Policy 3829	Contests and Awards
Policy 3840	Community Events and Student Performances
Policy 3860	Extracurricular Activities
Policy 5410	Periodic Audits
Policy 5820	Equipment for School Activities
Policy 5830	School Stores
Policy 5960	Donations to the Schools
Policy 7203	Food Sales and Services
Policy 7401	Purchasing
Policy 7440	School Supply System
Policy 8420	Community Use of School Facilities

**C. Accounting System for School Activity Funds**

Schools, special education centers, adult education centers, vocational centers, and related administrative offices are required to use the automated accounting system for school activity fund accounting that has been approved by Fairfax County Public Schools (FCPS).

**D. Underlying Principles**

1. School activity funds shall be used solely in accordance with the purpose for which such funds are collected. No school activity shall be conducted for the sole purpose of producing revenue. It is intended that school activities shall be self-supporting--hence, revenue necessary to establish and maintain the activity is acceptable.
2. Projects for the raising of school activity funds shall, in general, contribute to the educational experience of pupils and shall not conflict with the instructional program.
3. Funds derived from the student body as a whole shall be expended to benefit the student body as a whole either directly or indirectly.
4. School activity funds shall, in general, be expended in ways that benefit those pupils currently in school who have contributed to the accumulation of such funds.
5. Student body representation shall be required in the management of funds raised by the student body and expended for its benefit, subject to faculty supervision.
6. The management of school activity funds shall be in accordance with the best business practices, including sound budgetary and accounting procedures.
7. Principals, through their representatives, shall participate in the preparation, modification, and interpretation of policies, regulations, and procedures affecting student body affairs.

**III. DUTIES AND RESPONSIBILITIES**

The responsibility of safeguarding, accounting for, and managing the school activity funds rests solely with the principal. The duties that must be performed in providing proper management and security may be delegated to the degree desired by the principal, but the responsibility shall remain with the principal.

The duties that must be performed by the principal or others in order to achieve proper security and management are specified below.

**A. Principals**

Principals shall use, at a minimum, the following management practices:

1. Be familiar with and enforce the provisions of this regulation.
2. Instruct the finance technician or administrative assistant regarding the duties to be performed and provide adequate supervision and guidance.
3. Obtain accurate and timely reports from the finance technician or administrative assistant covering the results of operations and the status of school activity funds.
4. Discuss proper financial practices periodically with staff members and responsible students (treasurers or others involved in financial operations) to include all of the following:
  - a. Proper budget planning
  - b. Prior approval before committing school activity funds
  - c. Need for receiving reports
  - d. Ticket control
  - e. Proper control of funds collected through use of receipts and daily submission to the finance technician or administrative assistant
5. Review and analyze, at least monthly, the status and operations of the school activity funds. The review process should involve the finance technician or administrative assistant, department heads, fund sponsors, and the budget planning group to the extent considered appropriate. A checklist for analyzing the status and operations of school activity funds is provided in section V.F.
6. Review purchase orders, checks, and other supporting documents to ensure that purchases and expenditures are authorized and supported properly.
7. Ensure that adequate facilities and physical controls are available and are used for protection of cash and other assets.
8. Monitor the operation of revenue-producing activities to avoid unanticipated losses.
9. Monitor implementation of approved audit recommendations and management decisions of the principal or a higher authority.
10. Approve all annual school activity budgets and consider changes recommended by the budget planning group.
11. Use all resources and services available to evaluate the situation of each student whose education may be impeded by financial difficulties (see the current version of Regulation 2135).

**B. Assistant Principals**

Assistant principals shall perform duties as delegated by the principal and shall be familiar with the provisions of this regulation even if no duties have been delegated.

**C. Directors of Student Activities (This Section Applies to High and Secondary Schools Only)**

Directors of student activities shall perform duties as delegated by the principal and shall be familiar with the provisions of this regulation even if no duties have been delegated.

**D. Finance Technicians and Administrative Assistants**

Under the supervision of the principal or his or her designee, the finance technician or administrative assistant shall receive, receipt, deposit, account for, and disburse all funds flowing through the school activity fund accounts, except as otherwise directed by the principal. For example, the principal may direct that some deposits, such as gate receipts, be made by people other than the finance technician or administrative assistant. The finance technician or administrative assistant, under the supervision of the principal, shall comply with all pertinent provisions of this regulation and perform the following duties:

1. Deposit all funds promptly and intact.
2. Maintain all required records on a current and accurate basis.
3. Submit all required reports promptly and accurately.
4. Keep the principal informed of all actual or potential problems.
5. Perform such other duties as specified by the principal.

**E. Fund Sponsors and Other School Personnel**

Those people responsible for activities with a fund account (fund sponsors, department heads, student representatives, etc.) shall review the financial operations and position of the accounts at least quarterly. Major activities with large accounts involving considerable activity shall be reviewed monthly. All school activity fund functions shall be supervised and guided by a fund sponsor appointed to that position by the school principal. The position may or may not be a supplemental pay position. Fund sponsors may be responsible for more than one fund or activity. Fund sponsor responsibilities include:

1. Approving and submitting an activity fund annual budget plan to the budget planning group.
2. Approving or submitting purchase requests to the finance technician or administrative assistant prior to the purchase being made.
3. Ensuring that the billings pertinent to the fund, and received by the finance technician or administrative assistant, are correct (including sales tax provisions) prior to final payment.
4. Providing the finance technician or administrative assistant with copies of contract agreements, etc., that are applicable to obligations of the fund account.
5. Collecting and receipting funds received from students.
6. Depositing such funds promptly with the finance technician or administrative assistant or with the banking institution if such procedures have been approved by the principal.
7. Controlling inventories of salable merchandise. This control includes accurate records of quantity and adequate measures for safeguarding the assets.
8. Providing the finance technician or administrative assistant with accurate data pertinent to preparation of the annual Reports of Salable Inventory, Accounts Receivable, and Accounts Payable.
9. Being aware of ticket control requirements when events requiring admission control are scheduled.
10. Providing necessary training to students who are assigned responsibilities for handling funds to ensure that they know the requirements for accounting and control.

**F. Budget Planning Group (This Section Applies to Middle and High Schools Only)**

A budget planning group is encouraged at each high school and middle school for the purpose of helping the principal, school staff members, and students in the effective management and prudent use of 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 formulation of a budget does not imply rigid adherence. The budgets should be prepared as carefully as possible but should be amended when situations warrant change. Final authority on all budgetary issues with respect to school activity funds shall rest with the principal.

The organization of a budget planning group is outlined below, with appropriate modifications for middle schools.

**1. Membership**

The budget planning group shall be organized by the principal to meet the needs and requirements of the individual school. The finance technician of the school should participate as a technical assistant to the budget planning group.

In forming the group, the principal should give consideration to the following:

- a. Chairman (assistant principal for administration or delegate of the principal)
- b. Community representative
- c. Director of student activities
- d. Performing arts chairperson
- e. Sponsors of all classes and SGA
- f. Finance technician
- g. Publication sponsors
- h. Business education chairperson

**2. Budgeting for School Activity Funds**

The budget serves as a device for controlling revenue and expenditures. The budget planning group shall help the principal by developing an annual school activity fund budget plan. This shall be accomplished through review and evaluation of budgets submitted by various activities. It is not the intent that every activity be required to submit a formal budget for review, though some sort of budgetary process should be practiced in all organizations. The budget planning group should focus primarily on activity and athletic accounts, with all activity accounts except the school store required to submit budgets for review. Instructional and school business accounts should submit anticipated revenue and expenditure data from which the budget planning group can determine the reasonableness and propriety of anticipated expenditures, the availability of funds for allocation, and the need for allocations within these categories. Anticipated revenue and expenditure data shall be furnished to the budget planning group when any club account is in need of an allocation of funds from other sources.

**3. Responsibilities**

- a. Obtaining and reviewing annual budgets for appropriate school activity accounts. A budget shall be provided by each fund sponsor concerned and will set forth the current balance in the account, the anticipated revenue by source, anticipated expenditures, and a proposed resolution of any deficit remaining.
- b. Helping to resolve anticipated deficits in fund accounts by proposing transfers of funds from other accounts.
- c. Developing an overall school activity fund annual budget for all appropriate accounts. Budgets for the fiscal year beginning July 1 shall be finalized by September 30. These need to include, at a minimum, the actual July 1 beginning balance, anticipated revenue (by source), anticipated

disbursements (by type), and plans for resolving any projected deficit. Budgeting an overall school deficit requires the approval of the chief financial officer, Department of Financial Services, or his or her designee.

- d. Proposing alternatives to the principal and to the fund sponsor concerned when activities are in conflict.
- e. Reviewing the current status of available funds, less any outstanding liabilities, and recommending to the principal excess funds that could be placed in savings to increase interest earnings.
- f. Reviewing the operation of revenue-producing activities and making recommendations, as appropriate.
- g. Maintaining records in sufficient detail to record and support decisions and recommendations of the group.

#### **G. Financial Services**

The Department of Financial Services is responsible for establishing rules, regulations, and procedures for the management and operation of school activity funds in accordance with generally accepted accounting principles and sound business practices. Additionally, the Department of Financial Services shall:

- 1. Prescribe accounting and operating procedures through manuals, regulations, and notices.
- 2. Provide guidance to cluster assistant superintendents and principals regarding school activity fund matters.
- 3. Provide training to all persons involved with school activity funds. This includes orientation and training of new school principals and finance personnel as soon as possible after appointment.
- 4. Ensure performance of annual audits of school activity funds in compliance with state laws. Review and follow up on the principals' responses to audit reports to determine the adequacy of responses and ensure that a proposed action is satisfactory.
- 5. Provide an opinion on the propriety and legality of proposed school activity fund transactions upon request.
- 6. Provide specific approval or disapproval of situations concerning:
  - a. An overall deficit in any fund account category.
  - b. Scholarship awards directly to students rather than to institutions in the name of a student.

