



**Tuesday, September 9, 2025**  
**Kingsport City Schools Board of Education Regular Meeting - 6:00 PM**

**Administrative Support Center, Tennessee Room (3rd Floor)**  
**400 Clinchfield Street**  
**Kingsport, TN 37660 Phone: (423) 378-2102**

1. **CALL TO ORDER**
  - 1.1. Pledge of Allegiance (Callie McCurry/Emma Worley)
  - 1.2. Review of Board of Education Responsibilities/Boardmanship Standards (Dr. Brandon Fletcher)
  - 1.3. Additions to and/or Acceptance of the Agenda (Dr. Brandon Fletcher)
2. **RECOGNITIONS**
  - 2.1. Stephen and Michelle Baker, Dobyons-Bennett High School Unified Bowling Coaches (Mrs. Melissa Woods)
3. **PUBLIC COMMENT ON AGENDA ITEMS**
4. **CONSENT AGENDA**
  - 4.1. Personnel Considerations (Mrs. Jennifer Guthrie)
  - 4.2. Approval of Minutes - August 12, 2025 BOE Regular Monthly Meeting (Dr. Brandon Fletcher)
  - 4.3. Approval of Banking Resolutions (Mr. David Frye)
  - 4.4. Ratify Board President and Superintendent Signatures on Interdepartmental Agreement between Kingsport City Schools and Kingsport Police Department for School Crossing Guards (Mr. Jim Nash)
  - 4.5. Approval of Policies on First and Final Reading (Dr. Andy True)
5. **BUSINESS ITEMS**
  - 5.1. Approval to Award Bid for Washington Elementary School HVAC Replacement Project (Mr. David Frye)
  - 5.2. Budget Amendment #2 (Mr. David Frye)
6. **TIME AND DATES OF MEETINGS**
  - 6.1. September 23, 2025 - BOE Work Session (6:00 PM)
  - 6.2. October 14, 2025 - BOE Regular Monthly Meeting (6:00 PM)
  - 6.3. October 28, 2025 - BOE Work Session (6:00 PM)
  - 6.4. November 3, 2025 - Joint BOE/BMA Work Session (City Hall, 4:30 PM)
  - 6.5. November 7, 2025 - BOE Retreat (ASC, 9:00 AM - 3:00 PM)
  - 6.6. November 11, 2025 - BOE Regular Monthly Meeting (6:00 PM)
7. **ADJOURNMENT**

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in September</b>	Descriptor Term: <b>Boardsmanship Code of Conduct</b>	Descriptor Code: <b>1.2021</b>	Issued Date: <b>02/11/20</b>
		Rescinds: <b>1.1061</b>	Issued: <b>11/12/19</b>

1 The Code of Ethics as recommended by the Tennessee School Boards Association (TSBA) shall be the  
2 guide for the Board of Education for the Kingsport City Schools and shall be read aloud annually after  
3 the election of new Board officers. The Board adopts these standards as recommended by the Tennessee  
4 School Boards Association as a guide to its members as they provide educational leadership for the youth  
5 of our state.

## 6 **ARTICLE I. MY RELATIONS TO THE CHILDREN**

7  
8 Section 1. I will at all times think in terms of “children first,” always determining how my  
9 actions and decisions will affect the education and training of children.

10 Section 2. I will seek to provide equal educational opportunities for all children regardless  
11 of ability, race, color, sex, creed or location of residence.

## 12 **ARTICLE II. MY RELATIONS TO MY COMMUNITY**

13 Section 1. I will endeavor to appraise fairly both the present and future educational needs of  
14 the community and to support improvements as finances permit.

15  
16 Section 2. I will represent at all times the entire school community and refuse to represent  
17 special interests or partisan politics.

18  
19 Section 3. I will endeavor to keep the community informed about the progress and needs of  
20 the schools.

21  
22 Section 4. I will represent the Board and the school district to the public in such a way as to  
23 promote both interest and support.

24  
25 Section 5. I will refer to other board members, staff, students, and the public with respect  
26 when using social media.  
27

## 28 **ARTICLE III. MY RELATIONS TO TEACHERS AND PERSONNEL**

29 Section 1. I will support the employment of those persons best qualified to serve as  
30 employees and insist on a regular and impartial evaluation of all staff.

31 Section 2. I will support and protect personnel in performance of their duties.

32  
33 Section 3. I will not criticize employees publicly but will express any relevant concerns to  
34 the Superintendent of Schools for investigation and action if necessary.  
35

1 **ARTICLE IV. MY RELATIONS WITH OTHER BOARD MEMBERS**

2 Section 1. I will understand that the Board makes decisions as a team and that individual  
3 board members may not commit the Board to any action.

4 Section 2. I will refuse to make promises as to how I will vote on a matter which should  
5 come before the Board.

6 Section 3. I will make decisions only after full discussion of matters at a board meeting.  
7

8 Section 4. I will respect the opinion of other members and will accept the principle of  
9 “majority rule” in all cases and give support to the resulting action.  
10

11 Section 5. I will work harmoniously with other board members without trying to dominate  
12 the Board or neglect my share of the work.

13 **ARTICLE V. MY RELATIONS WITH THE SUPERINTENDENT OF SCHOOLS**

14 Section 1. I will support the full administrative authority as well as the responsibility for the  
15 Superintendent of Schools to properly discharge all professional duties.

16 Section 2. I will hold the Superintendent of Schools accountable for working and requiring  
17 staff to work within the framework of policies set up by the Board.  
18

19 Section 3. I will understand that the Board sets the standards for the school district through  
20 policy and that board members do not manage the district on a day-to-day basis.  
21

22 Section 4. I will refer all complaints and concerns to the Superintendent of Schools and  
23 abstain from individual counsel and action in regard to staff members.

24 **ARTICLE VI. MY RELATIONS TO MYSELF**

25 Section 1. I will educate myself about my duties and responsibilities and current educational  
26 issues by individual study and through participation in programs providing needed  
27 information.

28 Section 2. I will avoid of conflicts of interest and will refrain from using my board position  
29 for personal or partisan gain.

30 Section 3. I will uphold the integrity and independence of the position.

31 Section 4. I will become familiar with federal and state education laws and school board  
32 policies.

33 Section 5. I will continually advocate for the goals of the school district.

34 Section 6. I will vote and act impartially for the good of the school district.

1           Section 7.     I will attend board meetings and become informed concerning the issues to be  
2                            considered at those meetings.

3           Section 8.     I will model civility to students, employees, and all elements of the community  
4                            by encouraging the free expression of opinion by all board members and  
5                            engaging in respectful dialogue with fellow board members on matters being  
6                            considered by the Board.

---

Cross References

School Board Legal Status and Authority 1.100  
Internal Organization 1.200  
School/Community Relations 1.500

# **Kingsport City Schools Board of Education Regular Meeting Minutes August 12, 2025**

The Kingsport City Schools Board of Education Regular Meeting was held on August 12, 2025, in the Administrative Support Center, Tennessee Room (3rd Floor) at 6:00 PM. The following Board of Education members were in attendance.

Dr. Brandon Fletcher (Vice President):	Present
Todd Golden:	Present
Jamie Jackson:	Present
Dr. Phillip Marshall:	Present
Melissa Woods (President):	Present

## **1. CALL TO ORDER**

Mrs. Melissa Woods, Board President, called the meeting to order at 6:00 p.m.

### **1.1. Pledge of Allegiance (Beau and Quinn Jervis)**

Jefferson Elementary School students Beau and Quinn Jervis let the Board of Education and the audience in the Pledge of Allegiance. Beau is in 1st Grade and Quinn is a 5th Grader.

### **1.2. Additions to and/or Acceptance of the Agenda (Mrs. Melissa Woods)**

A motion was made by Todd Golden and seconded by Dr. Brandon Fletcher (Vice President) to accept the agenda as presented. The motion carried by a vote of Yea: 5, Nay: 0.

## **2. RECOGNITIONS**

### **2.1. Dobyys-Bennett High School Unified Track & Field Team (Dr. Phillip Marshall)**

Board member Dr. Phillip Marshall recognized the students in the Dobyys-Bennett High School Unified Track & Field team for having a remarkable Spring season. The team delivered an exceptional all-around performance, finishing 2nd overall with 35.5 total points in the State tournament. They demonstrated strength, determination, and consistency across multiple events. Several of the student athletes and partners have qualified for the Summer 2026 Special Olympic Nationals, which was a testament to their hard work, talent, and perseverance. Sarah Good and Michael Holt coach the D-B Unified Track & Field team.

### **2.2. American Legion Boys State and Girls State Students (Mr. Todd Golden/Commander Sgt. Angelo Pellitteri)**

Board member Todd Golden read aloud information regarding the history of the American Legion. He introduced Sgt. Angelo Pellitteri, Commander of American Legion Hammond Post No. 3. They recognized three Dobyys-Bennett recent graduates for their accomplishments in late May as follows:

- Jack Wernick attended the American Legion Boys State.
- Emily Doyle and Taylor Weddle attended the American Legion Auxilliary Girls State.
- Emily was also elected as a Federalist Party Delegate for her city.
- Taylor Weddle served as an election commissioner for her city.

3. **PUBLIC COMMENT** (Mrs. Melissa Woods)

There was no public comment.

4. **CONSENT AGENDA**

- 4.1. Personnel Considerations (Mrs. Jennifer Guthrie)
- 4.2. Approval of Minutes - July 8, 2025 BOE Regular Monthly Meeting (Mrs. Melissa Woods)
- 4.3. Approval of Donations (Mr. David Frye)
- 4.4. Approval of Revised Differentiated Pay Plan for 2025-2026 School Year (Mrs. Jennifer Guthrie)
- 4.5. Approval to Renew Memorandum of Understanding between the City of Kingsport, Kingsport Police Department, and Kingsport City Schools for School Resource Officers for the 2025-2026 School Year (Mr. Jim Nash)
- 4.6. Approval of Policies on First and Final Reading (Dr. Andy True)

5. **BUSINESS ITEMS**

5.1. Budget Amendment #1 (Mr. David Frye)

Mr. David Frye, Chief Finance Officer, presented Budget Amendment #1 of FY 2025-2026 for Board consideration. The proposed Budget Amendment would move funding from the district's Fund Balance into a general project fund for the replacement of the Washington Elementary School HVAC system. Once approved, the amendment would go before the Kingsport Board of Mayor and Alderman for approval on two readings.

**Item One: Washington HVAC Replacement Project**

The Board of Education approved the Washington HVAC system replacement project in March 2025, with initial project funding of \$240,000 established to fund the architectural contract. The architect has recently provided an estimate of \$2,500,000 for the work, including funding for a 6 percent contingency (or \$150,000) and a recommended \$25,000 for miscellaneous expenses. The total funding required to complete the project totaled \$2,675,000. Bids were scheduled to be opened on August 20, 2025, with Board approval at the September Board meeting. The estimated completion date for the project is by the start of school in August 2026.

Mr. Frye indicated this would be a temporary measure to get the project in place since the lead time for the equipment could be three months. He

reported the City of Kingsport will provide funding for this project when bonds are sold in early 2026. In order to meet the August 2026 completion, it was necessary to initially fund this project from the district's Fund Balance and replace these funds when the bonds were sold.

It was recommended that the estimated revenue for Fund Balance Appropriations and the appropriation for Fund Transfers be increased by \$2,675,000 to provide initial funding for the Washington HVAC replacement project.

### **General Project Fund**

The initial project funding for the Washington HVAC Replacement project will come from the General Purpose School Fund's Fund Balance. This funding will be replaced by bond funds when the City of Kingsport issues bonds in early 2026. It was recommended that the estimated revenue for Transfers from the General Purpose School Fund and the appropriation Fees and Construction Contracts be increased by \$2,675,000.

### **School Special Projects Fund**

Sevier Middle School and Dobyons-Bennett High School each received a \$12,500 donation from Mr. Nathan Morton on behalf of his sister, Melissa Foshee. These funds will be utilized by both schools to provide professional development, supplies, and equipment to supplement their special education instruction. A new project will be established to account for the donation from "Melissa's Hope Foundation." It was recommended that the estimated revenue for Other Local Revenue and the appropriations for salaries, benefits, supplies and materials, and equipment be increased by \$25,000.

A motion was made by Todd Golden and seconded by Dr. Phillip Marshall to approve Budget Amendment #1 as presented. The motion carried by a vote of Yea: 5, Nay: 0.

#### **5.2. Approval of Organization of the Board of Education for FY 2025-2026 (Mrs. Melissa Woods)**

Mrs. Woods reported that Kingsport City Schools Policy 1.200 states that the President and Vice President of the Board of Education will be elected annually from its members. The newly elected officers will assume office on September 1, 2025, for a term that will run through August 31, 2026. She announced nominations had been made to Ms. Altizer individually prior to the meeting. Mrs. Woods asked Board members to mark their paper ballots for each officer's role. After collecting the paper ballots, Ms. Altizer read the votes aloud.

By unanimous vote, Dr. Brandon Fletcher was elected as Board President and Mrs. Melissa Woods as Board Vice President. Mrs. Woods congratulated Dr. Fletcher being elected to serve as Board President.

## **6. TIME AND DATES OF MEETINGS**

Superintendent Dr. Chris Hampton provided a brief report regarding the completion of the first week of school. He reported that a lot of hard work during the summer break had ensured a smooth start to the new school year. He indicated that he had heard nothing but favorable comments from students and staff regarding the new personal device policy concerning the lack of personal device usage allowed during school hours that went into effect this year. Mrs. Woods stated that she also heard several positive comments regarding the restriction of cell phone use during the school day. She expressed appreciation to the students regarding this change and noted it was one less issue the teachers would have to address each day.

Mrs. Woods reported that the Kingsport City Schools Board of Education would be recognized as a Tennessee School Board Association (TSBA) Board of Distinction during the TSBA Fall District Meeting in Hamblen County on August 25, 2025, at 5:00 p.m. She mentioned upcoming Board meetings on August 26 and September 9, 2025. Mrs. Woods announced the Board was scheduled to attend the Kingsport BMA Work Session to discuss the Lynn Garden Elementary School project on November 3 at 4:30 p.m. She noted an all-day Board Retreat was scheduled on November 7. Lastly, Mrs. Woods stated the TSBA Leadership Conference/Annual Retreat would be held in Nashville on November 13-16, 2025.

Dr. Hampton reported enrollment numbers totaled 7,361 students at the end of the day on August 11, 2025, which was approximately 20 students less than this time last year. This number reflected a slight increase in secondary (6-12 grade) and decrease in elementary (K-5) enrollment. He congratulated Dobyns-Bennett High School for being named as a top high school (ranked #19) in Tennessee by the Niche Organization. This was a remarkable recognition, especially when charter and magnet schools were factored out (ranked 8th). Dr. Hampton announced the district had 83 perfect TCAP scores last school year, noting school staff have sent results letters home to families this week.

- 6.1. August 25, 2025 - TSBA Fall District Meeting (5:00 PM - Hamblen County)
- 6.2. August 26, 2025 - BOE Work Session (6:00 PM)
- 6.3. September 9, 2025 - BOE Regular Monthly Meeting (6:00 PM)
- 6.4. September 23, 2025 - BOE Work Session (6:00 PM)

## 7. **ADJOURNMENT**

Mrs. Woods adjourned the meeting at 6:27 p.m.

---

Mrs. Melissa Woods, Board President

---

Vivian L. Altizer, Board Secretary

## RESOLUTION

### A RESOLUTION AUTHORIZING OFFICIAL SIGNATURES FOR ACCOUNTS ON DEPOSIT WITH FIRST HORIZON BANK

BE IT RESOLVED by the Kingsport Board for Education as follows:


SECTION I. That First Horizon Bank (hereinafter referred to as the "Bank") be and is hereby designated as a depository of the Kingsport City Schools – John Adams Elementary School Activity Fund, and that accounts established at the Bank, for and on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund shall be identified in the accounts and on the records of the Bank in the name of the John Adams Elementary School as well as by account name/description, account number and/or any other means as the Bank and/or of the Kingsport City Schools – John Adams Elementary School Activity Fund may determine to be necessary to appropriately identify, track and account for said account or accounts in the Bank's records, and that accounts currently established at the Bank in the name of, for and on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund, are identified as follows:

<u>NAME</u>	<u>ACCOUNT NUMBER</u>
John Adams Elementary School – Activities Account	179763788

SECTION II. That the Principal, Associate Principal, or Secretary/Bookkeeper, the officers herein listed below, are hereby authorized on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund to enter into any of the Bank's checking, savings, time deposit, wire transfer, night deposit, or cash management and corporate service agreements, or other deposit account agreements and that the Kingsport City Schools – John Adams Elementary School Activity Fund shall be bound by the terms and conditions of the said agreements.

SECTION III. That any of the officers designated herein and listed below are authorized on behalf of this school to endorse for deposit with said Bank, any and all checks, drafts, certificate of deposits, savings certificates, or other instruments or written orders for the payment of money payable to this school and such endorsements may be in writing, by stamp or otherwise affixed.

SECTION IV. That delivery to the Bank of funds, checks, drafts or other property, with or without endorsement, and, if endorsed, in whatever manner effected, unless specifically restricted, shall be authority to the Bank to place the same to the credit of the school, and such credits may be withdrawn by check, draft or instrument executed for the school by any two of the following officials, the duly appointed Principal, Associate Principal, or Secretary/Bookkeeper as herein identified:

<u>TITLE</u>	<u>TYPED NAME</u>	<u>SIGNATURE</u>
Principal	Kelley Harrell	
OR		

Associate Principal

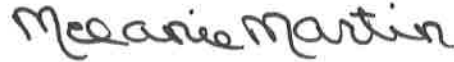
Virginia Marshall



OR

Secretary/Bookkeeper

Melanie Martin



SECTION V. That any two of the officers designated herein and listed above are authorized on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund to execute the Funds Transfer Agreement to authorize the transfer of funds to other financial institutions or other accounts at Bank by written instructions, telephone or terminal communication device.

SECTION VI. That the Bank shall be under no obligation to see or make inquiry as to the application of any funds withdrawn from said account, even though the withdrawal order may be payable to the agent of the Kingsport City Schools – John Adams Elementary School Activity Fund executing the same, and the funds be withdrawn for his individual use or credit.

SECTION VII. That this resolution shall supersede all previous resolutions filed by the Kingsport Board of Education with the Bank from and after its adoption, and that the Bank shall recognize only those signatures of the officials designated herein as authorized signatures on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund, and that the Bank shall delete from its records any previously authorized signatures that do not appear herein.

SECTION VIII. That the accounts established at the Bank in the name of, for and on behalf of the Kingsport City Schools – John Adams Elementary School Activity Fund shall be classified and identified on the accounts and in the records of the Bank as public funds.

SECTION IX. That no official correspondence and/or official notice from the Bank shall be effective unless directed to the office of the Principal at the following address:

Dr. Kelley Harrell, Principal  
John Adams Elementary School  
2727 Edinburgh Channel Road  
Kingsport, Tennessee 37664

SECTION X. That this resolution shall be effective from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of September, 2025.

---

Brandon S. Fletcher  
Board President

## RESOLUTION

### A RESOLUTION AUTHORIZING OFFICIAL SIGNATURES FOR ACCOUNTS ON DEPOSIT WITH FIRST HORIZON BANK

BE IT RESOLVED by the Kingsport Board for Education as follows:


SECTION I. That First Horizon Bank (hereinafter referred to as the "Bank") be and is hereby designated as a depository of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund, and that accounts established at the Bank, for and on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund shall be identified in the accounts and on the records of the Bank in the name of the John F. Kennedy Elementary School as well as by account name/description, account number and/or any other means as the Bank and/or of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund may determine to be necessary to appropriately identify, track and account for said account or accounts in the Bank's records, and that accounts currently established at the Bank in the name of, for and on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund, are identified as follows:

<u>NAME</u>	<u>ACCOUNT NUMBER</u>
John F. Kennedy Elementary School – Activities Account	170045037

SECTION II. That the Principal, Associate Principal, or Secretary/Bookkeeper, the officers herein listed below, are hereby authorized on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund to enter into any of the Bank's checking, savings, time deposit, wire transfer, night deposit, or cash management and corporate service agreements, or other deposit account agreements and that the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund shall be bound by the terms and conditions of the said agreements.

SECTION III. That any of the officers designated herein and listed below are authorized on behalf of this school to endorse for deposit with said Bank, any and all checks, drafts, certificate of deposits, savings certificates, or other instruments or written orders for the payment of money payable to this school and such endorsements may be in writing, by stamp or otherwise affixed.

SECTION IV. That delivery to the Bank of funds, checks, drafts or other property, with or without endorsement, and, if endorsed, in whatever manner effected, unless specifically restricted, shall be authority to the Bank to place the same to the credit of the school, and such credits may be withdrawn by check, draft or instrument executed for the school by any two of the following officials, the duly appointed Principal, Associate Principal, or Secretary/Bookkeeper as herein identified:

<u>TITLE</u>	<u>TYPED NAME</u>	<u>SIGNATURE</u>
Principal	Heather Hobbs	
OR		

Associate Principal

Kandy Thompson



OR

Secretary/Bookkeeper

Kemberly D. Couch



SECTION V. That any two of the officers designated herein and listed above are authorized on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund to execute the Funds Transfer Agreement to authorize the transfer of funds to other financial institutions or other accounts at Bank by written instructions, telephone or terminal communication device.

SECTION VI. That the Bank shall be under no obligation to see or make inquiry as to the application of any funds withdrawn from said account, even though the withdrawal order may be payable to the agent of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund executing the same, and the funds be withdrawn for his individual use or credit.

SECTION VII. That this resolution shall supersede all previous resolutions filed by the Kingsport Board of Education with the Bank from and after its adoption, and that the Bank shall recognize only those signatures of the officials designated herein as authorized signatures on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund, and that the Bank shall delete from its records any previously authorized signatures that do not appear herein.

SECTION VIII. That the accounts established at the Bank in the name of, for and on behalf of the Kingsport City Schools – John F. Kennedy Elementary School Activity Fund shall be classified and identified on the accounts and in the records of the Bank as public funds.

SECTION IX. That no official correspondence and/or official notice from the Bank shall be effective unless directed to the office of the Principal at the following address:

Dr. Janice Irvin, Principal  
John F. Kennedy Elementary School  
1500 Woodland Avenue  
Kingsport, Tennessee 37665

SECTION X. That this resolution shall be effective from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of September 2025.

---

Brandon S. Fletcher  
Board President

## RESOLUTION

### A RESOLUTION AUTHORIZING OFFICIAL SIGNATURES FOR ACCOUNTS ON DEPOSIT WITH FIRST HORIZON BANK

BE IT RESOLVED by the Kingsport Board for Education as follows:


SECTION I. That First Horizon Bank (hereinafter referred to as the "Bank") be and is hereby designated as a depository of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund, and that accounts established at the Bank, for and on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund shall be identified in the accounts and on the records of the Bank in the name of the Theodore Roosevelt Elementary School as well as by account name/description, account number and/or any other means as the Bank and/or of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund may determine to be necessary to appropriately identify, track and account for said account or accounts in the Bank's records, and that accounts currently established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund, are identified as follows:

<u>NAME</u>	<u>ACCOUNT NUMBER</u>
Theodore Roosevelt Elementary School – Activities Account	175141653

SECTION II. That the Principal, Associate Principal, or Secretary/Bookkeeper, the officers herein listed below, are hereby authorized on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund to enter into any of the Bank's checking, savings, time deposit, wire transfer, night deposit, or cash management and corporate service agreements, or other deposit account agreements and that the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund shall be bound by the terms and conditions of the said agreements.

SECTION III. That any of the officers designated herein and listed below are authorized on behalf of this school to endorse for deposit with said Bank, any and all checks, drafts, certificate of deposits, savings certificates, or other instruments or written orders for the payment of money payable to this school and such endorsements may be in writing, by stamp or otherwise affixed.

SECTION IV. That delivery to the Bank of funds, checks, drafts or other property, with or without endorsement, and, if endorsed, in whatever manner effected, unless specifically restricted, shall be authority to the Bank to place the same to the credit of the school, and such credits may be withdrawn by check, draft or instrument executed for the school by any two of the following officials, the duly appointed Principal, Associate Principal, or Secretary/Bookkeeper as herein identified:

<u>TITLE</u>	<u>TYPED NAME</u>	<u>SIGNATURE</u>
Principal	Philip Wright	
OR		

Associate Principal

Ashley Carter



OR

Secretary/Bookkeeper

Grace Goodnight



SECTION V. That any two of the officers designated herein and listed above are authorized on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund to execute the Funds Transfer Agreement to authorize the transfer of funds to other financial institutions or other accounts at Bank by written instructions, telephone or terminal communication device.

SECTION VI. That the Bank shall be under no obligation to see or make inquiry as to the application of any funds withdrawn from said account, even though the withdrawal order may be payable to the agent of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund executing the same, and the funds be withdrawn for his individual use or credit.

SECTION VII. That this resolution shall supersede all previous resolutions filed by the Kingsport Board of Education with the Bank from and after its adoption, and that the Bank shall recognize only those signatures of the officials designated herein as authorized signatures on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund, and that the Bank shall delete from its records any previously authorized signatures that do not appear herein.

SECTION VIII. That the accounts established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Theodore Roosevelt Elementary School Activity Fund shall be classified and identified on the accounts and in the records of the Bank as public funds.

SECTION IX. That no official correspondence and/or official notice from the Bank shall be effective unless directed to the office of the Principal at the following address:

Dr. Philip Wright, Principal  
Theodore Roosevelt Elementary School  
1051 Lake Street  
Kingsport, Tennessee 37660

SECTION X. That this resolution shall be effective from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of September 2025.

---

Brandon S. Fletcher  
Board President

## RESOLUTION

### A RESOLUTION AUTHORIZING OFFICIAL SIGNATURES FOR ACCOUNTS ON DEPOSIT WITH FIRST HORIZON BANK

BE IT RESOLVED by the Kingsport Board for Education as follows:

SECTION I. That First Horizon Bank (hereinafter referred to as the "Bank") be and is hereby designated as a depository of the Kingsport City Schools – Dobyons-Bennett High School Activity Fund, and that accounts established at the Bank, for and on behalf of the Kingsport City Schools – Dobyons-Bennett High School Activity Fund shall be identified in the accounts and on the records of the Bank in the name of the Dobyons-Bennett High School as well as by account name/description, account number and/or any other means as the Bank and/or of the Kingsport City Schools – Dobyons-Bennett High School Activity Fund may determine to be necessary to appropriately identify, track and account for said account or accounts in the Bank's records, and that accounts currently established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Dobyons-Bennett High School Activity Fund, are identified as follows:

<u>NAME</u>	<u>ACCOUNT NUMBER</u>
Dobyons-Bennett High School – Activities Account	175141779

SECTION II. That the Principal, Activities Director, Athletic Director or Assistant Principals, the officers herein listed below, are hereby authorized on behalf of the Kingsport City Schools – Dobyons-Bennett High School Activity Fund to enter into any of the Bank's checking, savings, time deposit, wire transfer, night deposit, or cash management and corporate service agreements, or other deposit account agreements and that the Kingsport City Schools – Dobyons-Bennett High School Activity Fund shall be bound by the terms and conditions of the said agreements.






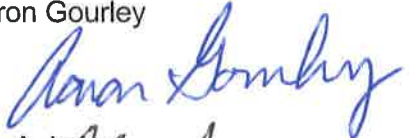
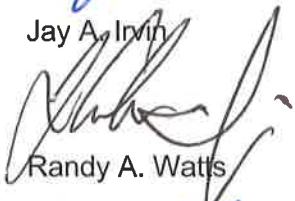

SECTION III. That any of the officers designated herein and listed below are authorized on behalf of this school to endorse for deposit with said Bank, any and all checks, drafts, certificate of deposits, savings certificates, or other instruments or written orders for the payment of money payable to this school and such endorsements may be in writing, by stamp or otherwise affixed.

SECTION IV. That delivery to the Bank of funds, checks, drafts or other property, with or without endorsement, and, if endorsed, in whatever manner effected, unless specifically restricted, shall be authority to the Bank to place the same to the credit of the school, and such credits may be withdrawn by check, draft or instrument executed for the school by any two of the following officials, the duly appointed Principal, Activities Director, Athletic Director or Assistant Principals as herein identified:

TITLE

TYPED NAME

SIGNATURE

Principal	Brian Tate
OR	
Athletic Director	Frank DeBusk
OR	
Assistant Principal	Amanda Arnold
OR	
Assistant Principal	Kristen Davenport
OR	
Assistant Principal	Melissa Seaver
OR	
Assistant Principal	Aaron Gourley
OR	
Assistant Principal	Jay A. Irvin
OR	
Assistant Principal	Randy A. Watts
	

SECTION V. That any two of the officers designated herein and listed above are authorized on behalf of the Kingsport City Schools – Dobyns-Bennett High School Activity Fund to execute the Funds Transfer Agreement to authorize the transfer of funds to other financial institutions or other accounts at Bank by written instructions, telephone or terminal communication device.

SECTION VI. That the Bank shall be under no obligation to see or make inquiry as to the application of any funds withdrawn from said account, even though the withdrawal order may be payable to the agent of the Kingsport City Schools – Dobyns-Bennett High School Activity Fund executing the same, and the funds be withdrawn for his individual use or credit.

SECTION VII. That this resolution shall supersede all previous resolutions filed by the Kingsport Board of Education with the Bank from and after its adoption, and that the Bank shall recognize only those signatures of the officials designated herein as authorized signatures on behalf of the Kingsport City Schools – Dobyns-Bennett High School Activity Fund, and that the Bank shall delete from its records any previously authorized signatures that do not appear herein.

SECTION VIII. That the accounts established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Dobyys-Bennett High School Activity Fund shall be classified and identified on the accounts and in the records of the Bank as public funds.

SECTION IX. That no official correspondence and/or official notice from the Bank shall be effective unless directed to the office of the Principal at the following address:

Dr. Brian Tate, Principal  
Dobyys-Bennett High School  
1 Tribe Way  
Kingsport, Tennessee 37664

SECTION X. That this resolution shall be effective from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of September 2025.

---

Brandon S. Fletcher  
Board President

## RESOLUTION

### A RESOLUTION AUTHORIZING OFFICIAL SIGNATURES FOR ACCOUNTS ON DEPOSIT WITH FIRST HORIZON BANK

BE IT RESOLVED by the Kingsport Board for Education as follows:


SECTION I. That First Horizon Bank (hereinafter referred to as the "Bank") be and is hereby designated as a depository of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund, and that accounts established at the Bank, for and on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund shall be identified in the accounts and on the records of the Bank in the name of the Andrew Jackson Elementary School as well as by account name/description, account number and/or any other means as the Bank and/or of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund may determine to be necessary to appropriately identify, track and account for said account or accounts in the Bank's records, and that accounts currently established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund, are identified as follows:

<u>NAME</u>	<u>ACCOUNT NUMBER</u>
Andrew Jackson Elementary School – Activities Account	175141933

SECTION II. That the Principal, Associate Principal or Secretary/Bookkeeper, the officers herein listed below, are hereby authorized on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund to enter into any of the Bank's checking, savings, time deposit, wire transfer, night deposit, or cash management and corporate service agreements, or other deposit account agreements and that the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund shall be bound by the terms and conditions of the said agreements.

SECTION III. That any of the officers designated herein and listed below are authorized on behalf of this school to endorse for deposit with said Bank, any and all checks, drafts, certificate of deposits, savings certificates, or other instruments or written orders for the payment of money payable to this school and such endorsements may be in writing, by stamp or otherwise affixed.

SECTION IV. That delivery to the Bank of funds, checks, drafts or other property, with or without endorsement, and, if endorsed, in whatever manner effected, unless specifically restricted, shall be authority to the Bank to place the same to the credit of the school, and such credits may be withdrawn by check, draft or instrument executed for the school by any two of the following officials, the duly appointed Principal, Associate Principal or Secretary/Bookkeeper as herein identified:

<u>TITLE</u>	<u>TYPED NAME</u>	<u>SIGNATURE</u>
Principal	Kelli Seymour	
OR		

Associate Principal

Dustin Ford

OR

Secretary/Bookkeeper

Ann Adams

SECTION V. That any two of the officers designated herein and listed above are authorized on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund to execute the Funds Transfer Agreement to authorize the transfer of funds to other financial institutions or other accounts at Bank by written instructions, telephone or terminal communication device.

SECTION VI. That the Bank shall be under no obligation to see or make inquiry as to the application of any funds withdrawn from said account, even though the withdrawal order may be payable to the agent of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund executing the same, and the funds be withdrawn for his individual use or credit.

SECTION VII. That this resolution shall supersede all previous resolutions filed by the Kingsport Board of Education with the Bank from and after its adoption, and that the Bank shall recognize only those signatures of the officials designated herein as authorized signatures on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund, and that the Bank shall delete from its records any previously authorized signatures that do not appear herein.

SECTION VIII. That the accounts established at the Bank in the name of, for and on behalf of the Kingsport City Schools – Andrew Jackson Elementary School Activity Fund shall be classified and identified on the accounts and in the records of the Bank as public funds.

SECTION IX. That no official correspondence and/or official notice from the Bank shall be effective unless directed to the office of the Principal at the following address:

Dr. Kelli Seymour, Principal  
Andrew Jackson Elementary School  
600 Jackson Street  
Kingsport, Tennessee 37660

SECTION X. That this resolution shall be effective from and after its adoption, the public welfare requiring it.

ADOPTED this the 9th day of September 2025.

---

Brandon S. Fletcher  
Board President

2686

KINGSPORT CITY SCHOOLS - KINGSPORT POLICE DEPARTMENT  
SCHOOL CROSSING GUARDS  
INTERDEPARTMENTAL MEMORANDUM OF UNDERSTANDING

This interdepartmental Memorandum of Understanding effective March 31, 2025 is between the Kingsport City Schools, hereinafter "School System" and the Kingsport Police Department, hereinafter "Police Department." This Memorandum of Understanding is to provide direction for acquisition, management, and funding of crossing guards for the 2025-2026 school year and each school year thereafter during the term of this Memorandum of Understanding.

The School System and the Police Department are setting out hereinafter the general terms and conditions of the services to be performed by the parties.

1. The Police Department will provide qualified crossing guards and equipment, which may be through a private provider, hereinafter "Contracted Company". Crossing guards will be staffed each school day during the 2025-2026 school year, and other school years as applicable. Crossing Guards will not be staffed during summer school or special events.
2. The general duties of a crossing guard includes monitoring and stopping traffic as necessary at assigned street crossing for the safety of school children and directing or escorting children going to and from school across assigned street crossings. The crossing guard may also instruct children on the precautions used when crossing a street.
3. The Contracted Company shall be responsible for completion of a background check required by T.C.A. Section 49-5-413 on each contracted employee prior to employment and placement.
4. Crossing guards shall be under the supervision of the Contracted Company. Should personnel issues arise it shall be the responsibility of the Police Department to address the issue with the Contracted Company. In the event that a personnel issue is brought forward by the School System it shall be responsible for communicating pertinent information to the Police Department in a timely manner.
5. The School System shall transfer \$29,128.16 from one of its accounts to the Police Department Contractual Service account for payment of the contracted crossing guard services incurred by the Police Department. Transfer of funds shall be handled by the city's finance department. The departments will include this dollar amount as part of their budget request on an annual basis to ensure proper and equitable funding and continuation of the school crossing guard program.
6. This Memorandum of Understanding shall remain in effect until terminated by either department. Such termination shall occur at the end of the school year unless the departments agree otherwise.
7. The departments shall review the Memorandum of Understanding after the commencement of each fiscal year and prior to each new school year term for any necessary or suggested changes.
8. The Police Department and the School System will comply with all applicable state, federal, and local laws, rules, and regulations.
9. Either the School System or the Police Department may request a change in the number of school crossing guard positions needed for the school year. Expense incurred as a result of staffing changes and contractual price increases shall be shared by the Police Department and the School System in an equitable manner. These positions serve at the pleasure of either or both departments. No individual has a property right to the assignment.

- 10. This Memorandum of Understanding may be modified upon mutual written agreement of the Police Department and the School System.
- 11. The crossing guard placements shall be reviewed annually by the Police Department and the School System. Priority will be given to the locations where the need is determined to be the greatest and with the understanding that only the locations that are funded will be staffed. The mutually agreed upon placements will be submitted annually as an exhibit to this document.

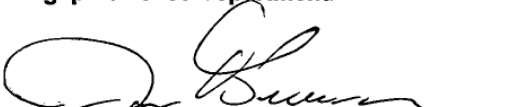
IN WITNESS WHEREOF:

**Kingsport City Schools:**

  
 \_\_\_\_\_  
 Melissa Woods, School Board President

  
 \_\_\_\_\_  
 Chris Hampton, Superintendent of Schools

**Kingsport Police Department:**

  
 \_\_\_\_\_  
 Jason Bellamy, Chief of Police

  
 \_\_\_\_\_  
 Chris McCart, City Manager

ATTEST:

  
 \_\_\_\_\_  
 City Recorder

APPROVED AS TO FORM:

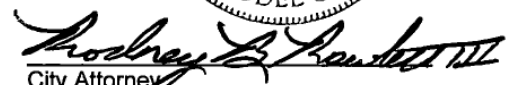
  
 \_\_\_\_\_  
 City Attorney



EXHIBIT TO KINGSPORT CITY SCHOOLS - KINGSPORT POLICE DEPARTMENT SCHOOL  
CROSSING GUARDS  
INTERDEPARTMENTAL MEMORANDUM OF UNDERSTANDING  
2025-2026 SCHOOL YEAR

<u>Crossing Guard Location</u>	<u>Times AM</u>	<u>Times PM</u>
Jessee St at Ross Robinson School	07:00-07:45	14:30-15:00
E Center St at Summer St	08:00-08:30	15:15-15:45
Donelson St at Jackson St	08:00-08:30	15:15-15:45
Fairview St at Lake St	08:00-08:30	15:15-15:45
E Center St at E St	08:00-08:30	15:15-15:45
Lynn Garden Dr at W Sullivan St	08:00-08:30	15:15-15:45
Donelson St at Lovedale	08:00-08:30	15:15-15:45
Lynn Garden Drive at Dellwood	08:00-08:30	15:15-15:45
University Blvd at Bellingham	08:00-08:30	15:15-15:45

**KINGSPORT BOARD OF EDUCATION POLICY RECOMMENDATIONS**  
**For: Consideration for Adoption**  
**September 9, 2025 - Board of Education Meeting**

---

**Policies considered for adoption on 1<sup>st</sup> Reading**

**REVISED POLICY – 1<sup>st</sup> Reading**

**1.8011 – Emergency Closings**

Per administrative review, this revision is requested to modify the expectations of staff regarding reporting to work on days when the school schedule is impacted by inclement weather or other reasons.

