

<u>Section D:</u>  <b>Fiscal Management</b>	<b>Knox County Board of Education Policy</b>		
	<b>Internal School Funds</b>	Descriptor Term:	Descriptor Code:
			<b>D-241</b>
		Reviewed: <b>1/23</b>	Revised: <b>8/22</b>

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**MANAGEMENT AND ACCOUNTING SYSTEM**

The Board authorizes each school to receive activity funds, such as athletic funds, student organization funds, and any other funds belonging to a student group, class, or activity, and other internal school funds, such as athletic gate receipts and school class funds.<sup>1</sup>

Whatever the source, all internal school funds shall be under the jurisdiction of the Board and under the specific control of the school principal.

Contracts with fund-raising agencies must comply with Board policy and be approved by the school principal.

Each principal is to manage and account for activity funds and other internal school accounts under the principal's jurisdiction in accordance with the *Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM)*.<sup>2</sup>

**FINANCIAL RECORDS**

Records of student activity fund and other internal school fund receipts and disbursements, such as those kept in cashbooks and ledger journals, must be maintained in accordance with the TISUAPM.

Any such financial records or papers, which may be destroyed according to the law, shall be disposed of in such a manner as to ensure complete destruction.

**INTERNAL CONTROL SYSTEM**

Control systems must be in place, at each school, to provide reasonable, but not absolute, assurance that internal school funds are spent and any related inventories are used in accordance with laws, regulations, and policies; internal school funds and related inventories are safeguarded against waste, loss, and misuse; and reliable financial information can be obtained, maintained, and fairly presented and reported.<sup>3</sup>

**ANNUAL BUDGETS BY EACH SCHOOL PRINCIPAL**

Each principal shall prepare each fiscal year, a budget for the internal school general fund presenting a beginning general fund balance, estimated annual revenues, proposed annual expenditures, and the estimated general fund balance at the end of the fiscal year. For each restricted fund, the principal shall prepare a budget presenting separately each restricted fund's beginning account balance, estimated annual revenues, proposed annual expenditures, and the estimated restricted account balance at the end of the fiscal year.

1 As soon as possible after the school year begins, participating students, in consultation with their activity  
2 or club sponsors, shall develop and adopt budgets that will be used during the fiscal year to account for  
3 their activity or club. Each activity or club sponsor shall submit a copy of the fiscal year budget to the  
4 principal to be included in a comprehensive school budget that is submitted to the Board through the  
5 Director of School's office.<sup>4</sup> Each activity or club budget should include a written plan for all fundraising  
6 activities, and the appropriate school fundraiser authorization for each event should be obtained as part  
7 of the budgeting process.

### 8 9 **DONATIONS, GIFTS, AND BEQUESTS**

10 The Director of Schools is authorized to accept donations, gifts, and bequests to the district and may  
11 designate others to accept donations, gifts, and bequests for particular schools on behalf of the Board.<sup>5</sup>  
12 Any donation, gift, or bequest twenty-five thousand dollars (\$25,000) or greater shall be reviewed and  
13 approved by the Board prior to receipt.  
14

15 Legally restricted donations or allocations to individual schools must be used in accordance with the  
16 stipulations placed on their use by the contributor. Any stipulations governing the use of the funds should  
17 be documented in writing by the contributors.  
18

### 19 20 **RECEIPT OF FUNDS**

21 Schools receive funds from many activities and events, and student activity funds shall be deposited in  
22 respective school activity accounts.<sup>1</sup>  
23

24 Most often, this money is handled by one or more persons before it is recorded in the school's cash  
25 receipts journal by the designated school employee. The school principal, however, becomes accountable  
26 for the funds when money is initially received by employees, officials, or volunteers acting in their official  
27 capacity.<sup>6</sup>  
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29 School funds are not considered to include those of organizations composed of parents and teachers or  
30 parents and students working in coordination, including, but not limited to, appropriately organized and  
31 approved School Support Organizations as described in [Policy D-250](#).  
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### 33 34 **MONEY COLLECTED FOR THE BOARD**

35 Money collected from students on behalf of the Board (for example, for Driver's Education) must be  
36 deposited in the school bank account with other school funds and a check written to the Board to transfer  
37 the money.<sup>7</sup>  
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### 39 40 **BONDED EMPLOYEES**

41 All employees who handle school monies must be bonded in order to indemnify the district against the  
42 loss of any funds.<sup>8</sup>  
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### 44 45 **AUDITS**

46 An annual audit of all student activity funds and other internal school funds shall be performed by certified  
47 public accountants following the end of the fiscal year.<sup>9</sup>  
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1 Other periodic reviews of internal school funds may be performed by the district's Finance Department,  
2 as long as those reviews are performed in accordance with the standards established by the Tennessee  
3 Comptroller of the Treasury.<sup>10</sup>

#### 4 **PETTY CASH**

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6 Individual schools may maintain petty cash funds.<sup>11</sup>

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8 All petty cash funds established must have prior approval from the Director of Schools or the Director's  
9 designee.