- c. Presentation of gifts under exceptional circumstances.
  - d. Year-end indebtedness of a school.
  - e. Any other deviations from divisionwide policy.
7. Determine the disposition of assets held by schools that close.

#### **IV. CATEGORIZATION OF SCHOOL ACTIVITY FUND ACCOUNTS**

All accounts and all funds flowing through school activity accounts shall be categorized as follows.

##### **A. Club Accounts**

###### **1. Characteristics**

- a. The funds are dedicated to the use of a distinct group of students.
- b. The club or group must be organized with elected student officers from within the group.
- c. The club or group may not be involved, in a competitive sense, with other schools.
- d. The club or group is of interest to a limited group of students, as opposed to the interest of the entire student body.
- e. Revenue is derived from the students themselves via dues, specific sales, or revenue projects that have been approved by the fund sponsor and principal or specified donations or distributions of general revenue initially received into an activity or school business account.

###### **2. Guidelines**

- a. The club or group cannot directly receive general revenue.
- b. In general, the tracking of funds raised by individual students is discouraged. Funds raised for a specific club activity (e.g., an extracurricular trip) may be credited to specific students only upon vote of the student members and approval of the fund sponsor and the principal. Documentation of the vote and guidelines for proration must be maintained for audit review. Funds raised may not be refunded to students if a student cannot attend the activity or in the event that the activity is canceled. An alternative use for the funds shall be determined.
- c. Expenditure authority lies with the student members concerned through their elected officials, the fund sponsor, and the principal.



- d. Accounts cannot hold a deficit balance longer than 30 consecutive days during the academic year or end the academic year with a deficit balance.
- e. Funds not expended normally shall be carried forward to the next fiscal year. However, if a club is inactive for a complete school year, i.e., there is no financial activity or administrative activity such as meetings, the balance of the account shall be transferred to an account designated by the principal.

**3. Examples**

- a. Class of (Year)
- b. American History Honor Society
- c. Archery Club
- d. Art Club
- e. Audiovisual Club
- f. Chess Club
- g. Aerospace Club
- h. Coin Club
- i. Foreign Language Honor Society
- j. Future Business Leaders of America
- k. Future Teachers of America
- l. Key Club
- m. Keyettes
- n. Mathematics Club
- o. Mathematics Honor Club
- p. Modern Music Masters
- q. National Forensic Honor Society
- r. National Honor Society
- s. Thespian Club

**B. Instructional Accounts**

**1. Characteristics**

- a. The funds are to be applied for the benefit of specific instructional programs.
- b. Revenue is derived from fees for services provided in furtherance of the instructional effort (e.g., cosmetology), from minor sales or projects undertaken, from student fees (in some cases), from donations, and from transfer of funds from other accounts.
- c. Major revenue-producing accounts are not included in this category unless the revenue is generated by an activity that is a direct part of the instructional program.

## 2. Guidelines

- a. Funds may be expended only by authority of the chairperson of the instructional department involved and the principal.
- b. Funds available to each account should be expended in support of the appropriate instructional program, to the extent deemed necessary by the principal. Any part of an authorized deposit (per annual Notice 5922) not used to defray the cost of materials consumed shall be refunded to the students, provided the amount is in excess of \$1 per student. Funds other than authorized deposits, in excess of instructional needs, may be reallocated by the principal for use by the entire school or, with the principal's permission, may be carried forward to the next fiscal year.
- c. Individual accounts in this category may hold a deficit balance at times but may not end the academic year with a deficit balance, except when specifically approved by the principal.
- d. Sponsors must submit budgets to the budget planning groups, as required.
- e. Upon termination of an account, the balance shall be transferred to a school business account.

## 3. Examples

- a. Art
- b. Business and Info Tech
- c. Electronics
- d. English
- e. Foreign Language
- f. Science
- g. Social Sciences
- h. Trade and Industrial (T and I) Automotive
- i. T and I Cosmetology
- j. T and I Television Production
- k. Work and Transition (WAT) Program

## C. Activity Accounts

### 1. Characteristics

- a. Most of the student activities that generate revenue from fees, admissions, and fund-raising drives are included in activity accounts.
- b. These activities include those with elected student officials as well as those without student officers that are guided and supervised by appointed school staff members.

- c. Revenue may be general or specific in nature, and allocations or distributions involving other accounts may be general or specific, as well.

**2. Guidelines**

- a. Expenditure authority rests jointly with student officers (when appropriate), fund sponsors, and the principal or with fund sponsors and the principal when student participation is not appropriate.
- b. Students involved in these activities may serve as official representatives of the school in relationships or competitions with other schools.
- c. Funds may be used for the benefit of the entire student body or institution.
- d. At times, the individual accounts may show deficit balances.
- e. Sponsors are responsible for submitting budgets to the budget planning group, as required.
- f. Upon termination of an account, the balance shall be transferred to a school operating account.

**3. Examples**

- a. Yearbook
- b. Band
- c. Choir
- d. Debate
- e. Drama
- f. Forensics
- g. Publications
- h. Student Leadership Association

**D. Athletic Accounts**

**1. Characteristics**

- a. The funds are to be applied for the benefit of the athletic program.
- b. Revenue is derived from gate receipts, fund-raising, donations, and other accounts.
- c. Revenue may be general or specific in nature, and allocations or distributions may be general or specific as well.

**2. Guidelines**

- a. Individual accounts may hold deficit balances at times but may not end the academic year with a deficit balance.

- b. Expenditure authority lies with the coaches concerned through the activities director and the principal.
- c. Coaches are responsible for submitting budgets to the budget planning group.
- d. Funds not expended shall be carried forward to the next fiscal year.

**3. Examples**

- a. Athletics-General
- b. Boys' Sports
- c. Girls' Sports
- d. Coed Sports

**E. School Business Accounts**

**1. Characteristics**

- a. Funds are devoted to the beneficial use of the student body.
- b. Funds may be expended only by authority of the principal or a person delegated by the principal.
- c. Revenue may be general or specific in nature, and allocations or distributions involving other accounts may be general or specific, as well.

**2. Guidelines**

- a. Individual accounts may hold deficit balances.
- b. Sponsors are responsible for submitting budgets to the budget planning group, as required.
- c. Upon termination of an account, the balance shall be transferred to other accounts, as directed by the principal.

**3. Examples**

- a. Administrative
- b. Educational Contingency
- c. Grade (number)
- d. Donations
- e. Guidance
- f. Media Center
- g. Interest
- h. Lost and Damaged Textbooks

## **F. Clearing Accounts**

### **1. Characteristics**

- a. Accounts are of a clearing or flow-through variety, in which funds move in and out in equal amounts.
- b. Accounts are generally dedicated for specific purposes and not available for use in other school activities.

### **2. Guidelines**

- a. In general, these accounts should hold positive balances when funds are to be forwarded to destinations outside the school (or in some cases within the school).
- b. These accounts normally have an end-of-year balance of zero. Deficit balances may be carried forward to the new academic year and shown on the Accounts Receivable Report. Positive balances may be carried forward to the new academic year and shown on the Accounts Payable Report.

### **3. Examples**

- a. Building Use
- b. Clearing
- c. Instrument Rental
- e. Lost or Damaged School Board Property
- f. Tuition
- g. Vandalism

## **G. Funds Held For Others**

### **1. Characteristics**

- a. Accounts hold funds that are not designated to benefit the student body.
- b. Accounts are dedicated for a specific purpose and are not available for other uses.

### **2. Guidelines**

- a. Individual accounts shall not hold a deficit balance.
- b. Expenditure authority lies with the designated official or officer.

### **3. Examples**

- a. FCPS Associations
- b. Scholarships

- c. Staff or Faculty Social Organizations
- d. Virginia High School League (VHSL)–District

## **H. Advanced Appropriated Funds**

The current version of Regulation 7412 provides specific guidance regarding advanced appropriated funds. The following criteria should be followed in administering advanced appropriated funds.

### **1. General**

- a. Each school shall receive up to 35 percent of the school's appropriated instructional materials funds (office supplies, classroom supplies, and textbooks) and gifted and talented (GT) classroom supply funds. Certain grant funds may also be placed in this account.
- b. These funds shall be deposited in each participating school's advanced appropriated checking account by financial services at the beginning of the fiscal year.
- c. The name of the account shall be identified as "Fairfax County Public Schools-the name of the school-Advanced Appropriated Funds." Checks drawn on this account require the signature of the principal or his or her designee and a second person designated by the principal. A signature stamp shall not be used in lieu of either signature.

### **2. Interest**

These accounts do not earn any interest, and schools shall not pay service fees or charges for these accounts.

### **3. Reporting**

Accounts shall be managed like other school activity funds and included as part of the monthly and annual reports filed with financial services. They shall be reported as advanced appropriated funds.

### **4. Return of Funds**

- a. All unobligated funds remaining in the accounts at the end of each fiscal year shall be returned to financial services by the date specified in the annual fiscal year closeout Notice 5110, provided that the unobligated funds are in excess of ten dollars.
- b. Schools may return any part of these advanced funds for credit during the year to one or more specific budget index and subobject code from which they were advanced.

**I. Cash Accounts**

Cash accounts are the various bank accounts into which the school's activity funds are placed. Examples include the main checking account, advanced appropriated funds checking accounts, savings accounts, and change funds.