**REVISED POLICY – 1<sup>st</sup> Reading**

**1.901 – Charter School Applications**

TSBA is recommending changes to several charter school policies based on Public Chapter 275. This new law shifts certain responsibilities to the State Board of Education and the TN Public Charter Schools Commission. Additionally, there is a new requirement that Boards report all charter applications received to the TN Public Charter Schools Commission.

**REVISED POLICY – 1<sup>st</sup> Reading**

**2.403 – Surplus Property Sales**

In the past, federal regulations required that certain actions be taken when property valued at \$5,000 or below was disposed of. This limit has been increased to \$10,000. TSBA has revised Policy 2.403 to align with this new standard. Additionally, Public Chapter 500 includes new criteria for posting notices on news and information websites. This new law clarifies that the website is not intended to be the same newspaper of general circulation utilized for the printed publication.

**REVISED POLICY – 1<sup>st</sup> Reading**

**2.601 – Fundraising Activities**

Per Kingsport City Attorney review and recommendation, a revision as to fundraising authorization is recommended.

**REVISED POLICY – 1<sup>st</sup> Reading**

**4.212 – Virtual Education Program**

Public Chapter 484 permits districts to use hybrid learning in the event of dangerous or extreme weather or in an emergency, as determined by the Superintendent of Schools. If a district uses hybrid learning, the Board must have a policy in place regarding student attendance. TSBA has added this option to the virtual education policy.

**REVISED POLICY – 1<sup>st</sup> Reading**

**4.406 – Use of the Internet**

TSBA recommends including language on restricting social media use by students while using district provided internet. This aligns with Public Chapter 195 and including the provision is recommended by TSBA as a best practice.

## **REVISED POLICY – 1<sup>st</sup> Reading**

### **5.110 – Compensation and Contracts**

State law now permits Boards to determine whether to compensate a teacher's estate or designated beneficiary for unused leave time. If the Board would like to offer this benefit, TSBA recommends adding a provision to policy.

## **REVISED POLICY – 1<sup>st</sup> Reading**

### **5.1141 – Teacher Effect Data**

With the establishment of the Chief Program Officer - Curriculum and Instruction position, a revision is necessary to include all applicable positions that need access to teacher effect data.

## **REVISED POLICY – 1<sup>st</sup> Reading**

### **5.119 – Employment of Retirees**

TSBA recommends removing language in Kingsport's current policy that is not in TSBA model policy. Under recent changes to state law (PC 159), the only options for employing retirees are under a 120-day contract or in the hard-to-fill category. As a result, TSBA recommends adopting the language in their model policy.

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in September</b>	Descriptor Term: <b>Emergency Closings</b>	Descriptor Code: <b>1.8011</b>	Issued Date: <b>12/14/21</b>
		Rescinds: <b>1.8011</b>	Issued: <b>04/14/20</b>

## 1 *General*

2  
3 The Board authorizes the Superintendent of Schools to close schools in the event of hazardous weather,  
4 a public health emergency, or any other emergency which presents a threat to the safety of students, staff  
5 members, or school property.<sup>1</sup>

6  
7 In the event of inclement weather or an unforeseen emergency, the Superintendent, with input from the  
8 identified administrative staff, shall make a decision about school attendance.<sup>1</sup> This decision shall be  
9 announced by the parent/school communication system, posted on the system's website [www.k12k.com](http://www.k12k.com)  
10 and social media channels, broadcast on the school system's radio station, WCSK FM 90.3, and will be  
11 provided to other local media outlets.

12 If school is not in session or is dismissed early due to snow or inclement weather, the Superintendent of  
13 Schools, in consultation with the principal(s) of the impacted school(s), shall determine if all scheduled  
14 activities in which schools are involved shall be postponed or cancelled.

15 Irrespective of the Superintendent's decision to close schools, the final decision concerning a student's  
16 attendance on days with extreme weather conditions rests with the parent or guardian.

## 17 **EMPLOYEE RESPONSIBILITIES**

18 On days when schools are closed for inclement weather, teachers and staff whose daily work schedule  
19 is coextensive with the student calendar are not required to report to work. **Other employees who work  
20 a 12-month calendar will report to work on a two-hour delay and will be compensated at their regular  
21 rate of pay for the two hours missed. Any additional time missed beyond two hours will not be  
22 compensated, and such employees may request appropriate leave. Those 12-month employees electing  
23 to not report to work on such days must request appropriate leave for the entirety of their scheduled shift.**

24  
25 **The Superintendent of Schools or designee may identify individual employees or employee groups as  
26 Weather Essential. Weather Essential employees may be required to work regular or altered schedules  
27 on days when the school schedule is altered, as determined by their direct supervisor.**

28  
29 **On days when the daily schedule is altered: ~~all employees are required to report to school at the regular  
30 time unless otherwise noted.~~**

- 31 • **Delayed Start: Employees should delay their report to work equal to the length of the announced  
32 delay and will be compensated for the time missed at their regular rate of pay (Transportation  
33 staff will be compensated at a rate established by the Superintendent of Schools). EXCEPTION:  
34 Employees scheduled to report to work at or after the adjusted/delayed start time will report at**

1 their regularly assigned time. Employees designated as Weather Essential will report at their  
2 regular time and will be compensated at a rate established by the Superintendent of Schools for  
3 the length of the announced delay.

- 4 • Early Dismissal: School-based employees are to be dismissed once students have left the  
5 building, the employee's student supervision duties are complete, and upon receiving school  
6 administrator approval. Such employees will be compensated at their regular rate of pay through  
7 the end of their scheduled shift. School-based employees designated as Weather Essential may  
8 be required to remain at work until dismissed or have their work schedule altered by their  
9 supervisor and will be compensated at a rate established by the Superintendent of Schools. If  
10 conditions dictate, non-school-based employees will be dismissed at a time to be announced by  
11 the Superintendent of Schools (based on the situation) and will be compensated at their regular  
12 rate of pay through the end of their scheduled shift. Non-school-based employees designated as  
13 Weather Essential may be required to remain at work until dismissed by their supervisor and will  
14 be compensated at a rate established by the Superintendent of Schools.

15 In the event of an emergency that requires closure of a school building, group of schools, or the entire  
16 district, the Superintendent of Schools is authorized to continue to pay employees who are not able to  
17 physically report for duty as a result. In the event the Superintendent of Schools determines to continue  
18 pay for employees, they shall receive their regular wages. Such payments shall not exceed the number  
19 of days budgeted for each employee.

---

Legal References

1. TCA 49-6-3004(e)(1); TRR/MS 0520-01-02-.31(1)(a)(1)(i); TCA 58-2-101; Public Acts of 2021, Chapter No. 96

---

Cross References

Emergency Preparedness Plan 3.202  
Telework During Emergencies 5.1151

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in August</b>	Descriptor Term: <b>Charter School Applications</b>	Descriptor Code: <b>1.901</b>	Issued Date: <b>08/10/21</b>
		Rescinds: <b>1.901</b>	Issued: <b>02/11/20</b>

## 1 *General*

2 This policy shall apply to sponsors and potential sponsors of charter schools. It shall not apply to  
3 charter schools converting from existing public schools. Proposals from existing charter school  
4 operators or replicators and applicants proposing to contract with educational service providers shall  
5 include the information required by state law.<sup>1</sup>

## 6 **APPLICATION PROCESS<sup>2</sup>**

7 A prospective charter school sponsor shall send the ~~Director~~ **Superintendent** of Schools notice of its  
8 intent sixty (60) days prior to February 1<sup>st</sup> of the year preceding the year in which the proposed charter  
9 school plans to begin operation as a charter school.

10 A sponsor seeking board approval of an initial charter school application shall complete the forms  
11 ~~provided by the Department of Education developed by the State Board of Education in coordination~~  
12 ~~with the Tennessee Public Charter School Commission (“the Commission”).~~ The application shall  
13 provide all the information required by **state** law. The sponsor shall demonstrate that the proposed  
14 charter school meets the purpose prescribed by **state** law for the formation of a charter school, and the  
15 proposed charter school will be able to implement a viable program of quality education for its  
16 students.<sup>3</sup>

17 ~~Applications shall be submitted to the Board and Department of Education on or before 4:30 p.m. on~~  
18 ~~February 1<sup>st</sup> of the year preceding the year in which the proposed charter school plans to begin~~  
19 ~~operation as a charter school. If the 1<sup>st</sup> of February falls on a Saturday, Sunday, or holiday on which~~  
20 ~~the school district offices are closed, applications will be accepted on the next business day on or~~  
21 ~~before 4:30 p.m. Late applications will not be accepted, without exception. The sponsor shall pay an~~  
22 ~~application fee of \$2,500.00.<sup>2</sup>~~

23  
24 ~~Electronic copies of applications shall be submitted to the Board and the Commission on or before~~  
25 ~~11:59 p.m. Central Time on February 1st of the year preceding the year in which the proposed charter~~  
26 ~~school plans to begin operation as a charter school. If the 1st of February falls on a Saturday, Sunday,~~  
27 ~~or holiday on which the school district offices are closed, applications will be accepted on the next~~  
28 ~~business day on or before 11:59 p.m. Late applications will not be accepted, without exception. The~~  
29 ~~sponsor shall pay an application fee of \$2,500.00. The Superintendent of Schools/designee shall report~~  
30 ~~each application received to the Commission no later than ten (10) days after receipt.<sup>2</sup>~~

31  
32 ~~The Board shall determine whether an application is complete within ten (10) business days of~~  
33 ~~receiving the application and shall notify the sponsor within five (5) business days of the determination~~  
34 ~~if the application is determined to be incomplete.<sup>3</sup>~~

## 1 REVIEW TEAM<sup>1</sup>

2 If necessary, the ~~Board~~ Superintendent of Schools/designee shall appoint a review team to assist in  
3 reviewing and evaluating charter school applications. The team shall be composed of members of the  
4 administrative staff for the district, community members, and a member of the Board with relevant  
5 educational, organizational, financial, and legal experience. At the board meeting in December of each  
6 year, the ~~Director~~ Superintendent of Schools/designee shall make a recommendation to the Board on  
7 which members of his/her administrative staff should be appointed to the team. The Board shall name  
8 the members of the team at its meeting in January of each year. The Board shall designate a Chair of  
9 the review team as the contact person for answering questions about the application process and  
10 receiving applications. The ~~Director~~ Superintendent of Schools/designee shall develop an orientation  
11 for the team to ensure consistent evaluation standards and the elimination of real or perceived conflicts  
12 of interest.

13 The Board shall require the ~~Director~~ Superintendent of Schools/designee to develop a procedure for  
14 receiving, reviewing, and ruling on applications for the establishment of charter schools by the review  
15 team. The procedure shall include a timeline for the application and review process. A copy of the  
16 procedure, including the review criteria, shall be available to any interested party upon request.

17 The review team shall:

- 18 1. Evaluate all charter school applications based on the review criteria adopted by the ~~Board~~ state  
19 law;
- 20 2. Recommend one of the following options to the Board for each application: approve, reject, or  
21 reject with stipulations for reconsideration; and
- 22 3. Make recommendations for revocation, renewal, or non-renewal of charter school contracts.

## 25 APPROVAL/DENIAL OF APPLICATION<sup>4</sup>

26 The Board shall rule by resolution on the approval or denial of a charter school application within  
27 ninety (90) days of receipt of the completed application, or the application shall be deemed approved  
28 by state law. The ~~Director~~ Superintendent of Schools/designee shall report the action taken by the  
29 Board to the Department of Education and the Commission.

### 30 *Approval*

31 The sponsor of a charter school that is approved by the Board shall enter into a written agreement with  
32 the Board which shall be binding on the charter school's governing body. The charter school agreement  
33 shall be in writing and signed by the sponsor and the Board.

34 The Board will receive an annual authorizer fee of three percent (3%) of the annual per student state  
35 and local allocations or thirty-five thousand dollars (\$35,000), whichever is less.<sup>5</sup>

1 Charter schools approved by the Board are expected to implement the application as submitted and  
2 approved. Material variations in operations from the approved application require amendment pursuant  
3 to statute and the charter school agreement.<sup>6</sup>

4 The Board shall not provide services to charter schools that are not requested during the application  
5 process except for those services that are required under state or federal laws. Services agreed to be  
6 provided to the charter school by the Board shall be provided at board actual cost. The Board and  
7 charter school shall execute a service contract for any additional services.

8 New charter school agreements are approved for a ten (10) year period.<sup>7</sup> The Board may revoke or  
9 deny renewal of a charter school agreement for any of the reasons enumerated in state law.<sup>8</sup>

#### 10 *Denial*

11 **If the initial charter school application is denied, the Board shall notify the sponsor in writing within**  
12 **ten (10) calendar days, specifying the objective reasons for the denial and the deadline by which the**  
13 **sponsor may submit an amended application.** Upon written receipt of the grounds for denial, the  
14 sponsor shall have thirty (30) days within which to submit an amended application to correct the  
15 deficiencies. The Board shall have sixty (60) days either to deny or to approve the amended  
16 application, or the application shall be deemed approved by **state** law.<sup>4</sup>

17 **If the amended charter school application is denied, the Board shall notify the sponsor in writing**  
18 **within five (5) calendar days, specifying the objective reasons for denial and the sponsor's right to an**  
19 **appeal.** Within ten (10) days of final denial, an appeal may be filed with the Tennessee **Public** Charter  
20 School Commission.<sup>9</sup>

---

#### Legal References

1. TCA 49-13-106; State Board of Education Policy 6.111
2. TCA 49-13-107; TCA 1-3-102; TCA 49-13-108; TRR/MS 0520-14-01
3. TCA 49-13-110
4. TCA 49-13-108; TRR/MSS 0520-14-01
5. TCA 49-13-128
6. TRR/MS 0520-14-01-.06; TCA 49-13-110
7. TCA 49-13-110
8. TCA 49-13-122
9. TCA 49-13-108(b)(5)

Click here to choose a school board.

Monitoring: <b>Review: Annually, in August</b>	Descriptor Term: <b>Charter School Applications</b>	Descriptor Code: <b>1.901</b>	Issued Date: Click here to enter a date.
		Rescinds:	Issued:

1 *General*

2 This policy shall apply to sponsors and potential sponsors of charter schools. It shall not apply to  
3 charter schools converting from existing public schools. Proposals from existing charter school  
4 operators or replicators and applicants proposing to contract with educational service providers shall be  
5 in accordance with state law.<sup>1</sup>

6 **APPLICATION PROCESS**

7 A prospective charter school sponsor shall send notice to the Director of Schools/designee of its intent  
8 sixty (60) calendar days prior to February 1<sup>st</sup> of the year preceding the year in which the proposed  
9 charter school plans to begin operation as a charter school. The Director of Schools/designee shall  
10 determine whether the sponsor has selected the correct application category within ten (10) business  
11 days of receiving the letter of intent and notify the sponsor within five (5) business days of a  
12 determination that the incorrect application category has been selected.<sup>2</sup>

13 A sponsor seeking board approval of an initial charter school application shall complete the forms  
14 developed by the State Board of Education in coordination with the Tennessee Public Charter School  
15 Commission (“the Commission”). The application shall provide all the information required by state  
16 law. The sponsor shall demonstrate that the proposed charter school meets the purpose prescribed by  
17 state law for the formation of a charter school, and the proposed charter school will be able to  
18 implement a viable program of quality education for its students.

19 Electronic copies of applications shall be submitted to the Board and the Commission on or before  
20 11:59 p.m. Central Time on February 1<sup>st</sup> of the year preceding the year in which the proposed charter  
21 school plans to begin operation as a charter school. If the 1<sup>st</sup> of February falls on a Saturday, Sunday,  
22 or holiday on which the school district offices are closed, applications will be accepted on the next  
23 business day on or before 11:59 p.m. Late applications will not be accepted, without exception. The  
24 sponsor shall pay an application fee of \$2,500.00. The Director of Schools/designee shall report each  
25 application received to the Commission no later than ten (10) days after receipt.<sup>2</sup>

26 The Board shall determine whether an application is complete within ten (10) business days of  
27 receiving the application and shall notify the sponsor within five (5) business days of the determination  
28 if the application is determined to be incomplete.<sup>3</sup>

29

30 **REVIEW TEAM<sup>1</sup>**

1 If necessary, the Director of Schools/designee shall appoint a review team to assist in reviewing and  
2 evaluating charter school applications. The team shall be comprised of members of the administrative  
3 staff for the district and community members with relevant educational, organizational, financial, and  
4 legal experience. At the board meeting in December of each year, the Director of Schools/designee  
5 shall make a recommendation to the Board on which members of his/her administrative staff should be  
6 appointed to the team. The Board shall name the members of the team at its meeting in January of each  
7 year. The Board shall designate a Chair of the review team as the contact person for answering  
8 questions about the application process and receiving applications. The Director of Schools/designee  
9 shall develop an orientation for the team to ensure consistent evaluation standards and the elimination  
10 of real or perceived conflicts of interest.

11 The Board shall require the Director of Schools/designee to develop a procedure for receiving,  
12 reviewing, and ruling on applications for the establishment of charter schools by the review team. The  
13 procedure shall include a timeline for the application and review process. A copy of the procedure,  
14 including the review criteria, shall be available on the district's website.

15 The review team shall:

- 16 1. Evaluate all charter school applications based on the review criteria established by state law;  
17 and  
18
- 19 2. Recommend one of the following options to the Board for each application: approve, reject, or  
20 reject with stipulations for reconsideration.<sup>4</sup>  
21

## 22 **APPROVAL/DENIAL OF APPLICATION<sup>5</sup>**

23 The Board shall rule by resolution on the approval or denial of an initial charter school application  
24 within ninety (90) calendar days of receipt of the completed application, or the application shall be  
25 deemed approved by state law. The Director of Schools/designee shall report the action taken by the  
26 Board to the Department of Education and the Commission.

### 27 *Approval*

28 The sponsor of a charter school that is approved by the Board shall enter into a written agreement with  
29 the Board which shall be binding on the charter school's governing body. The charter school agreement  
30 shall be in writing and signed by the sponsor and the Board.

31 The Board will receive an annual authorizer fee of three percent (3%) of the annual per student state  
32 and local allocations or thirty-five thousand dollars (\$35,000), whichever is less.<sup>6</sup>

33 Charter schools approved by the Board are expected to implement the application as submitted and  
34 approved. Material variations in operations from the approved application require amendment pursuant  
35 to state law and the charter school agreement.<sup>7</sup>

36 The Board shall not provide services to charter schools that are not requested during the application  
37 process except for those services that are required under state or federal law. Services agreed to be

1 provided to the charter school by the Board shall be provided at the Board's actual cost. The Board and  
2 charter school shall execute a service contract for any additional services.

3 New charter school agreements are approved for a ten (10) year period.<sup>8</sup> The Board may revoke or  
4 deny renewal of a charter school agreement for any of the reasons enumerated in state law.<sup>9</sup>

#### 5 *Denial*

6 If the initial charter school application is denied, the Board shall notify the sponsor in writing within  
7 ten (10) calendar days, specifying the objective reasons for the denial and the deadline by which the  
8 sponsor may submit an amended application. Upon written receipt of the grounds for denial, the  
9 sponsor shall have thirty (30) calendar days within which to submit an amended application to correct  
10 the deficiencies. The Board shall have sixty (60) calendar days either to deny or to approve the  
11 amended application, or the application shall be deemed approved by state law.<sup>5</sup>

12 If the amended charter school application is denied, the Board shall notify the sponsor in writing  
13 within five (5) calendar days, specifying the objective reasons for denial and the sponsor's right to an  
14 appeal. Within ten (10) calendar days of final denial, an appeal may be filed with the Tennessee Public  
15 Charter School Commission.<sup>10</sup>

---

#### Legal References

1. [TCA 49-13-106; State Board of Education Policy 6.111](#)
2. [TCA 49-13-107; Public Acts of 2025, Chapter No. 275; TCA 1-3-102; TCA 49-13-108; TRR/MS 0520-14-01-.01\(1\)\(b\),\(e\)](#)
3. [TRR/MS 0520-14-01-.01\(1\)\(i\)](#)
4. [TRR/MS 0520-14-01](#)
5. [TCA 49-13-108; Public Acts of 2025, Chapter No. 275; TRR/MSS 0520-14-01](#)
6. [TCA 49-13-128](#)
7. [TCA 49-13-110\(d\)-\(e\); TRR/MSS 0520-14-01](#)
8. [TCA 49-13-110\(c\)](#)
9. [TCA 49-13-122](#)
10. [TCA 49-13-108\(b\)\(5\)](#)



# *State of Tennessee*

## **PUBLIC CHAPTER NO. 275**

### **SENATE BILL NO. 1310**

**By Johnson, Lowe, Haile, Powers**

Substituted for: House Bill No. 1322

By Lamberth, Cochran, White, Cepicky

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 13, relative to charter schools.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-13-104, is amended by deleting subdivision (4) and substituting instead:

(4) "Authorizer" means a local board of education, the Tennessee public charter school commission, or the achievement school district as defined in § 49-1-614, that makes decisions regarding approval, renewal, and revocation of a public charter school application or agreement;

SECTION 2. Tennessee Code Annotated, Section 49-13-104, is amended by adding the following as a new subdivision:

( ) "Replication" means the creation of one (1) or more charter schools pursuant to the process authorized in § 49-13-137 that utilize the same academic focus of an existing charter school operated by a sponsor or governing body;

SECTION 3. Tennessee Code Annotated, Section 49-13-106(i), is amended by deleting the subsection and substituting instead:

(i) If a sponsor seeks to establish a new public charter school, including an opportunity charter school, then the sponsor must apply to the local board of education or to the commission, if direct application to the commission is authorized in this chapter.

SECTION 4. Tennessee Code Annotated, Section 49-13-107(a), is amended by deleting "department of education" and substituting instead "commission".

SECTION 5. Tennessee Code Annotated, Section 49-13-107(a), is amended by adding the following language at the end of the subsection:

The commission shall make letters of intent received by the commission available on its website no later than ten (10) days from the date on which the letter was received.

SECTION 6. Tennessee Code Annotated, Section 49-13-107(b), is amended by deleting the language that precedes the colon ":" and substituting instead:

On or before February 1 of the year preceding the year in which the proposed public charter school plans to begin operation, the sponsor seeking to establish a public charter school shall prepare and file with the authorizer an application using an application template developed by the state board of education in coordination with the commission. The authorizer shall report each application received by the authorizer to the commission no later than ten (10) days from the date on which the authorizer received the application. A completed application must provide the following information and documents

SECTION 7. Tennessee Code Annotated, Section 49-13-108, is amended by deleting subdivision (b)(4).

SECTION 8. Tennessee Code Annotated, Section 49-13-108(b)(5), is amended by deleting the language "Beginning immediately upon the repeal of subdivision (b)(4)" and substituting instead the language "Beginning on January 1, 2021".

SECTION 9. Tennessee Code Annotated, Section 49-13-108(b)(5)(D), is amended by deleting the language "department of education's" and substituting instead "state board of education's".

SECTION 10. Tennessee Code Annotated, Section 49-13-108(g), is amended by adding the language "and the commission" after "department of education".

SECTION 11. Tennessee Code Annotated, Section 49-13-108(g), is amended by adding the language "and the commission" after "provide the department".

SECTION 12. Tennessee Code Annotated, Section 49-13-108, is amended by deleting the language "This section only applies to" in subdivision (b)(1) and substituting instead the language "Subsections (b)-(d) only apply to" and by adding the following new subsections:

(h)(1) Beginning on July 1, 2025, if the commission has overturned a local board of education's decision to deny a public charter school application on three (3) separate occasions within a three-consecutive-year period, then, for the five-consecutive-year period immediately following the date on which the commission overturned the board's third decision to deny a public charter school application within the last three (3) years, any sponsor that seeks to establish a new public charter school in that LEA may apply directly to the commission.

(2) If a sponsor elects to apply directly to the commission pursuant to this subsection (h), then the application process must be conducted in accordance with § 49-13-107 and with the following:

(A) The commission shall rule by resolution, at a regularly or specially called meeting, to approve or deny a public charter school application no later than ninety (90) days after the date on which the commission received the completed application. If the commission fails to approve or deny a public charter school application within ninety (90) days, then the public charter school application is deemed approved;

(B) If the commission denies an application, then the grounds for denial must be stated in writing and must specify objective reasons for the denial. Upon receipt of the grounds for denial, the sponsor has thirty (30) days to submit an amended application to correct any deficiencies. Upon receipt of the amended application, the commission has sixty (60) days to deny or approve the amended application. If the commission fails to approve or deny the amended application within sixty (60) days, then the amended application is deemed approved;

(C) If the commission approves an application, then the commission is the authorizer and LEA for that public charter school; and

(D) The commission's decision is final and not subject to appeal.

(3) After the five-consecutive-year period during which a sponsor may apply directly to the commission for approval pursuant to this subsection (h), a sponsor that seeks to establish a new public charter school must apply directly to the local board of education unless the conditions in subdivision (h)(1) are met in the future.

(i)(1) A public institution of higher education in this state that seeks to open a public charter school may apply to the local board of education or directly to the commission. If a public institution of higher education in this state elects to apply directly to the commission for approval of its public charter school application, then the application process must be conducted in accordance with § 49-13-107 and with the process and timelines established in subdivision (h)(2).

(2) Notwithstanding § 49-13-113(d)(6), a public charter school sponsored by a public institution of higher education in this state may give an enrollment preference to children of the public institution of higher education's employees or members of the institution's governing body, not to exceed twenty-five percent (25%) of the public charter school's total enrollment.

SECTION 13. Tennessee Code Annotated, Section 49-13-110(d), is amended by deleting the subsection and substituting instead:

(d) The governing body of the public charter school may petition the authorizer to amend the charter agreement. The commission shall determine the timelines for approval and the appeal process. If the authorizer is the commission, then an appeal shall not be made of the commission's decision to deny a petition to amend the charter agreement. The governing body of a public charter school may petition the authorizer for voluntary termination of the charter agreement before the charter agreement expires.

SECTION 14. Tennessee Code Annotated, Section 49-13-111(a)(4), is amended by deleting "Except as provided in § 49-13-142(d), receive" and substituting instead "Receive".

SECTION 15. Tennessee Code Annotated, Section 49-13-116(a), is amended by deleting "department" and substituting instead "state board".

SECTION 16. Tennessee Code Annotated, Section 49-13-116(b), is amended by deleting "department of education" and substituting instead "commission".

SECTION 17. Tennessee Code Annotated, Section 49-13-116(b), is amended by adding the following language at the end of the subsection:

The commission shall annually make the information described in this subsection (b) available on its website.

SECTION 18. Tennessee Code Annotated, Section 49-13-120, is amended by deleting the section and substituting instead:

(a) The commissioner of education shall prepare an annual report on public charter schools that includes, at a minimum:

- (1) Public charter school enrollment;
- (2) Geographic distribution of public charter schools; and
- (3) Public charter school performance, as evidenced by the information provided pursuant to subdivision (b)(3).

(b) In addition to the annual audit of accounts and records of its approved public charter schools pursuant to § 49-13-127, each authorizer shall, by January 1 each year, submit an annual authorizing report to the state board of education and make the annual authorizing report available on its website. The annual authorizing report must include:

- (1) The operating status of the public charter schools approved by the authorizer with a designation of:
  - (A) Approved, but not yet open;
  - (B) Open and operating;
  - (C) Revoked, including the reason for revocation;
  - (D) Nonrenewed; or
  - (E) Closed, including the closing date and reason for closing;
- (2) The oversight and contracted services, if any, provided by the authorizer to the public charter schools approved by the authorizer; and
- (3) A performance report for each public charter school it oversees, in accordance with the performance framework set forth in the charter agreement.

SECTION 19. Tennessee Code Annotated, Section 49-13-121(a), is amended by deleting "department of education" and substituting instead "state board of education in consultation with the commission".

SECTION 20. Tennessee Code Annotated, Section 49-13-121(a), is amended by adding the following language at the end of the subsection:

The authorizer shall report each renewal application received by the authorizer to the commission no later than ten (10) days from the date on which the authorizer received the renewal application.

SECTION 21. Tennessee Code Annotated, Section 49-13-121(d), is amended by deleting "progress reports" and substituting instead "authorizing report".

SECTION 22. Tennessee Code Annotated, Section 49-13-121(e), is amended by deleting the subsection.

SECTION 23. Tennessee Code Annotated, Section 49-13-121(f), is amended by deleting "Beginning immediately upon the repeal of subdivision (e)" and substituting instead "Beginning on January 1, 2021".

SECTION 24. Tennessee Code Annotated, Section 49-13-121(f)(3), is amended by deleting the subdivision and substituting instead:

(3) Notwithstanding subsection (g), the first sentence of § 49-13-110(b), and § 49-13-110(c), if the commission approves the renewal of a charter agreement on appeal from a local board of education, then the public charter school and the commission shall enter into a renewed charter agreement in accordance with § 49-13-110(a) for a term of no less than five (5) academic years, but no more than ten (10) academic years, as determined by resolution of the commission.

SECTION 25. Tennessee Code Annotated, Section 49-13-121(i), is amended by adding the language "and commission" after "department of education".

SECTION 26. Tennessee Code Annotated, Section 49-13-121(k), is amended by deleting "department of education" and substituting instead "state board of education".

SECTION 27. Tennessee Code Annotated, Section 49-13-121, is amended by adding the following as a new subsection:

( ) Notwithstanding subsection (g), the first sentence of § 49-13-110(b), and § 49-13-110(c), if the commission approves the renewal of a charter agreement in accordance with § 49-1-614(k)(2)(B) or § 49-1-614(k)(4), then the public charter school and the commission shall enter into a renewed charter agreement in accordance with § 49-13-110(a) for a term of no less than five (5) academic years, but no more than ten (10) academic years, as determined by resolution of the commission.

SECTION 28. Tennessee Code Annotated, Section 49-13-122(g), is amended by adding the language "and commission" after "department of education".

SECTION 29. Tennessee Code Annotated, Section 49-13-128(f), is amended by deleting the subsection and substituting instead:

(f) By December 1 of each year, each LEA that collects an annual authorizer fee shall report the total amount of authorizer fees collected in the previous school year and the authorizing obligations fulfilled using the fee to the state board of education. The state board shall create a standard template for purposes of the report and shall post the information received from each LEA on its website by December 11 of each year.

SECTION 30. Tennessee Code Annotated, Section 49-13-133(b), is amended by deleting "department" and substituting instead "state board of education".

SECTION 31. Tennessee Code Annotated, Section 49-13-142, is amended by deleting the section.

SECTION 32. Tennessee Code Annotated, Section 49-13-143(a), is amended by deleting "department" wherever it appears and substituting instead "state board".

SECTION 33. Tennessee Code Annotated, Section 49-13-143(b), is amended by deleting the second sentence of the subsection and substituting instead:

If an authorizer has not adopted a performance framework for all of the authorizer's schools, then the authorizer must adopt the model performance framework developed by the state board pursuant to subsection (a).

SECTION 34. Tennessee Code Annotated, Title 49, Chapter 13, is amended by adding the following new section:

**49-13-137. Replication application.**

(a) A governing body that has at least one (1) public charter school authorized by a local board of education or by the commission that has been in operation for at least one (1) full school year at the time the governing body submits its letter of intent pursuant to § 49-13-107(a) may apply for replication in the LEA in which the governing body is currently operating to the local board of education or directly to the commission. The state board of education, in consultation with the commission, shall develop a replication application form for purposes of this section.

(b) If the sponsor of the new public charter school by way of replication elects to apply directly to the commission, then the application process must be conducted in accordance with § 49-13-107 and with the following:

(1) The commission shall rule by resolution, at a regularly or specially called meeting, to approve or deny a replication application no later than ninety (90) days from the date on which the commission received the completed application. If the commission fails to approve or deny a replication application within ninety (90) days, then the application is deemed approved;

(2) If the commission denies a replication application, then the grounds for denial must be stated in writing and must specify objective reasons for the denial. Upon receipt of the grounds for denial, the sponsor has thirty (30) days to submit an amended replication application to correct any deficiencies. Upon receipt of the amended application, the commission has sixty (60) days to deny or approve the amended application. If the commission fails to approve or deny the amended application within sixty (60) days, then the amended application is deemed approved;

(3) If the commission approves a replication application, then the commission is the authorizer and LEA for that public charter school; and

(4) The commission's decision is final and not subject to appeal.

(c) This section does not prohibit a governing body from applying for replication to the local board of education through the application process in § 49-13-108(b).

(d) Notwithstanding this chapter to the contrary, the commission may promulgate rules for the authorization of replication applications submitted to the commission pursuant to this section. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 35. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 36. This act takes effect July 1, 2025, the public welfare requiring it.

SENATE BILL NO. 1310

PASSED: April 14, 2025

  
\_\_\_\_\_  
RANDY McNALLY  
SPEAKER OF THE SENATE

  
\_\_\_\_\_  
CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 24<sup>th</sup> day of April 2025

  
\_\_\_\_\_  
BILL LEE, GOVERNOR

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in September</b>	Descriptor Term: <b>Surplus Property Sales</b>	Descriptor Code: <b>2.403</b>	Issued Date: <b>08/13/24</b>
		Rescinds: <b>2.403</b>	Issued: <b>11/12/19</b>

1 The Superintendent of Schools shall prepare a list of all surplus property for Board of Education  
2 approval.<sup>1</sup> This list shall contain the following information: name of item, condition, and reason for  
3 disposal.

4 All unusable items shall be sold to the highest bidder after advertising in a newspaper of general  
5 circulation of at least seven (7) days prior to the sale.<sup>2</sup> Notice shall also be published on a news and  
6 information website in accordance with state law.<sup>3</sup>

7 After such declaration by the Board of Education all items shall be transferred to the custody of the city  
8 Recorder of the City of Kingsport.

## 9 **DISPOSITION OF EQUIPMENT PURCHASED WITH FEDERAL DOLLARS<sup>4</sup>**

10 When equipment that was purchased with federal dollars is no longer needed for the original project or  
11 program or for other activities currently or previously supported by a federal agency, disposition of the  
12 equipment shall be made as follows:

- 13 1. Items of equipment with a current per-unit fair market value of less than ~~\$5,000~~ \$10,000 may  
14 be retained, sold, or otherwise disposed of with no further obligation to the awarding agency; or  
15  
16 2. Items of equipment with a current per unit fair market value in excess of ~~\$5,000~~ \$10,000 may  
17 be retained or sold, and the awarding agency shall have a right to an amount calculated by  
18 multiplying the current market value or proceeds from sale by the awarding agency's share of  
19 the equipment.  
20

---

### Legal References

1. [TCA 49-6-2006\(b\)\(3\); TCA 49-6-2208](#)
2. [TCA 49-6-2007\(b\)](#)
3. [Public Acts of 2024, Chapter No. 793](#)
4. [2 CFR § 200.313\(e\)](#)

---

### Cross References

- Duties of Officers 1.201
- Inventories 2.702
- Textbooks 4.401

# Click here to choose a school board.

Monitoring: <b>Review: Annually, in September</b>	Descriptor Term: <b>Surplus Property Sales</b>	Descriptor Code: <b>2.403</b>	Issued Date:
		Rescinds:	Issued:

1 The Director of Schools shall prepare a list of unusable items for board approval.<sup>1</sup> The list shall contain  
2 the following information: name of item, date of purchase, and reason for disposal.

3 All unusable items shall be sold to the highest bidder after advertising in a newspaper of general  
4 circulation at least seven (7) days prior to the sale.<sup>2</sup> Notice shall also be published on a news and  
5 information website in accordance with state law.<sup>3</sup>

6 Surplus property which has no value or has a value of less than five hundred dollars (\$500) may be  
7 disposed of without the necessity of bids. In order for such disposal without bids, the Director of Schools  
8 and the Board Chair shall agree in written form that the property is of no value or is of less value than  
9 five hundred dollars (\$500).<sup>4</sup>

10 If reasonable attempts to dispose of surplus properties fail to produce monetary return to the district, the  
11 Board shall approve other methods of disposal.<sup>5</sup>

12 Surplus equipment will be auctioned off by the district at the end of the school year. The Board shall  
13 approve all surplus equipment prior to the materials being disposed of at the end of the school year.

## 14 **DISPOSITION OF EQUIPMENT PURCHASED WITH FEDERAL DOLLARS<sup>6</sup>**

15 When equipment that was purchased with federal dollars is no longer needed for the original project or  
16 program or for other activities currently or previously supported by a federal agency, disposition of the  
17 equipment shall be made as follows:

- 18 1. Items of equipment with a current per-unit fair market value of \$10,000 or less may be retained,  
19 sold, or otherwise disposed of with no further obligation to the awarding agency; or  
20
- 21 2. Items of equipment with a current per unit fair market value in excess of \$10,000 may be retained  
22 or sold, and the awarding agency shall have a right to an amount calculated by multiplying the  
23 current market value or proceeds from sale by the awarding agency's share of the equipment.  
24

---

### Legal References

1. [TCA 49-6-2006\(b\)\(3\); TCA 49-6-2208](#)
2. [TCA 49-6-2007\(b\)](#)
3. [TCA 1-3-120; Public Acts of 2025, Chapter No. 105](#)
4. [TCA 49-6-2007\(d\)](#)
5. [TCA 12-2-403\(a\)](#)
6. [2 CFR § 200.313\(e\)](#)

### Cross References

- Duties of Officers 1.201
- Inventories 2.702
- Textbooks and Instructional Materials 4.400





# State of Tennessee

## PUBLIC CHAPTER NO. 500

HOUSE BILL NO. 773

By Representatives Powers, Shaw

Substituted for: Senate Bill No. 760

By Senator Yager

AN ACT to amend Tennessee Code Annotated, Title 1, Chapter 3, relative to legal notices.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 1-3-120(f), is amended by adding the following as new subdivisions:

(8) Does not require a fee or a subscription for a person to view the website; and

(9) Is a separate and distinct website from the newspaper of general circulation that is owned by an entity other than the newspaper of general circulation.

SECTION 2. Tennessee Code Annotated, Section 1-3-120(f), is amended by designating the existing language as subdivision (f)(1) and adding the following as new subdivisions:

(2) The owner of a website where legal notices are published pursuant to subdivision (f)(1) shall:

(A) Charge a rate for such publication that is calculated by the word. The rate for each word must be comparable, but must not exceed, the established rates the owner charges other advertisers; and

(B) Include on the invoice to the person or entity paying for such publication an affidavit listing the number of days the notice was published on the website.

(3) This subsection (f) does not apply to:

(A) Legal notices required by § 35-5-101; or

(B) The publication of sample ballots required by § 2-5-211.

SECTION 3. This act takes effect July 1, 2025, the public welfare requiring it.

HOUSE BILL NO. 773

PASSED: April 22, 2025



CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES



RANDY MCNALLY  
SPEAKER OF THE SENATE

APPROVED this 21<sup>st</sup> day of May 2025



BILL LEE, GOVERNOR

---

This content is from the eCFR and is authoritative but unofficial.