#### 10 **INVESTMENTS**

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12 School principals may invest excess funds only in insured interest-bearing accounts approved by the  
13 Director of Schools or the Director's designee.<sup>12</sup>

#### 14 **PURCHASING**

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17 Section 2-580 of the [Procurement Code of Knox County](#) exempts internal school funds, school activity  
18 funds, cafeteria funds, and concession funds from the Code and states that these funds shall be governed  
19 by procedures contained in the [TISUAPM](#).

20  
21 All purchases of supplies, materials, equipment, and contractual services at the school level of twenty-  
22 five thousand dollars (\$25,000) or greater shall be based on three (3) written quotes and approved by the  
23 Board unless such purchases were made using pass-through funds collected for that specific purpose (e.g.  
24 yearbook expenses, field trip costs, merchandise sales, etc.), or where such purchases were already  
25 governed under a Board approved contract or agreement.

26  
27 Contracts for legal services, educational consultants, and similar services by professional persons or  
28 groups of high ethical standards shall not be based upon competitive bids but shall be awarded on the  
29 basis of recognized competence and integrity.

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31 No school shall be obligated to pay for any expenditure made by a student or a teacher or by any other  
32 employee unless he or she first receives a written purchase order from the proper office or unless prior  
33 written permission or arrangements are made with the principal.

#### 34 **PURCHASING CARDS**

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37 Knox County Schools personnel will practice sound fiscal management of system purchase cards in  
38 compliance with the [TISUAPM](#). All purchase card users must comply with Knox County Board of  
39 Education (KCBOE) Purchase Card Procedures. No employee shall be granted permission to use or  
40 access a school system purchase card until signing the Purchase Card User Agreement.

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42 Each school's principal may request, through the Director of Schools (or designee), a purchase card in  
43 the name of his/her school. Purchase cards not currently in use should be stored in a safe.

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45 A listing shall be maintained of all issued purchase cards as well as all authorized users. The Director of  
46 Schools (or designee) will assign each card a per transaction limit and per day limit. When multiple  
47 employees are permitted to use one purchase card, a separate log shall be maintained for each card. The  
48 log will include columns for, but not limited to: (1) Date signed In/Out, (2) Employee Name, (3)  
49 Employee signature, and (4) Card number. The purchase card user must initial each entry twice (time of  
50 check out and time of return).

1 Any time an authorized purchase card user departs from his/her employment with KCBOE, or departs  
2 into another assigned role, or transfers to another department or school, the listing of issued cards must  
3 be checked and inventoried.

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5 No school system purchase card should be utilized for personal reasons and/or cash advances. Authorized  
6 users must submit timely statements/invoices/receipts in compliance with KCBOE Purchase Card  
7 Procedures. Any employee violating the terms of this policy or the corresponding procedures could face  
8 disciplinary action up to and including termination.

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10 The respective principal and Director of Schools (or designee) must be notified immediately regarding  
11 any lost or stolen cards. The Director of Schools (or designee) must also ensure that card statements are  
12 paid in full each month to prevent the school system from incurring finance charges. Copies of any  
13 statement shall be made available to the Director of Schools (or designee), principal, internal auditors,  
14 external auditors, and/or Board members upon request.

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16 Some purchase card agreements offer premium or bonus incentives upon purchases made. Premiums that  
17 consist of cash must be deposited into the school system’s general fund. Premiums that consist of non-  
18 cash items or rewards must be used for the benefit of the school system.<sup>13</sup>

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Legal References:

- 35 1. T.C.A. § 49-2-110(a).
- 36 2. T.C.A. § 49-2-110(d).
- 37 3. *Tennessee Internal School Uniform Accounting Policy Manual* 4-5.
- 38 4. *Tennessee Internal School Uniform Accounting Policy Manual* 4-42.
- 39 5. T.C.A. § 49-6-2006(a).
- 40 6. *Tennessee Internal School Uniform Accounting Policy Manual* 5-2.
- 41 7. *Tennessee Internal School Uniform Accounting Policy Manual* 4-40.
- 42 8. T.C.A. § 8-19-101 through 103, TCA § 49-2-110(a)(1).
- 43 9. T.C.A. § 49-2-112(a); TCA § 6-36-112.
- 44 10. *Tennessee Internal School Uniform Accounting Policy Manual* 2-1.
- 45 11. *Tennessee Internal School Uniform Accounting Policy Manual* 5-16.
- 46 12. *Tennessee Internal School Uniform Accounting Policy Manual* 6-1.
- 47 13. *Tennessee Internal School Uniform Accounting Policy Manual* 4-2.

48 Approved as to Legal Form  
49 By Knox County Law Director 6/22/2022  
/Gary T. Dupler/Deputy Law Director