**J. Establishment of Accounts**

All school activity funds shall be accounted for within one set of accounts under the control and direction of the principal. A school activity account shall be established only with the approval of the school principal. The title of the account should reflect the purpose for which the fund account is established, and it should be categorized to agree with the definitions provided above. A comprehensive list of authorized accounts is maintained by financial services.

**K. Deficit Fund Balances**

Instructional, activity, and school business accounts may individually contain deficit or negative balances as long as the sum of the fund category totals zero or a positive figure. (Example: Three individual instructional accounts may have a negative balance as long as the total of all instructional accounts equals zero or a positive figure.) An overall deficit in a fund category may be maintained only with the specific approval of the chief financial officer, financial services. Such approval may be necessary in the early years of a newly established school. Failure to maintain a zero or positive overall balance in a category means that funds belonging to other categories are being used to support activities not compatible with the purpose of those funds.

**V. CONTROL OF CASH**

The sensitive nature of cash and the amount of cash and checks flowing through school activity funds demand stringent safeguards in the control of receipts and disbursements and strong internal control procedures. 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 this regulation.

**A. Use of Approved Banks**

All school activity funds shall be deposited with a banking facility that carries deposit insurance coverage with the Federal Deposit Insurance Corporation or an equivalent agency and that is considered a qualified public depository by the state of Virginia. Copies of monthly listings of qualified public depositories are available in financial services. The employer identification number to be used by schools when opening bank accounts is 54-0805373 (individual Social Security numbers shall not be used). All bank accounts, whether checking or savings, shall be monitored carefully to avoid having funds on deposit not covered by insurance for any significant length of time. Funds deposited in checking and savings accounts shall be recorded on deposit slips provided by the banks concerned or ordered through the approved Fairfax County vendor.

**1. Regular Checking Accounts**

- a. Only one checking account shall be established for each school's activity funds, and it shall be titled in the name of the school.
- b. Checks drawn on this account shall require dual signatures. The primary signatory shall be the principal, who shall designate the alternate signatory.
- c. The finance technician or administrative assistant charged with maintaining the school activity fund records may not be designated as an alternate signatory but may be a cosigner. A signature stamp shall not be used in lieu of any signature. The principal, alternate signatories, and cosigners shall not sign checks payable to themselves.
- d. Interest checking or negotiable order of withdrawal (NOW) accounts may be used for the purpose of increasing interest earnings. However, such accounts should not be used in preference to a savings account paying a higher rate of interest. If interest-bearing checking accounts are used, the arrangement offered by the bank must be examined carefully; for example, the actual canceled checks or copies of the canceled checks must be returned, and the minimum balance required must be reasonable.

**2. Savings Accounts**

- a. General Information

Various types of savings accounts may be used, e.g., certificates of deposit (including money market certificates), passbook accounts, and statement accounts (including those with telephone transfer provisions). Top management attention should be given to the school's investment program to ensure that proper consideration is given to the level of savings commitment and to the selection of savings accounts.

- b. Purpose

Savings accounts are justified only for the purpose of accumulating funds to cover planned-for or anticipated future capital outlay expenditures or to increase revenue through depositing temporarily idle funds to interest-bearing accounts. Funds in savings accounts are classified as designated idle funds or temporarily idle funds.

- 1) Designated Idle Funds

A specific organization or activity within the school may designate that all or a portion of its funds be placed in a savings account and that the appropriate activity fund account is entitled to the interest earned on the funds. Such interest shall be initially recorded in the interest fund account and then transferred to the appropriate activity fund account.



Any funds in savings accounts that are not designated shall be treated as temporarily idle funds.

2) Temporarily Idle Funds

The availability of idle funds needs to be determined through periodic review of the checking account balance and adjusted for anticipated cash needs. Funds not needed to meet known cash flow requirements should be considered for placement in higher interest-bearing accounts such as savings accounts or certificates of deposit. The interest earnings from these funds are to be applied to the benefit of the entire student body.

c. Guidelines for Use

The following guidelines shall be observed:

- 1) Funds designated as savings by an organization must be in the amount of at least \$2,500.
- 2) Funds that are temporarily idle but that may be needed on short-term notice should be invested in accounts that pay interest from date of deposit to date of withdrawal.
- 3) Penalties for early withdrawals should be avoided.
- 4) Telephone transfers between savings and checking may be made by the finance technician or administrative assistant as well as by the principal or his or her designee.
- 5) Withdrawals shall normally be accomplished with the signature of the principal or a designated alternate. If that requirement causes excessive inconvenience, a specific withdrawal may be accomplished by the finance technician or administrative assistant if so directed by a memorandum signed by the principal. Principals are encouraged to follow the same alternate signatory and dual signature requirements that govern checking accounts.

d. Telephone Transfer Accounts

When using telephone transfer accounts, funds in checking should be held to the necessary minimum until checks are written at a preplanned time. At such time, a transfer may be made, but only the amount needed to cover the checks should be transferred. Telephone transfer accounts shall meet the following criteria:

- 1) The interest rate must approximately equal that available on other types of savings accounts.

- 2) Funds must earn interest from the date of deposit to the date of withdrawal. There should be no penalty for withdrawal of funds regardless of when they were deposited and withdrawn.
- 3) There must be provision for telephonic transfer of funds in both directions, i.e., from checking account to savings account and from savings account to checking account.
- 4) Transfers of funds must be made free of charge with no limit imposed on the number of transfers allowed.
- 5) Transfers must be effective within 24 hours after placing the telephonic request.
- 6) There must be no requirement of maintenance of a minimum balance to keep the account active. A reasonable minimum balance under which interest will not be earned is acceptable.
- 7) There must be provision for bank documentation of each individual transfer.
- 8) There must be provision for monthly or quarterly statements itemizing all transactions, including interest accrual and any other nontelephonic transactions.
- 9) Accounts must be fully insured by FDIC, FSLIC, or NCUA.

## **B. Reserve Funds**

Normally, funds obtained through school activities should be expended in the current year since they are to be applied for the benefit of the students who contributed to their accumulation. In actual practice, however, the accumulation of funds for dedicated future use is in keeping with good business practices (for example, as a reserve for instructional equipment purchases or as a buildup of funds for class organizations in anticipation of graduation-year expenses).

### **1. Reserve Funds**

School activity funds may be used to obtain equipment or other items that may require more than one year to fund. Because these items will benefit a large number of students who did not contribute to their funding, reserve funds should be established for the purpose of either initially purchasing the instructional items or covering the heavy maintenance or replacement of such items. Reserve funds should be derived from the activity that the fund is to support. For example, funds collected for towel service may be held in reserve for future replacement of the school's washer and dryer.

**2. Prohibited Reserve Funds**

Retention of funds for future use by people who have graduated from the school is prohibited.

**C. Change Funds**

Funds may be provided for change-making operations in connection with a sales activity. Change funds shall be limited to activities that have proven needs, and the amounts shall be limited to the minimum amounts that will serve the change-making needs.

**1. Issuance**

Change funds shall be issued in the name of the individual responsible for proper safeguarding and timely return of the funds. When change funds are being established, a check for the required amount shall be drawn in the name of the responsible individual representing the organization that requires change. The names of the responsible individual and the organization shall be entered in the accounting records. Change issued shall not be posted to any account other than the change fund account.

**2. Accounting**

Change fund activity shall be recorded in a change fund cash account. The amount in the fund remains constant while established. Care must be taken to ensure that funds used as change are not counted as part of the receipts from sales.

**3. Return of Funds**

Change funds shall be returned in full and redeposited to the checking account as soon as the need for the fund has passed. The transaction entries must provide positive identification of the funds returned, i.e., a cross-reference indicated between the issue and return of funds used for change. In some cases there may be a need that continues throughout most of all of the school year. However, there should be no change fund in existence at the end of the school year.

**4. General Guidelines**

The responsible individual shall be held financially liable for loss of or failure to return money issued for change operations. Change funds shall not be used for making disbursements or advances for expenditures. Schools shall not provide change for the cafeteria.

## **D. Scholarship Funds**

Regulations of the Virginia Board of Education specify that school activity funds are to be applied to the benefit of students who contributed to the accumulation of such funds. Strict adherence to that policy would require that all funds obtained in a current year be expended in that year, which might preclude development of a capability to make scholarship awards large enough to be of any significance. Accordingly, accumulation is permissible if it is in connection with a well-defined plan that has a reasonable goal and is formally approved by the student government. Such a plan should have objectives that can be reached in a four-year period and should, if possible, include some awards during the accumulation period, even if they are of a token nature.

### **1. Scholarship Fund Awards**

Funds received by the school in recognition of scholarship achievement by student groups, e.g., "It's Academic," or as a gift or bequest for general scholarship purposes, must be applied for scholarship awards. All scholarship awards shall normally be made to an institution on behalf of a student rather than directly to the student. Deviation from that procedure may be made with the written approval of the chief financial officer, financial services.

### **2. Scholarship Funds of Outside Organizations**

Contributions from school activity funds to scholarship funds established by outside organizations and beyond the purview of the principal are prohibited. Scholarship funds should remain within the school activity funds for application under the established guidance of the principal and school staff members.

## **E. Loss of Cash**

Any loss of cash, including checks or other items with monetary value, shall be promptly reported by telephone to the cluster assistant superintendent and to the chief financial officer, financial services. If the amount of the loss is significant or if theft is involved or suspected, and if the chief financial officer so directs, a report shall be made to the appropriate law enforcement authorities. In the case of theft or suspected theft by an FCPS employee, the assistant superintendent, human resources, shall also be notified. The telephonic report shall be followed up within 48 hours by a written report directed to the cluster assistant superintendent with information copies to the Division Superintendent and to the chief financial officer, financial services, and the assistant superintendent, human resources, if appropriate. The written report shall include a detailed account of the facts and circumstances, steps taken to prevent recurrence, and steps taken to fix responsibility, if any. If it is necessary to establish the amount of the loss, assistance shall be requested from the chief financial officer, financial services.