---

## Title 2 – Federal Financial Assistance

### Subtitle A – Office of Management and Budget Guidance for Federal Financial Assistance

#### Chapter II – Office of Management and Budget Guidance

#### Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

#### Subpart D – Post Federal Award Requirements

#### Property Standards

**Authority:** 31 U.S.C. 503; 31 U.S.C. 6101-6106; 31 U.S.C. 6307; 31 U.S.C. 7501-7507.

**Source:** 89 FR 30136, Apr. 22, 2024, unless otherwise noted.

### § 200.313 Equipment.

See also § 200.439.

- (a) **Title.** Title to equipment acquired under the Federal award will vest upon acquisition in the recipient or subrecipient subject to the conditions of this section. This title must be a conditional title unless a Federal statute specifically authorizes the Federal agency to vest title in the recipient or subrecipient without further responsibility to the Federal Government (and the Federal agency elects to do so). A conditional title means a clear title is withheld by the Federal agency until conditions and requirements specified in the terms and conditions of a Federal award have been fulfilled. Title for equipment vested in a recipient or subrecipient is subject to the following conditions:
- (1) Use the equipment for the authorized purposes of the project during the period of performance or until the property is no longer needed for the purposes of the project.
  - (2) While the equipment is being used for the originally-authorized purpose, the recipient or subrecipient must not dispose of or encumber its title or other interests without the approval of the Federal agency or pass-through entity.
  - (3) Use and dispose of the property in accordance with paragraphs (b), (c), and (e) of this section.
- (b) **General.** A State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. Indian Tribes must use, manage, and dispose of equipment acquired under a Federal award in accordance with tribal laws and procedures. If such laws and procedures do not exist, Indian Tribes must follow the guidance in this section. Other recipients and subrecipients, including subrecipients of a State or Indian Tribe, must follow paragraphs (c) through (e) of this section.
- (c) **Use.**
- (1) The recipient or subrecipient must use equipment for the project or program for which it was acquired and for as long as needed, whether or not the project or program continues to be supported by the Federal award. The recipient or subrecipient must not encumber the equipment without prior approval of the Federal agency or pass-through entity. The Federal agency may require the submission of the applicable common forms for reporting on equipment. When no longer needed for the original project or program, the equipment may be used in other activities in the following order of priority:

- (i) Activities under other Federal awards from the Federal agency that funded the original program or project; then
  - (ii) Activities under Federal awards from other Federal agencies. These activities include consolidated equipment for information technology systems.
- (2) During the time that equipment is used on the project or program for which it was acquired, the recipient or subrecipient must also make the equipment available for use on other programs or projects supported by the Federal Government, provided that such use will not interfere with the purpose for which it was originally acquired. First preference for other use of the equipment must be given to other programs or projects supported by the Federal agency that financed the equipment. Second preference must be given to programs or projects under Federal awards from other Federal agencies. Use for non-federally-funded projects is also permissible, provided such use will not interfere with the purpose for which it was originally acquired. The recipient or subrecipient should consider charging user fees as appropriate.
- (3) Notwithstanding the encouragement in § 200.307 to earn program income, the recipient or subrecipient must not use equipment acquired with the Federal award to provide services for a fee that is less than a private company would charge for similar services unless specifically authorized by Federal statute. This restriction is effective as long as the Federal Government retains an interest in the equipment.
- (4) When acquiring replacement equipment, the recipient or subrecipient may either trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.
- (d) **Management requirements.** Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacement equipment) utilizing procedures that meet the following requirements:
  - (1) Property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.
  - (2) A physical inventory of the property must be conducted, and the results must be reconciled with the property records at least once every two years.
  - (3) A control system must be in place to ensure safeguards for preventing property loss, damage, or theft. Any loss, damage, or theft of equipment must be investigated. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program.
  - (4) Regular maintenance procedures must be in place to ensure the property is in proper working condition.
  - (5) If the recipient or subrecipient is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

- (e) **Disposition.** When equipment acquired under a Federal award is no longer needed for the original project, program, or for other activities currently or previously supported by a Federal agency, the recipient or subrecipient must request disposition instructions from the Federal agency or pass-through entity if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal agency or pass-through entity disposition instructions:
- (1) Equipment with a current fair market value of \$10,000 or less (per unit) may be retained, sold, or otherwise disposed of with no further responsibility to the Federal agency or pass-through entity.
  - (2) Except as provided in § 200.312(b), or if the Federal agency or pass-through entity fails to provide requested disposition instructions within 120 days, items of equipment with a current fair market value in excess of \$10,000 (per-unit) may be retained or sold by the recipient or subrecipient. However, the Federal agency is entitled to an amount calculated by multiplying the percentage of the Federal agency's contribution towards the original purchase by the current market value or proceeds from the sale. If the equipment is sold, the Federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the Federal share, \$1,000 of the proceeds to cover expenses associated with the selling and handling of the equipment.
  - (3) The recipient or subrecipient may transfer title to the property to the Federal Government or to an eligible third party provided that the recipient or subrecipient must be entitled to compensation for its attributable percentage of the current fair market value of the property.
  - (4) In cases where a recipient or subrecipient fails to take appropriate disposition actions, the Federal agency or pass-through entity may direct the recipient or subrecipient to take disposition actions.
- (f) **Equipment retention.** When included in the terms and conditions of the Federal award, the Federal agency may permit the recipient to retain equipment, or authorize a pass-through entity to permit the subrecipient to retain equipment, with no further obligation to the Federal Government unless prohibited by Federal statute or regulation.

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in April</b>	Descriptor Term: <b>Fundraising Activities</b>	Descriptor Code: <b>2.601</b>	Issued Date: <b>08/13/24</b>
		Rescinds: <b>2.601</b>	Issued: <b>07/28/20</b>

1 *General*

2 The following general guidelines shall be followed:<sup>1</sup>

- 3 1. Fundraising activities shall be authorized by the ~~board~~ **Superintendent of Schools or designee**  
4 and shall be for the purpose of supplementing funds for established school programs and not for  
5 supplementing funds which are the responsibility of the public. The Board encourages service  
6 projects and activities that promote a healthy lifestyle through exercise, fitness, and nutritional  
7 food choice.
- 8 2. Fundraising companies and other salespersons shall obtain permission in writing from the  
9 Superintendent of Schools' office in order to visit the schools.
- 10 3. Any commission payable by companies shall be paid in the form of reduced prices to the students  
11 or paid into the activity fund of the school for use by the school. No school employee shall  
12 personally benefit from any fundraising activity.
- 13 4. The principal must obtain written approval from the Superintendent of Schools or designee for  
14 all fundraising activities, including online fundraising activities, that involve the participation of  
15 the general student population in the marketing process of the fundraising effort. ~~All other~~  
16 ~~fundraising activities, including online fundraising activities, must have written approval from~~  
17 ~~the principal and comply with all administrative procedures issued by the Superintendent of~~  
18 ~~Schools~~. The authorization request shall contain the following information:<sup>2</sup>
- 19 a. A list of the proposed fundraising activities;
- 20 b. Purpose of the fundraising activity;
- 21 c. Proposed uses of funds raised;
- 22 d. Expected student involvement in fundraising activity (school-wide or individual class or  
23 club); and
- 24 e. Margin of profit and how it is to be paid to the school.
- 25 5. The Superintendent of Schools or designee shall determine whether or not the activity will benefit  
26 the school, contribute to the welfare of the student body, and supplement, not replace, funds  
27 necessary to fulfill the board's required contributions.

1 6. Students shall not be excused from a regular class to participate in a fundraising activity. No  
2 grade in a subject or course shall be affected by a student's participation in a fundraising activity.

3 7. No quotas shall be imposed on students involved, and their efforts shall be voluntary. Students  
4 who do not participate in fundraising activities shall not be punished or discriminated against in  
5 any way.

6 8. The use of unsupervised door-to-door solicitation is discouraged. The Board recognizes the role  
7 of parents in protecting the safety of their children by monitoring and supervising fundraising  
8 activities during non-school time.

9 This policy shall not be construed as preventing a teacher from using instructional or informational  
10 materials even though the materials might include reference to a brand, a product, or a service.

### 11 **LOTTERIES**

12 No fundraising activity shall be conducted which distributes prizes or makes awards to winners from  
13 among purchasers of chances by means of tickets through a random selection process.<sup>3</sup>

### 14 **ONLINE FUNDRAISING**

15 Individual schools and/or approved booster organizations may establish school-wide online fundraising  
16 accounts. The accounts must meet all fundraising requirements established by the board and the  
17 *Internal School Uniform Accounting Policy Manual*. The principal/designee of each school shall have  
18 access to the established fundraising account to ensure all funds are properly accounted for, and the  
19 information is recorded in the school's accounting records by the designated personnel. Online  
20 fundraising shall not be used on behalf and for the benefit of an outside party.

21 Employees shall not engage in online fundraising in their official capacity as district employees nor  
22 make any reference to non-school sponsored fundraisers, online or otherwise, that would lead another  
23 to believe such activity is an approved school fundraiser.

### 24 **FUNDRAISING FOR NON-EDUCATIONAL PURPOSES<sup>4</sup>**

25 On approval of the principal, an employee may be authorized to raise and use funds for the following  
26 non-educational purposes:

- 27 1. Bereavement support;
- 28 2. Award recognition;
- 29 3. Employee morale;
- 30 4. Banquets; or
- 31 5. Other situations at the principal's discretion.

32 These funds shall be derived from vending machine revenue, donations, or any other faculty specific  
33 fundraiser.

34 The Superintendent of Schools or designee shall develop administrative procedures regarding the  
35 receipt, disbursement, accounting, and auditing of these non-educational funds. The Superintendent of

- 1 Schools shall ensure that the procedures are consistent with board policy and state law and disseminate
- 2 them to all employees.

---

**Legal References**

1. [Internal School Funds Manual, Section 4-28 through 4-31](#)
2. [Internal School Funds Manual, Section 4-29](#)
3. [Tenn. Att'y Gen. Op. No. 03-049 \(Apr. 22, 2003\)](#)
4. [TCA 49-2-134](#)

**Cross References**

Revenues 2.400  
School Support Organization 2.404  
Audits 2.703  
Vendor Relations 2.809  
Student Activity Funds Management 2.900  
Staff Gifts and Solicitations 5.605

# INTERNAL SCHOOL FUNDS MANUAL

*Effective July 2025*



*Office of Local Finance*



*Division of  
Local Government Audit*

# Table of Contents

Preface.....	i
<b>Section 1: Introduction</b>	
<b>Title 1 History of Internal School Accounting .....</b>	<b>1-1</b>
1959 Internal School Accounting Law.....	1-1
<i>Internal School Funds Manual</i> .....	1-1
Innovative School Districts .....	1-2
Public Charter Schools .....	1-2
<b>Title 2 The Internal School Accounting Act.....</b>	<b>1-3</b>
<b>Title 3 Purpose, Applicability and Exemptions .....</b>	<b>1-4</b>
Purpose and Applicability of the <i>Manual</i> .....	1-4
Exemptions .....	1-4
<b>Title 4 Accountability, Reporting and General Principles .....</b>	<b>1-5</b>
Accountability .....	1-5
Reporting .....	1-5
General Principles.....	1-6
<b>Section 2: Audit Requirements</b>	
<b>Title 1 School Audit Requirements .....</b>	<b>2-1</b>
Purpose and Frequency of Audits.....	2-1
Auditors .....	2-1
Audit Standards and Approval .....	2-1
Contract to Audit Accounts .....	2-1
<b>Section 3: Duties and Responsibilities</b>	
<b>Title 1 Local Boards of Education.....</b>	<b>3-1</b>
<b>Title 2 Directors of Schools .....</b>	<b>3-3</b>
<b>Title 3 School Principals.....</b>	<b>3-5</b>

<b>Title 4 Tennessee Department of Education .....</b>	<b>3-7</b>
--	------------

<b>Title 5 Comptroller of the Treasury .....</b>	<b>3-8</b>
--	------------

**Section 4: Administration of Internal School Funds**

<b>Title 1 Internal School Funds .....</b>	<b>4-1</b>
--	------------

Background.....	4-1
-----------------	-----

Internal School Funds.....	4-1
----------------------------	-----

Student Activity Funds.....	4-1
-----------------------------	-----

General Fund .....	4-2
--------------------	-----

Restricted Fund.....	4-3
----------------------	-----

Local Education Agency – School Nutrition Fund .....	4-3
--	-----

Accounting for Athletics .....	4-3
--------------------------------	-----

<b>Title 2 Internal Control.....</b>	<b>4-5</b>
--------------------------------------	------------

Objectives of Internal Control Systems.....	4-5
---	-----

Controls Surrounding Electronic Files and Equipment.....	4-6
--	-----

Revenue/Collection Cycle .....	4-6
--------------------------------	-----

Purchasing/Disbursement Cycle.....	4-8
------------------------------------	-----

Capital Asset Cycle .....	4-12
---------------------------	------

Inventory Cycle .....	4-14
-----------------------	------

Reporting Cycle.....	4-15
----------------------	------

<b>Title 3 Insurance/Bonding of Employees.....</b>	<b>4-17</b>
--	-------------

<b>Title 4 Safekeeping of Cash.....</b>	<b>4-18</b>
---	-------------

<b>Title 5 Retention and Disposal of Records .....</b>	<b>4-19</b>
--	-------------

Retention of Records .....	4-19
----------------------------	------

Disposal of Records.....	4-19
--------------------------	------

<b>Title 6 Cooperative and Noncooperative Activities .....</b>	<b>4-20</b>
--	-------------

Cooperative Activities .....	4-20
------------------------------	------

Noncooperative Activities .....	4-20
---------------------------------	------

<b>Title 7</b>	<b>Resale and Fundraising Activities.....</b>	<b>4-22</b>
	Resale Activities.....	4-22
	Fundraising Activities.....	4-23
	State Sales Tax.....	4-28
	Emphasized Internal Control Features .....	4-29
<b>Title 8</b>	<b>Donations and Other Miscellaneous Revenues/Receipts .....</b>	<b>4-30</b>
	Donations.....	4-30
	Premiums (Bonus Incentives).....	4-30
	Returned Check Fees .....	4-31
	Interest Earned on Bank and Investment Accounts.....	4-31
	Teachers' Materials and Supplies Funds .....	4-31
	Grants.....	4-32
	Student Fees/Fee Waiver .....	4-32
	Extended School Program (ESP).....	4-33
	Student Deposits and Fines Collected for the Board of Education .....	4-33
<b>Title 9</b>	<b>Loans and Accommodations.....</b>	<b>4-34</b>
<b>Title 10</b>	<b>Budgets .....</b>	<b>4-35</b>
<b>Title 11</b>	<b>Electronic Business Systems .....</b>	<b>4-36</b>
<b>Section 5: Operating Procedures</b>		
<b>Title 1</b>	<b>Recording Transactions and Documentation.....</b>	<b>5-1</b>
<b>Title 2</b>	<b>Revenues/Receipts .....</b>	<b>5-2</b>
	Separation of Duties .....	5-2
	General.....	5-2
	Collection of Money by Teachers/Others.....	5-3
	Collection of Money by Cashier.....	5-6
	Collection of Money by Electronic Methods .....	5-8
	Recording of Collections by Bookkeeper.....	5-9
<b>Title 3</b>	<b>Purchasing.....</b>	<b>5-10</b>
	General.....	5-10
	Purchase Authorization.....	5-10

Purchasing Procedures for Teachers/Others.....	5-11
Purchasing Procedures for Bookkeeper.....	5-12
Purchasing Procedures for Principal or Designee .....	5-13
Prior Authorization Required .....	5-14
Limitations on Disbursements .....	5-14
Expenditures Made by Pupils and Employees .....	5-14
<b>Title 4 Petty Cash.....</b>	<b>5-15</b>
Authorization .....	5-15
Establishment of Account.....	5-15
Petty Cash Vouchers/Invoices .....	5-15
Replenishing Petty Cash and Recording Expenditures .....	5-15
Emphasized Internal Control Procedures .....	5-15
<b>Title 5 Refunds and Travel .....</b>	<b>5-17</b>
Refunds.....	5-17
Travel and Conferences.....	5-17
<b>Title 6 Salary Supplements, Substitute Teachers, and Contracted Services .....</b>	<b>5-18</b>
Salary Supplements .....	5-18
Substitute Teachers.....	5-18
Contracted Services .....	5-18
<b>Title 7 Borrowing, Lending, and Transfers .....</b>	<b>5-20</b>
Borrowing and Lending.....	5-20
Transfers from One School Account to Another.....	5-20
Prohibited Transfers .....	5-20
<b>Title 8 Club and Class Accounts .....</b>	<b>5-21</b>
General.....	5-21
Unexpended Account Balances .....	5-21
<b>Section 6: Banking</b>	
<b>Title 1 Bank Accounts and Investments .....</b>	<b>6-1</b>
Bank Accounts.....	6-1
Investments .....	6-1

<b>Title 2</b>	<b>Deposits</b> .....	<b>6-2</b>
	Frequency of Bank Deposits.....	6-2
	Intact Deposits .....	6-2
	Deposit Slips.....	6-2
<b>Title 3</b>	<b>Checks</b> .....	<b>6-3</b>
	General.....	6-3
	Signatures on Checks.....	6-3
	Accounting for Voided Checks .....	6-3
	Outstanding Checks .....	6-4
	“Bad” Checks .....	6-4
	Emphasized Internal Control Features .....	6-4
<b>Title 4</b>	<b>Bank Reconciliations</b> .....	<b>6-5</b>
	General.....	6-5
	Procedures .....	6-5
	Emphasized Internal Control Features .....	6-6
<b>Title 5</b>	<b>Online Banking</b> .....	<b>6-7</b>
	General .....	6-7
	Minimum Policies and Procedures .....	6-7
 <b>Section 7: Accounting and Reporting</b>		
<b>Title 1</b>	<b>Information Provided by Accounting System</b> .....	<b>7-1</b>
<b>Title 2</b>	<b>Accounting Records</b> .....	<b>7-2</b>
	Revenue and Expenditure Classification.....	7-2
	Expanded Reporting Levels.....	7-2
	Accounting Records .....	7-3
<b>Title 3</b>	<b>Financial Reporting</b> .....	<b>7-4</b>
	Periodic Financial Reports.....	7-4
	Financial Statements and Accompanying Schedules .....	7-5
	<b>Exhibit 1:</b> Table of Contents.....	7-8
	<b>Exhibit 2:</b> Combined Balance Sheet – Regulatory Basis – All Schools .....	7-9
	<b>Exhibit 3:</b> Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis – All Schools .....	7-10

<b>Exhibit 4:</b> Central High School – Balance Sheet – Regulatory Basis .....	7-11
<b>Exhibit 5:</b> Central High School – Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis .....	7-12
<b>Exhibit 6:</b> Central Middle School – Balance Sheet – Regulatory Basis.....	7-13
<b>Exhibit 7:</b> Central Middle School – Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis .....	7-14
<b>Exhibit 8:</b> Central Elementary School – Balance Sheet – Regulatory Basis.....	7-15
<b>Exhibit 9:</b> Central Elementary School – Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis .....	7-16
<b>Exhibit 10:</b> Notes to the Financial Statements .....	7-17
<b>Exhibit 11:</b> Schedule of Expenditures of Federal Awards and State Financial Assistance .....	7-23
<b>Exhibit 12:</b> Schedule of Transfers – By School .....	7-24
<b>Exhibit 13:</b> Schedule of Salary Supplements – By School.....	7-25
<b>Exhibit 14:</b> Schedule of Fidelity Bond Coverage.....	7-26

**Section 8: Local Education Agency School Nutrition Funds**

<b>Title 1 General Rules and Regulations .....</b>	<b>8-1</b>
Centralized and Noncentralized Systems .....	8-1
Application .....	8-1
Petty Cash and Change Accounts.....	8-2
Student Prepaid Accounts.....	8-2
Fund Balance .....	8-2
Utilization of School Nutrition Fund Money .....	8-2
Vending Machines – Fundraising.....	8-2
Banquets and Special Functions .....	8-2
Separate Accounting Required .....	8-3
Indirect Costs.....	8-3
Charges .....	8-3
Meals for Cafeteria Employees .....	8-3
State Matching Funds .....	8-4
Retention of Records .....	8-4
Commodities – Accounting and Financial Reporting .....	8-4
Financial Statements and Schedules.....	8-5
<b>Exhibit 1:</b> Table of Contents .....	8-6
<b>Exhibit 2:</b> Management’s Discussion and Analysis .....	8-8
<b>Exhibit 3:</b> Balance Sheet – Governmental Funds .....	8-9

<b>Exhibit 4:</b> Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	8-10
<b>Exhibit 5:</b> Notes to the Financial Statements .....	8-11
<b>Exhibit 6:</b> Schedule of Salary Supplements – By School.....	8-15
<b>Exhibit 7:</b> Schedule of Fidelity Bond Coverage.....	8-16
<b>Exhibit 8:</b> Schedule of Expenditures of Federal Awards and State Financial Assistance .....	8-17

**Section 9: Chart of Accounts**

<b>Title 1 Account Codes.....</b>	<b>9-1</b>
<b>Title 2 General or Restricted Funds .....</b>	<b>9-2</b>
Balance Sheet Accounts .....	9-2
<b>Title 3 General Fund .....</b>	<b>9-3</b>
Revenue Classification (by Source and Subsource).....	9-3
Expenditure Classification (by Function, Subfunction and Object).....	9-5
Explanation of Expenditure by Function.....	9-8
<b>Title 4 Restricted Fund.....</b>	<b>9-9</b>
Revenue/Expenditure Accounts .....	9-9
<b>Title 5 School Nutrition Fund.....</b>	<b>9-10</b>
Balance Sheet Accounts .....	9-10
Revenue Accounts .....	9-10
Expenditure Accounts.....	9-11

**Appendix A: Applicable Laws and Exhibits**

State Laws Affecting Internal School Funds .....	A-1
Selected Tennessee Code Annotated Sections .....	A-1
<b>Exhibit 1:</b> Fundraiser Authorization Form .....	A-3
<b>Exhibit 2a:</b> Inventory Analysis Report.....	A-4
<b>Exhibit 2b:</b> Fundraiser Collections Analysis Report.....	A-5
<b>Exhibit 2c:</b> Yearbook Advertising Sales Collections Analysis Report .....	A-7
<b>Exhibit 2d:</b> Yearbook Collections Analysis Report .....	A-9
<b>Exhibit 3:</b> Fundraiser Summary Report.....	A-11
<b>Exhibit 4:</b> Donation/Allocation Summary Report.....	A-13

<b>Exhibit 5:</b> Teacher Collection Log .....	A-15
<b>Exhibit 6:</b> Ticket Reconciliation.....	A-16
<b>Exhibit 7:</b> Count of Collections.....	A-18
<b>Exhibit 8:</b> Purchase Requisition/Purchase Authorization.....	A-19
<b>Exhibit 9:</b> Transfer Authorization .....	A-20
<b>Exhibit 10:</b> Travel Expense Claim .....	A-21
<b>Exhibit 11:</b> Journal Entries for Returned Checks .....	A-22
<b>Exhibit 12:</b> Journal Entries for Change Funds .....	A-25
<b>Exhibit 13:</b> Journal Entries for Reimbursements.....	A-26
<b>Exhibit 14:</b> Journal Entries for Non-cash Activity .....	A-27
<b>Exhibit 15:</b> Journal Entries for TISA Receivable.....	A-29
<b>Appendix B: Principles-Based Approach to Board of Education Obligations .....</b>	<b>B-1</b>
Board of Education Obligations – Supplement vs. Replace.....	B-1
Overarching General Rules .....	B-1
Supplement vs. Replace – Principles.....	B-2
Supplement vs. Replace – Example Scenarios.....	B-3
<b>Appendix C: Allowable and Unallowable Expenditures.....</b>	<b>C-1</b>
Allowable Expenditures .....	C-1
Unallowable Expenditures.....	C-2
<b>Appendix D: Definitions.....</b>	<b>D-1</b>

## Preface

The purpose of the *Internal School Funds Manual* (referred to herein as the “*Manual*”) is to provide uniform policies and procedures for the management of student activity and other internal school funds in Tennessee public schools. The 1976 Tennessee General Assembly introduced the requirement for a uniform accounting policy manual in Tennessee Code Annotated (TCA), Section 49-2-110. This TCA Section currently requires the Tennessee Department of Education to prepare a manual for internal school funds, subject to the approval of the Comptroller of the Treasury. Each local school system is required to adopt the *Manual* and maintain all internal school funds’ books and records in accordance with the requirements of the *Manual*.

In preparation of the first *Manual*, a working committee was formed and resource materials were obtained from other states that used uniform policies and procedures. Comments were also solicited from numerous sources, including accountants, auditors, school business administrators, finance personnel, and the Tennessee Society of Certified Public Accountants. Two separate review committees, one comprised of directors of schools and the other comprised of school principals, each provided recommendations that were incorporated into the *Manual*.

This is the sixth edition of the *Manual*. The original edition was entitled the *Tennessee Internal School Financial Management Manual* and was released in 1977. Subsequent updated editions were released in 1988, 1999, 2011, 2023 and now 2025.

**NOTE:** Frequently Asked Questions related to the *Manual* are available at: [FAQs](#)



# SECTION 1

## *Introduction*

# INTERNAL SCHOOL FUNDS MANUAL



## **Section 1: Introduction**

---

### **TITLE 1: HISTORY OF INTERNAL SCHOOL ACCOUNTING**

#### **1959 Internal School Accounting Law**

Responsibility and accountability for money within individual schools was first addressed in Tennessee state law when the legislature passed “The Internal School Accounting Law,” Public Chapter 168 of the 1959 Legislative Acts. The law was the legislature’s response to growing public criticism of the inadequate accountability for the ever-increasing amounts of money received and spent in individual schools. The Internal School Accounting Act (the Act) provided for local boards to authorize individual schools to receive money for student activities and other events and established student activity and other internal school funds as the property of the respective schools. The act also provided local boards of education and principals with definite authority and responsibility for the proper administration and safekeeping of all such internal school funds.

The Act [currently codified as Tennessee Code Annotated (TCA), Section 49-2-110] further required local boards to provide regulations, standards, procedures and an accounting manual covering the various phases of student activity and other internal school fund accounting. Some local boards of education in Tennessee met this responsibility, and with the assistance of individual school principals and school business officials, developed very good systems for the handling of internal accounts. However, many boards made little or no progress in this important phase of school operations.

#### ***Internal School Funds Manual***

Due to the lack of action by many local boards regarding the accountability for internal school funds, in 1976, the legislature added an amendment to TCA Section 49-2-110, which required the Department of Education to prepare a uniform accounting policy manual for local school systems, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration. The amendment required each local school system to adopt such manual when issued and maintain all student activity fund books and records in accordance with the requirements of the *Manual*. As a result, in 1977, the *Tennessee Internal School Financial Management Manual* was prepared and distributed. The requirement for the approval of the Commissioner of Finance and Administration was removed in 2024.

The original *Tennessee Internal School Financial Management Manual* encompassed both accounting procedures and administrative policies in an effort to help bring local boards into compliance with TCA Section 49-2-110. Subsequent additions to and revisions of the *Manual* continued this dual direction. Eventually, there was a shift to school-based decision making from the mandated uniform administrative policy for all schools. There was an increasing consensus that this approach would serve the best interest of the students, and ultimately, the public. In

1992, to acknowledge this trend, the Tennessee General Assembly provided that local boards could initiate a program of school-based decision making. Subsequent *Manual* revisions have incorporated this approach. As a result, the *Manual* frequently refers to board policy, and the board's responsibility for establishing administrative policy.

## **Innovative School Districts**

The Innovative School District Act is contained in TCA Title 49, Chapter 8. This statute allows a public university that operates a training school compendium that serves any grades pre-kindergarten through twelve (pre-K-12) to operate an innovative school district. An innovative school district is considered a Local Education Agency. The governing body for the university serves as the local board of education. Internal school funds received by the district are required to be audited in accordance with TCA Section 49-2-112(a). Innovative school districts must follow the *Manual*.

## **Public Charter Schools**

The Tennessee Public Charter Schools Act of 2002 is contained in TCA Title 49, Chapter 13. This statute allows for the creation and operation of public charter schools. In accordance with TCA Section 49-13-127, public charter schools shall have an annual audit of its accounts and records, including internal school activity and cafeteria funds. The *Manual* must be followed by all public charter schools.

Commonly asked questions and additional guidance regarding public charter schools can be found at the following links:

[Tennessee Department of Education - Charter Schools](#)

[Tennessee Comptroller of the Treasury - Charter Schools](#)

## **TITLE 2: THE INTERNAL SCHOOL ACCOUNTING ACT**

The Act provides boards of education and school principals with definite authority and responsibility for the administration and safekeeping of all internal school funds. This Act allows school boards to authorize student activity and other internal school funds and establishes such funds to be the property of the respective schools.

Each board of education is required to provide reasonable regulations, standards, and procedures for schools, and also to provide an accounting manual for student activity and other internal school funds. The Act makes school principals liable for the safekeeping, management, and accounting of all student activity and other internal school funds in accordance with the *Manual* and guidance provided by each respective board of education.

## **TITLE 3: PURPOSE, APPLICABILITY AND EXEMPTIONS**

### **Purpose and Applicability of the *Manual***

Each school must maintain adequate records and follow acceptable procedures to properly account for all internal school funds. The purpose of the *Manual* is to provide the minimum accounting procedures and documentation necessary to provide the required accountability. TCA Section 49-2-110 requires local school systems to adopt the *Manual* and maintain all books and records in accordance with the requirements of the *Manual*. **As noted, procedures presented in the *Manual* represent the minimum procedures that meet the internal control objectives. These procedures are required unless the school develops alternative procedures that provide the same or better controls. Likewise, example forms and reports presented in the *Manual* contain the minimum information required to be included on the forms or reports; however, a school may add additional information. NOTE:** Every form required by the *Manual* is not included in Appendix A.

The Tennessee Department of Education will make the *Manual* available to each local board of education and individual school. Any funds required to implement procedures required by the *Manual* must be provided by the board of education.

### **Exemptions**

#### ***School Support Organizations (SSOs)***

Organizations composed of parents and teachers or parents and students (including, but not limited to, parent-teacher associations, parent-teacher organizations, band booster clubs, and athletic booster organizations) working in coordination with the schools shall not be required to use or comply with any recordkeeping or accounting requirements provided for in the *Manual*. SSOs are also exempt from the accounting, recordkeeping, and other requirements of TCA Section 49-2-110. However, SSOs, as defined in TCA Section 49-2-603, are required to maintain financial records for at least four (4) years, as specified in TCA Section 49-2-604. In addition, SSOs shall adopt a written policy that specifies reasonable procedures for accounting for its assets as required by TCA Section 49-2-604.

A separate manual for SSOs can be found on the Comptroller of the Treasury, Division of Local Government Audit's website at: [Manuals](#)

## **TITLE 4: ACCOUNTABILITY, REPORTING AND GENERAL PRINCIPLES**

### **Accountability**

Schools must establish procedures to ensure that all internal school funds are handled properly, consistent with the requirements of the *Manual*, and in a manner that minimizes the impact on instruction. School officials are in a position of public trust and must be held accountable for that trust. Prior to authorizing or requiring collections, management must evaluate the ability of school personnel to provide adequate accountability demanded by the public. Local school boards, directors of schools, and individual school principals must never require, authorize, or otherwise sanction school collections that cannot be adequately accounted for.

### **Reporting**

#### ***All Public Schools***

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, requires the internal school funds be included within the financial statements of the primary government (i.e., county, municipality, special school district, or university), due to the school's administrative involvement. The Comptroller of the Treasury, Division of Local Government Audit, recommends the primary government report the internal school funds as a non-budgeted special revenue fund.

#### ***Public Charter Schools***

GASB Statement No. 84 applies to public charter schools; therefore, all internal school funds must be included within the charter school's financial statements. The Comptroller of the Treasury, Division of Local Government Audit, recommends separate line items for the internal school fund activity. The revenues and expenditures of the internal school funds should be clearly labeled in the financial report as "revenues – internal school funds" and "expenditures – internal school funds." If there is a remaining fund balance at the end of the fiscal year, the balance should be presented as restricted fund balance and restricted net position for the internal school funds.

A Charter Management Organization (CMO) is a nonprofit entity that manages or operates two or more public charter schools. TCA Section 49-13-127(a)(2) requires CMOs to file an annual reporting form with the Comptroller of the Treasury. This form is available at: [Charter Management Organization Annual Reporting](#)

## General Principles

The board of education is responsible for establishing policies, rules, and regulations pertaining to student activity, cafeteria, and other internal school funds. Such funds shall be administered in accordance with the *Manual* and any additional rules and regulations adopted by the board of education.

While the methods of recording and reporting transactions vary depending on the size of the school, basic information related to internal school fund transactions must be prepared and retained on file. **NOTE:** All manually prepared documentation (e.g., ticket reconciliations, collection logs, etc.) should be recorded in permanent ink.

Each principal shall ensure that all school personnel comply with the *Manual* and with any additional regulations, standards, or procedures for student activity, cafeteria, or other internal school funds established by the board of education. Principals should participate in the preparation, revision, and interpretation of policies, regulations, and procedures that affect student activity, cafeteria, and other internal school funds.

The following principles must be adhered to when developing rules and regulations for internal school funds:

1. Since Tennessee public schools are referred to as being “free” (TCA Section 49-6-3001), money raised by students must be used to finance legitimate extracurricular activities. Student activity funds should be used to supplement and not replace funds necessary to fulfill the local board’s obligation to provide an instructional program, property, equipment, salaries, and staff development.
2. Money or property received by a school official, employee, or volunteer, acting as a representative of the school, becomes public money or property. Such money or property must be appropriately managed and safeguarded by the school.
3. Activities or events that generate student activity money should, in general, contribute to the educational experience of students and should not conflict with, but add to, the school’s instructional program.
4. School fundraising and the use of school facilities or equipment in fundraising efforts must be in accordance with board of education policies. The cost of using school facilities should be considered in these policies. In the absence of related board of education policies, school fundraising is prohibited.
5. Money restricted for the use of a specific group should be spent in such a way as to benefit those students currently in school who have contributed to the accumulation of such money.

6. When possible, students should be part of the internal school fund activities to ensure students have representation regarding how funds are raised and expended by, or for, the student body.
7. Fundraising events (whether for a specific group or the general student body) shall be conducted on a voluntary basis only. Students who do not participate in fundraising events shall not be penalized, punished, or discriminated against in any way. Similarly, a student's grade shall not be affected as a direct result of participation in, or lack of participation in, any fundraising activities or events.



**SECTION 2**  
*Audit Requirements*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Section 2: Audit Requirements**

---

### **TITLE 1: SCHOOL AUDIT REQUIREMENTS**

#### **Purpose and Frequency of Audits**

To maintain public trust, the board of education and its employees are required to account for all money and other assets for which they are responsible. The purpose of a school audit is to ensure accountability for the safekeeping and proper handling of school funds and to determine compliance with the *Manual*. The auditor should direct audit findings and recommendations and other comments to the board of education and to the respective school principal(s).

School activity and other internal school funds maintained by each school must be audited annually in accordance with Tennessee Code Annotated (TCA), Section 49-2-112.

#### **Auditors**

The annual audit must be prepared by a certified public accountant in good standing with the Tennessee State Board of Accountancy, or by the Comptroller of the Treasury. When considered necessary by the board of education, audits other than the annual audit may be performed by independent accountants, if approved by the Comptroller of the Treasury, Division of Local Government Audit. These other audits may be performed by internal audit staff, as long as the audits are performed in accordance with applicable audit standards.

#### **Audit Standards and Approval**

The accounts and records of each individual school must be maintained in accordance with the *Manual*. Audits of student activity and other internal school funds must be conducted in accordance with Generally Accepted Government Auditing Standards. While the board of education has a responsibility to review and approve each school audit report, an audit will not be considered as having met the requirements of TCA Section 49-2-112, until the board has been so notified by the Comptroller of the Treasury.

#### **Contract to Audit Accounts**

##### ***All Public Schools***

A uniform Contract to Audit Accounts (prepared and made available by the Comptroller of the Treasury) must be completed by the auditor and the board of education, subject to the approval of the Comptroller of the Treasury. The Contract to Audit Accounts should be awarded and finalized by September 30 of the fiscal year to be audited to permit the auditor to properly plan and perform certain audit procedures during the regular school year. For example, applicable USDA procedures must be performed while students are in attendance.

The board of education should ensure that all special audit procedures (such as USDA procedures for centralized county cafeteria systems) are addressed in the special provisions section of the Contract to Audit Accounts. The supporting audit documentation for these additional procedures should be completed and available for review by the audit staff of the Comptroller of the Treasury, Division of Local Government Audit no later than September 30 after fiscal year end unless prior arrangements are made with the Division of Local Government Audit.

The Contract to Audit Accounts must be executed online through the Contract and Report System (CARS) located on the Comptroller of the Treasury, Division of Local Government Audit's website. The fee specified in the Contract to Audit Accounts is the responsibility of the board of education.

### ***Public Charter Schools***

Public charter schools with limited internal school funds activity may request a waiver of the separate internal school funds audit requirement. Audit exemption requests should be submitted to the Comptroller of the Treasury, Division of Local Government Audit, as explained in the annual audit contract request memo.

All internal school funds are subject to audit as part of the regular school audit (regardless of exemption status).

A Charter Management Organization (CMO) has two options for their annual audit:

1. Complete a separate audit for each individual charter school the CMO governs. These Contracts to Audit Accounts should be executed in the name of each individual school.
2. Complete one combined audit for all schools. This Contract to Audit Accounts should be executed in the name of the CMO.

**NOTE:** If a combined audit is completed for all schools, then a combined audit **must** be completed for the internal school funds.

**CAUTION: FRAUD RISK – Internal school funds are extremely susceptible to fraud. School personnel should ensure all internal school funds are properly accounted for and safeguarded. Independent auditors should consider this risk during their audit.**



**SECTION 3**  
*Duties and Responsibilities*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Section 3: Duties and Responsibilities**

---

### **TITLE 1: LOCAL BOARDS OF EDUCATION**

Duties and responsibilities of the local boards of education include, but are not limited to, the following:

1. Notifying the Comptroller of the Treasury, Division of Investigations, if the board becomes aware of any evidence of fraud related to internal school funds. This notification must take place within five business days. Additional information regarding the reporting of fraud (or suspected fraud) can be found online at the Division of Investigation's website. A fraud reporting form should be completed and is accessible from this website: [Fraud, Waste, and Abuse](#)
2. Adopting the *Manual* prepared by the Tennessee Department of Education in accordance with Tennessee Code Annotated (TCA), Section 49-2-110.
3. Causing all employees who handle money and accounting records in individual schools to be bonded in accordance with TCA Section 49-2-110.
4. Causing an annual audit to be performed of the accounts and records of all schools under the board's jurisdiction in compliance with TCA Sections 49-2-112 or 49-13-127. Internal school funds audits for county school systems audited by the Comptroller of the Treasury staff should be awarded and contracted by September 30 of the fiscal year to be audited.
5. Reviewing annual audit reports of internal school funds and taking appropriate action to resolve any audit findings and recommendations.
6. Establishing policies concerning the supervision and administration of internal school funds and making such policies available to all personnel. Some of the necessary policies include, but are not limited to:
  - purchasing;
  - fundraising;
  - internal school fund sponsors (i.e., must be school employees);
  - use of school facilities/equipment by outside organizations;
  - use of electronic collection methods;
  - direct application for grants by individual schools;
  - petty cash;
  - travel policies pertaining to school personnel; and
  - sale of competitive foods.
7. Providing to the individual schools the required personnel, supplies, and equipment.