In case of robbery, or attempted robbery, the school employee involved is to offer no resistance and is to release the funds immediately. Procedures indicated above for theft shall then be followed.

## F. Analyzing Accounts

As part of the review of operations and status of school activity funds, the principal or designated representative shall evaluate the reasonableness of the reported cash position. The review should affirm the reasonableness of data presented and should include:

1. Reviewing deficit accounts and accounts that have been inactive or have had minimal activity to determine whether the accounts should be continued and to ensure that plans are made for elimination of deficits.
2. Assessing the liquidity position of all funds, taking into account any anticipated cash flow (receipts minus disbursements), with the objective of determining whether checking account funds should be committed to savings.
3. Assessing the reasonableness of reported receipts and disbursements, by account and in total, to include comparison with prior periods.
4. Bank Reconciliation
  - a. The checkbook balance as of cutoff listed on the bank statement reconciliation for the month of review should agree with the amount shown on the Great Plains summary trial balance.
  - b. The total shown on savings account statements should agree with the ending balance on the Great Plains summary trial balance.
  - c. The outstanding check total should be reasonable, and most checks appearing on the previous month's reconciliation should not appear on the reconciliation for the month of review. Checks for large amounts or that are outstanding 180 days should be investigated and written off if necessary.
  - d. Amounts listed as deposits in transit (receipts posted in the accounting records but not deposited at the bank) at the end of a month should appear on the bank statement on the first business day of the following month. If not, a written explanation must be provided.
  - e. Any reconciling adjustments should be entered and posted in the accounting records with an explanation and with a bank date that reflects the time period that they are posted at the bank.

## VI. REVENUE

In general, schools shall follow the underlying principles pertaining to school activity funds as described in section II.D. of this regulation. Major sales drives shall be coordinated with other local school principals to ensure that local school border communities are not burdened with appeals from children from two or more schools.

**A. Revenue Defined**

General revenue is obtained from continuing or recurring activities or from operations that provide services, e.g., school stores, athletic events, music and drama events, parking tags, vocational sales, gym suit sales, annual schoolwide magazine drives, etc. General revenue should be applied to the support of the activity generating the revenue as well as for the benefit of the entire student body.

Specific revenue is obtained from a one-time approved project or event that is conducted by and for a specific purpose or a specified group of students, e.g., car wash, candy sale, dues, etc. Specific revenue should be applied only for the benefit of the student organizations concerned or for the specific purpose for which the revenue was obtained.

**B. Recording Revenue**

All general and specific revenue classified as school activity funds shall be receipted into the school activity fund records promptly and intact, i.e., no disbursements of revenue received shall be made until such revenue has been receipted into the records and deposited in the checking account.

**1. Forms of Receipts**

Documentation of cash receipts is an essential component of the recording of revenue. There are various forms of receipts that may be used as documentation, and the form used is dependent on the individual circumstances. In all cases, one of the approved forms of documentation shall be provided to the finance technician or administrative assistant by the individual collecting the funds. Retention of receipt documentation shall be the responsibility of the finance technician or administrative assistant. In all cases, a relationship shall be established between the form of receipt used, the school finance deposit slip (FS-131 or FS-131A), and the approved automated accounting system receipt number. Fund sponsors or teachers who submit receipt documentation to the finance office are responsible for reviewing the accuracy of the receipts. All records may be subject to audit review.

**a. Activity Receipts**

An activity receipt may be used to collect funds within individual activities. Generally, this form is used by a fund sponsor or teacher to record various types of collections before the money is deposited with the finance technician or administrative assistant.

- 1) The receipt shall be prepared in duplicate with the original given to the person from whom funds are being collected.
- 2) The duplicate copy shall be turned in to the finance technician or administrative assistant, along with money collected and a completed school finance deposit slip (FS-131).

- 3) The finance technician or administrative assistant shall match the activity receipts with the deposit slip and file these documents together.

b. Collection Document or List of Payers

In some cases, issuance of the activity receipt to each individual paying money would be overly burdensome and time consuming, e.g., collection of small fees from students of an organization with a large membership. In such cases, the collector may prepare a list showing the payers' names, date the funds are collected, and amounts collected (if individuals do not demand a receipt). A recording sheet or a school finance office deposit slip -detailed (FS-131A) may be used for this purpose. As with the activity receipt, this form of documentation is to be turned in to the finance office along with the money collected and a completed school finance deposit slip (FS-131) if an FS-131A is not used.

c. Other FCPS Forms

Other FCPS forms may be used as supporting documentation for the collection of funds (e.g., vocational customer service contracts or building use applications).

- 1) These forms shall be turned in to the finance technician or administrative assistant, along with money collected and a completed school finance slip (FS-131).
- 2) The finance technician or administrative assistant shall match these forms with the deposit slip and note the automated accounting system receipt number on the documents.
- 3) The FCPS forms shall be filed in the appropriate account file, and the school finance office deposit slip (FS-131) shall be filed with the appropriate deposit documentation.

**2. School Finance Deposit Slip (FS-131) and School Finance Deposit Slip–Detailed (FS-131A)**

The school finance deposit slip shall be filled out by the teacher or sponsor depositing funds in the finance office. The person receiving the funds shall sign or initial the appropriate line and give the white copy to the teacher or sponsor for his or her records. After the amount of the deposit is verified by the finance technician or administrative assistant, a receipt shall be posted in the automated accounting system. These deposit slips shall be kept as backup for the bank deposit.

**3. Recording of Daily Receipts**

All money turned in to the finance technician or administrative assistant and all money deposited to the school activity fund checking account shall be receipted by the finance technician or administrative assistant in the automated accounting system on the day it is received in the finance office.

**4. Depositing of Daily Receipts**

Funds received by the finance office must be safeguarded, and the best safeguard is to deposit the funds in the checking account. It is recognized that the funds collected during one or two days in elementary schools may be small and not worth a trip to the bank. However, significant amounts should not be allowed to accumulate and should not be retained on hand overnight. Amounts totaling \$25 or less shall be deposited within ten business days. Amounts exceeding \$25 shall be deposited within five business days. Funds received should be deposited intact, and a relationship should be established between the funds deposited and the receipt forms used in the collection. Receipts of one month are not to be commingled with receipts of another month in a single deposit.

**5. Dishonored Checks**

Checks accepted by the school and dishonored by the makers' banks shall be written off in the checking account and fund accounts immediately upon receipt of the debit memorandum (DM) or bank statement. This process is accomplished by processing an adjustment in the automated accounting system. Recovery from the maker shall be receipted separately and should be clearly identified as a replacement for the dishonored check. Whether to redeposit the original check, request a new check, or require cash from the maker to cover the dishonored check must be decided by the principal in light of the circumstances. The dishonoring of a check is sufficient grounds for refusal to accept check payment from makers of such checks. Any fees charged the school by the bank for a dishonored check may be passed on to the maker of the check.

**6. Deposits to Checking Accounts**

The following procedures and considerations apply to documentation of deposits to checking accounts:

- a. Each deposit made to the checking account shall be evidenced by a copy of a bank deposit slip in the finance technician's or administrative assistant's file. If deposits are made by individuals other than the finance technician or administrative assistant (e.g., gate receipts), the deposit slips shall be turned over to the finance technician or administrative assistant in exchange for a school receipt for the amounts shown on the deposit slips surrendered.



- b. The deposit slips retained by the finance technician or administrative assistant shall be filed chronologically within the month in which prepared and attached to that day's deposits edit list from the automated accounting system.
- c. Any debit or credit memorandums returned with the monthly bank statement shall be kept with the bank statement with which they were returned.

**7. Deposits to Savings Accounts**

The movement of funds from checking to savings is evidenced, in part, by documentation provided by the savings institution. Deposits that are the result of interest accrual are documented by periodic statements from the bank or by the bank postings in the passbook.

**C. Revenue From Contracts for Goods or Services Ultimately Purchased by Students**

This section discusses problems associated with agreements that schools make with independent vendors whose goods and services will ultimately be purchased by pupils of the schools, e.g., photography services, class rings, caps and gowns, graduation announcements, and similar items.

**1. Conflicts of Interest**

Regardless of the school's objective in contracts (fund-raising or nonfund-raising), there shall be a conscious effort to avoid situations in which any FCPS employees receive free goods or services for personal use from the supplier in connection with that supplier's performance for the school. For example, some photographers routinely offer free sets of photographs for the staff and faculty of schools with which they have contracted. The furnishing of staff and faculty pictures for the yearbooks without cost to those employees would be understandable, and the propriety of such would not normally be questioned.

**2. Purchases in Which Fund-Raising Is Not the Objective**

When a school, acting on behalf of students, enters into an agreement in which fund-raising is not the objective, the essential guiding principle is that no benefit shall be requested or received from the supplier in consideration for selecting that supplier. Specifically:

- a. The only criteria that should be used in selecting the supplier are the lowest available price for goods and services, 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 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 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 nonpercentage charge that will more accurately reflect a good-faith negotiation as to the value of the school's services. If facility use or overtime charges are involved, the provisions of the current version of Regulation 8420 are applicable.
- e. The school may not accept free services from the supplier in exchange for awarding the contract, e.g., use of cameras, free film and free processing, purchase of advertising in yearbooks.

### **3. Purchases in Which Fund-Raising Is the Objective**

Purchasing activities in which fund-raising is the objective is permissible, but only if the school makes a full and complete written disclosure of that fact to the parents or to the adult students. This disclosure shall be the responsibility of the school and shall not be placed on the supplier. As a minimum, the disclosure shall include the following information:

- a. The fact that the school intends to raise funds in connection with the activity and a reasonable estimate of the amount of revenue expected.
- b. A list of free services that the supplier will provide throughout the year.
- c. Assurance that the student is not required to purchase the 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 that will provide the maximum revenue for the school. Even the appearance of questionable conduct should be avoided. In that connection, 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."

### **D. Revenue Derived From Cooperative Activities**

All funds derived from cooperative school activities, such as all athletic events, sales drives, etc., which involve school personnel, students, and school property, are defined by the Virginia Board of Education as school activity funds. Except as outlined below, such activities must be accounted for in the school activity fund records. Refer to the current version of Regulation 1370 for specific fund-raising requirements.

**1. General Guidelines**

PTA, Booster Club, and VHSL organizations are separate activities with individual financial records and not school organizations. Therefore, there is no requirement that activities of such groups be accounted for in the school activity fund account structure. However, these nonschool-sponsored organizations should work cooperatively with the principal and provide revised copies of charters, constitutions, and bylaws annually. These documents, along with scheduled meeting dates, minutes, etc., should be placed in a centralized file in the school for community accessibility.

**2. Guidelines for School Sponsors and School Organizations**

- a. Fund-raising requests shall be authorized by the school principal or his or her designee.
- b. All approved requests shall ensure equitable opportunities for all school groups.
- c. The intended purpose of fund-raiser proceeds shall be clearly defined to the public before the onset of fund-raising activities.

**3. VHSL Activities**

All VHSL activities fall into the category of activities sponsored by VHSL. Consequently, funds generated by VHSL-sponsored athletic activities shall be accounted for in VHSL financial records only. As an exception, VHSL funds collected at the local school level (e.g., ticket sales) may be deposited initially in the school's bank account, but only as a channel to safely transfer the funds to VHSL accounts. For VHSL-sponsored athletic activities in which expenses exceed gate receipts, schools may set up clearing accounts to be reimbursed by the VHSL within 30 days. Refer to the current version of Regulation 5815 for special procedures to be used in conducting culminating district, regional, and state VHSL tournaments.

**4. PTA and Booster Club Activities**

- a. Funds raised by school activities supported but not sponsored by PTAs and booster groups are defined as school activity funds and must be receipted into the school activity fund records.
  - (1) To support is to provide assistance to a school or activity within the school (e.g., athletic program) without, in any way, controlling or directing any aspect of the activity being supported.
  - (2) To sponsor an activity is to accept full responsibility for controlling and managing the activity, to include purchasing; selling; accounting; paying all obligations; and complying with all federal, state, and local laws and ordinances.

- b. Any fund-raising activity sponsored by an outside organization that involves student participation must have the approval of the principal, who determines whether funds raised must be receipted into the school activity fund records.

#### **E. Control of Revenue for Fee-Admission Events**

All activities that involve the students, the faculty, and the school facilities--and for which an admission fee is charged--normally will be controlled by the use of serially numbered tickets, which will be surrendered at the door or gate at the time of entry.

##### **1. Exception to Use of Serially Numbered Tickets**

Some school activity events are conducted so that the admission charge is an item of value (e.g., food for the homeless, clothes, and other material donations) other than cash.

##### **2. Control and Management of Serially Numbered Tickets**

All serially numbered tickets shall be under the control and management of a person or persons designated to be responsible for the accounting and disposition of the inventory as set forth in the current version of Regulation 5812.

### **VII. EXPENDITURES**

To effectively manage school activity funds, the principal must have some knowledge of future obligations prior to billings or disbursements. The absence of such knowledge can cause overobligation of available school activity funds. Effective management also requires a system to ensure that cash discounts are taken when available.

#### **A. Purchasing Procedures**

All purchases of goods or services made from school activity accounts, including advanced appropriated fund accounts, shall be supported by the prior submission of an approved school purchase order by the fund sponsor, or his or her designee, to the finance technician or administrative assistant. This form is used to ensure proper review of the necessity, propriety, and feasibility of expenditures for goods and services prior to the actual transaction. Purchases made or committed without the prior submission of a school purchase order are subject to the principal's declining the responsibility for payment on the part of the school activity fund and having the vendor concerned seek settlement from other sources.

##### **1. Using School Purchase Orders**

- a. Schools must use either automated accounting system purchase orders or preprinted purchase requisition and order forms (FS-125). Schools may also use their own preprinted purchase order forms.
- b. School purchase orders shall be made out in duplicate and may be initiated

by persons authorized to act for organizations that have accounts within the school activity fund account structure.

- c. Prices entered on the form shall be the exact prices if known, or the closest estimates possible if prices are not known. Estimates are to be noted as such. Sales tax shall be included if applicable (e.g., purchases for the faculty).
- d. School purchase orders shall be signed by the appropriate fund sponsor and by the principal or his or her designee. Signature by the fund sponsor shall be considered as a certification that the expenditure is within the fund's budgetary limitations.
- e. After proper approval has been noted on both copies, the finance technician or administrative assistant shall assign a sequential number. The original shall be sent to the vendor and the duplicate placed in a temporary file in the finance office.
- f. After receiving written evidence of the receipt of the goods or services, the purchase order, the invoice, and other supporting documents shall be attached to the school copy of the check and filed in the appropriate fund account file.

## **2. Exceptions to Using School Purchase Orders**

If approved by the principal, some transactions may be made without a purchase order. These include the following:

- a. Purchases not exceeding \$100.
- b. Forwarding of funds to FCPS (e.g., tuition, summer school fees, building use fees, musical instrument fees, cultural performance fees, field trip fees).

## **B. Expenditure Documents**

All expenditures must be supported by proof of purchase such as an original invoice, sales ticket, sales receipt, or cash register tape. All disbursements, except as specifically noted in this regulation, shall be made by checks drawn on the school activity fund checking account or the advanced appropriated funds checking account. The fund sponsor shall notify the finance technician or administrative assistant of satisfactory receipt of goods or services and the correct amount to be paid. This is normally done by the fund sponsor, who signs the vendor's invoice, writes in the delivery date, and gives the signed and dated invoice to the finance technician or administrative assistant. Some circumstances may require payments prior to receipt, but caution should be exercised in such transactions. A copy of the check, the file copy of the purchase order, if applicable, and supporting documents such as invoices and sales receipts shall be assembled and filed together in all appropriate fund account files as documentation of the disbursement.

**1. Checks**

Checks shall be prenumbered sequentially and shall be accounted for in their numerical sequence. If a check is used in some way other than making a payment, a note should be placed in the void check file explaining why this was done. Checks that have cleared the bank and have been returned to the finance office shall be kept with the monthly bank statement on which the clearance is recorded, arranged in numerical sequence.

- a. Voided checks shall be clearly annotated as void and retained in the voided check file. If the check has been signed, the signature should be mutilated or otherwise rendered unacceptable.
- b. Unnegotiated checks shall be written back into the records when it becomes clear that they will probably not clear the bank, usually after 180 days. Checks for small amounts shall be routinely written back by voiding them in the automated accounting system if they have been outstanding for six months. However, checks to the School Board and checks for large amounts should be the subject of inquiry to determine the reason that they have not cleared the bank.

**2. Stop Payment Action on Checks**

If a school activity fund check has been issued and is then reported lost or stolen, stop-payment action may be taken. The circumstances surrounding this situation should be carefully evaluated. If the check is for a small sum and is made payable to a vendor who has consistently dealt with the school, it may not be wise to incur the stop-payment charge of the bank. If the check is for a large sum of money, the stop-payment action may be appropriate.

**3. Invoices for Payments**

Prior to the disbursement of funds against an invoice (or other billing document) the finance technician or administrative assistant shall cross-check the billing against the applicable purchase order. Discrepancies noted shall be brought to the attention of the fund sponsor, who will annotate the billing to indicate the correct payment amount to be paid. Fund sponsors are additionally charged with the responsibility of verifying their applicable billings with the finance technician or administrative assistant prior to the disbursement of funds. These cross-checks are necessary to ensure that the purchased merchandise has been received in an acceptable fashion. The fund sponsor or responsible person shall annotate the invoice as "received," followed by date of receipt and a signature.

**4. Cash Advances**

- a. When justified for authorized travel or other purposes, cash advances may be made to individuals. Cash advances from school activity funds are not authorized for travel funded from appropriated funds. The cash advances

shall be accounted for in the fund accounts for which the advanced funds are to be expended and on a Cash Advance Record, form FS-132.

- b. The recipient of the advance shall sign for the funds, and the record of the advance shall be placed in the pending file until final settlement of the advance. The finance technician or administrative assistant shall review the file at least monthly and initiate follow-up action necessary to ensure that advances are settled as soon as practicable.
- c. Advances are settled by returning cash and/or expenditure documentation equal to the amount of the advance. Completed cash advance records shall be filed with expenditure records of the accounts from which the advances were made.

**C. Equipment Purchases**

Equipment purchases from school activity funds shall be in accordance with the current versions of regulations published by financial services (see the current versions of Policies 7401 and 7440). All equipment purchased with school activity funds becomes the property of the Fairfax County School Board and shall be subject to the provisions of the current version of Regulation 7410.

**D. Reimbursement for Expenditure of Personal Funds**

Reimbursement for expenditure of personal funds shall receive prior approval from the principal and must be supported by a preapproved purchase order, receipted billings, cash register tapes, etc. Canceled checks are not an acceptable form of documentation in support of reimbursements. Purchases from personal funds with the expectation of reimbursement should be discouraged.