8. Completing and maintaining all individual school lease agreements, financed purchase agreements, long-term contracts, and any other expenditures exceeding the board's established bid limit.
9. Purchasing and maintaining all individual school capital assets.
10. Reimbursing school personnel for employee development or training costs, including travel related to education conferences, seminars, etc.
11. Preparing and distributing all required Form 1099 by the federal filing deadline for individual schools.

## **TITLE 2: DIRECTORS OF SCHOOLS**

Duties and responsibilities of the directors of schools include, but are not limited to, the following:

1. Notifying the Comptroller of the Treasury, Division of Investigations, if the director becomes aware of any evidence of fraud related to internal school funds. This notification must take place within five business days. Additional information regarding the reporting of fraud (or suspected fraud) can be found online at the Division of Investigation's website. A fraud reporting form should be completed and is accessible from this website: [Fraud, Waste, and Abuse](#)
2. Implementing all policies, rules, and regulations pertaining to the supervision and administration of internal school funds in schools under the director's jurisdiction in accordance with established policies and rules of the local board.
3. Approving applicable fundraising activities of the individual schools that involve participation of the general student population in the marketing process of the fundraising effort. Additionally, approving any change in the authorized purpose of a fundraiser.
4. Annually posting or publishing a list of school support organizations as required by TCA Section 49-2-605.
5. Approving fundraising activities conducted by school support organizations as required by TCA Section 49-2-604.
6. Making available to each principal (and succeeding principal) the *Manual* and other policies, rules, and regulations pertaining to internal school accounting.
7. Requiring training of school employees, including bookkeeping staff, to implement the procedures in the *Manual* and other policies, rules, and regulations of the board of education. Accounting and bookkeeping staff should be competent and well-trained in basic bookkeeping skills.
8. Reviewing annual audit reports of internal school funds and taking appropriate action to resolve any audit findings and recommendations.
9. Ensuring that financial records of individual schools are transferred intact to the custody of successor principals.
10. Ensuring that financial reports of individual schools are submitted in accordance with the *Manual* and any other board of education requirements.

11. Informing the local board of any deficiencies, audit findings, or other significant information noted upon review of the financial reports.
12. Filing all plans, statements, and reviews for system-wide applications with the Comptroller of the Treasury, Division of Local Government Audit, as required by the Local Government Electronic Technology Act of 2009, TCA Section 4-30-103, and the Uniform Electronic Transactions Act, TCA Section 47-10-119.

### **TITLE 3: SCHOOL PRINCIPALS**

Duties and responsibilities of individual school principals include, but are not limited to, the following:

1. Notifying the Comptroller of the Treasury, Division of Investigations, if the principal becomes aware of any evidence of fraud related to internal school funds. This notification must take place within five business days. Additional information regarding the reporting of fraud (or suspected fraud) can be found online at the Division of Investigation's website. A fraud reporting form should be completed and is accessible from this website: [Fraud, Waste, and Abuse](#)
2. Implementing and complying with the regulations, standards, and procedures contained in the *Manual* and any other policies adopted by the local board of education that has jurisdiction over the school.
3. Providing for the safekeeping and handling of all school money and property, irrespective of the source of such money or property, in accordance with TCA Section 49-2-110.
4. Approving all fundraising activities that do not involve the participation of the general student population in the marketing process of the fundraising effort.
5. Reviewing all annual statements and schedules, including the annual financial report.
6. Submitting reports and other materials to the director of schools or board of education on a timely basis, as directed.
7. Delivering all financial records, books, ledgers, computer files, reports, and supporting documentation, as directed by the director of schools or board of education.
8. Assuming responsibility for equipment located at the school, including equipment security, inventory control, care, and utilization.
9. Annually authorizing all automatic bank drafts.
10. Supervising the bookkeepers to ensure compliance with all *Manual* requirements.
11. Annually informing cashiers and sponsors of all required procedures and forms.
12. Notifying the director of schools, or the director's designee, and appropriate local law enforcement agency when equipment is stolen, misplaced, or destroyed.
13. Complying with the provisions of TCA Section 49-6-2007, regarding the disposition or transfer of property.

14. Maintaining a current edition of the *Manual* on school premises and making it available to all school personnel.
15. Filing all plans, statements, and reviews for school-wide applications with the Comptroller of the Treasury, Division of Local Government Audit, as required by the Local Government Electronic Technology Act of 2009, TCA Section 4-30-103, and the Uniform Electronic Transactions Act, TCA Section 47-10-119.

## **TITLE 4: TENNESSEE DEPARTMENT OF EDUCATION**

Duties and responsibilities of the Tennessee Department of Education include, but are not limited to, the following:

1. Preparing a uniform accounting policy manual pursuant to TCA Section 49-2-110, and making a copy available to each local board of education.
2. Revising the existing *Manual* periodically and making the revised *Manual* available to each local board of education.
3. Consulting annually with each director of schools to determine the nature and scheduling of any in-service meetings considered necessary for school principals, bookkeepers, and other financial personnel.
4. Providing technical assistance to directors of schools and boards of education for implementation, administration, and interpretation of the requirements of the *Manual*.
5. Providing training assistance to school personnel as requested.

## **TITLE 5: COMPTROLLER OF THE TREASURY**

Duties and responsibilities of the Comptroller of the Treasury include, but are not limited to, the following:

1. Approving, in collaboration with the Tennessee Department of Education, the *Manual* prepared by the Tennessee Department of Education in accordance with TCA Section 49-2-110.
2. Reviewing and approving the uniform Contract to Audit Accounts between boards of education and auditors of internal school funds in accordance with TCA Sections 49-2-112 and 49-13-127.
3. Obtaining the annual reporting form from each Charter Management Organization (CMO) in accordance with TCA Section 49-13-127(a)(2).
4. Reviewing and approving audit reports of internal school funds.
5. Providing technical assistance in the administration, interpretation, and implementation of the requirements contained in the *Manual*.
6. Providing training assistance to school personnel as requested.



# SECTION 4

*Administration of Internal School Funds*

## INTERNAL SCHOOL FUNDS MANUAL



## **Section 4: Administration of Internal School Funds**

---

### **TITLE 1: INTERNAL SCHOOL FUNDS**

#### **Background**

Tennessee Code Annotated (TCA), Section 49-2-110, establishes the authority for schools to receive and account for student activity and other internal school funds. TCA Section 49-2-603, though explicitly only applicable to that part, includes detailed definitions for these funds. The *Manual* has incorporated these definitions, as summarized below.

#### **Internal School Funds**

Internal School Funds are defined as any and all money received and accounted for at individual schools, and specifically include, but are not limited to:

1. Any donation or grant made to the school, a school club, or any academic, arts, athletic, or social activity related to a school;
2. Funds for cafeteria services operated at the school;
3. Fees collected by the school;
4. Funds transferred to the local school from the school board that are to be accounted for at the local school level;
5. Funds raised through cooperative agreements with outside organizations;
6. Rental fees charged outside entities for use of school facilities; and
7. Student activity funds.

#### **Student Activity Funds**

Student activity funds include money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school, and specifically include, but are not limited to funds:

1. Derived from a school-sponsored academic, art, athletic, or social event involving students;
2. Raised by school-sponsored clubs involving students;

3. Raised by school-sponsored fundraisers involving students who are under the supervision of a school employee;
4. Received from a commission for the direct sale of items to students pursuant to a cooperative agreement between the school and an outside organization;
5. Received for the direct sale of items to students from a school-run bookstore located on school grounds;
6. Raised from fees charged to students;
7. Obtained from interest from any account that contains student activity funds; and
8. Obtained from any related school-sponsored activity that involves the use of school personnel, students, and property.

Internal school accounting requires the establishment of funds to account for specific activities of a school's operation. The differences between internal school fund accounting and generally accepted accounting principles are described in Section 7 of the *Manual*.

Each school has a maximum of three funds: (1) general fund, (2) restricted fund, and (3) school nutrition fund.

## **General Fund**

The general fund is used to account for all money to be used for the general operation of the school or for the welfare of the student body. This includes, but is not limited to, allocations, locker fees, parking fees, library fines, rental income, unallocated interest income, proceeds from cooperative agreements, school-wide fundraisers, and donations without stipulations.

All expenditures from the general fund must benefit the school or must contribute to the welfare of the student body and supplement, not replace, funds necessary to fulfill the local board's obligation to provide an instructional program, property, equipment, salaries, and staff development. Expenditures meeting these criteria are restricted in purpose only as directed by the board of education, general laws and regulations, and school policies. Please refer to [Appendix B](#) for a principles-based approach to help determine which expenditures supplement, not replace, the local board's obligation.

The general fund consists of separate revenue accounts and expenditure accounts. Total general fund expenditures (including unpaid obligations as of June 30 each year) must not exceed the beginning fund balance plus current year revenue. A deficit balance in the general fund (representing the net total of all account balances in the general fund) is never allowable. If a deficit fund balance exists at year end, the deficit must be disclosed in the notes to the financial statements as an instance of noncompliance.

The principal is considered to be the sponsor of the general fund.

## **Restricted Fund**

The restricted fund is used to account for all money which is restricted for the use of a specific group (e.g., club, class, etc.) or legally restricted for a specific purpose (e.g., TISA funding for teacher's supplies, scholarship donations, board appropriations for restricted purposes, etc.). The restricted fund may also be used for grants, donations, and awards in which the intended purpose does not fall under the scope of the general fund. **NOTE:** All expenditures of restricted fund account money must be for the purpose or group for which the money was raised.

The restricted fund consists of accounts which include both revenues and expenditures, and each account maintains its own identity. Expenditures in each restricted fund account must not exceed the beginning balance plus current year revenue. A deficit balance in a restricted fund account is never allowable. If a deficit restricted fund account balance exists at year end, the deficit must be disclosed in the notes to the financial statements as an instance of noncompliance, if significant.

Over time, an account may no longer have activity. An account may be considered inactive if there has been no activity during the preceding 12 months. If an inactive account has a deficit balance, prior to the account being closed, the principal must request the deficit be paid by the board of education's general-purpose school fund or request the director of schools to approve a transfer from the general fund. If an inactive account deficit is eliminated as allowed, this should be disclosed in the notes to the financial statements or within the supplementary Schedule of Transfers, as applicable.

Each restricted fund account must have a sponsor. The principal may be the sponsor of some restricted fund accounts such as legally restricted scholarships, grants, and donations. The principal generally designates other school employees as sponsors of club, class, and other restricted fund accounts.

## **Local Education Agency – School Nutrition Fund**

Each school that receives state and/or federal school nutrition money for the purpose of financing cafeteria operations must establish a separate fund entitled "Local Education Agency - School Nutrition Fund." This fund must be used to account for such money in accordance with state and federal rules and regulations governing school nutrition programs. The school nutrition fund is discussed in Section 8 of the *Manual*.

In most instances, the cafeteria manager is considered the sponsor of the school nutrition fund.

## **Accounting for Athletics**

Although athletic programs may benefit the welfare of the student body, money raised from athletic programs is generally restricted for the use of the athletic program. In addition, parents and other individuals generally demand a separate accounting of money raised by school athletics. Therefore, athletic programs for all grade levels must be accounted for in the restricted

fund. The board of education must determine which of the following alternatives for athletic accounting will be used by each school.

***Alternative 1***

Establish one primary athletic account. Subsidiary or sub-accounts may be established to account for revenues and expenditures in individual sports (e.g., football, basketball, baseball, softball, soccer, etc.). If such subsidiary accounts are established, one or more of the subsidiary accounts may incur a deficit balance provided that the primary account for athletics (net total of all athletic subsidiary accounts) does not have a deficit balance. Only the primary account should be reported in the audited financial statements. The principal is considered to be the sponsor of the primary athletic account.

***Alternative 2***

Establish a separate account for each individual sport. No individual sport may incur a deficit account balance. The activity for each separate account must be reported in the audited financial statements. The principal generally designates the coach or other school employee as the sponsor of each separate account.

## **TITLE 2: INTERNAL CONTROL**

### **Objectives of Internal Control Systems**

TCA Section 9-18-102 requires schools to establish and maintain internal controls. The objectives of internal control systems used in administering internal school funds are to provide management with reasonable, but not absolute, assurance that (1) internal school money is spent and related inventory is used in accordance with laws, regulations, and policies; (2) internal school money and related inventories are safeguarded against waste, theft, loss, and misuse; and (3) accurate and reliable information is obtained, maintained, and fairly presented and disclosed in reports.

Accounting control is concerned with the procedures and records that relate to the safeguarding of internal school fund money and related inventory, and the accuracy and reliability of financial records. Controls provide reasonable assurance that:

1. Transactions are for authorized purposes and are properly approved;
2. Transactions are recorded: (a) to permit preparation of financial statements in accordance with the *Manual*, and (b) to maintain accountability for assets;
3. Access to internal school money and related inventory is authorized; and
4. Assets recorded in the accounting records are compared with the existing assets periodically, and appropriate action is taken with respect to any differences.

Accounting controls may be classified into transaction cycles. Basic transaction cycles include the revenue/collection cycle, purchasing/disbursement cycle, payroll cycle, capital asset cycle, inventory cycle, and the reporting cycle.

Internal controls are procedures which will help:

1. Limit the opportunity for theft or unauthorized use of the school's money or related inventories;
2. Ensure that school money is collected and spent in accordance with laws, regulations, and policies;
3. Detect errors or fraud timely;
4. Provide accurate financial information;
5. Provide documentation that all school money handled by individuals has been properly accounted for and safeguarded; and

6. Ensure that amounts of money and inventory reported to the public agree with actual amounts of money and inventory at the school or in school bank accounts.

The following “minimum recommended internal control” procedures, in conjunction with detailed procedures set forth throughout the *Manual*, represent the minimum procedures that meet the internal control objectives. Applicable procedures are required unless the school develops alternative procedures which provide the same or better controls. In some circumstances, it might be necessary to implement additional internal control procedures to supplement those presented below.

## **Controls Surrounding Electronic Files and Equipment**

Schools rely on computer data for demonstrating financial accountability, making financial decisions, and for reporting to local, state, and federal agencies. Internal controls should be designed and implemented to safeguard computerized data, which includes adopting policies and procedures to minimize the loss or corruption of essential data. At a minimum, policies and procedures should be developed that address internal controls relating to:

1. Computer data storage, backup (including off-site storage), and disaster recovery;
2. Physical security and disposal of computer equipment;
3. Computer access and authorization, including the assignment of unique usernames and passwords, password lengths, required components, expiration, and revocation on employee separation;
4. Assigned computer system user rights that match job functions and responsibilities;
5. Cybersecurity protocols, including antivirus software and staff security training; and
6. Protecting Personally Identifiable Information when using electronic collection methods.

## **Revenue/Collection Cycle**

### ***Internal Control Objectives***

1. All collections are received timely.
2. The correct amount of money is received.
3. All collections are promptly deposited intact within three business days.
4. All collections are supported by adequate documentation and are properly recorded in the appropriate funds, accounts, and fiscal year.

***Potential Errors Due to the Lack of Internal Control***

1. Amounts received from profit-sharing arrangements are incorrect.
2. Amounts received are diverted for personal use.
3. Amounts received and/or sources of collections are incorrectly recorded.
4. Collections are not deposited into the school's bank account.
5. Bank deposits are not made intact within three business days.
6. Collections and deposits are not recorded promptly.
7. Collections are allocated to the incorrect fund, account, or fiscal year.
8. Collections are not received at the proper time.

***Minimum Recommended Internal Controls***

1. Written procedures should document requirements for collections (both physical and electronic), including the assignment of related responsibility, timing of collection, and follow-up on uncollected amounts.
2. The principal or designee should recalculate collection amounts (e.g., fundraiser summary, ticket reconciliation, etc.) on a sample basis.
3. All checks received should be immediately endorsed with a restrictive endorsement (e.g., "For Deposit Only – Central High School").
4. At the time of collection, individuals collecting money should prepare prenumbered receipts, collection logs, or other appropriate documentation.
5. Internal school fund money must be deposited intact (in the form and amount in which collected) within three business days after the money is received. When possible, school money should be deposited daily. A night deposit should be used as necessary to comply with these provisions.
6. Cash registers should be used where applicable (e.g., cafeterias, bookstores, etc.). Cash register tapes should be retained and reconciled daily with collections.
7. All revenue/receipts should be accurately and promptly recorded in the school's accounting records.
8. All voided receipts must be properly documented and available for inspection.
9. To the extent possible, the following duties should not be performed by the same individual: bank authorized signatory, receiving cash, making deposits, recording transactions, and reconciling bank accounts.

10. A person who is independent of the receiving, depositing, and recording functions should compare bank deposits with the prenumbered receipts, electronic collection summaries, collections log, ticket reconciliations, cash register tapes, etc.
11. Bank reconciliations must be prepared at least monthly by a person independent of the following functions: receiving and depositing funds, issuing checks, and recording cash transactions. Bank reconciliations must be reviewed at least monthly by a person independent of reconciling the bank account(s) and performing transactions related to cash. Signatures of the preparer and the reviewer must be documented. Please see Section 6, Title 4, for bank reconciliation procedures and controls.
12. Individuals who have responsibility for or access to cash, property, or other assets of internal school funds must be bonded with fidelity insurance coverage.
13. Minimum recommended internal controls related to electronic collection methods are included in Section 5, Title 2 of the *Manual*.

## **Purchasing/Disbursement Cycle**

### ***Internal Control Objectives***

1. Purchases are properly authorized and do not exceed fund or account balances.
2. Goods and services ordered are for an appropriate school purpose.
3. Goods and services ordered are received, and all goods and services received were ordered.
4. Invoices for goods and services are correct.
5. Disbursements are supported by adequate documentation and are recorded in the proper funds, accounts, and fiscal year.
6. Checks are issued timely for the correct amount and made payable to the proper payee.
7. Debit card, credit card, and online purchases are for authorized school purposes and in accordance with established policies and procedures.
8. Documentation supporting disbursements is canceled in a manner which will prevent duplicate payment.

### ***Potential Errors Due to the Lack of Internal Control***

1. Goods or services are ordered or paid for that are not for an appropriate school purpose.
2. Goods are ordered or purchased in excessive quantities or unnecessary services are requested.
3. Goods or services are ordered but not received, or goods or services are received, but not ordered.

4. Purchases are recorded, but goods or services are not received or rendered.
5. Sales tax is inappropriately paid or not paid.
6. Invoices have incorrect prices, calculations, and/or amounts are recorded incorrectly.
7. Purchases are allocated to or recorded in the incorrect fund, account, or fiscal year.
8. Disbursements are made for the incorrect amount and/or to the wrong vendor.
9. Invoices are paid more than once.
10. Disbursements are not recorded in the accounting records.
11. Disbursements are made without adequate documentation.
12. Purchases are not authorized.
13. Purchases are made which create deficit account balances.

***Minimum Recommended Internal Controls***

1. Prior to approving a requisition, the availability of money in the fund/account should be verified.
2. All requisitions should be properly approved prior to the purchase.
3. Prenumbered purchase orders should be used. Access to blank forms should be controlled by the principal or designee.
4. Quotes should be required for purchases that exceed the limit established by the board of education or applicable state statute.
5. Goods received should be opened immediately, physically inspected and counted, and documented on a receiving report to verify that goods were actually received in good condition and in the quantities ordered. Similarly, services performed should be approved, accepted, and documented on the invoice to verify the service was performed as requested.
6. Invoices should be compared to purchase authorizations and matched with receiving reports before payment is approved. Invoices should be checked for mathematical accuracy.
7. When payment is made, supporting documentation (e.g., invoice, purchase authorization, etc.) should be canceled to prevent duplicate payment. The paid check number and account distribution number or code should be indicated on the invoice or other supporting documentation.
8. Unpaid invoices (or other supporting documentation) should be reviewed at least monthly and approved as required.

9. Access to blank checks and signature stamps, if used, should be restricted to avoid unauthorized use.
10. All disbursements should be accurately and promptly recorded in the school's accounting records.
11. To the extent possible, the following duties should not be performed by the same person: approving requisitions; preparing purchase authorizations; receiving goods or services; approving payment; preparing checks; signing checks; recording transactions; and reconciling bank accounts.
12. Bank reconciliations must be prepared at least monthly by a person independent of the following functions: receiving and depositing funds, issuing checks, and recording cash transactions. Bank reconciliations must be reviewed at least monthly by a person independent of reconciling the bank account(s) and performing transactions related to cash. Signatures of the preparer and the reviewer must be documented. Please see Section 6, Title 4, for bank reconciliation procedures and controls.
13. Establish a policy that prohibits school employees from using the school's tax-exempt status for making personal purchases.
14. Establish a policy that at no time should an employee make purchases of personal items using a school's credit card, debit card, check, petty cash, cash collections, etc., even if the intent is to reimburse the school.
15. When gift cards are given as awards, a listing should be prepared to document and account for all gift cards purchased. At a minimum, the listing must include the reason for the awards and columns for (1) the dollar amount(s) for each individual card, (2) the individuals who were awarded the respective cards, and (3) the signature of the recipient to indicate that they received the gift card.
16. Minimum recommended internal controls related to online banking are included in Section 6, Title 5, of the *Manual*.
17. Establish a debit and credit card policy which addresses the following:
  - (a) The use of debit cards is to be limited to small incidental purchases, not normal operating expenditures.
  - (b) The principal is the only employee authorized to apply for a debit or credit card in the name of the school.
  - (c) Cash advances are prohibited.
  - (d) Set individual transaction and daily dollar limits for each card.
  - (e) Allowable and prohibited expenditure types (e.g., personal purchases must be strictly prohibited, regardless of whether the intent is to reimburse the school).

- (f) Employees will be required to reimburse the school for any unauthorized purchases. The policy should address procedures for when an employee fails to reimburse the school after a reasonable amount of time. This may include deducting the amount from the employee's paycheck or holding the employee's paycheck until payment is made. Unauthorized purchases include, but are not limited to, cash advances, personal items, and purchases that do not have adequate supporting documentation (e.g., original itemized invoices and receipts, etc.).
  - (g) Authorized uses for credit cards. Normally credit cards are only used for transactions in which the use of a standard purchase order is either impossible or would result in a delay of the delivery of goods or services during a time of emergency. Credit cards may also be used to facilitate out-of-town travel by employees or school groups on official school business or school trips.
  - (h) Debit and credit cards that have not been issued or are currently not being used should be stored in a safe or in a locked drawer for safekeeping.
  - (i) Each person who is issued or authorized to use a debit or credit card should be required to read and sign an acknowledgment form that they are aware of debit or credit card procedures.
18. A listing of all issued debit and credit cards and authorized users should be maintained.
- (a) A separate log should be maintained for each card. This log should include columns for (1) printed name of user, (2) signature of user, (3) proof of prior written authorization, such as purchase order number, (4) date checked out, (5) date returned, and (6) confirmation that an invoice/receipt was provided when the card was returned. The bookkeeper should initial the entry twice: at the time the card is checked out and when the card is turned in.
  - (b) The listing of issued cards should be checked before final paychecks are issued to departing employees to ensure the debit or credit cards are turned in.
  - (c) The debit or credit card company must be notified to remove a departing employee's name as an authorized user, and school records should be updated accordingly.
19. Actual (original) invoices/receipts that support each debit or credit card purchase should be submitted when the card is turned in and must have the following supporting documentation:
- (a) Description of the school's purpose for the purchase;
  - (b) Cost and description of individual items purchased, if not clearly apparent from the invoice/receipt; and
  - (c) The name of the person who made the purchase.

20. Timely reconciliations of monthly debit or credit card statements must be performed. Reconciliations must be approved by someone other than the preparer of the reconciliation. When the reconciliation is performed, the bookkeeper shall review individual purchases to determine that (1) the dollar amount reported on the supporting documentation agrees with the corresponding amount on the monthly statement; (2) the date of the supporting documentation is reasonable to the date of the purchase indicated on the monthly statement; and (3) the supporting documentation represents items that were included on the purchase authorization.
21. The principal should be notified immediately regarding any lost or stolen debit or credit cards.
22. Debit or credit card activity should be monitored for multiple transactions on the same day made to circumvent established dollar limits, individual purchases over established limits, unauthorized purchases, etc.
23. The bookkeeper should ensure the credit card statement is paid in full each month to avoid finance charges.
24. Copies of each month's credit card statement (including supporting documentation required by item 19 above) should be made available to the principal, internal auditors, and/or members of the board of education upon request.
25. Some credit card agreements offer premium or bonus incentives based upon purchases made with their credit card. Premiums that consist of noncash items should be handled in accordance with the board of education's ethics policy. Premiums that consist of cash should be deposited into the general fund.

## **Capital Asset Cycle**

This section applies to capital assets located at the individual schools. **The board of education is responsible for purchasing all capital assets.** Schools may also receive donations for the purchase of capital assets or donated capital assets. Although capital assets are not recorded in the financial statements of internal school funds, the school's property records provide the basis for recording capital assets in the financial statements of the county, municipality, special school district, charter school, or university. Therefore, this cycle addresses not only controls related to the safekeeping of capital assets, but also controls over the recording of such assets.

### ***Internal Control Objectives***

1. Capital assets purchased are properly authorized and are beneficial to the school.
2. All capital assets are correctly recorded in the school's records and are physically on hand.
3. School records correctly reflect the sale, theft, abandonment, or damage of capital assets; and all obsolete capital assets have been noted and reported to the board of education.

4. Schools are in compliance with restrictions on the use or disposition of property and equipment (e.g., grant agreements).
5. Donated capital assets are valued and recorded correctly.
6. All capital assets are identified as board of education property.
7. Capital assets are safeguarded from theft, loss and misuse.

***Potential Errors Due to the Lack of Internal Control***

1. The cost of capital assets is recorded incorrectly.
2. Capital assets are purchased that do not benefit the school.
3. Capital assets no longer in use have not been removed from the records.
4. Capital assets are used for personal benefit or other unallowable purposes.
5. Donated capital assets are not recorded or are recorded incorrectly.
6. The school is unaware of missing capital assets.
7. The location of a capital asset is incorrectly reported (e.g., location of asset has changed from one school to another).

***Minimum Recommended Internal Controls***

1. All capital asset purchases should be approved and completed by the board of education.
2. Detailed property records should be maintained that include asset description, date purchased or received by donation, tag number and/or serial number, cost or fair market value of donation, location, etc.
3. Capital assets should be tagged, labeled or otherwise identified as property of the board of education (e.g., numbered tags, barcodes, etc.).
4. Designated individuals are responsible for assuring compliance with the terms of restricted donations or property purchased with grants.
5. At least annually, a physical inspection and count of capital assets should be performed and reconciled with the school's property records.
  - a. A reconciliation of the capital asset listing maintained by the individual school to the board of education records should be prepared. Any discrepancies should be immediately investigated and explained.
  - b. Reconciliations should be reviewed by a designated individual and reconciliation results should be reported to the board of education.

6. Designated individuals should be assigned responsibility for monitoring capital assets. Removal of any items from the school's premises should be approved in advance in writing by this individual. All such removals should be for official use only.
7. Applicable laws and school policies should be followed when disposing of capital assets.
8. Capital assets should be secured and safeguarded from loss (e.g., fire, theft, misplacement, etc.).

## **Inventory Cycle**

### ***Internal Control Objectives***

1. Inventory records include all materials, supplies, and items owned by the school (whether purchased or donated) that are held for use or sale and physically on hand at the balance sheet date.
2. Inventory listings are accurate and are promptly recorded in the school's accounting records.
3. Inventory is valued correctly.
4. Excess, obsolete, defective, or damaged inventory is reduced to net realizable value in the accounting records or properly removed from inventory, as applicable.
5. Inventory is properly classified on the balance sheet. Disclosure is made of restricted, pledged, or assigned inventory and the methods used to value inventory.
6. Inventory is safeguarded from theft, loss or misuse.

### ***Potential Errors Due to the Lack of Internal Control***

1. Inventory recorded is incomplete.
2. Prices on inventory lists are not accurate and/or extended, and the footed amounts and totals do not agree with amounts recorded in the school's records.
3. Inventory is not valued correctly.
4. Obsolete, damaged, or missing inventory is not removed from the records.
5. Inventory is not safeguarded or insured.

### ***Minimum Recommended Internal Controls***

1. Inventory listings are accurately priced, extended, footed, and summarized. The totals are properly recorded in the accounting records.
2. Inventory should be adequately safeguarded against loss, theft, physical deterioration, or misuse (e.g., locked enclosures, restricted personnel access, etc.).

3. Designated individuals should be assigned responsibility for monitoring inventory levels.
4. The individual responsible for receipt, storage, and issuance of inventory should be independent of responsibilities for purchases, sales, and inventory records.
5. Obsolete, unusable, and overstocked inventory should be reported to the principal. Approval should be obtained before disposing of such inventories.
6. Periodic physical inspections and counts should be performed and reconciled to the school's records.
7. Inventory should be covered by insurance.
8. Inventory should be appropriately valued based on the cost flow assumption selected.

## **Reporting Cycle**

### ***Internal Control Objectives***

1. The financial statements are prepared in accordance with a regulatory basis of accounting, which is an "Other Comprehensive Basis of Accounting" as required by Section 7 of the *Manual*.
2. Transactions are properly classified and summarized by account activity, and balances are properly stated.
3. Financial statements are prepared on a basis consistent with *Manual* requirements. Notes to financial statements call attention to any differences between the school's financial statement presentations and generally accepted accounting principles.
4. Financial statements and accompanying notes are complete, accurate, and include all required disclosures.
5. Adequate procedures exist to provide a clear cutoff of transactions at year end.
6. Adequate control is exercised over the preparation of financial statements.
7. Adjusting entries are properly approved and posted to the school's records.

### ***Potential Errors Due to the Lack of Internal Control***

The types of errors that could occur are almost unlimited. The reporting of financial information involves nonroutine activities that are best controlled by more general management controls.

### ***Minimum Recommended Internal Controls***

1. Management should stay informed of reporting changes in the *Manual*.
2. Statements and schedules should be checked by a person other than the bookkeeper and reviewed by the principal or designee.

3. The *Manual* should be complied with and any additional required procedures and policies should be documented.
4. Records should be sufficiently safeguarded.
5. Nonpermanent (pencil) entries and white-out in accounting records are prohibited.

### **TITLE 3: INSURANCE/BONDING OF EMPLOYEES**

Employees of the local board who handle money and accounting records of individual schools must be bonded in accordance with TCA Section 49-2-110. A blanket corporate fidelity (or dishonesty) bond covering all applicable employees must be provided by the local board of education. Personal or signed fidelity (or dishonesty) bonds are not acceptable. The board of education shall determine the amount of the bond, giving consideration to the total amount of money and/or property that is handled in each school.

The board of education should determine and provide the type and amount of insurance coverage necessary to indemnify the school and board of education for loss of school cash, equipment, files and records, etc., due to theft, vandalism, fire, or other perils.

## **TITLE 4: SAFEKEEPING OF CASH**

TCA Sections 5-8-207 and 6-56-111 require internal school fund money to be deposited in banks within three business days after the money is received. Deposits must be made intact (in the form and amount in which collected). When possible, school money should be deposited daily. A night deposit should be used as necessary to comply with these provisions.

School money should **never** be taken home by individuals for safekeeping or left at a school overnight unless it is stored in a school safe or vault. When a safe or vault is used for money and records, the following procedures should be followed:

1. The combination to the safe or vault should be changed whenever there is a change in personnel who had access to the vault.
2. The combination should be changed at least once every two years or more frequently as deemed necessary.
3. The combination should not be accessible to unauthorized persons.
4. A copy of all current combinations should be filed in the director of schools' office in a secure location.

Each principal must know the amount of insurance coverage for the school to ensure the amount of money left overnight in the building does not exceed the insured amount. In the event the school incurs a loss in cash or property, the principal must communicate the loss immediately to the appropriate law enforcement officials and director of schools to allow the board of education to report the loss to appropriate insurance companies in a timely manner. **NOTE:** If loss is related to fraud, waste, or abuse, the Comptroller of Treasury fraud reporting requirements must be followed.

## **TITLE 5: RETENTION AND DISPOSAL OF RECORDS**

### **Retention of Records**

#### *Custodian of Records*

All internal school fund accounting records are the property of the board of education and must be preserved in the applicable individual school, except as expressly authorized by the board.

#### *Retention Period*

TCA Sections 10-7-404 and 10-7-702, authorize County Technical Assistance Service (CTAS) and Municipal Technical Advisory Service (MTAS), respectively, to compile and print, in cooperation with the state library and archives, records retention manuals which shall be used as guides by officials in establishing retention schedules. These record retention manuals are located on CTAS and MTAS websites at the following links:

[CTAS - Retention Schedules](#)

[MTAS - Retention Schedules](#)

#### *Extension of Retention Period*

If desired, local boards have the authority to extend the retention period beyond that suggested by CTAS or MTAS.

### **Disposal of Records**

Records may be destroyed at the end of the retention period designated by the local board. If the individual school has records not addressed in the board's record retention policy, contact the board for guidance prior to destroying any records. No records may be destroyed for at least one year or until the audit related to those records is completed and all applicable audit findings and recommendations are resolved, whichever is later.

The disposal process should be supervised by the principal to ensure complete destruction. A detailed list of all records destroyed and the related destruction date should be prepared, signed by all persons participating in the destruction of records, and submitted to the director of schools.

## **TITLE 6: COOPERATIVE AND NONCOOPERATIVE ACTIVITIES**

### **Cooperative Activities**

#### ***Definition***

A cooperative activity is one in which the school shares directly in the proceeds or receives a commission. Although they do not lend themselves to strict classification as student body activities, cooperative activities benefiting the student body are frequently undertaken by outside groups (e.g., salvage drives, carnivals, paid entertainment, vending, food sales, etc.). These activities generally occur after the normal school day and may or may not involve the use of school facilities.

#### ***Agreement***

Prior to the commencement of a cooperative activity, a written agreement signed by the principal or principal's designee concerning each party's responsibilities and the division of expenses and profits should be made between the outside group and the school in accordance with the board of education's policy.

#### ***Accounting for Proceeds***

Proceeds should be accounted for within the general fund.

1. If the school collects all proceeds, the school should receipt the proceeds and distribute the outside group's share based on the written agreement.
2. If the outside group collects the proceeds, the school should verify the collections received by the school were based on the written agreement. A prenumbered receipt should be issued for the school's share.

### **Noncooperative Activities**

#### ***Definition***

A noncooperative activity is one in which the school permits the use of school equipment or facilities without charge. However, there may be activities where the school charges a rental fee.

#### ***Agreement***

Prior to the commencement of a noncooperative activity, a written agreement signed by the principal or principal's designee must be made setting forth the fee, if any, to be charged as well as any other pertinent information in accordance with the board of education's policies.

***Accounting for Rental Fees***

Rental fees derived from noncooperative activities should be properly receipted and used in accordance with board policies.

## **TITLE 7: RESALE AND FUNDRAISING ACTIVITIES**

### **Resale Activities**

For purposes of the *Manual*, resale activities encompass any activities involving the disbursement of money by the school for goods for resale. Resale activities may or may not be fundraisers as defined below. In some schools, resale activities such as bookstores, annuals, vending, etc., may not be intended or designed to generate a profit and, therefore, would not be considered fundraisers.

### ***Required Authorization***

Resale activities not intended to generate a profit may be conducted at the discretion of the principal, unless otherwise provided by board policies. Resale activities designed to generate a profit are defined as school-sponsored fundraisers and must be authorized as explained later in this section.

### ***Records***

Accountability is necessary regardless of whether the intention is to raise funds and generate a profit or to break even from the resale activity.

The school should execute a written agreement with the vendor for applicable resale activities, such as the yearbook.

Monthly collection analysis reports must be completed to document expected collections, actual collections, ending inventory, and any differences for ongoing resale activities (e.g., bookstores, concessions, vending, etc.). Refer to [Appendix A – Exhibit 2b](#) for an example collection analysis report. These reports must be filed with the other school records. The school must maintain detailed records to support all amounts recorded on these forms. If the collection analysis report indicates a difference, an explanation must be given. The principal should be informed if no reasonable explanation is identified. Collection analysis reports may be completed at the conclusion of activities that are not perpetual in nature (e.g., annuals, magazine sales, candy sales, etc.).

## **Fundraising Activities**

There are two types of fundraising activities: (1) school-sponsored; and (2) those conducted by school support organizations.

### ***1. School-Sponsored Fundraising Activities***

For purposes of the *Manual*, a school-sponsored fundraiser is considered to be any activity conducted by the school which is intended or designed to generate a profit.

#### ***For the Benefit of the School***

Normally, school-sponsored fundraisers are conducted by the school in order to generate a profit and provide supplemental revenue for the general fund or an individual club or class account. These fundraising activities could include vending operations, bookstores, pictures, concessions, carnivals, book sales, candy sales, magazine sales, walk-a-thons, car washes, bake sales, or similar activities. Fundraising activities do not include membership dues, fees, fines, ticket sales for athletic events, and similar fees.

#### ***For Noneducational Purposes***

TCA Section 49-2-134 provides that teachers or school employees may raise funds for noneducational purposes. The local board shall establish policies and procedures for use of the funds, including policies and procedures for the receipt, disbursement and accounting of all funds. The policy must include sources from which an employee may derive noneducational purposes funds, which may include vending revenue, donations, or other sources as approved by the local board of education. The policy must also include guidelines for how these funds for noneducational purposes must be used, which may include bereavement, award recognition, employee morale, or banquets.

#### ***On Behalf and for the Benefit of an Outside Party***

Schools also participate in fundraisers on behalf of outside groups such as “Kids Heart Challenge” and “Relay for Life” which raise money for organizations such as the American Heart Association and the American Cancer Society. Because the funds raised do not provide financial resources for the school, revenue should not be recognized and reported in the school’s accounting records. Instead, a liability account (payable to the organization the funds are being raised for) should be established. This does not include school service clubs who conduct their own fundraisers in order to provide donations for charitable purposes.

#### ***General Principle***

School-sponsored fundraising activities shall be for the purpose of supplementing money for school programs and not for replacing funds which are the responsibility of the local board of

education. School-sponsored fundraising activities shall contribute to the educational experience of the students and shall not conflict with the instructional program. When conducting resale and fundraising activities, school officials and employees should be aware of state laws regarding illegal conflicts of interest, kickbacks, and other such unlawful activities.