**E. Reimbursement for Travel Expenses**

Student activity funds may be used for staff or faculty travel expenses under the following circumstances:

1. When it is necessary for a staff or faculty member to accompany students to a contest or other approved group activity.
2. When it is necessary for a staff or faculty member to attend a meeting of the Virginia High School League.
3. If the principal has elected to use funds from the school's Educational Contingency Account to fund travel by a staff or faculty member.

Documentation requirements and limitations on expenditures shall be the same as those for appropriated funds (see the current version of Regulation 5310), except that form FS 13-71 need not be used and funds do not have to be paid through the Accounts Payable Section.

**F. Field Trips**

1. A contribution of funds from organizations associated with schools, such as PTAs, PTOs, and boosters, may be provided for field trip transportation and fees. Local organizations and support groups not associated with schools (e.g., civic groups) may also contribute funds to the school for field trip transportation and fees.
2. Any charge associated with a field trip may be passed on to the students if approved by the principal and if the field trip is not a required activity. Charges may not exceed the cost of the field trip.
3. Generally, school activity funds may not be used to fund field trips unless it can be demonstrated that the field trip will benefit the student body.
4. Any decision to use school activity funds for a field trip shall be made by the principal, who should use extreme caution and good judgment.

**G. Payment for Postage**

1. Strict security of stamps shall be maintained. Stamps may not be sold to students or employees for personal use.
2. Bulk or presorted mailing permits may be purchased using postage allocations when cost-effective.
3. Expenses incurred for mailing PTA materials should be reimbursed by the PTA because such expenditures are not authorized to be made from school funds.

**H. Exemption From Payment of Sales Tax**

Most purchases from school activity funds are exempt from payment of state sales tax. Tax-exempt orders shall be accompanied by a Sales and Use Tax Certificate of Exemption (form ST-12). Specifically, the following purchases may be made tax exempt by using a certificate of exemption:

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 book fairs from which the proceeds are to become 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 fund-raising activities.
11. Purchases of items for sale to students through vending machines (does not include soft drink machines for faculty use).

**I. Payment of Sales Tax**

The following purchases are subject to payment of 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 the 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 meals from restaurants, hotels, clubs, caterers, cafes, and others.
4. Charges for rooms, lodging, or accommodations furnished by any hotel, motel, inn, or similar place.

Items purchased and picked up in the District of Columbia or Maryland are subject to the sales tax of those jurisdictions.

**J. 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 local school. To ensure compliance with applicable laws, the following procedures shall be followed:

**1. Athletic Officials (High and Secondary Schools)**

Officials for major athletic events shall not be paid directly from school activity funds. Such personnel must be paid through the area athletic organizations that govern and control the rules of play. Generally, bills listing the names of the officials and the dates of games are presented to the school for payment. These

bills shall be verified and signed by the director of student activities and the principal and sent to financial services (Accounts Payable Section) for payment directly to the billing organization.

**2. Police Officers**

Requests for police officers for school activity fund events shall be placed with the district station commander of the Fairfax County or Fairfax City Police Departments by the principal or his or her designee. The Police Department furnishes officers for athletic events and school activities and bills the school. Police officers shall not be paid directly by the school. The school pays the Police Department the portion of the bill that is the school's responsibility and submits the balance to financial services (Accounts Payable Section) for payment.

**3. 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 the current version of Regulation 5640.

**4. Others**

Employment of people other than those discussed above must be done in accordance with the current version of Policy 7418 and the current version of Regulation 5330.

**K. Prompt Payment of Obligations**

Payment of obligations shall be timely in order to take advantage of discounts offered and to avoid unwarranted late payment penalties.

**L. Account Integrity**

Cash disbursements from an account shall reflect the purpose for which the account was established. If funds of one account are to be used for an expenditure that benefits another account, the funds first should be transferred to the appropriate account, and the cash disbursement then will be made from the account that is to benefit from the expenditure. For example, if a schoolwide fund-raiser has produced profits and a purchase benefiting another account is to be made from the profits, the expenditure should not be charged to the school fund-raiser account. Rather, a transfer should be made to the account that will benefit from the purchase, and the disbursement should be made from that account.

**M. Educational Contingency Account (Using Selected Nonappropriated Funds)**

**1. General**

The following funds may be used for any purpose deemed necessary and

appropriate by the principal:

- a. Retained fees--specifically the 15 percent retained by the school for any of the following:
  - (1) building use rental
  - (2) out-of-county tuition
  - (3) student parking fees
  - (4) vandalism payments
- b. Building use application fees
- c. Telephone commissions
- d. Vending machine commissions
- e. Vending machine profits not designated for a specific purpose
- f. Interest earned on nonstudent funds (not to exceed 10 percent of total interest earned during the fiscal year)
- g. Lost and damaged textbook funds

## **2. Accounting Procedures**

In order to account for the use of these funds, the following accounting procedures should be used:

- a. A school business fund account shall be established with a title of Educational Contingency Account (ECA).
- b. The principal, at his or her option, shall determine annually which of the funding sources described above are to be included in the ECA.

## **3. Making Disbursements**

Disbursements shall be made directly from the ECA.

## **4. Restrictions**

- a. Only those funds specifically designated previously in paragraph M.1. may be included in the ECA.
- b. The ECA shall not hold a deficit balance at any time.

## VIII. LOANS, GIFTS, DONATIONS, AND CONTRIBUTIONS

### A. Loans

It is expected that schools will manage their funds in such a way as to preclude the need to borrow money. In rare cases, such as the opening of a new school, it is recognized that a loan may be justified. If justified, funds shall be borrowed only from other schools. No loan shall be consummated without proper approval, and no obligation may be incurred in anticipation of such approval (see the current version of Policy 5820). No funds shall be loaned or borrowed without prior approval of the Division Superintendent. Schools shall not make loans to individuals, PTAs, booster clubs, or similar groups.

#### 1. Request for Loan

When a principal believes that a loan is needed and justified, a request for approval shall be directed to the Division Superintendent through the chief financial officer, financial services. The request shall include the following:

- a. A description of the circumstances that led to the school's need for a loan.
- b. Expected consequences if the loan is not approved.
- c. Amount of funds needed and the period of time for which needed.
- d. Proposed source(s) of the requested loan. Funds shall be borrowed only from other schools. School Board employees are not permitted to sign a note guaranteeing payment of a commercial loan made on behalf of a student activity fund.
- e. Proposed repayment schedule and interest rate to be applied. Normally, the interest rate should be the rate that the lending school could earn on the requested amount of the loan for the period of time involved.

#### 2. Approval

When forwarding the request for loan, the chief financial officer, financial services, shall verify the availability of funds from the proposed source and shall indicate approval, disapproval, or comments on the loan request. The final decision shall be made by the Division Superintendent.

#### 3. Accounting

Upon receipt of written approval from the Division Superintendent, a loan agreement shall be completed and signed by the principals of both the borrowing and the lending school. The loan agreement shall clearly set forth the amount of the loan, the interest rate, and a schedule for payment of both principal and interest. Loans shall be accounted for in school activity fund records.

**4. Net Worth Reporting**

If an outstanding loan still exists at the end of a fiscal year at either the lending or the borrowing school, special attention must be taken when preparing the Net Worth Report of School Activity Funds.

a. Lending School

The amount of the existing loan balance shall be included on the net worth statement under Accounts Receivable as an outstanding loan.

b. Borrowing School

The amount of the existing loan balance shall be included on the net worth statement under Liabilities as an outstanding loan.

**B. Gifts**

**1. Gifts and Bequests Received by Schools**

No gifts shall be accepted or solicited without the approval of the principal. Gifts accepted shall be for the beneficial use of the school or student body unless dedicated to a specific use by the donor and accepted with that limitation by the principal. The principal is not obligated to accept any offered gift.

a. Gifts of Equipment

The donor shall be informed that all equipment located in a school facility is the property of the School Board and is subject to transfer or redistribution if need so dictates. Schools shall include donated equipment and materials in their school inventories. Refer to the current version of Regulation 5961 for guidance.

b. Accounting for Cash Gifts or Donations

Gifts of cash accepted for a specific purpose shall be accounted for in the account concerned, or in an account established for the purpose. It is desirable that the purpose of cash gifts be specified in writing by the PTA, booster organizations, or other donors. If the donor intends that the cash gift be expended for a purpose for which other school activity funds are not authorized, it is mandatory that the donor's intention be specified in writing and be available for audit review. In that connection, a letter specifying that donated funds may be used for "any purpose" is not acceptable. Funds donated under such circumstances shall be considered subject to all requirements set forth for expenditure of other school activity funds. Unspecified gifts may be receipted into the administrative account or other school business accounts (see section IV.E.) established for such purpose.

c. **Memorial Gifts or Bequests**

Memorial gifts shall be accepted with a written record designating the purpose or intended use of the funds and accounted for accordingly. If such a record is not received, or if the donor declines to provide one, the funds shall be used as determined by the principal to benefit the student body.

**2. Gifts to Students or Faculty Members**

The presentation of gifts to students or staff and faculty members is discouraged. Presentation of gifts is authorized only under exceptional circumstances (see the current versions of Policies 1801 and 4430). This does not prohibit gifts for the benefit of the school, e.g., senior class gifts to the school. Gifts may be presented under the following circumstances:

- a. Social courtesies may dictate the presentation of gifts on occasions such as retirement, transfer, extended illness, or death. Under these circumstances, gifts of a token nature (not to exceed \$100) may be appropriate. Such gifts may be purchased only from club accounts and faculty or staff accounts.
- b. Funds may be raised collectively by the students or faculty for a gift to honor a special achievement, to mark a special event, or to help someone who has experienced a serious loss or misfortune (e.g., a house fire). This type of gift should not be made for routine, annual, or ongoing events or achievements. The value of the gift may exceed the \$100 limit mentioned in paragraph a.; however, gifts of this type require advance approval of the chief financial officer, financial services. Requests shall be submitted in writing. When approved, funds collected and expended shall be accounted for in a clearing account established for the purpose.