**Required Authorization**

The school board shall adopt policies regarding school-sponsored fundraising activities, including crowdfunding. Those policies must address:

1. The participation of the general student population and the use of school facilities and property in fundraising efforts;
2. Procedures for approving, tracking, and monitoring each fundraising event from beginning to end;
3. Board limitations, if any, on the expenditure of money raised; and
4. Disciplinary action applicable to those who knowingly authorize/allow unapproved fundraising activities. **NOTE:** individual school policies may address disciplinary action applicable to sponsors of student organizations.

**In the absence of local board policies, all fundraising activities are prohibited.**

Participation in Fundraising Effort	Required Authorization	Type of Authorization
General student population	Director of Schools (or designee)	Written
Specific portion of student population (e.g., Beta Club)	Principal	Written

Authorization should include the following information:

1. Proposed fundraising activity;
2. Method of fundraising activity (e.g., in-person, crowdfunding, etc.);
3. Proposed uses of funds raised; and
4. Expected student involvement in fundraising activity (school-wide or individual class or club).

Refer to [Appendix A – Exhibit 1](#) for an example Fundraiser Authorization Form.

### ***Records for Fundraisers Involving Resale Activities***

The documentation required for resale items intended to generate a profit is described at the beginning of this title (refer to “Records” under the heading “Resale Activities”).

### ***Records for Fundraisers not Involving Resale Activities***

A written agreement should be obtained when the school-sponsored fundraiser involves an outside vendor (e.g., school pictures). The agreement should set forth the division of profits, payment of sales tax, delivery date(s), package prices or other charges, scheduled date(s) of service, etc.

Accurate and systematic records of all cash collected should be maintained. Once collections are complete, the school should ensure that a proper division of profits is made in accordance with the written agreement and that the outside vendor’s portion is remitted. If an outside vendor makes the collections, the school must independently verify total sales and total collections to ensure proper division of profits. The documentation used to verify the school’s percentage must be internally generated, not received from an outside party (the vendor).

Any non-cash profits (e.g., vendor credit) generated by a fundraiser should be recorded with a journal entry. A journal entry should also be recorded when these non-cash profits are expended. Refer to [Appendix A – Exhibit 14](#) for illustrative journal entries.

### ***Records for all Fundraisers***

A fundraiser summary report should be completed to document that fundraising profits were expended for their authorized purpose. This report should include a summary of expenditures showing how the profit was used. This form should be prepared and filed in the school office as close as possible to the time the money is expended. The disposition of excess proceeds or a change in authorized purpose must be approved by the director of schools. Refer to [Appendix A – Exhibit 3](#) for an example Fundraiser Summary Report.

### ***Crowdfunding***

For purposes of the *Manual*, crowdfunding is the practice of fundraising via the internet. More than one vendor should be considered when evaluating potential crowdfunding websites. Items to consider include available reports to support the fundraiser results and validity of the services offered (i.e., have other schools used the service with satisfactory results, Better Business Bureau rating, etc.). Additionally, the board of education must approve crowdfunding and establish related policies and procedures, as noted under the heading “Required Authorization” above. The number of crowdfunding vendors and the number of authorized users should be **limited**.

The use of crowdfunding is discouraged but not prohibited. However, this method of fundraising may be prohibited by board of education policy. Unless adequate internal controls can be established, crowdfunding **should not** be used.

The following requirements apply to crowdfunding:

1. A time limit should be placed on the fundraiser (i.e., there should be clear beginning and end dates for the fundraiser).
2. A control account in the school's name that all teachers will be required to utilize for school-related fundraising should be established with the crowdfunding website. The number of authorized users should be limited, and usernames and passwords should be safeguarded. Usernames and passwords cannot be delegated to other school employees.
3. Donations are property of the school and should be directly deposited into the school's bank account.
4. The payer should receive a receipt. The receipt must identify the payer, the amount paid, date, and purpose for payment. If the receipt itself does not identify the purpose(s) for the payment and the corresponding amount(s), other documentation must be attached to permit the bookkeeper to record the transaction. The receipt may be in any form (e.g., email, PDF, text message, etc.). If the crowdfunding website is not capable of issuing a receipt, then it **should not** be used.
5. The bookkeeper should be able to independently review activity in the crowdfunding online account.
6. Online reporting provided by the crowdfunding vendor should be utilized to facilitate independent verification of activity from the fundraiser account. These reports should provide supporting details for all transactions.

## ***2. School Support Organization (SSO) Fundraising Activities***

TCA Section 49-2-604, states the school board shall adopt policies regarding cooperative agreements, school support organizations and the use of school facilities for fundraising purposes. A group or organization may not use a school district's or school's name, mascot or logos, property or facilities for the raising of money, materials, property, or securities until such policy is in place.

The policy must address:

1. Prior to raising money, an SSO shall submit to the director of schools a form that documents:
  - (a) the organization's non-profit status;
  - (b) the goals and objectives of the organization; and
  - (c) the telephone number, address, and position of the organization's officers.

2. Annually, prior to the beginning of the school year, SSOs shall submit a form to the director of schools that verifies the information listed above.
3. Annually, before the end of the school year, SSOs shall provide to the director of schools, a statement of total revenues and disbursements.
4. SSOs must obtain the approval of the director of schools prior to scheduling any fundraising activity.

TCA Section 49-2-604, also states that a school representative may not act as treasurer or bookkeeper for an SSO and that a school representative may not be a signatory on the checks of the SSO. Accordingly, a school representative would also be prohibited from having a debit card related to an SSO account. The law prohibits a majority of the voting members of the board of an SSO from being composed of school representatives.

### ***School Support Organizations—Defined***

School support organizations include the following organizations that collect or receive money, materials, or property from students, parents, or members of the general public and whose primary purpose is to support a school district, school, school club, or academic, arts, athletic, or social activities related to a school:

1. booster club
2. foundation
3. parent-teacher association
4. parent-teacher organization
5. parent-teacher support organization, or
6. any other nongovernmental organization

### ***School Representative—Defined***

If the SSO's primary mission is to support a school system or individual school, then a school representative includes:

1. a school board member;
2. the director of schools;
3. a principal; and
4. any person primarily responsible for accounting for either school system or individual school funds.

If the SSO's primary mission is to support a local school club or academic, arts, athletic, or social activity related to a school, then a school representative includes:

1. a school board member;
2. the director of schools;
3. a principal;
4. any person primarily responsible for accounting for either school system or individual school funds; and
5. any school system employee who is charged with directing or assisting in directing the related school club or activity.

School representative does specifically include coaches, assistant coaches, band directors, or any other school sponsor of a related club or activity.

A *Procedures Manual* for SSOs can be found on the Comptroller of the Treasury, Division of Local Government Audit's website at: [Manuals](#)

## **State Sales Tax**

TCA Section 67-6-229 addresses payment of taxes applicable to purchases made for resale by schools. This section states:

Notwithstanding the exemptions provided by sections 67-6-322 and 67-6-329 for sales to schools, retail sale and sale at retail subject to tax include any sale of tangible personal property or taxable services to a public or private school, grades kindergarten through twelve (K-12) or school support group, where the property or services are intended for resale by the school or school support group. Resales of the tangible personal property or taxable services by the school or school support group shall not be subject to tax. If for any reason a vendor does not collect and remit tax to the department on the sale of these items to the school or school support group, then the school or school support group shall be liable for use tax based on the purchase price of the items. This section does not apply to sales of textbooks and workbooks. This section does not apply to food and food ingredients or prepared food, when sold pursuant to programs authorized by a federal, state or local government entity or by the school governing body, that provides meals for public or private school students in grades kindergarten through twelve (K-12).

A school must not pay sales tax to an out-of-state vendor on items purchased for resale unless the vendor has supplied a Tennessee sales tax identification number. When sales tax is not paid to the vendor, the school is liable for use tax on the purchase price.

Resale items include **anything** purchased by the school and subsequently resold to students, teachers, clubs or other school organizations, the public, etc. (regardless of whether items are resold for profit or at cost). Sales tax must be paid on the purchase price of all resale items except for the exemptions noted above regarding textbooks, workbooks, and school meals.

School support organizations and other non-governmental groups may not use the school's or the school district's tax exemption status to purchase items.

## **Emphasized Internal Control Features**

### *School-sponsored Fundraisers and Resale Activities*

1. Someone who is not involved in the collections or recordkeeping for the fundraiser or resale activity should verify the completed collection analysis report.
2. For vending operations, when the vendor does all product work and the school only receives a percentage, a counter controlled by school personnel should be placed on the machines. If a counter is not used, cash must be counted by school personnel (preferably two persons should be present) when removed from machines in order to establish the amount of collections to be used in calculating the division of profits in accordance with the written agreement. Other procedures may be employed which accomplish the independent verification.
3. A responsible school employee should verify the receipt of all incoming items for resale by comparing the items received to the invoiced amounts and descriptions, noting any discrepancies on the invoice, and signing the invoice.
4. For schools that maintain large quantities of inventories for resale, controls should be established to reconcile inventory with sales. This reconciliation should be performed weekly for ongoing sales (e.g., bookstores or school stores), or immediately upon completion of a fundraiser. At a minimum, a physical inventory count should be conducted at the end of each school year. This inventory should include a detailed list of merchandise on hand, the quantity of each item, the unit cost, the total cost, and the signatures of the individuals responsible for the physical count.

## **TITLE 8: DONATIONS AND OTHER MISCELLANEOUS REVENUES/RECEIPTS**

### **Donations**

Legally restricted donations or allocations to individual schools must be used in accordance with the stipulations placed on their use by the contributor. Donations may be cash or non-cash (e.g., gift cards). Such donations and allocations include those received from local businesses, the local board of education, individual donors, or authorized transfers made from one restricted fund account to another restricted fund account or to the general fund. Any stipulations governing the use of donations or allocations should be documented in writing by the donors (e.g., donations for the purchase of computers, scholarship programs, etc.).

Local board of education allocations must be accompanied by an approved budget. These allocations must supplement, not replace, board obligations and must not include items that have been determined to be a board responsibility. **NOTE:** All purchases requiring bids or contracts (including leases) must be approved, executed, and maintained by the board of education. Please refer to [Appendix B](#) for a principles-based approach to help determine which expenditures supplement, not replace, the local board's obligations.

The school must prepare a form prior to the end of each school year for each source of legally restricted donations or allocations. This donation/allocation summary report must include: amount donated or allocated, source and purpose, date received, and detailed list of all related disbursements. Refer to [Appendix A – Exhibit 4](#) for an example Donation/Allocation Summary Report.

### **Premiums (Bonus Incentives)**

Credit card companies, banks, office supply stores, fundraiser companies, and other vendors may offer gifts as premiums or bonus incentives to conduct business with their organization. Such premiums or bonus incentives must benefit the school as a whole, not an individual. Additionally, premiums or bonus incentives must not violate any state statutes (i.e., conflict of interest laws) or influence the vendor selection. Any cash (or cash equivalent) incentives should be deposited into the general fund. Other non-cash premium incentives should be handled in accordance with the board of education's ethics policy.

Any non-cash incentives should be recorded with a journal entry. A journal entry should also be recorded when these non-cash incentives are expended. Refer to [Appendix A – Exhibit 14](#) for illustrative journal entries.

## Returned Check Fees

Any fees charged for returned checks by the school to a customer should be recorded as revenue in the fund or account in which the bank fee was recorded. If the bank charges fees which the school does not try to recoup, the fees should be recorded as an expenditure in the fund or account in which the returned check was originally recorded. If the school charges a fee in excess of the bank fee, such excess fees should be recorded in the general fund. Refer to [Appendix A – Exhibit 11](#) for illustrative journal entries.

## Interest Earned on Bank and Investment Accounts

Interest earned on bank and investment accounts is considered the property of the respective accounts as follows:

Source of Account Deposits	Considered Revenue To
General Fund	General Fund
Restricted Fund Accounts	General Fund or Restricted Fund Accounts as set forth in the school's policies
School Nutrition Fund	School Nutrition Fund

When interest is added to a bank or investment account by the depository and is not physically received by the school, the bookkeeper should make the appropriate entry in the general journal.

## Teachers' Materials and Supplies Funds

The Tennessee Investment in Student Achievement Act (TISA), as detailed in TCA Section 49-3-359(a), provides two hundred dollars (\$200) for each teacher in kindergarten through grade twelve (K-12). This section states:

This money must be used by the teachers for instructional supplies and must be given to each teacher by October 31 of each school year so that the teacher may spend it at any time during that school year on instructional supplies as determined necessary by the teacher. The purpose of these funds is to permit purchase of items of equipment for the benefit and enhancement of the instructional program. The funds cannot be used for basic building needs such as HVAC, carpets, furniture, items or equipment for the teachers' lounge, or the like. *Any funds not spent by the end of the school year must be pooled at the school level and used for the purchase of items of equipment for the benefit of all teachers.* Pooled funds cannot be used for basic building needs such as HVAC, carpets, furniture, items or equipment for the teachers' lounge, or the like.

If the board of education chooses to account for these funds through internal school funds, then the steps below must be followed:

1. Notify all teachers and principals of the allocation and the procedures for expending these funds.
2. Send the appropriate amount of funds to each school to be deposited in a restricted account of the internal school funds. The title of this restricted account should be “Teachers’ Materials and Supplies (TISA) Account.” Allocate \$200 to each eligible teacher in the school. Sub-accounts must be maintained to ensure proper allocation to individual teachers.
3. Expend the funds through the restricted account according to current purchasing or reimbursement procedures.

The individual teacher allocation must be used to enhance the instructional program. Examples of appropriate supplies include reading books, workbooks, reading work sheets, periodicals, supplies for experiments, maps, audio/visual materials, software, bulletin board materials, etc.

Any funds not spent by the end of the school year must be pooled at the school level and used for the purchase of items of equipment for the benefit of all teachers.

Refer to [Appendix A - Exhibit 15](#) for sample journal entries for recording TISA receivable, if necessary.

## **Grants**

The board of education must establish policies regarding direct application for grants by individual schools. Upon board authorization, individual principals may apply for grants. A separate restricted fund account must be established when grants are received directly by internal school funds. All related cash receipts and disbursements must be recorded in this account. In addition, a Schedule of Expenditures of Federal Awards and State Financial Assistance, as described in Section 7 of the *Manual*, must be prepared.

## **Student Fees/Fee Waiver**

TCA Section 49-2-110(c), prohibits the imposition of fees as a condition of attending school or receiving instruction. Fees are assessed by individual schools for various purposes. These fees must not be required of any Tennessee student as a requisite for school attendance, enrollment in any class or course, or for using school equipment. Therefore, the local board of education will provide payment in lieu of fees for students who have an approved waiver on file with the board.

Some local boards of education provide these fees through an annual allocation and others on a reimbursement basis. When fees are paid through an annual allocation, the bookkeeper should periodically submit to the board a comprehensive list of waived fees, including the student’s

name, amount of fee, and purpose of fee. Payment from the board to the school for waived fees should be recorded in the appropriate account(s) in accordance with the purpose for the waived fee(s).

### **Extended School Program (ESP)**

When ESP money is collected at the individual schools, there are various methods of collecting and recording the money. One method is to receipt and deposit the money in a school bank account, similar to other internal school fund money. The principal then reports these collections and pays ESP money to the board of education. A receipt should be obtained from the board of education. Since the school is acting only as a collection agency for the board of education, revenue should not be recognized and reported in the school's accounting records. Instead, a liability account (payable to the board of education) should be established. The bookkeeper should record these transactions in the general journal by making the appropriate journal entries in the cash and liability accounts.

Another method is for the school to issue board of education receipts and deposit the money directly into a special board of education account set up for this purpose. The school is still acting as a collection agent for the board of education; however, with this method, the school would not record anything in the internal school fund records.

Schools also serve as the place of collection for other board of education administered programs such as adult education, day care, and summer school programs. The recordkeeping for these activities should be the same as for ESP money.

These funds should be audited by the board of education's auditor for internal control and compliance requirements.

### **Student Deposits and Fines Collected for the Board of Education**

Occasionally, boards of education may require school personnel to collect money on behalf of the board of education. Examples may include fines assessed for lost or damaged school property, such as textbooks, library books, equipment, etc. Since the school is acting only as a collection agency for the board of education, revenue should not be recognized and reported in the school's accounting records. Instead, a liability account (payable to the board of education) should be established. The bookkeeper should record these transactions in the general journal by making the appropriate journal entries in the cash and liability accounts. Such money collected for the board by the school must be remitted to the board, and a receipt must be obtained from the board of education.

## **TITLE 9: LOANS AND ACCOMMODATIONS**

Student activity and other internal school funds must not be used for any purpose which represents an accommodation, loan, or credit to anyone. Personal checks may be taken for payment of goods, services, and other school charges, but must not be cashed for the purpose of making change or as an accommodation to individuals, including school personnel. Checks should be accepted for the exact amount of purchase only. Public property must not be taken from the school premises for personal benefit. Local board employees or other individuals must not make purchases for personal benefit through a school in order to take advantage of the school's tax-exempt status or other purchasing privileges.

## **TITLE 10: BUDGETS**

The budget is an estimated plan of anticipated revenues and proposed expenditures for a fiscal year. Tennessee public schools have a fiscal year beginning July 1 and ending June 30. The internal school funds budget is not considered legally adopted. For the general fund, the budget should present the beginning general fund balance, estimated revenues, proposed expenditures, and the estimated ending general fund balance. For each restricted fund account, the budget should present separately the beginning account balance, estimated revenues, proposed expenditures, and the estimated ending account balance.

As soon as possible after school begins, students, in consultation with the activity/club sponsor, should develop and adopt a budget that will be used during the current fiscal year. Each sponsor should submit a copy to the principal for use in preparing a comprehensive school budget that is submitted to the board through the director of school's office. A copy of the school budget should be retained on file at the school for future reference and audit purposes.

**NOTE:** Internal school funds budgetary schedules are not required to be presented within the primary government's (i.e., county, municipality, special school district, or university) financial report because the internal school funds budget is not considered legally adopted.

The budgeting process of School Nutrition Funds is the responsibility of the board of education. All revenues and expenditures must be budgeted in accordance with applicable laws and regulations. The noncentralized school nutrition funds budget is adopted at the board of education as part of the general purpose school fund. Therefore, budgetary schedules are not required to be presented within the individual school level – noncentralized school nutrition funds financial statements.

## **TITLE 11: ELECTRONIC BUSINESS SYSTEMS**

State statutes encourage the use of modern electronic technologies to improve the efficiency of business operations. Examples may include online ticket sales, electronic collection methods, electronic signatures, etc.

Pursuant to TCA Section 4-30-103, any school planning to implement new electronic technology related to disbursements or receipts must submit a plan to the Comptroller of the Treasury at least 30 days prior to implementation. This plan shall contain the following information:

1. A description of the business process and technology to be used;
2. Related policies and procedures;
3. Internal controls to maintain process integrity;
4. An estimate of implementation costs; and
5. A statement as to whether the implementation will be completed with existing operating resources or if additional resources have been approved by the board of education.

Similarly, TCA Section 47-10-119 mandates that local public officials submit a pre-implementation statement before implementing electronic business systems that utilize electronic records and signatures. This statement must be filed with the Comptroller of the Treasury at least 30 days prior to offering the service. The statement shall contain the following information:

1. A description of the system's hardware and software;
2. Applicable policies and procedures;
3. Documentation of internal controls;
4. Responsible personnel;
5. A description of the records and transactions to be electronically communicated, a description of the authorization process, and any electronic signatures to be used;
6. Estimated costs; and
7. Expected benefits and/or estimated cost savings.

Additionally, TCA Section 47-10-119 requires a post-implementation review be conducted and submitted between 12 and 18 months following the pre-implementation statement filing. This review shall include an assessment of the system, user feedback, and any recommendations for improvement of the electronic business system.

These plans, statements, and reviews should be submitted to the Comptroller of the Treasury, Division of Local Government Audit, at [LGA.web@cot.tn.gov](mailto:LGA.web@cot.tn.gov).



**SECTION 5**  
*Operating Procedures*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Section 5: Operating Procedures**

---

### **TITLE 1: RECORDING TRANSACTIONS AND DOCUMENTATION**

All transactions pertaining to internal school funds money should be recorded in the accounting records daily. For purposes of the *Manual*, “accounting records” include data stored in the form of electronic files and spreadsheets, as well as a system of double-entry accounting records maintained manually. Accounting procedures and forms used in a school system should be uniform, especially within the same grade levels. Accounting methods and procedures that exceed the minimum requirements presented in the *Manual* may be implemented as considered necessary by the board of education.

The school should maintain appropriate authorizations, written policies, and agreements, as applicable, for: (1) resale and fundraising activities, (2) cooperative and noncooperative activities, (3) use of a petty cash fund, (4) use of school property and equipment, and (5) other documentation as necessary to support compliance with the provisions of the *Manual*.

Original source documents form the basis for recording financial transactions in the accounting records. Such documents include, but are not limited to, prenumbered receipt books, collection logs, electronic collection summaries, vendor invoices, delivery reports, receiving reports, payroll records, bank statements, bank-validated deposit tickets, canceled checks, inventory records, and property records. These source documents must be retained for future reference and audit purposes.

## **TITLE 2: REVENUES/RECEIPTS**

### **Separation of Duties**

The use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations, as noted throughout the *Manual*, school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties. These procedures might include more frequent collection analyses, comparison with expected receipts, and comparison with prior year collections by someone other than the bookkeeper.

**When at all possible, someone other than the  
bookkeeper should collect money and write receipts.**

### **General**

Money within an individual school may be obtained from many sources including athletics, concessions, plays, publications, stores, gifts, vending machines, etc. This money may be handled by one or more persons before it is recorded in the cash receipts journal by the designated school employee. The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity.

Prior to authorizing or requiring any collections, the principal must evaluate the ability of school personnel to provide the required accountability. The use of teacher assistants and other support staff could be considered, as well as schedules designating the time of day for collecting and remitting the collections to the school's office. This schedule should be developed with the understanding that all money must be deposited within three business days of the initial collection. The principal must never authorize or require any collection for which adequate accounting cannot be provided.

### ***Overarching Collection Internal Control Policies and Procedures***

1. Daily collections from any source may never be used for the purpose of providing change for events. When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the "Cash on Hand Account." The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit." Refer to [Appendix A – Exhibit 12](#) for illustrative journal entries.

2. Collections may never be turned over (such as leaving money on the cashier's desk) without receiving a receipt.

**NOTE:** Please refer to the heading "Collection of Money by Electronic Methods" further in this title for procedures regarding electronic collections. The headings "Collection of Money by Teachers/Others" and "Collection of Money by Cashier" are primarily intended to address cash or check collections. Controls in these sections should be considered in combination with the controls detailed within the electronic methods section.

## **Collection of Money by Teachers/Others**

### ***General***

Teachers, assistants, volunteers, and support staff who handle money must be made aware of the requirement for maintaining accurate and systematic records of all cash collected. Few of these individuals are trained bookkeepers, yet many must collect and account for field trips, fees, fundraisers, etc. At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures. When feasible, the principal should consider collection options which do not require teachers to collect money from students within the classroom.

### ***Records***

Teachers/others who collect money should prepare a collection record (e.g., prenumbered receipt, collection log, ticket reconciliation, signed recorded count, etc.) for each separate activity. All collections by teachers/others should be remitted to the cashier daily or more frequently, if necessary.

#### ***1. Prenumbered Receipts***

The principal may choose to require all teachers/others who collect money to issue a prenumbered receipt to each payer. If so, the following requirements apply:

- (a) All prenumbered receipt books must be controlled by a designated individual, who issues the books sequentially. That individual must maintain a record showing the receipt book issued (i.e., beginning and ending receipt numbers), date issued, and the signature of the teacher/other who received the book.
- (b) The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the cashier along with the related collections, and the third copy is for the teacher/other. Normally, there will be more than one receipt taken to the cashier. Accordingly, the teacher/other should record the total amount turned in to the cashier that reconciles to the receipt issued by the cashier to the teacher/other. The

cashier should write the receipt number range on the receipt given to the teacher/other.

- (c) Teachers/others are accountable for all prenumbered receipts, including voided receipts, issued to them by the designated individual in control of the receipt books. All copies of every voided receipt must be retained by teachers/others in accordance with the board's record retention policy.
- (d) The receipt must identify the payer, amount remitted, method of payment, and date. If the receipt itself does not identify the purpose(s) of the collection and the corresponding amount(s), other supporting documentation must be attached to permit the bookkeeper to record the transaction.

## **2. *Collection Logs***

A collection log may be prepared as an alternative to prenumbered receipts. School pictures, yearbooks, field trips, Beta Club dues, etc., are collections that are often recorded on collection logs. The log documents the name of the school, the purpose of the collection, the name of the teacher/other or club/class, the payers, amounts remitted, methods of payment, the date(s) of collection, and the daily total. When daily collections are completed, the collections should be counted by the teacher/other and reconciled with the daily total on the collection log. Noted errors should be corrected and unexplained differences should be documented.

The cashier must count the money and issue a prenumbered receipt to the teacher/other at the time the collections are remitted. In addition, the cashier should record the amount, receipt number, and receipt date on the collection log, and initial the information on the collection log. The teacher/other may continue to use the same log until all collections for that activity are completed. On the final collection date, the teacher should bring the collection log to the bookkeeper and retain a copy. Teachers should retain collection logs in accordance with the board's record retention policy or for three years (in the event of audit questions), whichever is later.

Refer to [Appendix A – Exhibit 5](#) for an example Teacher Collection Log.

## **3. *Ticket Reconciliations***

The use of a ticket reconciliation form is required for all events for which a fee is charged or paid in advance, and a collection log is not used (e.g., athletics, entertainment, etc.). Refer to [Appendix A – Exhibit 6](#) for an example ticket reconciliation. Required procedures are provided below.

The principal may choose not to use tickets for events for which a nominal fee (\$1 or less) is charged as an admission fee. A written policy addressing this issue should be established at the beginning of the school year. For situations in which ticket reconciliations or collection logs are not used, two individuals should collect the

admission fee and a recorded count of collections signed by both responsible individuals should be prepared. Required procedures are provided under “Recorded Counts Signed by Two Individuals”.

### ***Ticket Reconciliation Procedures***

The following procedures should be followed when tickets are sold for admission to an event.

- (a) All admission tickets should be prenumbered. For events in which several different prices are charged, a different ticket color and/or numerical series for each price group should be used. The principal is responsible for accounting for all tickets and ensuring the safekeeping of the ticket inventory.
- (b) Prior to the tickets and ticket reconciliation form being given to the ticket seller, a designated individual other than the ticket seller will record the beginning ticket number(s), ticket color(s), and the amount of change to be given to the ticket seller. The ticket seller should initial this information to document verification of the information on the form.
- (c) A separate person should be assigned responsibility for collecting tickets at the point of admission. To reiterate, there must be two separate individuals involved for the control to be effective: one person who sells tickets and collects money and another person who requires that a ticket be submitted in order to gain entrance into the event.
- (d) When the event’s ticket sales are complete, the ticket seller should count and record the collections (with a subtotal for each method of payment) and complete and sign the ticket reconciliation form. The ticket seller, or other designated individual, retains a copy of the original ticket reconciliation while the original accompanies the collections and unsold tickets that are turned in to the cashier.
- (e) The cashier should issue an official receipt made out to the persons signing the ticket reconciliation. The cashier should review and recalculate the ticket reconciliation form. If a discrepancy between the ticket reconciliation and the official receipt exists, the principal should be notified in writing.

Any alternate procedures must be designed to ensure that all money that should be collected is collected and remitted for deposit.

#### ***4. Recorded Counts Signed by Two Individuals***

Some activities preclude remitting money to the cashier directly following the close of an event and do not lend themselves to the use of a collection log or prenumbered receipt (e.g., bake sales, car washes, concessions, etc.). The collection record for these activities may consist of only a recorded count signed by two responsible individuals at the close of

the activity. Refer to [Appendix A – Exhibit 7](#) for an example count of collections form. Required procedures are provided below.

- (a) Two individuals should collect the receipts, and a recorded count of collections signed by both responsible individuals should be prepared. The collections along with the recorded count that has been signed by both individuals should be turned in to the cashier for a receipt.
- (b) The form used for the recorded count should include the date, purpose, amount of collections (with a subtotal for each method of payment), and signatures of the two responsible individuals. One of the responsible individuals will retain a copy of the recorded count, and the original accompanies the collections.
- (c) The cashier should issue an official receipt made out to the persons signing the recorded count of collections. The cashier should review and recalculate the count of collections. If a discrepancy between the recorded count and the official receipt exists, the principal should be notified in writing.

## **Collection of Money by Cashier**

At the beginning of each school year, the principal should ensure that the cashiers are informed of the required procedures and forms used for collection of money and the consequences for noncompliance with the required procedures.

### ***1. Receipt procedures***

- (a) The cashier must count the money and issue a prenumbered receipt to the responsible individual(s) at the time money is remitted. A receipt should not be issued to the revenue source (e.g., gate receipts, vending, bookstore, etc.).
- (b) All prenumbered receipt books must be controlled by a designated individual (other than the cashier), who issues the books sequentially. That individual must maintain a record showing the receipt book issued (beginning and ending receipt numbers), date issued, and the signature of the cashier who received the book.
- (c) The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the bookkeeper along with the related collections, and the third copy is for the cashier.
- (d) The cashier is accountable for all prenumbered receipts, including voided receipts, issued to them by the designated person in control of the prenumbered receipt books. All copies of every voided receipt must be retained by the cashier in accordance with the board's record retention policy.

- (e) The receipt must identify the payer, the amount remitted, method of payment, and date. If the receipt itself does not identify the purpose(s) of the collection and corresponding amount(s), other supporting documentation must be attached to permit the bookkeeper to record the transaction.

## **2. Other Procedures by Cashier**

- (a) The cashier should record the amount, receipt number, and receipt date on each collection log, and initial the information on the collection log.
- (b) The cashier should restrictively endorse all checks they receive (e.g., “For Deposit Only - Central High School”).
- (c) Someone other than the cashier or bookkeeper should open all mail daily, list all checks received on a collection log, and restrictively endorse the checks. A copy of the log should accompany the money when it is remitted to the cashier each day. The cashier must issue a receipt to the person remitting the money and include the checks in the daily deposit.
- (d) Daily collections should be reconciled with the total of all receipts issued. The last receipt included in the deposit should be marked to indicate the receipt numbers included in the deposit, the amount deposited, and the date of the deposit. Using daily collections for cashing checks or making purchases is prohibited.
- (e) Depending on the type of accounting system used, some schools may require the cashier to prepare a daily cash report, which summarizes each day’s collections by type (e.g., yearbooks, fundraising, pictures, vending, etc.). This record is used by the bookkeeper for daily posting.
- (f) The cashier should complete a duplicate deposit slip. All checks should be listed individually on the deposit slip, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip. When preparation of the daily deposit is completed, the cashier should turn over to the bookkeeper the bookkeeper’s copies of the receipts and any other supporting documentation (e.g., remittance advices [documentation received from vendors and individuals identifying the reason why payment was made to the school] received with mail payments, daily cash report, collection logs, ticket reconciliations, etc.). All of the collections and the deposit slip should be turned over for deposit to an individual who is not involved in the collecting and recording process. Refer to Section 6 of the *Manual* for deposit procedures.

## **Collection of Money by Electronic Methods**

Tennessee Code Annotated (TCA) Section 47-10-119 requires all electronic collection methods be filed in advance with the Comptroller of the Treasury, Division of Local Government Audit. More than one vendor should be considered when evaluating potential electronic collection methods. Additionally, the board of education must approve the electronic collection method and establish related policies and procedures. The number of electronic collection methods and the number of people authorized to use them should be **limited**.

This method of receipting may be prohibited by board of education policy. Unless adequate internal controls can be established, electronic collection methods **should not** be used.

**NOTE:** Per TCA Section 49-6-316, a school cannot take part in an athletic event if the event's organizer does not allow students from participating schools to purchase tickets with cash – either before the event, at the event, or both.

The following requirements apply to electronic collection methods:

1. The electronic collection method should provide adequate supporting documentation. This includes a record that shows individual sequential transactions (such that each individual transaction can be audited) and a total daily receipt summary. This summary should include the vendor's service fee, the total amount received, and amount deposited.
2. The payer must receive a receipt. The receipt must identify the payer, who issued the receipt, the amount remitted, method of payment, date, and purpose of the collection. If the receipt itself does not identify the purpose(s) of the collection and the corresponding amount(s), other documentation must be attached to permit the bookkeeper to record the transaction. The receipt may be in any form (e.g., email, PDF, text message, etc.). If the electronic collection method is not capable of issuing a receipt, then a manual (i.e., handwritten) receipt must be issued.
3. Relevant details regarding any voided receipts must be provided by the electronic collection method and available for inspection.
4. When daily electronic collections are completed, the amounts charged and deposited should be reconciled with the total daily receipt summary. A separate person should be assigned to perform this reconciliation.

Processing fees may be assessed by the electronic collection vendor for processing the electronic collections. TCA Section 9-1-108 provides that the school may set and collect a processing fee in an amount that is equal to the amount paid to the electronic collection vendor. Any assessed processing fees must be clearly communicated to the individual at the time of collection. Such processing fees may be waived by approval of the board of education.

## **Recording of Collections by Bookkeeper**

The bookkeeper should obtain all applicable collection documentation from the cashier, such as the bookkeeper's copies of the receipts and any other supporting documentation (e.g., remittance advices [documentation received from vendors and individuals identifying the reason why payment was made to the school] received with mail payments, daily cash reports, collection logs, ticket reconciliations, etc.). Prior to posting to the cash receipts journal, the bookkeeper should determine that the amounts and totals on the documentation are mathematically correct and that the corresponding receipts agree. The bookkeeper should record on their copy of the prenumbered receipt the applicable account codes and corresponding amounts. The bookkeeper should then record the collections in the cash receipts journal. All collection documentation should be filed in a manner which allows the bookkeeper to easily find requested documentation.

The bookkeeper should obtain and file the validated duplicate deposit slip (or the duplicate deposit slip with deposit receipt attached).

## TITLE 3: PURCHASING

### General

The board of education must develop a purchasing policy for the expenditure of internal school funds, and the principals of the individual schools must ensure compliance with the policy. The dollar limitations established in this title apply unless otherwise provided in the board of education's policy. Refer to Section 1, Title 3, page 1-4, under the heading "Purpose and Applicability of the *Manual*".

**Purchases exceeding the bid threshold are the responsibility of the board of education.**

All purchases must be for an appropriate purpose; that is, they must not detract from or be in opposition to the overall educational process. The principal or principal's designee is responsible for determining the appropriateness of purchases. In determining appropriateness, the following questions should be considered:

1. Is this an expenditure for which the board of education is responsible?

**NOTE:** Refer to [Appendix B](#) for a principles-based approach to help determine which expenditures supplement, not replace, the board of education's obligation.

2. Is this expenditure for a school purpose?
3. Is this expenditure for the welfare of the student body?

Although disbursements for educational and professional development could be considered to indirectly benefit the welfare of the student body, these disbursements are the responsibility of the board of education and would not be legitimate expenditures of money raised by students (i.e., student activity funds). As noted previously in the *Manual*, since TCA Section 49-6-3001 refers to Tennessee schools as being free, money raised by students must be used to finance legitimate extracurricular activities. This money should be used to supplement, not replace, money for activities and services provided by the board. Staff development is the responsibility of the board.

### Purchase Authorization

If student organizations (whose activities are accounted for in restricted fund accounts), excluding athletics, raise funds through noninstructional fees, membership dues, and fundraisers, then purchases by these organizations must be approved by the membership of the organization and documented in their minutes. In addition, a student authorization form should be completed

and given to the bookkeeper with the purchase request. Permission for certain routine and recurring expenses (e.g., refreshments for meetings) may be documented once for the entire year.

A **purchase requisition** is a request to make a purchase. A **purchase authorization** is a prior written authorization by the principal, or designee, approving the purchase of goods and services. A prenumbered purchase authorization is required for each purchase of goods and/or services of \$100 or more except for emergency repairs or purchases, reimbursements from restricted accounts not sponsored by the principal, and purchases of goods and services made under contract. Please note that all online payments and purchases should have a purchase requisition that has been approved by the bookkeeper and principal (or designee) before a purchase is made, *regardless of amount*. Formal documented approval from the board of education must be obtained and on file at the school before a school begins the practice of making online payments and purchases.

Principals should make all teachers/others aware that purchases made which do not require prior written approval may, in certain circumstances, become the personal responsibility of the employee. The principal should not authorize payment in any amount for purchases that are not appropriate or are to be paid out of accounts that do not have sufficient balances.

Each purchase of goods and services must be supported by adequate documentation.

If the sponsor of a club, class, or other restricted fund account has complied with the above requirements, it would be reasonably expected that the principal would authorize payment from that restricted fund account. In no circumstances should prior approval be given if the account or fund balance is insufficient.

### **Purchasing Procedures for Teachers/Others**

To initiate a purchase, a prenumbered purchase requisition should be completed. The purchase requisition should include the date of request, the name of the individual requesting the purchase, the fund/account to be charged, the items/services to be purchased, and the amount of each item/service. Any documented quotes required by the board of education's purchasing policy should be attached to the purchase requisition.

As noted above, purchases may not be charged to class or club accounts without the prior written permission of the student membership that raised the money. Documentation of this approval should also be attached to the purchase requisition.

The prenumbered purchase requisition is given to the bookkeeper.

## **Purchasing Procedures for Bookkeeper**

When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and follow appropriate procedures below based on the amount and type of purchase.

1. If the purchase is an online payment **or** over \$100, forward the prenumbered purchase requisition form to the principal for approval. After the form is signed by the principal, it becomes a **purchase authorization**.
2. If the purchase is not an online payment **and** less than \$100, the bookkeeper should initiate the purchase (or follow alternate procedures established by the principal).

The original purchase requisition/purchase authorization should go to the vendor as a purchase order, if needed. One copy should be filed in the outstanding purchase requisition/purchase authorization folder, and the remaining copy should be given to the individual initiating the purchase request.

Documents such as invoices, receiving reports, and/or delivery receipts, together with other related support provide the bookkeeper with adequate supporting documentation to make payment. An invoice is an itemized document from a third party that describes in detail the type, quantity, and charges for goods and services purchased. A receiving report is a document prepared by the school to record the verification of items/services received and accepted. A delivery receipt accompanies the delivery and itemizes the items delivered. If receiving reports and/or delivery receipts are used, they should be signed and dated by a designated individual to indicate that the items listed were received and accepted, and the report/receipt should be filed with other documentation. If receiving reports and/or delivery receipts are not used, the invoice should be signed and dated by the designated individual who received and accepted the items. When authorized services have been completed, a designated individual should sign and date the invoice or receiving report to indicate that the service was completed properly and accepted.

**The bookkeeper should obtain adequate supporting documentation before disbursing any school money.** Periodic statements from vendors and copies of invoices are not adequate documentation to support disbursements. If a copy of an invoice must be used rather than the original, the bookkeeper should include a written explanation on the invoice stating the reason. When items/services are purchased for which vendors do not provide formal invoices (e.g., commencement speakers, officials for athletic contests, etc.), the school should prepare a document and have it signed by the vendor.

When an invoice is received, the bookkeeper should match the related purchase requisition/purchase authorization and accompanying receiving report/delivery receipt with the invoice to verify that the items/services shown on the invoice were actually ordered and received, and that prices charged are correct. Before payment is made, the bookkeeper should check the mathematical accuracy of amounts charged, and should ensure that sales tax is not

charged or paid for tax-exempt purchases. Payment should be made in time to take advantage of any discounts allowed for early payment.

Each payment should be properly recorded in the school's cash disbursements journal. Since the fiscal year for Tennessee schools is from July 1 through the following June 30, the cost of any goods or services received by June 30 must be recorded as an **expenditure** for that fiscal year. If payment for those goods and services received during the year is not made by June 30, an accounts payable exists. An outstanding purchase authorization (goods and services **not** received during the fiscal year) at June 30, is **not** recorded as an expenditure or an accounts payable for that year.

Purchases and reimbursements from one school account to another (such as the senior class reimbursing the football account for a portion of the football homecoming flowers) **are not equity transfers**, and should not be reported as transfers in the school's operating statement. Purchases (arm's-length transactions) should be recorded as revenue in the account selling the items/services and as an expenditure in the account purchasing the items/services. Reimbursements should be recorded as an expenditure in the reimbursing account and as a reduction of expenditures in the account receiving the reimbursement. Since no check is being issued, these entries would be made in the general journal. Refer to [Appendix A – Exhibit 13](#) for illustrative journal entries.

The bookkeeper should record payments made by automatic bank draft in the school's accounting records at the time the related invoice is received.

After payment is made, each page of the invoice and attached documentation, including the purchase authorization and receiving report/delivery receipt, should be stamped "Paid" or canceled in some manner to prevent duplicate payment. If duplicates or copies of checks are not attached to the supporting documents, the check number, date, and amount paid should be clearly marked on each purchase authorization and paid invoice. Supporting documents (e.g., copy of check, invoice, purchase authorization, receiving report/delivery receipt, etc.) should be filed together or in such a way that they can be easily reassembled.

### **Purchasing Procedures for Principal or Designee**

All purchase requisitions in excess of \$100, as well as all purchase requisitions for online purchases and payments, that have been signed by the bookkeeper, should be reviewed by the principal to determine if the disbursement is for an appropriate purpose. The principal should sign and date the purchase requisition to indicate authorization to make the purchase. The purchase authorization should then be returned to the bookkeeper. **Purchase requests/authorizations must not be signed in advance of their preparation.**

For disbursements of less than \$100 that are made by check, the principal's determination of appropriateness should be made when supporting documentation is reviewed prior to signing the check. The principal's signature on the check indicates that the disbursement was considered appropriate.

## **Prior Authorization Required**

Expenditures that require prior authorizations should be anticipated in time to permit processing and proper clearance of written authorization requests. Expenditures must not be made until authorizations have been granted.

The following expenditures must be approved by the local board (or the board's designee):

1. The purchase of equipment (regardless of cost) that is to be attached to or that requires the alteration of the building.
2. The construction or installation of permanent fixtures.
3. Accounts payable outstanding at fiscal year end.

## **Limitations on Disbursements**

Revenue raised for specific purposes must be expended for that purpose, unless otherwise authorized. Authorizations must be granted by the group or activity, club, or class that raised the revenue and must be properly documented.

Money raised through fundraising activities must be used for the authorized purpose. Any change of purpose must be approved by the director of schools.

## **Expenditures Made by Pupils and Employees**

Students or school employees are not permitted to make purchases in the name of the school without proper written authorization. Schools are not liable to pay for any unauthorized purchases made by a student or school employee.

## **TITLE 4: PETTY CASH**

### **Authorization**

School officials and employees are discouraged, but not prohibited, from making petty cash disbursements. However, the creation and use of a school petty cash account must be specifically authorized in writing by the board of education. This authorization should prescribe the total petty cash amount and the maximum amount of a single petty cash transaction.

### **Establishment of Account**

To establish authorized petty cash accounts, a check should be issued to the designated individual in charge of the petty cash account (petty cash custodian). Petty cash accounts should be maintained on an imprest basis whereby a fixed sum of money is maintained at all times. The lowest amount of money possible should be maintained in the petty cash account.

### **Petty Cash Vouchers/Invoices**

For each disbursement, a petty cash voucher should be completed in permanent ink. The voucher should indicate the date, the items purchased, the payee, and the disbursement amount. The person receiving the cash should sign the voucher. The petty cash custodian must ensure that all petty cash vouchers are supported by invoices, cash tickets, or other adequate documentation.

### **Replenishing Petty Cash and Recording Expenditures**

The amount of cash on hand and petty cash vouchers written must total to the original fixed amount of the petty cash account at any point in time. When cash has been reduced to the point that routine requirements cannot be met, a check should be issued to the petty cash custodian to replenish the exact amount of vouchers on file in the petty cash drawer. The paid vouchers with related supporting documentation will be used by the bookkeeper to record expenditures to the appropriate account codes in the accounting records. The only entries to the petty cash account would be to establish the account originally, increase or decrease the account, or to close the account.

### **Emphasized Internal Control Procedures**

1. The person responsible for handling petty cash should approve, date, initial, and mark each voucher "paid" to prevent reuse. Petty cash funds should be maintained in a secure location that restricts access to the authorized petty cash custodian only. **Petty cash may never be used to cash personal checks for any individual or to issue refunds and may never be commingled with personal funds of any school employee.**

2. The principal or principal's designee should periodically review petty cash disbursements and the supporting documentation to ensure purchases are appropriate.

## **TITLE 5: REFUNDS AND TRAVEL**

### **Refunds**

Refunds should be disbursed by check or other approved payment method and should not be paid from a petty cash account. Refunds are reductions of revenue, rather than new expenditures.

### **Travel and Conferences**

Student activity funds must not be used to pay for travel expenses for employee development, conferences, seminars, registration fees, etc., of school personnel. The board of education is responsible for establishing travel policies pertaining to school personnel and for reimbursing school personnel for employee development or training costs and travel related to education conferences, seminars, etc.

This limitation does not apply to employee travel expenses associated with club or class activities (e.g., Beta Club, Class of 202X, etc.). All requests for travel reimbursements to authorized school functions should be submitted on a travel expense claim and should be in accordance with board policies. Except for authorized per diem charges or standard mileage amounts, all claims must be supported by invoices, cash receipt tickets, or other adequate supporting documentation.

**Travel advances are prohibited.**

## **TITLE 6: SALARY SUPPLEMENTS, SUBSTITUTE TEACHERS, AND CONTRACTED SERVICES**

### **Salary Supplements**

Any supplemental compensation owed to board of education employees for extracurricular activities must be processed and approved through the director of schools' office in the same manner as salary and other payroll payments. Board of education employees may not be compensated directly by individual schools from internal school funds.

Each school should submit to the board of education on a regular basis a payroll record for each individual who is to receive a salary supplement. The payroll record should include the name of the employee, the date(s) and type of work performed, the pay rate, should be signed by the employee and approved by the principal. The board of education will then calculate the amount of gross pay, employee withholdings (i.e., federal income tax, FICA, state retirement, insurance, etc.) and the employer's matching share and will include the salary supplement in the employee's regular payroll check or in a supplemental paycheck from the board of education.

The board of education will invoice the school for reimbursement of the total amount of the gross salary supplement and the employer's share of the related payroll withholdings.

### **Substitute Teachers**

The board of education should establish policies regarding the reimbursement of substitute teachers' salaries related to restricted class and club accounts (i.e., substitute teacher is required when Beta sponsor attends Beta convention). The principal should ensure that all class/club sponsors are informed of applicable policies. If reimbursement from the school is required by the board, the sponsor should ensure that approval is obtained in advance from the membership of the class or club.

### **Contracted Services**

The United States *Internal Revenue Code*, Section 6041(a), requires anyone engaged in a trade or business who makes payments totaling \$600 or more during a calendar year to a person (such as an individual working as a sole proprietor or a partnership) to report such payments to the Internal Revenue Service (IRS) and to provide the payee with a Form 1099-MISC.

The board of education is responsible for preparing and distributing such forms to payees. Failure to issue the required Form 1099-MISC by the federal filing deadline may result in the board of education and/or schools being liable for a penalty. Therefore, schools must submit information concerning such payments to the board of education to permit a timely filing of Form 1099-MISC. In determining whether the dollar threshold of \$600 has been achieved, the board of education must consider payments made to payees by all schools combined.

A board of education, as an employer, must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. However, the board of education does not have to withhold or pay any taxes on payments made to independent contractors (unless the independent contractor does not provide an Employer Identification Number (EIN)).

Individuals who are employed by a board of education and wish to perform contracted services for the school(s) must demonstrate to the board of education in advance that they meet the stringent IRS definition and test of an independent contractor. Generally, most board of education employees will not meet the IRS definition and test of an independent contractor. Information concerning the employee versus independent contractor relationship may be found in *Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Pub. 15, Employer's Tax Guide)*, published by the U.S. Department of the Treasury, Internal Revenue Service.

The board of education must require each contractor to complete IRS Form W-9 and must retain the form on file for future reference and audit purposes.

## **TITLE 7: BORROWING, LENDING, AND TRANSFERS**

### **Borrowing and Lending**

Individual schools are not permitted to borrow or lend money for any reason.

### **Transfers from One School Account to Another**

A transfer is considered a donation or gift to the receiving fund or account. Internal school funds may not be transferred from a restricted fund account without the written permission of the club or activity group that raised the funds. Supporting documentation authorizing such a transfer must be retained on file for future reference and audit purposes.

### **Prohibited Transfers**

Each restricted fund account must be self-supporting. Therefore, transfers may not be made to eliminate an account deficit. See Section 4, Title 1 of the *Manual*, for procedures for closing an inactive restricted fund account with a deficit balance.

## **TITLE 8: CLUB AND CLASS ACCOUNTS**

### **General**

Student classes and clubs are considered restricted fund accounts. Disbursements and transfers from these accounts must be approved in writing by the membership of the group.

### **Unexpended Account Balances**

Accounts created for a class must be established on the basis of a graduation year so that account balances automatically follow the class until graduation. The graduating class should make provisions for the disposition of unexpended money prior to graduation; as such accounts must be closed at the end of the fiscal year. For example, the class may choose to use any remaining money to open a savings account, independent of the school's bank accounts, to be used for subsequent class reunions. Accordingly, if disposition of remaining balances has not been made prior to graduation, the balances will be transferred to the general fund. The graduating class will be considered to have forfeited its vested interest in such money after graduation.

If any inactive restricted fund account fails to determine disposition of a remaining balance, the above guidelines apply. An account may be considered inactive if there has been no activity during the preceding 12 months.



**SECTION 6**  
*Banking*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Section 6: Banking**

---

### **TITLE 1: BANK ACCOUNTS AND INVESTMENTS**

#### **Bank Accounts**

A combined checking account should be established for the general fund and restricted fund accounts. The school nutrition fund should have a separate checking account.

Bank accounts may only be established and maintained in financial institutions whose deposits are federally insured. Bank account balances (including checking and investment accounts combined) must not exceed the amount federally insured unless the financial institution pledges collateral for any deposits in excess of the insured limits and the collateral is maintained in accordance with state statutes.

***NOTE:*** For additional information regarding collateral requirements and the State of Tennessee Bank Collateral Pool, you may call the Department of Treasury at (615) 532-8722 or visit their website at [Bank Collateral Pool](#).

Tennessee Code Annotated (TCA) Sections 5-8-201(a) and 6-56-110(a) detail bank contracting procedures. These procedures include receiving and evaluating bids or proposals. The evaluation should consider service charges, interest rates, liquidity, etc. Additionally, these TCA sections require banking contracts to be reevaluated every four years.

#### **Investments**

Excess internal school fund money should be invested to maximize interest earnings. All investments of internal school funds should comply with board policies and state statutes. Investment options include savings accounts, certificates of deposit, etc.

## **TITLE 2: DEPOSITS**

### **Frequency of Bank Deposits**

Collections should be deposited daily, if possible, but no more than three business days after the initial collection, as required by TCA Sections 5-8-207 and 6-56-111. Night deposits may be necessary to avoid large sums of cash being on hand overnight.

### **Intact Deposits**

Collections must be deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason.

### **Deposit Slips**

Deposit slips must be completed in duplicate. All checks should be listed individually on the deposit slip or an attached list, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip. The validated duplicate deposit slip or the duplicate deposit slip with deposit receipt attached should be given to the bookkeeper.

## **TITLE 3: CHECKS**

### **General**

Checks must be prenumbered. All checks must be issued sequentially and be accounted for. The name of the school must appear on the face of each check. The use of duplicate or multi-part checks is strongly recommended since the additional copies can be filed with paid invoices, as well as filed numerically. If a manual check-writing system is used, pertinent information must be recorded on the check stubs.

A check must not be altered, erased, or destroyed. Should an error be made in preparing a check, the word "VOID" should be written on the face of the check, the signature section should be removed, and the check should be retained on file for future reference and audit purposes. **Checks must not be signed in advance of their preparation and issuance.** Checks must not be made payable to "Cash."

### **Signatures on Checks**

Two signatures are required for all checks. In most cases, the principal or principal's designee, along with at least one other person, must be authorized as cosigners of checks of all internal school fund accounts. Authorized signature cards must be kept current with banks. Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).

A signature stamp may be used; however, it must only be accessible to the person whose signature is on it. If it is accessible to other employees, the control related to having that person sign and/or authorize the disbursement no longer exists, and the signature stamp should be destroyed.

### **Accounting for Voided Checks**

In some instances, it may be necessary to void a check recorded in the cash disbursements journal. If a replacement check is issued a general journal memo entry should be made to record the new check in the accounting records. The outstanding check list should also be updated. No revenue or expenditure accounts will be affected. If a replacement check is not issued, an entry in the general journal must be made for the amount of the original check to restore the amount of the check to the "Cash in Bank" account (i.e., debit the cash account and credit the appropriate expenditure account).

## Outstanding Checks

Outstanding checks should be investigated timely and reissued as necessary. For any unclaimed outstanding checks, the school should follow the guidelines for unclaimed property in Tennessee located at [Unclaimed Property](#).

## “Bad” Checks

Some checks deposited by the school may be returned by the bank for various reasons. (Refer to [Appendix A – Exhibit 11](#) for illustrative journal entries for “bad” or returned checks.) The proper procedure for handling checks of this type is as follows:

1. *Checks Made “Good”*

If the maker of the returned check immediately redeems the check in cash (i.e., makes the check “good”), the money received must be deposited separately from any other money. The deposit ticket for this special redeposit should be labeled as “Redeposit of Check Number \_\_\_\_” and should identify the payer. Cash received in exchange for a returned check is not considered additional revenue. If the school has not already recorded the “returned” check in its books, it is not necessary to make any entries in the books of record.

2. *Checks Never Made “Good”*

If it is determined by the principal that a returned check is uncollectible, the amount of the returned check must be recorded in the school’s books. The amount of the “bad” check should be charged as a reduction to revenue and deducted from the available cash in bank balance with a complete explanation. The “bad” check must be filed with the bank statement for substantiation of the above entry.

## Emphasized Internal Control Features

Automatic bank drafts should be authorized by the principal annually. This approval should be documented and maintained in the school’s accounting records. The principal should ensure that the school’s cash flow is sufficient to pay the automatic bank draft payments. All other internal controls and operating procedures related to school purchasing as outlined in Sections 4 and 5 of the *Manual* also apply to any expenditure made utilizing an automatic bank draft.

## **TITLE 4: BANK RECONCILIATIONS**

### **General**

Bank statements must be reconciled with the cash balances presented in the accounting records (general ledger) as of the end of each month. Bank reconciliations should be prepared on a timely basis, but no later than the end of the following month. Canceled checks and deposit slips must be retained on file with the applicable bank statements for future reference and audit purposes and should not be filed with paid invoices or purchase authorizations. If deposit slips are not returned with the bank statement, validated duplicate deposit slips (or duplicate deposit slips with deposit receipt attached) must be retained.

If electronic statements are issued, the school should require the bank to include both the front and back of each check and deposit slip, and require that the images be of such quality and size that they are clearly legible.

When imaged copies are not included with the bank statement, the school should either request the bank to send the copies to the school, download copies from the bank's website, or determine an alternative method to obtain adequate supporting documentation for canceled checks and deposit slips.

Any alternative method must meet the following criteria: (1) be cost effective; and (2) provide timely access to the documentation. Front and back copies are required regardless of the method used to obtain the copies or the format of the copies (paper or electronic).

### **Procedures**

1. Enter the ending balance, as shown on the bank statement, on the appropriate line of the bank reconciliation form.
2. Match all duplicate deposit slips with deposits listed on the bank statement and in the cash receipts journal.
3. Those deposits listed on the cash receipts journal which were not matched with deposits listed on the bank statement represent "Deposits in Transit." List all deposits in transit and record the total on the appropriate line of the bank reconciliation form.
4. Scan the bank statement for any interest earned or bank charges and record the transaction in the accounting records.
5. Verify the amount and payee of any automatic bank draft as recorded in the monthly bank statement agrees with the amount and payee recorded in the school's accounting records.

6. Total the amounts shown on the lines for “Balance per Bank Statement” and “Deposits in Transit” and enter this amount on the “Subtotal” line.
7. All imaged checks received with the bank statement should be matched with the checks listed on both the bank statement and the cash disbursements journal to identify those checks that have cleared the bank.
8. List all checks that are shown in the cash disbursements journal that have not yet cleared the bank in the “Outstanding Checks” portion of the bank reconciliation. Do not include checks written off or voided.
9. Add all outstanding checks and enter the amount on the appropriate line.
10. Subtract the total amount of outstanding checks from the subtotal and enter the amount on the line for “Balance per Books.”
11. Compare the amount shown on the “Balance per Books” line with the total bank balance shown in the general ledger. These amounts should agree. If not, determine the cause of the difference by examining recorded checks, deposits, bank charges, or other items that could affect the bank reconciliation.

### **Emphasized Internal Control Features**

1. Whenever possible, someone other than the person who has responsibility for maintaining the accounting records or issuing checks should receive the bank statements unopened directly from the bank. Transactions reflected in the statement, including checks and automatic bank drafts, should be reviewed before giving the bank statement to the person who prepares the reconciliation. Any unusual or improper transactions noted should be reported to the principal.
2. For schools that have limited office employees where the same person who writes checks and makes deposits also reconciles the bank statement, the principal should review the bank statement each month. As noted above, transactions reflected in the bank statement should be reviewed and checks scanned for any unusual or improper transactions. This includes ensuring that any automatic bank drafts have been authorized and appear proper. The principal should date and initial the bank statement once they have reviewed it.

## TITLE 5: ONLINE BANKING

### General

Written authorization from the board of education must be obtained before a school may utilize online banking. Each school must establish written policies and procedures to ensure internal controls are in place to address the particular risks associated with online banking transactions.

### Minimum Policies and Procedures

The school should have policies and procedures in place sufficient to properly monitor and control its online banking transactions. Policies and procedures should address the duties, records, and procedures required to implement effective controls over the school's online banking transactions. When designing the transaction processes, there should be a clear segregation of duties and responsibilities performed by personnel such that no single person could initiate, approve, execute, and enter transactions into the system in a manner that would enable fraudulent actions to be perpetrated and concealed. The following policies must be in place and procedures must be followed when using online banking.

1. The school must have written authorization from the board of education to utilize online banking.
2. The school should have controls to ensure that only authorized personnel have access to online banking and electronic collection systems.
3. The school's policies should include a detailed approval process that must be completed in order for an employee to process an online banking transaction. At a minimum, dual authorization for all (i.e., *regardless of the amount*) online payments must be secured before any online payment is made. The bank should be instructed to require dual authorization for all payments. Daily authorization limits, as well as limits regarding the types of transactions, should also be established with the bank.
4. The same requirements regarding supporting documentation for disbursements made by other means (e.g., checks) are also required for disbursements made online. Refer to Section 4, Title 2, and Section 5, Title 3, of the *Manual* for applicable requirements.
5. All online disbursements should have a purchase authorization that has been approved by the bookkeeper and principal (or designee) before an online disbursement is made.
6. Online transfers should only be made between school bank accounts (i.e., checking and savings accounts). Dual authorization should be secured before an online transfer is made. The bank should be instructed to require dual authorization for all transfers. Authorization limits (amounts and individuals) should also be established with the bank.

7. The principal or the principal's designee (other than the bookkeeper) should review the monthly bank statement for any unauthorized or unusual payments or withdrawals. This review should be documented and should be performed on a timely basis, but no later than the end of the following month.
8. Account activity should be reviewed online at least daily. Any unusual activity should be promptly investigated. The school should immediately report any unauthorized transactions to the bank.
9. Any unusual or unrecognized transactions reported by the bank should be immediately investigated by the school.
10. The employee responsible for reconciling the monthly bank statement should perform the reconciliation as soon as feasible, but no later than the end of the following month. A monthly report listing all online banking transactions that have occurred during the month should be generated. This report should be reconciled to the monthly bank statement by someone independent of the process to verify that all transactions are accounted for, properly approved, and appropriate. Documentation of this additional reconciliation should be filed with the monthly bank statements.
11. Usernames and passwords must be secured and never shared. Usernames and passwords cannot be delegated to other school employees.
12. Employees should select "no" when prompted by the computer application to "remember" their password information. Selecting "yes" weakens controls surrounding access to computer applications.
13. Personnel should not leave their workstations unattended while the online bank application is open.
14. Controls should be in place for when an employee who has access to the school's online bank account leaves the school (e.g., change passwords). The school should immediately contact the bank and request it to remove all access rights for the former employee.
15. The school should ensure their web browser can process secure transactions (including adequate encryption strength).
16. Before processing online payments, the school should ensure their connection with the website is secure (e.g., "https:" address, locked padlock icon, etc.).
17. Employees should be instructed to use extreme caution if they receive an email with payment links or dummy lookalike websites in order to guard against attempts to steal account and personal information (e.g., phishing).



**SECTION 7**  
*Accounting and Reporting*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Section 7: Accounting and Reporting**

---

### **TITLE 1: INFORMATION PROVIDED BY ACCOUNTING SYSTEM**

The individual school's accounting system must provide the following information, at a minimum:

1. The source and amount of all money received;
2. The purpose and amount of all disbursements;
3. The fund balances of the general fund and the school nutrition fund, and the individual balances of each restricted fund account; and
4. Data for reports and records that will demonstrate that proper procedures were followed in order to safeguard assets.

## **TITLE 2: ACCOUNTING RECORDS**

Any accounting system should provide specific and current information concerning financial operating performance and accountability of financial resources. Basic components of an effective accounting system are discussed below.

### **Revenue and Expenditure Classification**

#### ***General Fund***

Accounts in the general fund should be classified as follows:

- Revenues – by source and subsource
- Expenditures – by function, subfunction, and object

At a minimum, revenues must be recorded by source (e.g., gate receipts, resale items, fees, etc.), and expenditures must be recorded by function (e.g., administration, instruction, etc.).

#### ***Restricted Fund***

Revenues and expenditures for restricted fund accounts must be recorded by activity (e.g., Beta Club, Class of 202X, Band, etc.).

Refer to Section 9 of the *Manual* for a suggested listing of account classifications.

#### ***School Nutrition Fund***

Accounts in the school nutrition fund should be classified as follows:

- Revenues – by source
- Expenditures – by object

Revenues classified by source include USDA reimbursements, lunch payments, ala carte, interest income, etc. Expenditures classified by object include labor, food, equipment, nonfood supplies, etc.

### **Expanded Reporting Levels**

For various reasons, it may be beneficial or necessary for a school to expand the level of reporting detail of revenue and/or expenditure classifications. This can be accomplished by adding more digits to account codes. Extended levels of reporting classifications may be beneficial for required collection analysis of fundraising activities.

## **Accounting Records**

The following accounting records are required. It is recognized that different accounting systems may produce diverse variations and combinations of these records.

### ***General Journal***

The general journal is used to record opening entries, correction of errors, transfers between school accounts, purchases and reimbursements between school accounts, transfers between bank accounts, closing entries, and other unusual transactions that are not recorded in the cash receipts or cash disbursements journals. When entries are made in the general journal, the fund, account, and amount must be identified with an explanation for the entry. All journal entries must include appropriate supporting documentation and be properly approved. All general journal entries (other than memo entries) should be posted to the general ledger at the time the journal entry is made.

### ***Cash Receipts Journal***

The cash receipts journal provides a summary record, in chronological order, of all receipts issued and deposits made.

### ***Cash Disbursements Journal***

The cash disbursements journal provides a summary record, in chronological order, of all checks issued and payments made.

### ***Cash Journal***

The cash journal combines the cash receipts and disbursements journals. This provides a summary record, in chronological order, of all receipts issued, deposits made, checks issued, and payments made. Most schools prepare separate cash receipts and cash disbursements journals. However, a cash journal may be used.

### ***General Ledger***

The general ledger provides a summary of the journalized activity in the school's accounts, which includes assets, liabilities, fund balances, revenues, and expenditures. Individual schools do not record capital assets and long-term liabilities in the general ledger because these transactions are accounted for by the board of education.

## **TITLE 3: FINANCIAL REPORTING**

### **Periodic Financial Reports**

#### ***Trial Balance***

At the end of each month, after all transactions have been recorded, a trial balance should be prepared to determine if general ledger debit and credit balances are equal. If the totals of the debit and credit columns are equal, the ledger from which the figures were taken is said to be “in balance.” The trial balance is normally used to verify the accuracy of posting and is the first step in the preparation of financial statements and reports.

#### ***Cash Receipts and Disbursements Reports***

At the end of each month, a sequential listing of all receipts and a sequential listing of all disbursements should be prepared.

A report detailing cash receipts and disbursements should be prepared for the general fund and for **each restricted fund account**. The general fund cash receipts and disbursements report should be given to the principal or principal’s designee. Cash receipts and disbursements reports for each restricted fund account should be given to the sponsor of each account. These responsible individuals should review the reports. If errors are noted, they should be immediately communicated to the principal for follow-up. If no errors are noted, the responsible individual should sign or initial the report. If errors are noted, the corrective action taken should be written on the report, or a corrected report obtained. The original or corrected report should be returned to the bookkeeper and a copy should be retained by the responsible individual.

#### ***Other Reports***

The board of education or director of schools may require individual schools to submit monthly reports detailing receipts, disbursements, outstanding obligations, etc. These reports should be submitted in accordance with established policies.

As noted previously, the board of education must establish policies regarding direct application for grants by individual schools. If direct grants are received, the school must prepare any grantor reports required by the grant contract. In addition, these grants should be included in the financial statements and schedules, in accordance with requirements discussed and illustrated in the *Manual*.

## **Financial Statements and Accompanying Schedules**

### ***Internal School Funds*** (excluding school nutrition funds)

The requirements established in the *Manual* differ from generally accepted accounting principles (GAAP) primarily in the presentation of the financial statements. These financial statements are required to be prepared annually. The financial statements must be prepared using a regulatory basis of accounting, which is an “Other Comprehensive Basis of Accounting” as set forth in the *Manual*. This basis of accounting requires that revenues and expenditures be accounted for using the modified accrual basis of accounting. This basis of accounting and the differences between internal school fund accounting and GAAP are summarized in the notes that follow the illustrative financial statements in this Section.

### ***General Report Outline***

All audit reports shall include the following information, as applicable, and should conform to the following outline:

1. Table of Contents
2. Roster of Officials
  - a. Should include board members, director of schools/superintendent, management officials who are responsible for the financial statements, and audit committee members (if applicable).
  - b. Principals may be listed for each school.
3. Independent Auditor’s Report
  - a. Refer to the sample auditor’s opinion letter on the Comptroller of the Treasury, Division of Local Government Audit’s website under the General Guidance tab at [Accounting & Auditing Information](#).
  - b. An opinion on the combined and individual school financial statements is required.
  - c. The auditor should address all supplementary information presented in the financial report. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the financial statements taken as a whole is preferred for all supplementary information. However, at a minimum, the Schedule of Expenditures of Federal Awards and State Financial Assistance must be opined on in relation to the basic financial statements.
  - d. The auditor should address any accompanying other information presented in the financial report (e.g., roster of officials) in the other information section of the Independent Auditor’s Report. This does not include management’s corrective action plan, for which no opinion is required.

4. Combined Financial Statements
5. Individual School Financial Statements
6. Notes to the Financial Statements
7. Supplementary Information
  - a. Schedule of Expenditures of Federal Awards and State Financial Assistance
    - i. This schedule is required regardless of the amount of state and/or federal funding expended.
  - b. Schedule of Transfers (By School)
    - i. Include transferring fund account, receiving fund account, and amount.
    - ii. Include the purpose for each transfer.
  - c. Schedule of Salary Supplements (By School)
    - i. Include employee name, gross amount, and source of funds for each salary supplement.
    - ii. Document if each salary supplement was board approved and had proper withholdings.
    - iii. This schedule may be limited to salary supplements exceeding \$500 per person. If this threshold is utilized, it should be indicated by a disclosure on the schedule.
    - iv. If no salary supplements were paid from internal school funds, that fact should be disclosed either in the notes to the financial statements or in supplementary information.
  - d. Schedule of Fidelity Bond Coverage
8. Internal Control and Compliance Report
9. Schedule of Findings (if applicable)
10. Schedule of Prior Year Findings
11. Management's Corrective Action Plan (if applicable)

### ***Illustrative Financial Statements and Schedules***

The exhibits on the following pages are organized as they should be in the annual audit report. It is recognized that accounting systems are diverse and the resulting financial records may require modification to develop external financial statements. While the basic format should be adhered to, modifications which present all required information will generally be considered to meet the requirements of the *Manual*. School officials should contact the Comptroller of the Treasury, Division of Local Government Audit, if there are questions or concerns regarding such modifications.

The preparation of the financial statements and related schedules is the responsibility of school personnel and **not** the independent auditor. All accounting records should be organized, closing entries posted, and financial statements and schedules prepared as soon after the fiscal year end as possible. These records are required to be available for audit no later than two months after fiscal year end, in accordance with TCA Section 9-2-102. The audit report must be submitted by December 31 following the fiscal year end. Any applicable Governmental Accounting Standards Board (GASB) reporting requirements not addressed in the *Manual* and that do not conflict with the principles set forth in the *Manual* should continue to apply.

***Noncentralized School Nutrition Internal School Funds***

The requirements established in the *Manual* are in accordance with GAAP for cafeteria funds. Section 8 provides further discussion as well as example financial statements, notes, and supplemental schedules. Any changes in GAAP subsequent to the issuance of the *Manual* must be implemented by the school system.

**Exhibit 1**

**Typical School System – Internal School Funds  
Annual Financial Report  
Table of Contents**

Table of Contents .....	1
Roster of Officials .....	2
Independent Auditor’s Report .....	3
Financial Statements	
Combined Balance Sheet – Regulatory Basis – All Schools .....	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis – All Schools .....	8
Individual School Financial Statements	
Central High School	
Balance Sheet – Regulatory Basis .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis.....	10
Central Middle School	
Balance Sheet – Regulatory Basis .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis.....	12
Central Elementary School	
Balance Sheet – Regulatory Basis .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis.....	14
Notes to the Financial Statements .....	15
Supplementary Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	21
Schedule of Transfers – By School.....	22
Schedule of Salary Supplements – By School .....	23
Schedule of Fidelity Bond Coverage .....	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25
Schedule of Findings .....	27
Schedule of Prior Year Findings .....	28
Management’s Corrective Action Plan.....	29

**Typical School System – Internal School Funds  
Combined Balance Sheet – Regulatory Basis – All Schools  
June 30, 20x2**

	<b>Central High School</b>	<b>Central Middle School</b>	<b>Central Elementary School</b>	<b>Total</b>
<b>ASSETS</b>				
Cash on hand	\$ 69	\$ 13	\$ 35	\$ 117
Cash in bank-checking	6,000	3,800	700	10,500
Cash in bank-savings	10,000	15,000	4,000	29,000
Inventory	994	372	-	1,366
Other assets	<u>35</u>	<u>60</u>	<u>-</u>	<u>95</u>
<b>Total assets</b>	<b><u>\$17,098</u></b>	<b><u>\$19,245</u></b>	<b><u>\$4,735</u></b>	<b><u>\$41,078</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	<u>\$ 78</u>	<u>\$ 123</u>	<u>\$ 22</u>	<u>\$ 223</u>
Total liabilities	<u>\$ 78</u>	<u>\$ 123</u>	<u>\$ 22</u>	<u>\$ 223</u>
Fund Balances:				
Restricted	<u>\$17,020</u>	<u>\$19,122</u>	<u>\$4,713</u>	<u>\$40,855</u>
Total fund balances	<u>\$17,020</u>	<u>\$19,122</u>	<u>\$4,713</u>	<u>\$40,855</u>
<b>Total liabilities and fund balances</b>	<b><u>\$17,098</u></b>	<b><u>\$19,245</u></b>	<b><u>\$4,735</u></b>	<b><u>\$41,078</u></b>

The notes to the financial statements are an integral part of this statement.

**Typical School System – Internal School Funds  
Combined Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Regulatory Basis – All Schools  
For the Year Ended June 30, 20x2**

	<b>Central High School</b>	<b>Central Middle School</b>	<b>Central Elementary School</b>	<b>Total</b>
Fund balances, July 1, 20X1, as previously reported	\$ 8,111	\$20,268	\$ 2,000	\$ 30,379
Error correction (Note 8)	<u>      -</u>	<u>      -</u>	<u>   233</u>	<u>   233</u>
Fund balances, July 1, 20X1, as adjusted	<u>\$ 8,111</u>	<u>\$20,268</u>	<u>\$ 2,233</u>	<u>\$ 30,612</u>
Revenues	\$47,545	\$67,472	\$38,073	\$153,090
Expenditures	<u>38,935</u>	<u>68,538</u>	<u>35,593</u>	<u>143,066</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 8,610	\$(1,066)	\$ 2,480	\$ 10,024
Other financing sources (uses):				
Operating transfers in	\$ 3,446	\$ 616	\$ -	\$ 4,062
Operating transfers out	<u>(3,446)</u>	<u>(616)</u>	<u>      -</u>	<u>(4,062)</u>
Total other financial sources (uses)	<u>\$      -</u>	<u>\$      -</u>	<u>\$      -</u>	<u>\$      -</u>
Net change in fund balances	<u>\$ 8,610</u>	<u>\$(1,066)</u>	<u>\$ 2,480</u>	<u>\$ 10,024</u>
Changes in reserve for inventory	\$ 299	\$ (80)	\$ -	\$ 219
<b>Fund balances, June 30, 20X2</b>	<b><u>\$17,020</u></b>	<b><u>\$19,122</u></b>	<b><u>\$ 4,713</u></b>	<b><u>\$ 40,855</u></b>

The notes to the financial statements are an integral part of this statement.

Typical School System  
Central High School - Internal School Funds  
Balance Sheet - Regulatory Basis  
June 30, 20x2

	ASSETS					LIABILITIES AND FUND BALANCES					
	Cash on Hand	Cash in Bank-Checking	Cash in Bank-Savings	Inventory	Other Assets	Total Assets	Accounts Payable	Total Liabilities	Restricted	Total Fund Balances	Total Liabilities and Fund Balances
General Fund	\$ 69	\$ 1,691	\$ 7,000	\$ 994	\$ 35	\$ 9,789	\$ -	\$ -	\$ 9,789	\$ 9,789	\$ 9,789
Restricted Fund:											
Athletic Accounts:											
Football	\$ -	\$ 505	\$ 1,500	\$ -	\$ -	\$ 2,005	\$ 78	\$ 78	\$ 1,927	\$ 1,927	\$ 2,005
Cheerleading	-	185	-	-	-	185	-	-	185	185	185
Class Accounts:											
Class of 20X3	-	362	498	-	-	860	-	-	860	860	860
Class of 20X4	-	777	207	-	-	984	-	-	984	984	984
Club Accounts:											
Beta Club	-	878	-	-	-	878	-	-	878	878	878
Business Club	-	43	-	-	-	43	-	-	43	43	43
FFA Club	-	719	-	-	-	719	-	-	719	719	719
Other Accounts:											
TISA Pooled	-	246	-	-	-	246	-	-	246	246	246
Grant - Arts Commission	-	339	-	-	-	339	-	-	339	339	339
Student Council	-	255	795	-	-	1,050	-	-	1,050	1,050	1,050
Total Restricted Fund	\$ -	\$ 4,309	\$ 3,000	\$ -	\$ -	\$ 7,309	\$ 78	\$ 78	\$ 7,231	\$ 7,231	\$ 7,309
Total General and Restricted	\$ 69	\$ 6,000	\$ 10,000	\$ 994	\$ 35	\$ 17,098	\$ 78	\$ 78	\$ 17,020	\$ 17,020	\$ 17,098

The notes to the financial statements are an integral part of this statement.

**Typical School System**  
**Central High School - Internal School Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis**  
**For the Year Ended June 30, 20x2**

	Fund Balances		Fund Balances			Other Financing Sources (Uses)		Change {Increase (Decrease)} in Inventory	Fund Balances 6/30/20X2
	7/1/20X1	Error Correction	7/1/20X1	Revenues	Expenditures	Transfers In	Transfers Out		
	as Previously Reported		as Adjusted						
General Fund:									
Fundraisers				\$ 4,300	\$ 2,580				
Resale Items				6,925	5,540				
Gifts and Donations				5,250	-				
Fines, Fees and Dues				374	-				
Administration				-	2,140				
Instruction				-	1,495				
Operation and Maintenance				-	1,422				
<b>Total General Fund</b>	<b>\$ 3,145</b>	<b>\$ -</b>	<b>\$ 3,145</b>	<b>\$ 16,849</b>	<b>\$ 13,177</b>	<b>\$ 2,673</b>	<b>\$ -</b>	<b>\$ 299</b>	<b>\$ 9,789</b>
Restricted Fund:									
Athletic Accounts:									
Football	\$ 1,302	\$ -	\$ 1,302	\$ 13,386	\$ 13,397	\$ 636	\$ -	\$ -	\$ 1,927
Cheerleading	236	-	236	730	145	-	(636)	-	185
Class Accounts:									
Class of 20X2	700	-	700	4,900	4,415	-	(1,185)	-	-
Class of 20X3	233	-	233	811	184	-	-	-	860
Class of 20X4	133	-	133	3,512	2,661	-	-	-	984
Club Accounts:									
Beta Club	200	-	200	878	200	-	-	-	878
Business Club	965	-	965	232	1,154	-	-	-	43
FFA Club	300	-	300	465	46	-	-	-	719
Other Accounts:									
TISA	-	-	-	300	54	-	(246)	-	-
TISA Pooled	109	-	109	-	109	246	-	-	246
Grant - Arts Commission	188	-	188	1,537	1,386	-	-	-	339
Student Council	600	-	600	3,945	2,007	-	(1,488)	-	1,050
<b>Total Restricted Fund</b>	<b>\$ 4,966</b>	<b>\$ -</b>	<b>\$ 4,966</b>	<b>\$ 30,696</b>	<b>\$ 25,758</b>	<b>\$ 882</b>	<b>\$ (3,555)</b>	<b>\$ -</b>	<b>\$ 7,231</b>
<b>Total General &amp; Restricted Funds</b>	<b>\$ 8,111</b>	<b>\$ -</b>	<b>\$ 8,111</b>	<b>\$ 47,545</b>	<b>\$ 38,935</b>	<b>\$ 3,555</b>	<b>\$ (3,555)</b>	<b>\$ 299</b>	<b>\$ 17,020</b>

The notes to the financial statements are an integral part of this statement.