**C. Donations and Contributions**

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1. For information on charity drives for the purpose of raising money, see the current version of Policy 1375.
2. Donations or contributions from school activity funds to any organization are prohibited.
3. School activity funds may not be given to PTAs or other organizations for any purpose including one that may ultimately benefit the school. Schools shall avoid any situation that may be construed as an attempt to circumvent FCPS policies or regulations, e.g., purchasing requirements.

**IX. SALABLE INVENTORIES**

Inventories of school activity fund salable merchandise represent, in the fullest sense, funds that are the property of the students and must be safeguarded and managed accordingly (see the current version of Policy 5830). One objective of sales operations shall be to realize the potential profit rate established by the cost-to-sales price relationship.

**A. Accounting for Sales of Inventory**

Sales that produce general revenue and involve inventoried merchandise such as athletic clothing, school store items, etc., must be accounted for in appropriately titled accounts as a means of determining profit and loss. Only the revenue and expenses attributed to the sales activity shall be included in these accounts, except that profits may, of course, be transferred to appropriate accounts. Sales that produce minor specific revenue may be accounted for within the account of the sponsoring school activity.

**B. Inventory Valuation**

An inventory of salable merchandise followed by a profit-loss calculation should be performed frequently during the school year to help control and safeguard the inventory. Inventory values shall be set at the last price of the item reflected on the latest vendor's invoice (including delivery charges and sales tax, if applicable). When it becomes apparent that inventory items cannot be sold for an amount at least equal to the invoice value, prices should be lowered, and a notation to that effect should be added to the year-end inventory.

**C. Sales Price of Inventoried Items**

Each sales price shall be established at a level that will avoid losses or excessive profit rate (e.g., the current version of Policy 5830 permits a maximum profit rate of 25 percent on school store items). Pricing should take into consideration the need to make change (e.g., rounding prices) as well as prices charged by local vendors or stores. Fixing of a sales price also establishes a cost-to-sales price relationship from which the potential profit rate can be calculated (i.e., sales price minus cost, divided by cost, equals percent of profit).

**D. Nonsalable or Obsolete Items**

Inventory items that are deemed not salable at the normal price due to age, damage, shopworn condition, suitability, etc., should be disposed of by returning them to the vendor for credit, by reducing sales prices, or by giving the items away. A record shall be maintained of those items that were donated or sold at reduced prices, and a note to that effect shall be included on the annual report of inventory.

**E. Inventory Security**

Substantial financial losses can occur due to losses of salable inventory. The following guidelines shall be followed to minimize such losses:

1. Inventory security is obviously best when inventory is kept to a minimum (particularly when school is closed) and when rapid turnover of merchandise occurs.
2. Access to stored inventory should be limited to those personnel charged with the responsibility for the merchandise. Merchandise should be secured with locks

that are not on the master key system.

3. End-of-year inventories should be verified at the beginning of the new school year to determine whether there was loss over the summer and to establish responsibility if possible.

## **X. SCHOOL ACTIVITY FUND OPERATIONS**

### **A. School Store**

School stores may be operated in schools but are not required (see the current version of Policy 5830). The purpose of the school store is to provide a convenience to the students and the school staff for purchasing items associated with the school's instructional program and items that contribute to the development of school spirit. Additionally, the operation of the school store provides an opportunity for students to learn responsibility.

1. Merchandise offerings should be limited in selection, and competition with local business firms should be minimized. Items shall be sold directly to the purchaser, and no drawing accounts or minimum purchase limits shall be established that would suggest the payment of a fee for supplies. Merchandise should be purchased for sale only if it can reasonably be expected to be sold during the course of the school year.
2. No state sales taxes shall be charged to the school store customers.
3. A physical inventory of school store goods held for sale shall be performed at least twice yearly to determine any profit or loss trend and to provide a learning opportunity for students operating the store. A final end-of-year inventory shall be taken, and the inventory report shall be filed with the finance technician or administrative assistant for submission with the year-end report.
4. School store merchandise held in storage during the summer months shall be checked against the end-of-year inventory report when the school store opens at the beginning of the school year. Positive steps shall be taken to fix responsibility for the loss. Any losses attributed to pilferage should result in steps being taken to further secure access to the inventory.
5. Unless otherwise established by School Board policy, the school store profit margin shall not exceed 25 percent of the cost of goods sold. Profit in this sense applies to overall sales and not to each individual item sold.
6. Hours of operation shall be suitable to student needs as determined by the principal.
7. Revenues, excluding the change fund, shall be deposited intact with the finance technician or administrative assistant daily.
8. Cash from sales shall not be used in lieu of a change fund or to make cash



payments.

## **B. Finance Office**

The finance office serves the needs of the principal, school staff members, students, parents, and vendors. As such, the office should be centrally located, convenient to most users, and arranged in a manner that ensures the safeguarding of funds, documents, and files.

### **1. Cash Control**

Great care must be exercised in the control and safeguarding of cash and instruments convertible to cash such as blank checks. The following considerations are applicable:

- a. Funds shall not be accessible to unauthorized persons and shall be protected by lock when not being counted or otherwise processed.
- b. Checks shall be stored in a secure location and protected by lock when not being processed.
- c. The finance office shall be locked securely when the finance technician or administrative assistant is not present.
- d. In addition to the timeliness of deposits required elsewhere in this regulation, deposits shall be made on an irregular time schedule so as to avoid a detectable habit concerning the time of day that deposits are made.
- e. Checks shall not be drawn to "Cash."
- f. Cash shall not be sent through the mail or the school distribution system (the "pony").

### **2. Finance Office Files**

Finance office files shall contain all records pertinent to school activity funds as well as copies of reports reflecting or commenting on the status of funds or the fund activity (year-end reports showing net worth position, annual audit report, etc). Consult financial services for filing requirements.

## **C. Insurance**

School activity funds are not insured against loss by theft (unless a policy for such coverage is obtained by the local school), but losses of school activity fund materials (school store stock, etc.) due to a fire are covered by the general school fire policy.

## **D. Fidelity Bond**

FCPS' general fidelity bond is applicable to the principal, the school finance technician

or administrative assistant, and other employees who are involved with school activity funds. Such funds are protected against loss due to misappropriation on the part of School Board employees. The bond does not, however, protect the employee against a subsequent claim by the bonding company for any loss sustained through settlement of a claim due to fraud and dishonesty on the part of an employee. The bond protects the assets of the fund covered and not the individuals charged with the responsibility for such funds. The responsibility for safeguarding school activity funds lies directly with the principal and the finance technician or administrative assistant, and their actions and authority shall be respected accordingly.

#### **E. Personal Accommodations**

School activity funds shall not be used for any purpose that represents an accommodation, loan, pay advance, or other direct benefit to an individual.

##### **1. Personal Check Cashing**

Personal check cashing is not permitted. In no case shall school activity funds be retained on hand for the purpose of cashing checks.

##### **2. Conflict of Interest**

The position of public trust held by School Board employees requires that any impropriety or appearance of impropriety shall be avoided at all times. School Board employees are prohibited from using the buying services of the school activity fund for personal purchases. If a vendor provides gratuities, extra copies, gifts, etc., as a reward for purchase, these items shall become the property of the school rather than the individual responsible for the related purchase. This rule is effective regardless of the value of gratuity (see the current version of Policy 1801).

##### **3. Memberships in Professional, Educational, and Community Associations**

Individual memberships in any professional, educational, or community organizations or associations shall be at the personal expense of the individual applying for membership (see the current version of Regulation 5115). Memberships in the name of the school may be approved by the principal, in accordance with the current version of Regulation 5115. When institutional memberships are in conjunction with personal memberships, only the additional cost of the institutional membership may be paid from school activity funds.

#### **F. Indebtedness**

No school may incur an indebtedness that causes or increases a projected year-end deficit net worth without the approval of the chief financial officer, financial services.

### **XI. SCHOOL ACTIVITY FUNDS REPORTING REQUIREMENTS**

The Virginia Board of Education requires that monthly reports of school activity funds shall

be prepared and filed in the principal's office. Monthly and annual reports shall be filed in the offices of the principal and financial services.

**A. Transfer Vouchers**

Obligations that arise between accounts within a school can generally be settled by transactions called transfers. The source document for these transfers is referred to as a Transfer Voucher Request (FS 130). Prior to entering the transfer into the automated accounting system, the Transfer Voucher Request shall be approved by the account sponsor(s) and the principal, or his or her designee, and shall include a description of the reason for the transfer.

**B. Bank Statement Reconciliation**

Schools shall request their banks to issue monthly checking account statements with the cutoff date being the last business day of the month. The checking account balance shown on the bank statement and the checking balance shown in the accounting records at the end of the month must be reconciled promptly upon receipt of the bank statement. Copies of the automated accounting system bank reconciliation reports shall be forwarded monthly to the Financial Services Support Team, Westmore Center.