**Typical School System  
Central Middle School - Internal School Funds  
Balance Sheet - Regulatory Basis  
June 30, 20x2**

	ASSETS					LIABILITIES AND FUND BALANCES					
	Cash on Hand	Cash in		Inventory	Other Assets	Total Assets	Liabilities		Fund Balances		Total Liabilities and Fund Balances
		Bank-Checking	Bank-Savings				Accounts Payable	Total Liabilities	Restricted	Total Fund Balances	
General Fund	\$ 13	\$ 1,520	\$ 12,396	\$ 135	\$ 60	\$ 14,124	\$ -	\$ -	\$ 14,124	\$ 14,124	\$ 14,124
Restricted Fund:											
Athletic Accounts:											
Basketball	\$ -	\$ 432	\$ -	\$ -	\$ -	\$ 432	\$ 66	\$ 66	\$ 366	\$ 366	\$ 432
Cheerleading	-	179	500	237	-	916	-	-	916	916	916
Club Accounts:											
Beta Club	-	187	458	-	-	645	-	-	645	645	645
Biology Club	-	151	-	-	-	151	-	-	151	151	151
FFA	-	278	492	-	-	770	-	-	770	770	770
Home Economics	-	200	-	-	-	200	-	-	200	200	200
Other Accounts:											
Band	-	322	404	-	-	726	-	-	726	726	726
TISA Pooled	-	136	-	-	-	136	-	-	136	136	136
Grant - Arts Commission	-	193	-	-	-	193	-	-	193	193	193
Student Council	-	202	750	-	-	952	57	57	895	895	952
Total Restricted Fund	\$ -	\$ 2,280	\$ 2,604	\$ 237	\$ -	\$ 5,121	\$ 123	\$ 123	\$ 4,998	\$ 4,998	\$ 5,121
Total General and Restricted	\$ 13	\$ 3,800	\$ 15,000	\$ 372	\$ 60	\$ 19,245	\$ 123	\$ 123	\$ 19,122	\$ 19,122	\$ 19,245

The notes to the financial statements are an integral part of this statement.

**Typical School System**  
**Central Middle School - Internal School Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis**  
**For the Year Ended June 30, 20x2**

	Fund Balances		Fund Balances 7/1/20X1 as Adjusted	Revenues	Expenditures	Other Financing Sources (Uses)		Change {Increase (Decrease)} in Inventory	Fund Balances 6/30/20X2
	7/1/20X1 as Previously Reported	Error Correction				Transfers In	Transfers Out		
General Fund:									
Fundraisers				\$ 5,215	\$ 4,800				
Resale Items				8,312	4,050				
Fines, Fees and Dues				185	-				
Administration				-	1,467				
Instruction				-	204				
Operation and Maintenance				-	132				
<b>Total General Fund</b>	<b>\$ 10,645</b>	<b>\$ -</b>	<b>\$ 10,645</b>	<b>\$ 13,712</b>	<b>\$ 10,653</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ (80)</b>	<b>\$ 14,124</b>
Restricted Fund:									
Athletic Accounts:									
Basketball	\$ 5,982	\$ -	\$ 5,982	\$ 27,958	\$ 33,657	\$ 83	\$ -	\$ -	\$ 366
Cheerleading	964	-	964	502	467	-	(83)	-	916
Club Accounts:									
Beta Club	172	-	172	931	458	-	-	-	645
Biology Club	137	-	137	395	381	-	-	-	151
FFA	838	-	838	733	801	-	-	-	770
Home Economics	195	-	195	203	198	-	-	-	200
Other Accounts:									
Band	255	-	255	18,364	17,893	-	-	-	726
TISA	-	-	-	1,523	1,490	-	(33)	-	-
TISA Pooled	133	-	133	-	30	33	-	-	136
Grant - Arts Commission	56	-	56	1,150	1,013	-	-	-	193
Student Council	891	-	891	2,001	1,497	-	(500)	-	895
<b>Total Restricted</b>	<b>\$ 9,623</b>	<b>\$ -</b>	<b>\$ 9,623</b>	<b>\$ 53,760</b>	<b>\$ 57,885</b>	<b>\$ 116</b>	<b>\$ (616)</b>	<b>\$ -</b>	<b>\$ 4,998</b>
<b>Total General &amp; Restricted Funds</b>	<b>\$ 20,268</b>	<b>\$ -</b>	<b>\$ 20,268</b>	<b>\$ 67,472</b>	<b>\$ 68,538</b>	<b>\$ 616</b>	<b>\$ (616)</b>	<b>\$ (80)</b>	<b>\$ 19,122</b>

The notes to the financial statements are an integral part of this statement.

**Typical School System  
Central Elementary School - Internal School Funds  
Balance Sheet - Regulatory Basis  
June 30, 20x2**

	ASSETS				LIABILITIES AND FUND BALANCES				
	Cash on Hand	Cash in Bank- Checking	Cash in Bank- Savings	Total Assets	Liabilities		Fund Balances		Total Liabilities and Fund Balances
					Accounts Payable	Total Liabilities	Restricted	Total Fund Balances	
General Fund	\$ 35	\$ 350	\$ 2,637	\$ 3,022	\$ 22	\$ 22	\$ 3,000	\$ 3,000	\$ 3,022
Restricted Fund:									
Athletic Accounts:									
Athletics	\$ -	\$ 350	\$ 1,363	\$ 1,713	\$ -	\$ -	\$ 1,713	\$ 1,713	\$ 1,713
Total Restricted Fund	\$ -	\$ 350	\$ 1,363	\$ 1,713	\$ -	\$ -	\$ 1,713	\$ 1,713	\$ 1,713
Total General and Restricted	\$ 35	\$ 700	\$ 4,000	\$ 4,735	\$ 22	\$ 22	\$ 4,713	\$ 4,713	\$ 4,735

The notes to the financial statements are an integral part of this statement.

**Typical School System**  
**Central Elementary School - Internal School Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis**  
**For the Year Ended June 30, 20x2**

	Fund Balances		Fund Balances 7/1/20X1 as Adjusted	Revenues	Expenditures	Other Financing Sources (Uses)		Change {Increase (Decrease)} in Inventory	Fund Balances 6/30/20X2
	7/1/20X1 as Previously Reported	Error Correction				Transfers In	Transfers Out		
	General Fund:								
Fundraisers			\$ 10,430	\$ 6,377					
Resale Items			9,787	8,200					
T-shirts			4,000	2,000					
Fines, Fees and Dues			1,648	-					
Fall Festival			5,495	-					
Administration			-	3,500					
Instruction			-	4,000					
Operation and Maintenance			-	900					
Books			-	600					
Field Trips			-	5,016					
Total General Fund	\$ 2,000	\$ 233	\$ 2,233	\$ 31,360	\$ 30,593	\$ -	\$ -	\$ -	\$ 3,000
Restricted Fund:									
Athletic Accounts:									
Athletics	-	-	-	\$ 5,013	\$ 3,300	-	-	-	\$ 1,713
Other Accounts:									
TISA	-	-	-	700	700	-	-	-	-
Grant - Arts Commission	-	-	-	1,000	1,000	-	-	-	-
Total Restricted Fund	\$ -	\$ -	\$ -	\$ 6,713	\$ 5,000	\$ -	\$ -	\$ -	\$ 1,713
Total General & Restricted Funds	\$ 2,000	\$ 233	\$ 2,233	\$ 38,073	\$ 35,593	\$ -	\$ -	\$ -	\$ 4,713

The notes to the financial statements are an integral part of this statement.

**Notes to the Financial Statements  
Typical School System – Internal School Funds  
For the Year Ended June 30, 20x2**

**Background**

Tennessee Code Annotated (TCA), Section 49-2-110, provides for internal school funds, establishes responsibility for those funds, and requires schools to adopt and follow a uniform accounting manual.

**Note 1 – Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

This report includes only the internal school funds of Typical School System. The internal school funds are included in the Typical School System’s financial report as (*insert appropriate fund, such as a special revenue fund or within the general purpose school fund*). Internal school funds consist of financial resources accounted for at the individual schools.

**NOTE:** The Comptroller of the Treasury, Division of Local Government Audit, internal school funds reporting recommendations are detailed in Section 1, Title 4 of the *Manual*.

***For schools with decentralized cafeteria operations, the following statement should be added to this note:*** The accompanying financial statements do not include all internal school funds of the Typical School System. School food authority operations accounted for at the individual schools are audited and reported separately.

**Internal School Funds**

Internal school funds reported in the accompanying financial statements include donations and grants made to the individual schools; fees collected by schools; funds received from the local board of education; funds raised through cooperative agreements; rental fees; and student activity funds.

**Student Activity Funds**

Student activity funds include all money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school, and specifically include, but are not limited to funds:

**Notes to the Financial Statements**  
**Typical School System – Internal School Funds**  
**For the Year Ended June 30, 20x2**

- Derived from a school-sponsored academic, art, athletic, or social event involving students;
- Raised by school-sponsored clubs involving students;
- Raised by school-sponsored fundraisers involving students who are under the supervision of a school employee;
- Received from a commission for the direct sale of items to students pursuant to a cooperative agreement between the school and an outside organization;
- Received for the direct sale of items to students from a school-run bookstore located on school grounds;
- Raised from fees charged to students;
- Obtained from interest from any account that contains student activity funds; and
- Obtained from any related school-sponsored activity that involves the use of school personnel, students, and property.

**B. Regulatory Basis of Accounting**

The accounting and financial reporting requirements for internal school funds are set forth in the *Internal School Funds Manual*, issued by the Tennessee Department of Education and the Tennessee Comptroller of the Treasury. The requirements established in the *Internal School Funds Manual* differ from generally accepted accounting principles primarily in the presentation of the financial statements. The following is a summary of the basic requirements of this regulatory basis of accounting, which is an “Other Comprehensive Basis of Accounting.”

The financial statements consist of balance sheets and statements of revenues, expenditures and changes in fund balances.

The combined financial statements present all of the individual schools in a columnar format and are required to be presented before the notes to the financial statements. These statements focus on each of the individual schools rather than the funds within the schools. In keeping with that focus, the columnar headings identify the individual schools rather than the funds.

The individual school financial statements present the detailed fund activity in each school and are included after the combined financial statements and before the notes to the financial statements.

**Notes to the Financial Statements  
Typical School System – Internal School Funds  
For the Year Ended June 30, 20x2**

Within the general fund, revenues are classified by source and expenditures are classified by function. Within the restricted fund accounts, revenues and expenditures are recorded based on the specific group or activity which will benefit or expend the funds. The activity in the restricted “accounts” is presented as total revenues and transfers in and total expenditures and transfers out for each account. A corresponding “fund balance” is presented for each account. Although the restricted fund is a single fund, each account within the fund must present its portion of the restricted fund balance. Transfers reported on the financial statements represent authorized movement of funds between restricted fund accounts as well as between the general fund and restricted fund.

**C. Measurement Focus and Basis of Accounting**

The accompanying financial statements are reported using the current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheets. Internal school funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Management policies define available as collectible within 60 days (*change this reference as needed to reflect the school system’s policy*) after the fiscal year end. Expenditures are generally recognized when the related fund liability is incurred, if measurable.

**D. Fund Structure**

The accounts of the individual schools are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of the fund’s assets, liabilities, fund balances, revenues and expenditures. The funds are grouped in the accompanying financial statements as follows:

**General Fund**

The general fund is used to account for all money to be used for the general operation of the school or for the welfare of the student body. Revenues and expenditures in this fund are not restricted to any specific group or activity.

**Restricted Fund**

The restricted fund is used to account for money that is restricted for the use of a specific segment of the school population or legally restricted for a specific purpose and not intended to benefit the general school population.

**Notes to the Financial Statements  
Typical School System – Internal School Funds  
For the Year Ended June 30, 20x2**

**E. Inventory**

Inventories are stated at lower of cost (first-in, first-out) or market (net realizable value). The purchases method is used to account for inventories. Under the purchases method, inventories are reported as an expenditure when purchased (or when received for donated items) rather than being capitalized as an asset. However, significant amounts of inventory, if any, on hand at year-end are reported as an asset in the financial statements. The fair value of donated goods and supplies are recognized as revenues and expenditures in the financial statements. For the current year, no significant amounts of such donations were received.

**F. Fund Balances**

**Restricted Fund Balance**

Fund balances reported as restricted are the result of externally imposed restrictions placed upon certain resources accounted for in the restricted funds. All internal school fund activity is restricted in accordance with TCA Section 49-2-110.

When both restricted and unrestricted resources are available for use, it is the school system's policy to use restricted resources first, then unrestricted resources as they are needed. The internal school funds did not report any unrestricted resources for the period.

**Unassigned Fund Balance**

This classification represents a deficit fund balance. The internal school funds did not report any deficit fund balances for the year ended June 30, 20x2 (*modify this disclosure as needed*).

**Note 2 – Budgetary Information**

Legally appropriated budgets have not been adopted at the individual school level. Therefore, presentation of budgetary comparison information is not required.

**Notes to the Financial Statements**  
**Typical School System – Internal School Funds**  
**For the Year Ended June 30, 20x2**

**Note 3 – Deposits**

**Legal Provisions**

All deposits with financial institutions in excess of FDIC limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution(s) that participates in the State of Tennessee Bank Collateral Pool administered by the state treasurer. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

**Cash Deposits**

Cash in bank represents funds on deposit in various depositories.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the school's deposits may not be returned to it. None of the school's deposits were exposed to custodial credit risk because all balances were entirely insured by the FDIC or through the State of Tennessee Bank Collateral Pool.

**Note 4 – Accounts Payable**

Accounts payable balances represent amounts due to vendors at year-end. All accounts payable balances were approved by the Board of Education.

**Note 5 – Transfers**

Transfers completed during the fiscal year were for interfund donations and residual fund balance transfers.

**Note 6 – Long-Term Leases and Commitments**

All long-term lease contracts that obligate a school for more than one school year are approved and accounted for by the Board of Education.

**Notes to the Financial Statements**  
**Typical School System – Internal School Funds**  
**For the Year Ended June 30, 20x2**

**Note 7 – Capital Assets**

Capital assets acquired by the individual schools are recorded as expenditures at the time of purchase. Title and accountability for capital assets purchased pass automatically to the Board of Education.

**Note 8 – Error Correction**

Central Elementary School's beginning fund balance was adjusted by \$233 to properly reflect fund balance at July 1, 20X1. It was discovered during the current fiscal year that revenue from Fines, Fees and Dues of \$233 was not reported in the prior year's financial statements. This caused revenue, change in fund balance, and ending fund balance to be understated by \$233 for the fiscal year ended July 1, 20X1.

**Note 9 – Risk Management**

Typical School System internal school funds are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Typical County, Tennessee, carries commercial insurance. Settlements have not exceeded coverage for each of the past three fiscal years.

**Typical School System - Internal School Funds  
 Schedule of Expenditures of Federal Awards and State Financial Assistance  
 For the Fiscal Year Ended June 30, 20x2**

Federal Grantor/ Pass-Through Grantor	Assistance Listing Number	Contract Number	Expenditures
<u>State Awards:</u>			
Tennessee Arts Commission	N/A	GRX204391	\$ 1,386
Tennessee Arts Commission	N/A	GRX204401	1,013
Tennessee Arts Commission	N/A	GRX207367	1,000
Total State Awards			\$ 3,399
<u>Federal Awards:</u>			
N/A			

Note 1 - Basis of Presentation: This schedule is prepared on the modified accrual basis of accounting.

See accompanying Independent Auditor's Report.

**Typical School System – Internal School Funds  
Schedule of Transfers – By School  
For The Year Ended June 30, 20x2**

**Central High School**

<b><u>Transfer From</u></b>	<b><u>Transfer To</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
Student Council	General	\$1,488	Donation
Class of 20X2	General	1,185	Closing account
Cheerleading	Football	636	Donation
TISA	TISA Pooled	<u>246</u>	Moving remaining balance
	<b>Total</b>	<b>\$3,555</b>	

**Central Middle School**

<b><u>Transfer From</u></b>	<b><u>Transfer To</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
Student Council	General	\$500	Donation
Cheerleading	Basketball	83	Donation
TISA	TISA Pooled	<u>33</u>	Moving remaining balance
	<b>Total</b>	<b>\$616</b>	

**NOTE:**

Section 4, Title 1 of the *Manual* allows for eliminating an inactive account deficit. If a deficit is eliminated by an approved transfer from the general purpose school fund, this should be disclosed in the notes to the financial statements. If an inactive account deficit is eliminated by an approved transfer from the general fund, this should be disclosed in the notes to the financial statements and included within this schedule.

See accompanying Independent Auditor's Report.

**Typical School System – Internal School Funds  
Schedule of Salary Supplements – By School  
For The Year Ended June 30, 20x2**

<u>School</u>	<u>Gross Amount</u>	<u>Source of Funds</u>	<u>Board Approved</u>	<u>Proper Withholding</u>
<u>Central High School</u>				
D. Moody	\$ 50	Cheerleading	Yes	Yes
J. Hyde	340	Football	Yes	Yes
J. Wesley	210	Football	Yes	Yes
G. Whitfield	85	Football	Yes	Yes
H. Taylor	55	Cheerleading	Yes	Yes
G. Mueller	80	Football	Yes	Yes
S. Morris	80	Football	Yes	Yes
C. Finney	<u>100</u>	Football	Yes	Yes
Total	<u>\$1,000</u>			

Central Middle School

J. Edwards	\$ 70	Cheerleading	Yes	Yes
C. Spurgeon	120	Basketball	Yes	Yes
A. Carmichael	200	Basketball	Yes	Yes
J. Calvin	150	Basketball	Yes	Yes
E. Elliott	35	Cheerleading	Yes	Yes
W. Gurnall	55	Basketball	Yes	Yes
J. Ryle	110	Basketball	Yes	Yes
A. Murray	40	Cheerleading	Yes	Yes
L. Ravenhill	<u>40</u>	Cheerleading	Yes	Yes
Total	<u>\$ 820</u>			

Central Elementary School

None

NOTES:

If no salary supplements were paid from internal school funds, that fact should be disclosed (either in a supplementary schedule or within the notes to the financial statements).

This schedule may be limited to salary supplements exceeding \$500 per person. If this threshold is utilized, it should be indicated by a disclosure on the schedule.

See accompanying Independent Auditor's Report.

**Typical School System  
Internal School Funds  
Schedule of Fidelity Bond Coverage  
June 30, 20x2**

Company:	Tennessee School Boards Liability Trust
Type of Coverage:	Employee Fidelity Bond
Amount:	\$150,000 each and every loss \$500 deductible, each occurrence
Period Covered:	07/01/X1 - 06/30/X2
Positions Covered:	All Employees

See accompanying Independent Auditor's Report.



## SECTION 8

*Local Education Agency School Nutrition Funds*

INTERNAL SCHOOL FUNDS MANUAL



## **Section 8: Local Education Agency School Nutrition Funds**

---

### **TITLE 1: GENERAL RULES AND REGULATIONS**

#### **Centralized and Noncentralized Systems**

##### ***Centralized Systems***

Centralized cafeteria systems account for the operations of school nutrition funds in a central location (at the board of education) and not at the individual schools. Accordingly, centralized systems are not defined as internal school funds and do not fall within the scope of the *Manual*.

A fully centralized school nutrition program is one in which the central office staff has day-to-day control over the following areas:

1. Fiscal management (reporting and recordkeeping)
2. Procurement of goods and services
3. Personnel
4. Menu planning
5. Monitoring
6. Income verification
7. Food safety
8. Sanitation

When the school nutrition funds are centralized, policies and procedures are the responsibility of the centralized school nutrition program staff.

##### ***Noncentralized Systems***

Noncentralized cafeteria systems receive and account for money related to the school nutrition fund operations at the individual schools. As defined in Section 4 of the *Manual*, internal school funds consist of any and all money received and accounted for at individual schools. Accordingly, noncentralized systems are considered to be internal school funds and fall within the scope of the *Manual*.

#### **Application**

All procedures in the *Manual* apply to the operation of noncentralized Local Education Agency (LEA) school nutrition funds except where this section may conflict with other procedures in the *Manual*.

## **Petty Cash and Change Accounts**

A predetermined amount of cash may be set aside as a “change account” for the purpose of making change in the cash collecting operation only. A petty cash account is not allowed in the school nutrition fund. The change account shall be reconciled daily. Only the exact predetermined amount of change shall be withheld from each day’s deposit. **NOTE:** The change account cannot be used to balance overages and shortages in collections.

## **Student Prepaid Accounts**

Each school should develop a policy for student prepaid meal balances. The policy should address procedures for refunding amounts not used by students.

## **Fund Balance**

A deficit balance in a cafeteria fund is prohibited.

## **Utilization of School Nutrition Fund Money**

Interest income accruing to any school nutrition fund in any school shall only be used for school nutrition fund purposes. Such income shall **not** be used to purchase land or to acquire or construct buildings.

## **Vending Machines – Fundraising**

Vending machines operated by the school nutrition program as a fundraiser for the benefit of the school nutrition program will follow rules established by federal, state, and local rules and regulations.

## **Banquets and Special Functions**

A formal contract document should be developed for use by the director of schools and/or board of education in authorizing banquets and special functions. School nutrition money and commodities from the U.S. Department of Agriculture (USDA) must not be used to subsidize these activities. The contract must include the amount to be paid by the requesting organization to cover all costs of the function. The itemized costs on the contract should include food, nonfood supplies, food inventory used, nonfood supplies inventory used, labor, fringe benefits, utilities, and any other itemized expenses incurred. Regulations require that a school system have documentation that the funds received by the school nutrition fund for banquets and special functions cover all costs.

The school nutrition fund must have complete documentation. The cost of nonfood supplies and foods in inventory (other than USDA commodities) could be determined with an issue record. These issue records, along with invoices, time sheets, allocation summaries for utilities, and

documentation for other costs should be filed with each record of payment and contract. Other charges for facilities, use of facilities and equipment, damage deposit, etc., may or may not be included. If the cost for the special function includes a profit, the local board should decide its disposition. The school nutrition fund must be reimbursed for all costs.

In a noncentralized school nutrition fund, all accountability procedures required for banquets and special functions are the responsibility of the cafeteria manager and the principal. Payments for services to cafeteria employees who cater such affairs must be channeled through the individual's payroll records and are subject to all necessary withholdings. Authorization of the function by the director of schools and/or the board of education constitutes authorization for such payments.

### **Separate Accounting Required**

Separate accounting records must be maintained for all school nutrition funds and should include the same accounting records as described in Section 7 of the *Manual*. Many of the activities of a cafeteria are similar to or would require similar documentation as addressed in previous sections of the *Manual*. These include ticket sales, cash register use, overall controls, teacher/other collections, collection logs, expenditures, etc.

### **Indirect Costs**

Indirect costs may be included for each program in a Claim for Reimbursement only through the application of an indirect cost rate. The school nutrition fund's indirect cost rate is established by the Tennessee Department of Education. LEAs can recover indirect costs only from the reserve fund that exceeds three (3) months operating expenses.

### **Charges**

If charges are allowed, the LEA must have a board approved charge policy. Uncollected charges must be recouped from other than school nutrition program funds. Uncollected charges should be the responsibility of the board of education through direct payment, board of education allocation funds, or other such funds. Student activity funds should not be used.

### **Meals for Cafeteria Employees**

Cafeteria employees are allowed to receive their meals free. Other employees of the school who are not paid from school nutrition funds may eat free only if there is approval on file from the State Director of the School Nutrition Program of the Tennessee Department of Education.

## **State Matching Funds**

State matching funds must be used solely in the school nutrition program. Tennessee Code Annotated (TCA) Section 49-3-313 requires at least ten percent of the state matching funds to be applied to the costs of one or more of the following:

1. Employment of a certified school food service supervisor;
2. Employment of cafeteria managers or assistant managers accredited by the Tennessee School Food Service Association or working toward that accreditation; or
3. Professional training programs for nonaccredited personnel.

## **Retention of Records**

TCA Section 10-7-404 authorizes County Technical Assistance Service (CTAS) to compile and print, in cooperation with the state library and archives, records retention manuals which shall be used as guides by officials in establishing retention schedules. CTAS retention schedules are located on their website at: [CTAS - Retention Schedules](#). The board record retention policy may require a longer retention period. Records should be retained in accordance with CTAS guidelines, audit purposes, and in accordance with the board's record retention policy, whichever is longer.

## **Commodities – Accounting and Financial Reporting**

Commodities inventory may be accounted for using either the purchases method or the consumption method.

Purchases Method: Inventories are reported as an expenditure when purchased (or when received, if donated) rather than capitalized as an asset. Significant amounts of inventory should be reported as an asset on the school system's financial statements.

Consumption Method: Inventories are reported as an asset when purchased (or when received, if donated). The expenditure for inventories is recognized when the inventories are actually consumed.

The fair value of donated commodities should be recognized as revenue in the period when all eligibility requirements are met (typically, the period when the commodities are received). The corresponding expenditure will be recognized based upon whether the purchases method or the consumption method is used.

Guidance from the Tennessee Department of Agriculture regarding commodities allocations can be found on the Comptroller of the Treasury, Division of Local Government Audit's website at [Commodities](#).

## **Financial Statements and Schedules**

The LEA financial statements for school nutrition funds are prepared in accordance with the reporting standards established by the Governmental Accounting Standards Board (GASB).

School systems must present individual fund financial statements. Government-wide financial statements are not required. In order to demonstrate accountability at the individual school level, the *Manual* requires noncentralized cafeteria systems to report their financial activity in separate special revenue funds by individual school. Each special revenue fund must be presented separately in the financial statements for school nutrition funds.

The exhibits on the following pages are organized as they should be in the annual audit report. It is recognized that accounting systems are diverse and the resulting financial records may require modification to develop external financial statements. While the basic format should be adhered to, modifications which present all required information will generally be considered to meet the requirements of the *Manual*. School officials should contact the Comptroller of the Treasury, Division of Local Government Audit, if there are questions or concerns regarding such modifications.

The preparation of the financial statements and related schedules is the responsibility of school personnel and **not** the independent auditor. All accounting records should be organized, closing entries posted, and financial statements and schedules prepared as soon after the fiscal year end as possible. These records are required to be available for audit no later than two months after fiscal year end, in accordance with TCA Section 9-2-102. The audit report must be submitted by December 31 following the fiscal year end. The school system is responsible for submitting a copy of the report to the Department of Education. To meet this deadline, records must be organized and financial statements and schedules must be prepared timely. Any applicable GASB reporting requirements not addressed in the *Manual* continue to apply. Any changes in GAAP subsequent to the issuance of the *Manual* should be implemented by the school system.

Refer to the General Report Outline within Section A of the *Audit Manual*. The supplementary information section included within the General Report Outline in Section 7 of the *Manual* is also required. The *Audit Manual* can be found at: [Manuals](#)

**Typical School System  
Local Education Agency - School Nutrition Funds  
Annual Financial Report  
Table of Contents**

Table of Contents .....	1
Roster of Officials .....	3
Independent Auditor’s Report .....	4
Management’s Discussion and Analysis .....	7
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	10
Notes to the Financial Statements .....	11
Supplementary Information	
Schedule of Salary Supplements – By School .....	15
Schedule of Fidelity Bond Coverage.....	16
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	18
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	20
Schedule of Findings and Questioned Costs .....	22

Schedule of Prior Audit Findings.....	23
Management’s Corrective Action Plan.....	24

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Management of the Typical County School System should prepare the Management’s Discussion and Analysis (MD&A). The MD&A should include all components required by the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2200.

**Typical School System  
 Local Education Agency – School Nutrition Funds  
 Balance Sheet – Governmental Funds  
 June 30, 20x2**

	<b>Central High School</b>	<b>Central Middle School</b>	<b>Central Elementary School</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash on Hand	\$ 28	\$ 50	\$ -	\$ 78
Cash in Bank – Checking	17,601	12,514	10,902	41,017
Cash in Bank – Savings	10,000	15,000	5,000	30,000
USDA Receivable	6,600	6,263	2,285	15,148
Inventory	1,803	2,284	1,856	5,943
Other Assets	353	-	-	353
<b>Total Assets</b>	<b>\$36,385</b>	<b>\$36,111</b>	<b>\$20,043</b>	<b>\$92,539</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 115	\$ -	\$ 115
Other Liabilities	230	-	-	230
<b>Total Liabilities</b>	<b>\$ 230</b>	<b>\$ 115</b>	<b>\$ -</b>	<b>\$ 345</b>
Fund Balances:				
Restricted	\$36,155	\$35,996	\$20,043	\$92,194
<b>Total Fund Balances</b>	<b>\$36,155</b>	<b>\$35,996</b>	<b>\$20,043</b>	<b>\$92,194</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$36,385</b>	<b>\$36,111</b>	<b>\$20,043</b>	<b>\$92,539</b>

The notes to the financial statements are an integral part of this statement.

**Typical School System**  
**Local Education Agency – School Nutrition Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental**  
**Funds**  
**For the Year Ended June 30, 20x2**

	<b>Central High School</b>	<b>Central Middle School</b>	<b>Central Elementary School</b>	<b>Total Governmental Funds</b>
Fund Balance, July 1, 20X1, as previously reported	\$ 39,353	\$ 56,035	\$ 27,355	\$122,743
Error Correction (See Note 7)	536	-	-	536
Fund Balance, July 1, 20X1 as adjusted	<u>\$ 39,889</u>	<u>\$ 56,035</u>	<u>\$ 27,355</u>	<u>\$123,279</u>
<b>Revenues:</b>				
Lunch Payments – Students	\$ 28,657	\$ 18,051	\$ 20,083	\$ 66,791
Lunch Payments – Adults	5,125	2,979	2,982	11,086
Breakfast Payments – Students	1,420	1,418	2,516	5,354
Breakfast Payments – Adults	208	5	297	510
USDA Reimbursements	290,877	188,132	141,479	620,488
USDA Commodities	59,131	57,332	54,557	171,020
Fresh Fruit and Vegetable Program	7,222	8,485	9,002	24,709
Special Milk	3,211	-	-	3,211
Supplemental Income	2,909	2,678	26,370	31,957
Interest Income	545	608	410	1,563
All Other Income	400	25	1,334	1,759
<b>Total Revenues</b>	<u><b>\$399,705</b></u>	<u><b>\$279,713</b></u>	<u><b>\$259,030</b></u>	<u><b>\$938,448</b></u>
<b>Expenditures:</b>				
Food	\$ 163,196	\$ 107,012	\$ 99,120	\$369,328
Labor	160,795	106,028	98,506	365,329
USDA Commodities	59,131	57,332	54,557	171,020
Operations and Maintenance	2,388	4,144	3,802	10,334
Equipment	9,859	18,704	6,324	34,887
Nonfood supplies	7,919	7,411	4,338	19,668
<b>Total Expenditures</b>	<u><b>\$403,288</b></u>	<u><b>\$300,631</b></u>	<u><b>\$266,647</b></u>	<u><b>\$970,566</b></u>
Net Change in Fund Balances	\$ (3,583)	\$ (20,918)	\$ (7,617)	\$(32,118)
Change in Reserve for Inventory	(151)	879	305	1,033
<b>Fund Balance, June 30, 20X2</b>	<u><b>\$ 36,155</b></u>	<u><b>\$ 35,996</b></u>	<u><b>\$ 20,043</b></u>	<u><b>\$ 92,194</b></u>

The notes to the financial statements are an integral part of this statement.

**Typical School System**  
**Local Education Agency – School Nutrition Funds**  
**Notes to the Financial Statements**  
**June 30, 20x2**

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

This report includes only the noncentralized school nutrition funds of Typical School System. The school nutrition funds are included in the Typical School System’s financial report as a special revenue fund.

**B. Financial Statement Presentation**

The accounting and financial reporting requirements for school nutrition funds are illustrated in the *Internal School Funds Manual*, issued by the Tennessee Department of Education and the Tennessee Comptroller of the Treasury. The financial statements for the school nutrition funds are prepared in accordance with the reporting standards established by the Governmental Accounting Standards Board. The financial statements presented are fund financial statements for governmental funds.

**C. Fund Structure**

The school nutrition fund of each individual school is considered to be a separate fiscal and accounting entity. The operations of each fund are accounted for by providing a separate self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein. The *Internal School Funds Manual* requires that each school cafeteria be accounted for and reported in a separate special revenue fund. Accordingly, each individual school presented in a separate column in the financial statements represents the Local Education Agency’s separate individual funds for the school nutrition program.

**D. Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The school nutrition funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Management policies define available as collectible within 60 days (*change this reference as needed to reflect the school*

**Typical School System**  
**Local Education Agency – School Nutrition Funds**  
**Notes to the Financial Statements**  
**June 30, 20x2**

*system's policy*) after the fiscal year end. Expenditures are generally recognized when the related fund liability is incurred, if measurable.

**E. Fund Balances**

Fund balances are reported as restricted due to externally imposed restrictions placed upon the resources accounted in the funds. In accordance with federal regulations, all revenue generated by the school food service must be used to operate and improve its food services.

When both restricted and unrestricted resources are available for use, it is the school system's policy to use restricted resources first, then unrestricted resources as they are needed. The school nutrition funds did not report any unrestricted resources for the period.

Any deficit balances are classified as unassigned fund balance. The school nutrition funds did not report any deficit fund balances for the year ended June 30, 20x2 (*modify this disclosure as needed*).

**F. Inventory**

As authorized by the USDA, the school nutrition funds maintain a single inventory for purchased and donated food supplies. All inventories are valued at lower of cost or market using the first-in/first-out (FIFO) method. The purchases method is used to account for inventories. Under the purchases method, inventories are reported as an expenditure when purchased (or when received for donated commodities) rather than being capitalized as an asset. However, significant amounts of inventory, if any, on hand at year-end are reported as an asset in the financial statements.

In accordance with generally accepted accounting principles, the fair value of donated commodities has been recognized as revenues and expenditures in the accompanying financial statements.

**Note 2 – Stewardship, Compliance, and Accountability**

**Budgetary Information**

Legally appropriated budgets have not been adopted for the noncentralized school nutrition funds at the individual school level. Therefore, presentation of budgetary comparison information is not required.

**Typical School System**  
**Local Education Agency – School Nutrition Funds**  
**Notes to the Financial Statements**  
**June 30, 20x2**

**Note 3 – Deposits**

**Legal Provisions**

All deposits with financial institutions in excess of FDIC limits are required to be secured by one of two methods. Excess funds can be deposited with financial institutions that participate in the State of Tennessee Bank Collateral Pool administered by the state treasurer. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

**Cash Deposits**

Cash in bank represents funds on deposit in various depositories.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the schools' deposits may not be returned to it. None of the schools' deposits were exposed to custodial credit risk because all balances were entirely insured by the FDIC or through the Bank Collateral Pool with the State of Tennessee.

**Note 4 – Long-Term Leases and Commitments**

All long-term lease contracts that obligate a school for more than one school year are approved and accounted for by the Board of Education.

**Note 5 – Capital Assets and Long-Term Debt**

Because fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting, capital assets and long-term debt are not reflected in the accompanying financial statements. This financial activity is reported in separately issued financial statements of the Typical County.

**Typical School System  
Local Education Agency – School Nutrition Funds  
Notes to the Financial Statements  
June 30, 20x2**

**Note 6 – Retirement Plan and Other Postemployment Benefits**

Certain employees of the local school nutrition program have elected to participate in the Tennessee Consolidated Retirement System (TCRS) via a plan administered through Typical County, Tennessee. Information related to this plan as well as any other postemployment benefits can be found in the audit report of Typical County, Tennessee.

**Note 7 – Error Correction**

Central High School's beginning fund balance was adjusted by \$536 to properly reflect fund balance at July 1, 20X1. It was discovered during the current fiscal year that operations and maintenance expenditures of \$536 were not reported in the prior year's financial statements. This caused expenditures to be understated and change in fund balance and ending fund balance to be overstated by \$536 for the fiscal year ended July 1, 20X1.

**Note 8 – Risk Management**

Typical School System school nutrition funds are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Typical County, Tennessee, carries commercial insurance. Settlements have not exceeded coverage for each of the past three fiscal years.

**Typical School System  
 Local Education Agency – School Nutrition Funds  
 Schedule of Salary Supplements – By School  
 For The Year Ended June 30, 20x2**

<u>School</u>	<u>Gross Amount</u>	<u>Source of Funds</u>	<u>Board Approval</u>	<u>Proper Withholding</u>
<u>CENTRAL HIGH SCHOOL</u>				
J. Dawson	\$ 50	Cafeteria	Yes	Yes
N. DeMoss	340	Cafeteria	Yes	Yes
S. Wesley	210	Cafeteria	Yes	Yes
S. Watson	85	Cafeteria	Yes	Yes
R. Howells	190	Cafeteria	Yes	Yes
C. Finney	100	Cafeteria	Yes	Yes
Total	<u>\$975</u>			
<u>CENTRAL MIDDLE SCHOOL</u>				
F. Crosby	\$ 70	Cafeteria	Yes	Yes
D. Campbell	120	Cafeteria	Yes	Yes
E. Elliott	35	Cafeteria	Yes	Yes
C. TenBoom	55	Cafeteria	Yes	Yes
L. Prince	110	Cafeteria	Yes	Yes
Total	<u>\$390</u>			
<u>CENTRAL ELEMENTARY SCHOOL</u>				
L. Ant	\$110	Cafeteria	Yes	Yes
R. Plant	80	Cafeteria	Yes	Yes
H. Hopes	200	Cafeteria	Yes	Yes
Total	<u>\$390</u>			

**NOTES:**

If no salary supplements were paid from school nutrition funds, that fact should be disclosed (either in a supplementary schedule or within the notes to the financial statements).

This schedule may be limited to salary supplements exceeding \$500 per person. If this threshold is utilized, it should be indicated by a disclosure on the schedule.

See accompanying Independent Auditor’s Report.