**C. Monthly Reporting Requirements**

1. The following reports shall also be printed from the automated accounting system and retained in the finance office for audit review:
  - a. Detailed Trial Balance
  - b. Summary Trial Balance
  - c. Bank Reconciliation Reports
    - 1) Reconciliation Posting Journal
    - 2) Bank Adjustments Posting Journal
    - 3) Cleared Transaction Journal
    - 4) Transfer Posting Journal
    - 5) Outstanding Transactions Report
  - d. Cash Receipts Register
  - e. Cash Disbursements Register
  - f. Void Check Register
2. A copy of the following reports signed by the principal shall be forwarded to the financial support team by the 15th of the month.
  - a. Bank Reconciliation Reports (as listed above)
  - b. Cash Disbursements Register
  - c. Summary Trial Balance

**D. Annual Reports**

School activity fund accounting and financial reports required as a part of the annual

report package shall include:

1. Year-to-Date (Annual) Report, printed from the automated accounting system.
2. General Ledger for all accounts for full year printed from the automated accounting system.
3. Net Worth Report of School Activity Funds (FS 30-73). A summarization of the cash flow and the net worth position as of the end of the fiscal year.
4. Accounts Receivable Report (FS 31-73). A summarization of all money due the school at year end. Examples of types of accounts receivable include refunds for merchandise returned to vendors, commission for soft drink sales, or loans due from another school. (A report is required even if there are no accounts receivable.)
5. Report of Salable Inventory (FS 32-73). A report of the quantity and value of all items in inventory for resale. Data shall be submitted to the finance technician or administrative assistant for each activity that has salable inventory to be included in this report. (A report is required even if there is no inventory.)
6. Accounts Payable Report (FS 33-73). A report of all obligations for goods or services received (including debts to the School Board or other schools) at year end. If an obligation will not be paid in the next school year, a footnote should be added to the report explaining the circumstances and stating the payments that will be made. If the exact amount of an obligation is not known at reporting time, an approximate charge is to be reported with an indication that the figure is estimated. An obligation for goods or services does not exist unless the goods or services have been received. If an obligation is for goods purchased for resale, the goods must be included in the report of inventory.

Funds held for others shall be reported on the Net Worth Report of School Activity Funds (FS 30-73).

#### **E. Records Retention**

In accordance with Bylaws and Regulations of the Board of Education of the commonwealth of Virginia, records must be retained as follows in the school or center office of record:

1. Advanced Appropriated Funds: The end-of-year general ledger must be retained for the current fiscal year plus ten prior years. All other records must be retained for five years after the completion of the audit.
2. All Other School Activity Funds: All records must be retained for five years after the completion of the audit.

Consult the Fairfax County Public Schools Records Management Manual for further guidance concerning records retention and disposition.

## **XII. AUDIT OF SCHOOL ACTIVITY FUNDS**

The responsibility for the audit of school activity funds shall rest with the chief financial office, financial services.

### **A. Annual Audit**

State regulations require that school activity funds be audited annually by personnel approved by the local school board. Such audits shall be conducted as soon as possible after the close of the fiscal year but not later than the end of the following fiscal year.

#### **1. Objectives**

The primary objective of the annual audit is to contribute to the effective administration and management of school activity funds, in accordance with sound business practices. Accordingly, the purpose of the audit is to advise principals on the overall condition and management of the school activity funds.

#### **2. Reports of Annual Audits**

Reports of annual audits shall be published as soon as possible after completion of the audit work. These reports shall set forth the financial condition of the school's activity funds, include a narrative discussion of audit findings, and present recommendations in regard to exceptions taken. After completion of the audit work, all items appearing in the report shall be discussed with the principal in an exit interview, if required. The audit report shall be forwarded to the principal concerned and to others as deemed appropriate.

#### **3. Response to Reports**

Within five days after receipt of an annual audit report, the principal shall respond to the findings and recommendations in a memorandum to financial services

The response shall state concurrence or nonconcurrence with each audit finding and recommendation, outline action taken or contemplated in areas of concurrence, and provide target dates for completion of action. If the principal does not concur with the finding and/or recommendation, a statement shall be made of the position and rationale. If the principal cannot take the necessary action at the school level, a position shall be stated and recommendations made for actions to be taken at higher levels.

### **B. Interim Audit**

An interim audit of a school activity fund shall be conducted when determined necessary by the chief financial officer, financial services. Completion of an interim audit does not relieve the finance technician or administrative assistant of the responsibility of keeping all the records of the fiscal year intact and available for audit

review during the annual audit. The following are possible reasons for an interim audit:

1. Change of principal occurring during the academic year.
2. Loss or suspected loss of funds (it is incumbent upon the principal to request an audit in these cases).
3. Change of finance technician or administrative assistant if the principal requests such audit.

**C. Transfer, Retirement, or Termination of Finance Technician or Administrative Assistant**

It is the responsibility of the school principal to advise the chief financial officer, financial services, of the transfer or termination of the finance technician or administrative assistant. An interim audit of the school activity accounts may be requested at this time.

**XIII. STUDENT ACTIVITY FUNDS FOR NEW SCHOOLS**

**A. Philosophy**

Since student activity funds are the result of combined student efforts, if the school population moves, a portion of the funds raised by these students should move with them to the new school.

**B. Guidelines**

Schools sending pupils to new schools shall provide the new school with a percentage of the net worth per pupil for each student that the sending school will lose. To determine this amount, the sending schools will calculate their average per-pupil net worth, based on the previous three annual audit reports. The following percentages will be used in calculating the amount to forward to the new school.

1. Elementary Schools: 25 percent
2. Middle and High Schools: 40 percent

In the event that there are unique or unusual circumstances, any percentage can be approved. The number of students being sent to the new school shall be calculated, based on projections contained in the most recent Annual Facilities Student Accommodation Plan, developed by the Department of Facilities and Transportation Services and approved by the School Board. Schools sending five students or less to the new school are not required to send funds.

**C. Payment to New School**

A check for these funds shall be forwarded to the principal of the new school between

April 1 and June 30 of the fiscal year preceding the opening of the new school. The director, Office of Budget Services, shall coordinate this effort to ensure that funds are provided as outlined above.

#### **XIV. DISPOSITION OF ASSETS AT CLOSING OF SCHOOL**

A school may be closed either permanently or temporarily, e.g., during renovation. The principal of the school being closed shall present a written proposal to the chief financial officer, financial services, outlining the suggested disposition of funds. Approval by the chief financial officer, financial services, shall be authority to proceed with the disposition of school activity fund assets.

##### **A. Planning**

School closings are generally known well in advance. Advance planning should:

1. Encourage sponsors of club-type activities to use existing fund balances and plan for disposition of expected residual funds.
2. Restrict fund-raising activities to short-range needs.
3. Curtail purchases and concentrate on depleting inventories.
4. Determine who will be responsible for maintaining records after the school is closed and who will be the authorized signatory for bank accounts.

##### **B. Temporary Closing**

As a general rule, school activity funds shall be retained in the name of the school being closed if the school is to be reopened with a student body within two years after closing. There must be an individual responsible for closing out the funds and maintaining custody of residual funds. After liquidation of inventories and after all accounts receivable have been collected and all obligations paid, the checking account shall be closed and all funds placed in a savings account so as to obtain maximum available interest. To the extent feasible, inventories of items held for resale should be disposed of by sale to other schools. Inventory that is not subject to deterioration and that is not readily disposable (e.g., notebooks with the school name) may be boxed, labeled, and stored.

##### **C. Permanent Closing**

As a general rule, residual funds from closed schools shall be distributed on the basis of the number of students going to each receiving school. Inventories of items held for resale should, to the extent feasible, be sold to other schools or returned to the vendor for credit. Items remaining may be given to other schools, or disposed of, in accordance with instructions of the chief financial officer, financial services. After liquidation of inventories, all accounts receivable shall be collected and all obligations paid. All savings accounts shall be closed and balances deposited in the checking account. The checking account shall then be closed by drawing checks to dispose of

residual funds. When liquidation is complete, a final audit shall be requested.

Legal Reference: Code of Virginia, section 22.1-89

See also: Regulations of the Board of Education—Chapter 240, Regulations Governing School Activity Funds  
School Activity Funds Manual,

See also the current versions of:

Policy 1370	Fund-Raising
Regulation 1370	Fund-Raising
Policy 1375	Charity Drives
Policy 1420	Accountability for Public Funds and Property
Policy 1801	Conflict of Interest and Statement of Economic Interest— School Board Members and Superintendent of Schools
Regulation 2135	Assistance to Students
Policy 3829	Contests and Awards
Policy 3840	Community Events and Student Performances
Policy 3860	Extracurricular Activities
Policy 4430	Conflict of Interest—Employees
Notice 5110	Fiscal Year Closeout
Regulation 5115	Memberships in Professional, Educational, and Community Associations
Regulation 5310	Travel--Local and Out of County
Regulation 5330	Payment for Services to Businesses and Individuals Other Than Fairfax County Public Schools Employees
Policy 5410	Periodic Audits
Regulation 5640	Payment for Summer School, Curriculum Development, and Other Temporary Assignments
Policy 5810	Administration of School Activity Funds
Policy 5820	Equipment for School Activities
Policy 5830	School Stores
Regulation 5812	Ticket Management
Regulation 5815	Guidelines for Virginia High School League (VHSL) District, Regional, and State Tournaments
Regulation 5817	Guidelines for Memorial, Commemorative, Scholarship, and Special Purpose Funds
Notice 5922	Student Fees
Policy 5960	Donations to Schools
Regulation 5961	Donations to Schools
Regulation 6610	Information and Reports Pertinent to Closing School At End of Year
Policy 7203	Food Sales and Services
Policy 7401	Purchasing



Regulation 7410	Purchasing--Goods and Services Acquisition
Regulation 7412	Advanced Appropriated Funds Program
Policy 7418	Procurement of Professional and Consultant Services
Policy 7440	School Supply System
Policy 8420	Community Use of School Facilities
Regulation 8420	Community Use of School Facilities

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