**Typical School System  
Local Education Agency - School Nutrition Funds  
Schedule of Fidelity Bond Coverage  
June 30, 20x2**

Company:	Tennessee School Boards Liability Trust
Type of Coverage:	Employee Fidelity Bond
Amount:	\$150,000 each and every loss \$500 deductible, each occurrence
Period Covered:	07/01/X1 - 06/30/X2
Positions Covered:	All Employees

See accompanying Independent Auditor's Report.

**Typical School System  
 Local Education Agency – School Nutrition Funds  
 Schedule of Expenditures of Federal Awards and State Financial Assistance  
 For the Year Ended June 30, 20x2**

Federal Grantor/ Pass-Through Grantor	Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
US Department of Agriculture / TN Department of Education / (National School Lunch Program)	10.555	(3)	\$441,957
US Department of Agriculture / TN Department of Education / (School Breakfast Program)	10.553	(3)	178,531
US Department of Agriculture / TN Department of Education / (Special Milk Program for Children)	10.556	(3)	3,211
US Department of Agriculture / TN Department of Agriculture / (Commodity Assistance)	10.555	GRx207367	<u>171,020</u>
Total Child Nutrition Cluster			<u>\$794,719</u>
TOTAL FEDERAL AWARDS			<u>\$794,719</u>

Note 1 – Basis of Presentation: The schedule is presented using the modified accrual basis of accounting.

Note 2 – Indirect Cost Rate: The Typical School System has elected to use the 10-percent de minimis indirect cost rate.

Note 3 – Information not available.

See accompanying Independent Auditor’s Report.



**SECTION 9**  
*Chart of Accounts*

**INTERNAL SCHOOL FUNDS MANUAL**



## Section 9: Chart of Accounts

---

### TITLE 1: ACCOUNT CODES

The account codes in this section are presented to illustrate account numbers that could be used in an individual school for internal school funds. While the account titles and descriptions should be used uniformly in all schools, the account numbers below are suggestions only. Each school must determine which account codes work best for its manual or computerized accounting system.

Account No.	Accounts	Fund		
		General	Restricted	School Nutrition
1-99	Balance Sheet	X	X	X
101-199	Revenue			X
201-299	Expenditure			X
301-399	Revenue	X		
401-499	Expenditure	X		
601-999	Revenue & Expenditure		X	

## TITLE 2: GENERAL OR RESTRICTED FUNDS

### Balance Sheet Accounts

#### *Assets*

Account Number	Account
11	Cash on hand
12	Cash in bank - checking
13	Cash in bank - savings
21	Other investments
30	Other assets
31	Accounts receivable
41	Inventory

#### *Liabilities and Fund Balance*

Account Number	Account
61	Due to board of education
71	Accounts payable
81	Accrued expenses payable
91	General fund balance
92	Restricted fund balance

**NOTE:** Any account may be expanded to create a sub-level of reporting.

### TITLE 3: GENERAL FUND

#### Revenue Classification (by Source and Subsource)

Account Number	Account
<b>302</b>	<b>Gate receipts – entertainment</b>
302.1	Movies
302.2	Plays
302.3	Assemblies
302.4	Carnivals
302.5-9	Other entertainment gate receipts (specify)
<b>303</b>	<b>Gate receipts – miscellaneous</b>
303.1	Lectures
303.2	Rallies
303.3-9	Other miscellaneous gate receipts (specify)
<b>304</b>	<b>Resale items</b>
304.1	Bookstore
304.2	Pictures
304.3	Vending
304.4-9	Other resale items (specify)
<b>305</b>	<b>Sale of school publications</b>
305.1	School newspapers
305.2	School yearbooks
305.3-9	Other school publications (specify)
<b>306</b>	<b>Fundraising</b>
306.1-9	Other fund drives (specify)

<b>307</b>	<b>Unrestricted gifts and donations</b>
307.1	Gifts
307.2	Donations
307.3-9	Other gifts or donations (specify)
<b>309</b>	<b>Board of education allocations</b> <i>(Refer to Section 4, Title 8 for requirements.)</i>
309.1	For supplies
309.2	For books
309.3	For non-capital equipment
309.4	For services
309.5-9	Other board allocations (specify)
<b>310</b>	<b>Fines, fees, and dues</b>
310.1	Library fines
310.2	Breakage fees
310.3-9	Other fines, fees, or dues (specify)
<b>311</b>	<b>Interest income</b>
<b>312</b>	<b>Rent</b>
312.1	For school facilities
312.2-9	For other facilities (specify)
<b>313-399</b>	<b>Other revenue (designate)</b>

### Expenditure Classification (by Function, Subfunction and Object)

Account Number	Account
<b>401</b>	<b>Administration</b>
401.01	Salaries (paid to board of education)
401.02	Contracted services
401.03	Supplies and materials
401.05	Fixed charges
401.07	Equipment
401.09	Other
<b>402</b>	<b>Instruction</b>
402.02	Contracted services
402.03	Supplies and materials
402.07	Equipment
402.09	Other
<b>403</b>	<b>Expenditures from board of education allocation (Refer to the explanation below when using this account.)</b>
403.02	Contracted services
403.03	Supplies and materials
403.07	Equipment
403.09	Other
<b>404</b>	<b>Operation and maintenance</b>
404.02	Contracted services
404.03	Supplies and materials
404.07	Equipment
404.09	Other
<b>406</b>	<b>Entertainment</b>
406.1	School group performances
406.12	Contracted services
406.13	Supplies and materials
406.17	Equipment

406.19	Other
406.2	Movies
406.22	Contracted services
406.23	Supplies and materials
406.27	Equipment
406.29	Other
406.3	Contracted performers
406.32	Contracted services
406.33	Supplies and materials
406.39	Other
406.9	Other (must report object)
406.92	Contracted services
406.93	Supplies and materials
406.97	Equipment
406.99	Other
<b>407</b>	<b>School publications</b>
407.1	School yearbook
407.12	Contracted services
407.13	Supplies and materials
407.17	Equipment
407.19	Other
407.2	School newspaper
407.22	Contracted services
407.23	Supplies and materials
407.27	Equipment
407.29	Other
407.9	Other
407.92	Contracted services
407.93	Supplies and materials
407.97	Equipment
407.99	Other

<b>408</b>	<b>Field trips and other off-campus events</b>
408.02	Contracted services
408.03	Supplies and materials
408.07	Equipment
408.09	Other
<b>409</b>	<b>Items for resale</b>
409.03	Supplies and materials
409.07	Equipment
409.09	Other
<b>411</b>	<b>Fundraising</b>
411.11	Carnivals
411.12	Car washes
411.13	Candy sales
411.14	Other
<b>412-499</b>	<b>Other (list function)</b>

## Explanation of Expenditure by Function

- 401**    Administration - Those expenditures that are generally for the offices of the principal, assistant principals, bookkeeper, and other administrative staff.
- 402**    Instruction - Those expenditures which benefit the instructional program of the school.
- 403**    Expenditures from local board allocations - The local board allocations normally will be accounted for separately and often limited to specific items. When this account is used, the subfunction and/or object classification must also be reported in the financial statements. For example, the following classifications are acceptable:
- Board Allocation – Supplies (by object)
  - Board Allocation – Instructional Supplies (by subfunction and object)
- 404**    Operation and maintenance - All expenditures for the operation and maintenance of the buildings and grounds.
- 406**    Entertainment - All expenditures for school entertainment.
- 407**    School publications - All expenditures for school publications, such as yearbooks and newspapers.
- 408**    Field trips and other off-campus events - Those expenditures incurred in preparation for off-campus events and all expenditures incurred during the events.
- 409**    Items for resale - The cost of items purchased that will be resold. This account will include such items as bookstore and concession supplies and materials.
- 411**    Fundraising - All costs related to fundraising activities.
- 412 – 499**    Other - Use these accounts to provide a detailed explanation of expenditures that cannot properly be charged to one of the functions above.

## TITLE 4: RESTRICTED FUND

### Revenue/Expenditure Accounts

#### *601-999 All Restricted Accounts*

Account Number	Account
<b>601-699</b>	<b>Athletic Accounts *</b>
601	Athletics – (general ledger account or not used)
602	Basketball
603	Baseball
604	Football
605	Golf
607	Track
608	Swimming
609-699	Other – (name)
<b>701-799</b>	<b>Class accounts</b>
701	Class of 20X3
702	Class of 20X4
703	Class of 20X5
704	Class of 20X6
<b>801-899</b>	<b>Club accounts</b>
801	Beta Club
802	FFA
804	Journalism Club
805	Science Club
809	Yearbook Club
<b>901-999</b>	<b>Other activities (name)</b>
901	Band
902	Jane Smith Scholarship
903	Teachers Materials and Supplies (TISA) Account
904	TISA Pooled

\* All individual sports are either a subsidiary ledger account (Alternative 1) or a general ledger account (Alternative 2).

## TITLE 5: SCHOOL NUTRITION FUND

### Balance Sheet Accounts

#### *Assets*

Account Number	Account
11	Cash on hand
12	Cash in bank – checking
13	Cash in bank – savings
21	Other investments
31	Accounts receivable
41	Inventory

#### *Liabilities and Fund Balance*

Account Number	Account
61	Income tax withheld and payable
62	FICA taxes withheld and payable
63	Retirement withheld and payable
65	Insurance withheld and payable
66	Other payroll deductions
71	Accounts payable
81	Accrued payroll
94	School nutrition fund balance

**NOTE:** Any account may be expanded to create a sub-level of reporting.

### Revenue Accounts

#### *Lunch*

Account Number	Account
111	Students
112	Adults
113	Other
114	USDA

***Breakfast***

<b>Account Number</b>	<b>Account</b>
121	Students
122	Adults
123	Other
124	USDA

***Milk***

<b>Account Number</b>	<b>Account</b>
131	Students
132	Adults
133	Other
134	USDA (Special Milk)

***Other Programs***

<b>Account Number</b>	<b>Account</b>
141	Students
142	Adults
143	Other
144	Interest income
145	USDA Commodities (in-kind)
146	Fresh Fruit and Vegetable Program

**Expenditure Accounts**

<b>Account Number</b>	<b>Account</b>
210	Labor
220	Food
240	Supplies
250	Utilities
260	Contracted services
270	Equipment
280	USDA Commodities (in-kind)
290	Other



**APPENDIX A**  
*Applicable Laws and Exhibits*

**INTERNAL SCHOOL FUNDS MANUAL**



## **State Laws Affecting Internal School Funds**

Schools must comply with federal, state, and local laws and regulations, as well as grant and contract requirements. These may have a material direct or indirect impact on the financial statements, both qualitatively and quantitatively. The following list of Tennessee Code Annotated references should not be considered a comprehensive list.

### **Selected Tennessee Code Annotated Sections**

Section 4-30-103	Local Government Electronic Technology Act of 2009
Section 5-8-207 & Section 6-56-111	Three day deposit law; Requirement that all funds be disbursed by prenumbered check
Section 5-8-201 & Section 6-56-110	Bank contracting requirements
Section 9-1-108	Credit card processing fees
Section 9-2-102	Closing of books
Sections 9-2-103–104	Consecutively prenumbered receipts required
Section 9-18-102	Internal controls
Section 10-7-404 & Section 10-7-702	Record retention schedules
Section 12-4-101	Conflict of interest statute
Section 47-10-119	Uniform Electronic Transactions Act (UETA)
Section 49-2-110	Student activity funds
Section 49-2-112	School audits
Section 49-2-134	Policies and procedures for funds raised for noneducational purposes
Section 49-2-601 et seq	School Support Organizations
Section 49-3-313	School lunch program
Section 49-3-359(a)	Tennessee Investment in Student Achievement Act (TISA)

Section 49-6-316	Participation and payment for attendance in athletic events
Section 49-6-2003	Teacher conflicts of interest
Section 49-6-2007	Sale or transfer of surplus property
Section 49-6-3001	Tennessee public schools referred to as being “free”
Section 49-8-1501 et seq	Innovative School District Act
Section 49-13-127	Public charter school audit requirements
Section 66-29-101 et seq	Unclaimed funds
Section 67-6-229	State sales tax on resale items

**FUNDRAISER AUTHORIZATION FORM**

School \_\_\_\_\_

Fund/club/class account \_\_\_\_\_

Expected timeframe of fundraiser \_\_\_\_\_

Proposed fundraising activities \_\_\_\_\_

Method of fundraising (e.g., in-person, crowdfunding, etc.) \_\_\_\_\_

Proposed uses of funds raised\* \_\_\_\_\_

Expected student involvement (school-wide or specific school organization)

Method by which school will receive profit \_\_\_\_\_

Requested by \_\_\_\_\_ Date \_\_\_\_\_  
Name/Title

Approved by \_\_\_\_\_ Date \_\_\_\_\_  
Principal

Approved by \_\_\_\_\_ Date \_\_\_\_\_  
Director of Schools\*\*

\* Any change in proposed uses of funds raised must be approved by the Director of Schools

\*\* The Director of Schools must approve all fundraising activities that involve the participation of the general student population in the marketing process of the fundraising effort.

**INVENTORY ANALYSIS REPORT**

(To be completed by sponsor)

School \_\_\_\_\_

Fund/club/class account \_\_\_\_\_

Fundraising/resale activity \_\_\_\_\_

Sponsor \_\_\_\_\_

Approval date \_\_\_\_\_ Start date \_\_\_\_\_ End date \_\_\_\_\_

Item 1: _____	Quantity
Beginning Inventory	
Less: Quantity Sold	
Calculated Ending Inventory	
Actual Ending Inventory	
Difference*	

Item 2: _____	Quantity
Beginning Inventory	
Less: Quantity Sold	
Calculated Ending Inventory	
Actual Ending Inventory	
Difference*	

Item 3: _____	Quantity
Beginning Inventory	
Less: Quantity Sold	
Calculated Ending Inventory	
Actual Ending Inventory	
Difference*	

Item 4: _____	Quantity
Beginning Inventory	
Less: Quantity Sold	
Calculated Ending Inventory	
Actual Ending Inventory	
Difference*	

\* Attached detailed documentation or explanation of this amount

**Note:** Like-items sold at the same price may be grouped together. Consider utilizing a spreadsheet when analyzing a large number of different inventory items.

Beginning inventory count performed by \_\_\_\_\_ Date \_\_\_\_\_

Beginning inventory count verified by \_\_\_\_\_ Date \_\_\_\_\_

Ending inventory count performed by \_\_\_\_\_ Date \_\_\_\_\_

Ending inventory count verified by \_\_\_\_\_ Date \_\_\_\_\_

Remaining inventory disposition: \_\_\_\_\_

\_\_\_\_\_

**FUNDRAISER COLLECTIONS ANALYSIS REPORT**

(To be completed by sponsor)

School \_\_\_\_\_

Fund/club/class account \_\_\_\_\_

Fundraising activity \_\_\_\_\_

Sponsor \_\_\_\_\_

Approval date \_\_\_\_\_ Start date \_\_\_\_\_ End date \_\_\_\_\_

**EXPECTED COLLECTIONS** (Like-items sold at the same price may be grouped together)

Item Description*	Quantity Available to Sell*	Selling Price	Expected Collections
		\$	\$
		\$	\$
		\$	\$
<b>Total Expected Collections</b>			<b>\$</b>

**ACTUAL COLLECTIONS**

Date	Receipt Number	Amount
<b>Subtotal</b>		<b>\$</b>
<b>Total from page 2</b>		<b>\$</b>
<b>Grand Total</b>		<b>\$</b>

**ENDING INVENTORY** (Like-items sold at the same price may be grouped together)

Item Description*	Actual Ending Inventory*	Selling Price	Ending Inventory at Resale Value
		\$	\$
		\$	\$
		\$	\$
<b>Total Ending Inventory at Resale Value</b>			<b>\$</b>



**YEARBOOK ADVERTISING SALES  
 COLLECTIONS ANALYSIS REPORT**

School \_\_\_\_\_

**EXPECTED COLLECTIONS**

Size of Ad	No. of Ads Printed in Publication	x	Selling Price	Expected Collections
<b>Total</b>				\$

**ACTUAL COLLECTIONS**

Date	Receipt Number	Amount
<b>Subtotal</b>		\$
<b>Total from page 2</b>		\$
<b>Grand Total</b>		\$

**ANALYSIS**

Expected collections    \$ \_\_\_\_\_  
 Less: actual collections    \$ ( \_\_\_\_\_ )  
 Difference\*    \$ \_\_\_\_\_

\*Sponsor should provide explanation for any difference

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

Verified by: \_\_\_\_\_

Date: \_\_\_\_\_



**YEARBOOK COLLECTIONS ANALYSIS REPORT**

School \_\_\_\_\_

**EXPECTED COLLECTIONS**

<b>Expected Collections Calculation</b>	
Yearbooks ordered	
Add: Free yearbooks received	
Beginning yearbook inventory	
Add: Online yearbooks ordered	
Total estimated yearbooks to be sold	
x Selling price	\$
Total expected collections	\$

**NOTE:** Total quantity of yearbooks received should be verified upon receipt. See Inventory Analysis Report (Exhibit 2a).

**SCHOOL COLLECTIONS**

<b>Date</b>	<b>Receipt Number</b>	<b>Amount</b>
<b>Subtotal</b>		\$
<b>Total from page 2</b>		\$
<b>Grand Total</b>		\$

**ENDING INVENTORY**

<b>Ending Inventory Calculation</b>	
Ending yearbook inventory after sales	
Less: Yearbooks given away*	(                    )
Ending yearbook inventory on hand	
x Selling price	\$
Ending inventory value	\$

**NOTE:** Total ending yearbook inventory should be verified. See Inventory Analysis Report (Exhibit 2a).

Remaining inventory disposition: \_\_\_\_\_

**ANALYSIS**

Expected collections	\$	
Less: school collections	(	
** Less: online sales	(	
Less: ending inventory value	(	
*** Difference	\$	

\* Attach a detailed list of recipients of free yearbooks, including explanations.

\*\* Attach support from online sales vendor.

\*\*\* Attach detailed documentation or explanation for any difference.

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_

Verified by: \_\_\_\_\_ Date: \_\_\_\_\_

**SCHOOL COLLECTIONS**

Date	Receipt Number	Amount
<b>Total (this page)</b>		<b>\$</b>

**FUNDRAISER SUMMARY REPORT**

School \_\_\_\_\_

Fund/club/class account \_\_\_\_\_

Fundraising activity \_\_\_\_\_

Sponsor \_\_\_\_\_

Date(s) of fundraiser \_\_\_\_\_

Proposed uses of funds raised \_\_\_\_\_

Total collections \$ \_\_\_\_\_

Less: total expenses \$(\_\_\_\_\_)

Total fundraiser profit \$ \_\_\_\_\_

Total expenditures with fundraiser profit (from page 2) \$ \_\_\_\_\_

\*Difference \$ \_\_\_\_\_

\*If the amount spent is less than the profit, please provide explanation and intended disposition of balance. The disposition of excess proceeds or a change in authorized purpose must be approved by the Director of Schools.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Completed by \_\_\_\_\_ Date \_\_\_\_\_

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

Approved by \_\_\_\_\_ Date \_\_\_\_\_

Director of Schools







**TEACHER COLLECTION LOG**

School \_\_\_\_\_ Date \_\_\_\_\_

Teacher \_\_\_\_\_ Purpose \_\_\_\_\_

Student Name	Date			Date		
	Cash Amount	Check Amount	Check Number	Cash Amount	Check Amount	Check Number
	\$	\$		\$	\$	
<b>TOTAL</b>	\$	\$		\$	\$	
<b>To be completed by cashier</b>						
Date						
Total Collections	\$	\$		\$	\$	
Total Amount Counted	\$	\$		\$	\$	
Receipt Number						
Cashier's Initials						

**TICKET RECONCILIATION**

School \_\_\_\_\_

Date \_\_\_\_\_ Type of event: \_\_\_\_\_

For athletic events: \_\_\_\_\_ vs. \_\_\_\_\_

**STUDENT TICKETS** Ticket color \_\_\_\_\_ Ticket price \$ \_\_\_\_\_

**ADULT TICKETS** Ticket color \_\_\_\_\_ Ticket price \$ \_\_\_\_\_

**RESERVE/SPECIAL TICKETS** Ticket color \_\_\_\_\_ Ticket price \$ \_\_\_\_\_

**TICKET SALES CALCULATION**

	<b>Student</b>	<b>Adult</b>	<b>Reserve/Special</b>
Ending Ticket Number			
Less: Beginning Ticket Number			
Tickets Sold (Difference)			
x Ticket Price	\$ _____	\$ _____	\$ _____
Total Sales	\$ _____	\$ _____	\$ _____
<b>Total Ticket Sales</b>			<b>\$ _____</b>

**BEGINNING CHANGE FUND**

\$20s	_____	Total	\$ _____
\$10s	_____	Total	\$ _____
\$5s	_____	Total	\$ _____
\$1s	_____	Total	\$ _____
\$0.25s	_____	Total	\$ _____
<b>Total beginning change fund</b>			<b>\$ _____</b>

I certify that I checked the ticket color(s), beginning ticket number(s), and the change fund of this ticket seller box and found it to be correct as listed above.

\_\_\_\_\_  
 Signature of Designee

\_\_\_\_\_  
 Signature of Ticket Seller

**TICKET RECONCILIATION (continued)**

Beginning change fund	\$	_____
Add: Total ticket sales	\$	_____
Add: Donations received by ticket seller	\$	_____
Total due in ticket sales box (expected)	\$	_____
Cash collections	\$	_____
Add: Check collections (attach list of checks)	\$	_____
Total in ticket sales box (actual)	\$	_____
Difference	\$	_____

Explanation of difference:

---

---

---

---

---

I certify that I checked the ending ticket number(s) and collections from this ticket seller box and found it to be correct as listed above.

\_\_\_\_\_  
Signature of Designee

\_\_\_\_\_  
Signature of Ticket Seller

**COUNT OF COLLECTIONS**

School \_\_\_\_\_

Fund/club/class account \_\_\_\_\_

Activity \_\_\_\_\_

Sponsor \_\_\_\_\_

Date of activity \_\_\_\_\_

Proposed uses of collections \_\_\_\_\_

Beginning change \$ \_\_\_\_\_

Amount collected:

Cash \$ \_\_\_\_\_

Checks\* \$ \_\_\_\_\_

Total to be turned over to cashier \$ \_\_\_\_\_

\* Attach listing of checks collected

I certify that I have counted the beginning change and the amount collected for this activity. I found it to be correct as listed above.

Counted by: \_\_\_\_\_

Date \_\_\_\_\_

Counted by: \_\_\_\_\_

Date \_\_\_\_\_



**TRANSFER AUTHORIZATION**

School \_\_\_\_\_

Name of student class or organization \_\_\_\_\_

Sponsor \_\_\_\_\_

The following transfers have been authorized by the membership of this organization:

<b>Transfer To</b>	<b>Purpose</b>	<b>Amount</b>

\_\_\_\_\_  
President of organization

\_\_\_\_\_  
Date

\_\_\_\_\_  
Treasurer of organization

\_\_\_\_\_  
Date

\_\_\_\_\_  
Sponsor of organization

\_\_\_\_\_  
Date



## **Journal Entries for Returned Checks**

### **Returned Checks**

Because internal school funds report on the modified accrual basis of accounting, the focus is on inflows and outflows of expendable resources. As such, returned checks (i.e., uncollectible amounts) represent a reduction in the inflow of financial resources, rather than an outflow. That is, in substance, there never was an inflow of financial resources. Normally, revenues are reported net of estimated uncollectible amounts under the modified-accrual basis of accounting. Because amounts represented by unrecovered returned checks are normally not material, a direct reduction to applicable revenue accounts should be reported in internal school funds, other than school nutrition funds, at the end of the year. School nutrition funds are not allowed to report bad debts, instead of a direct reduction to a revenue account, a receivable from the board of education should be recorded and the board should reimburse the cafeteria for unrecovered returned checks at year end.

### **Entries for returned checks for internal school funds other than school nutrition funds:**

1. A check issued to the school is returned by the bank for insufficient funds. A journal entry to record a receivable for the returned check amount and to reduce cash should be made:

	<b>Debit</b>	<b>Credit</b>
<i>Returned checks receivable</i>	<i>\$30.00</i>	
<i>Cash</i>		<i>\$30.00</i>

2. The bank charges a service fee for the returned check (insufficient funds):

	<b>Debit</b>	<b>Credit</b>
<i>Expenditures - bank fee for returned checks</i>	<i>\$20.00</i>	
<i>Cash</i>		<i>\$20.00</i>

3. The check is resubmitted to the bank at the request of the check signor, and it clears the bank, or another check is issued:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Returned check receivable</i>		<i>\$30.00</i>

4. The school charges a fee to recover the bank fee and to assess their own service charge:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Revenues – returned checks service charge</i>		<i>\$10.00</i>
<i>Expenditures – bank fee for returned checks</i>		<i>\$20.00</i>

5. The school never receives payment to cover the returned check:

	<b>Debit</b>	<b>Credit</b>
<i>Revenue account originally recorded or a</i>		
<i>Receivable from the board of education (1)</i>	<i>\$30.00</i>	
<i>Returned checks receivable</i>		<i>\$30.00</i>

(1) If the returned check is related to a fee that the board of education will reimburse, a receivable from the board of education should be recorded.

6. When payment is subsequently received from the board of education:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Receivable from board of education</i>		<i>\$30.00</i>

7. The school receives payment on the returned check in the next school year after the above entries have been made:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Revenue account originally recorded or a</i>		
<i>Due to the board of education (1)</i>		<i>\$30.00</i>

(1) A due to the board of education should be recorded if the board requires a refund. If the board allows the school to keep such funds for school use, a revenue account such as revenue from board of education should be credited.

**Entries for returned checks for school nutrition funds:**

*Example entries 1 – 4 above are the same for all internal school funds, including school nutrition funds.*

8. The cafeteria never receives payment to cover the returned check:

	<b>Debit</b>	<b>Credit</b>
<i>Receivable from board of education</i> (1)	<i>\$30.00</i>	
<i>Returned checks receivable</i>		<i>\$30.00</i>

- (1) Because cafeterias are not allowed to have bad debts, all amounts for returned checks not recovered at the end of the year should be recorded as a receivable from the board of education or other support group such as PTO. Please note that student activity funds should not be used to cover cafeteria bad debts.

9. Payment is received from the board of education:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Receivable from board of education</i>		<i>\$30.00</i>

10. The cafeteria receives payment on the returned check in the next school year after the above entries have been made:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$30.00</i>	
<i>Due to the board of education</i> (1)		<i>\$30.00</i>

- (1) A due to the board of education should be recorded if the board requires a refund. If the board allows the cafeteria to keep such funds for school use, a revenue account such as revenue from board of education or a miscellaneous revenue account should be credited.

**Journal Entries for Change Funds**

1. A check is issued and made payable to the individual responsible for the change:

	<b>Debit</b>	<b>Credit</b>
<i>Cash on hand</i>	<i>\$100.00</i>	
<i>Cash</i>		<i>\$100.00</i>

2. The change funds are returned to the bookkeeper to be redeposited into the bank:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$100.00</i>	
<i>Cash on hand</i>		<i>\$100.00</i>

(The deposit slip should be marked “Redeposit”.)

Note 1

Entries surrounding change funds should not impact the school’s revenue and expenditure accounts.

Note 2

Another asset account for the change can be established in place of *Cash on hand*, for instance, *Change funds outstanding*.

**Journal Entries for Reimbursements**

1. A student paid a book fee, and it is subsequently determined that the book fee should have been waived for this student. The student is reimbursed the book fee amount:

	<b>Debit</b>	<b>Credit</b>
<i>Revenues – Book Fees</i>	<i>\$17.00</i>	
<i>Cash</i>		<i>\$17.00</i>

2. The general fund made an overpayment to the vendor for annuals. The vendor sends the school a reimbursement:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$50.00</i>	
<i>Expenditures – Annual</i>		<i>\$50.00</i>

3. The general fund purchased ticket rolls from a vendor for an upcoming school-wide event and also purchased tickets for the athletics account. The athletics account reimburses the general fund for their share of the cost of ticket rolls:

Entry in General Fund:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$15.00</i>	
<i>Expenditures – Supplies</i>		<i>\$15.00</i>

Entry in Athletics Account:

	<b>Debit</b>	<b>Credit</b>
<i>Expenditures</i>	<i>\$15.00</i>	
<i>Cash</i>		<i>\$15.00</i>

**Journal Entries for Non-cash Activity**

1. A vendor issues fundraiser profit as vendor credit in lieu of cash payment to the school:

	<b>Debit</b>	<b>Credit</b>
<i>Other Asset – Vendor Credit</i>	<i>\$125.00</i>	
<i>Revenues – Fundraising</i>		<i>\$125.00</i>

2. The school utilizes the vendor credit to purchase books for classrooms:

	<b>Debit</b>	<b>Credit</b>
<i>Expenditures – Instruction</i>	<i>\$125.00</i>	
<i>Other Asset – Vendor Credit</i>		<i>\$125.00</i>

3. A bookfair vendor offers an incentive which doubles fundraiser profit. This additional amount is issued as a vendor credit. If a school takes advantage of this offer, the following journal entry should be made to record the incentive:

	<b>Debit</b>	<b>Credit</b>
<i>Other Asset – Bookfair Vendor Credit</i>	<i>\$500.00</i>	
<i>Revenues – Fundraising</i>		<i>\$500.00</i>

4. The school utilizes the bookfair incentive credit to purchase books for classrooms:

	<b>Debit</b>	<b>Credit</b>
<i>Expenditures – Instruction</i>	<i>\$500.00</i>	
<i>Other Asset – Bookfair Vendor Credit</i>		<i>\$500.00</i>

5. A school supply company operates a fundraiser which, instead of purchasing items, allows parents to purchase gift cards for the school’s benefit. These gift cards are issued in the form of a vendor credit directly to the school’s account with the school supply company:

	<b>Debit</b>	<b>Credit</b>
<i>Other Asset – Gift Card Credit</i>	<i>\$35.00</i>	
<i>Revenues – Fundraising</i>		<i>\$35.00</i>

6. The school utilizes the vendor credit (gift card) to purchase school supplies for classrooms:

	<b>Debit</b>	<b>Credit</b>
<i>Expenditures – Instruction</i>	<i>\$35.00</i>	
<i>Other Asset – Gift Card Credit</i>		<i>\$35.00</i>

Note 1

If a check is used for the purchase in addition to the vendor credit, the appropriate *Other Asset* account along with the appropriate *Expenditure* account should be selected for allocating the payment.

**Journal Entries for TISA Receivable**

1. If expenditures must occur prior to receipt of TISA funds from the board of education, a journal entry for estimated TISA funding should be recorded:

	<b>Debit</b>	<b>Credit</b>
<i>Due from board of education</i>	<i>\$2,600.00</i>	
<i>Teachers' Materials and Supplies (TISA) account</i>		<i>\$2,600.00</i>

2a. TISA funds are subsequently received from the board of education. The amount received agreed with the amount estimated:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$2,600.00</i>	
<i>Due from board of education</i>		<i>\$2,600.00</i>

2b. TISA funds are subsequently received from the board of education. The amount received was greater than the amount estimated:

	<b>Debit</b>	<b>Credit</b>
<i>Cash</i>	<i>\$3,000.00</i>	
<i>Due from board of education</i>		<i>\$2,600.00</i>
<i>Teachers' Materials and Supplies (TISA) account</i>		<i>\$ 400.00</i>



## **APPENDIX B**

*Principles-Based Approach to Board of Education Obligations*

**INTERNAL SCHOOL FUNDS MANUAL**



## **PRINCIPLES-BASED APPROACH TO BOARD OF EDUCATION OBLIGATIONS**

### **Board of Education Obligations – Supplement vs. Replace**

These principles should be used to determine whether purchases from the general fund merely supplement, not replace, funds necessary for the local board of education to fulfill its obligation to provide an instructional program, property, equipment, and salaries. Each individual scenario needs to be evaluated using a blend of integrity, common sense, and a close reading of the *Manual*, board of education policies and fund budgets.

Example board of education responsibilities include, but are not limited to:

- Paying teachers, principals, bus drivers, counselors, etc.
- Providing teachers with the necessary materials and supplies to do their jobs
- Building/providing a school building/utilities
- Providing bus transportation
- Maintaining and repairing school buildings and grounds
- Providing janitorial services for school buildings, and
- Similar expenditures necessary to provide a free and equal education

### **Overarching General Rules**

1. The general fund may not be used to replace board of education obligations as stated in Section 4, Title 1, page 4-2 of the *Manual*.
2. The student activity funds may not be used to replace board of education obligations as stated in Section 1, Title 4, page 1-7 of the *Manual*.
3. The general fund or school nutrition fund having a large fund balance does not allow the school to spend money to replace board of education obligations.
4. The board of education cannot make policies that violate the “supplement, not replace” requirements of state statutes and the *Manual*.
5. The final purchase of any capital items should be completed by the board of education. Board personnel are familiar with capital purchase requirements and applicable policies and procedures.

## Supplement vs. Replace – Principles

For each scenario, these principles must be considered:

- Does the *Manual* provide guidance about the expenditure?
- Does the purchase attempt to circumvent the board of education purchasing procedures? It is often more difficult to utilize the board of education purchasing process than to approve and pay for the expenditure at the individual school level through the general fund. The real question is: “Is it the right thing to do?”
- Is the school attempting to spend money because a large fund balance has accumulated in the general fund or school nutrition fund? Spending money for board obligations is **not** right even if the school has accumulated significant fund balances.
- Are these types of expenditures included in the board of education fund budgets? If so, this will give an indication of what types of expenditures represent board obligations.
- Does the board of education have any policies related to these expenditures? If so, this will provide guidance as to whether or not the expenditures are considered board or school obligations. However, the board of education **cannot** delegate board obligations to schools by issuing a board policy. This would violate the *Manual’s* clear guidance.
- Does the project require bids? This would indicate a board of education obligation.
- Does the project require a long-term commitment (such as a five-year lease)? This would indicate a board of education obligation.
- Is the purchase amount material to the amount the board is obligated to spend at the individual school level (i.e., through the budget process)? If the purchase amount is small in comparison, this **may** indicate the expenditure would **not** replace a board of education obligation.
- Is this a one-time expenditure or a recurring expenditure? Infrequent or occasional expenditures, especially based on extenuating circumstances, **may** indicate the expenditure would **not** replace a board of education obligation.

## Supplement vs. Replace – Example Scenarios

**It is very important to utilize integrity and common sense for each scenario.**

### 1. Can the school buy side chairs for the school office for students/others to utilize while waiting to transact school business?

**Assumptions:** It is the board of education’s responsibility to provide furniture for school buildings. The board does not have policies about this matter. The purchase is not large enough to require bids. The purchase amount is not material to the amount of expenditures the board has budgeted for furniture for the school. The purchase is a one-time purchase that will not recur in the near future.

**Conclusion:** This expenditure is likely supplementing, not replacing, a board of education obligation.

**NOTE:** If three chairs would be sufficient, the school should not purchase ten chairs. The inventory of furniture and equipment should be updated for any additions and/or disposals.

### 2. Can the school pay for buffing the hallway floors?

**Assumptions:** It is the board of education’s responsibility to maintain school buildings. The board’s budget includes maintenance salaries, school repairs and maintenance costs (including buffing floors), and janitorial supplies. The board does not have policies about this matter. The purchase is not large enough to require bids and does not involve a contract. The purchase amount is not material to the amount of expenditures the board spends for annual building maintenance costs for the school. The purchase is a one-time purchase because of heavy special event traffic and the fact that a parent teacher meeting is taking place in two days. This is an infrequent occurrence.

**Conclusion:** This expenditure is likely supplementing, not replacing, a board of education obligation.

**NOTE:** If the regular maintenance staff could be utilized, hiring outside staff should not be considered.

### 3. Can the school pay for new cafeteria tables?

**Assumptions:** It is the board of education’s responsibility to provide cafeteria furniture. The board has not budgeted for new furniture in several years and some of the furniture is damaged and needs to be replaced. The board does not have policies about this matter. Since the board has **not** budgeted for cafeteria furniture in the current budget, the purchase amount would be material to the amount of expenditures the board plans to spend for cafeteria furniture. This is a rare occurrence. The school normally does not purchase cafeteria furniture.

#### **Conclusion:**

(1) The purchase does not involve a significant portion of the cafeteria furniture. The purchase is not large enough to require bids and does not involve a long-term contract. Purchasing a table or replacing a **few** broken chairs would not be replacing a board of education obligation. The number of replacements plus the amount spent are important factors.

(2) The purchase involves all or a significant portion of the cafeteria furniture. The purchase is large enough to require bids or involves a long-term contract. If the purchase involves replacing all or a significant portion of the cafeteria furniture, is large enough to require bids, or involves a long-term purchase agreement or note payable, this is replacing a board of education obligation.

**NOTE:** If only a few broken tables or chairs need to be replaced, replacing **all** the tables or chairs would not be appropriate. The inventory of furniture and equipment should be updated for any additions and/or disposals.

### 4. Can the school pay for painting the cafeteria?

**Assumptions:** It is the board of education’s responsibility to maintain buildings, including painting buildings. The board has not budgeted for painting the cafeteria in several years. Some of the paint is beginning to peel off and is dirty from student traffic. The board does not have policies about this matter. Since the board has **not** budgeted for painting the cafeteria in the current budget, the purchase amount would be material to the amount of expenditures the board plans to spend for cafeteria painting. Painting is only required approximately every 5-7 years. The school does not normally pay for painting.

#### **Conclusion:**

(1) The painting does not involve the entire cafeteria but only involves a small repair job and touch up in high traffic areas. The purchase is not large enough to require bids (it is always a good idea to at least get quotes for this type of service). This would not be replacing a board of education obligation.

**NOTE:** The amount of money necessary to repair and paint under this scenario is important. This scenario assumes that the purchase amount is relatively small. Also, if only a small area needs repair and a touch-up of certain areas would suffice, then painting the

entire cafeteria would not be justified, even if the general fund or school nutrition fund has a significant fund balance.

(2) The job involves significant repairs, painting the entire cafeteria, and the purchase amount is relatively large (or the purchase is large enough to require bids). This is replacing a board of education obligation.

## 5. Can the school pay off cafeteria meal balances?

**Assumptions:** The board of education voted for the school to pay off unpaid cafeteria balances left by students. This is addressed in Section 8, Title 1, page 8-3 of the *Manual*. It is the board of education’s responsibility to establish a meal charge policy (i.e., a policy about charging meals rather than paying with cash). This page further states, “Uncollected charges must be recouped from other than school nutrition program funds.” Therefore, the noncentralized school nutrition program **cannot** fund unpaid meal balances. Section 4, Title 1, page 4-2 of the *Manual* defines general fund allowable expenditures as those that must benefit the school or must contribute to the welfare of the student body. Therefore, the school’s general fund **cannot** fund uncollected cafeteria balances. This follows the same principle set forth by Section 1, Title 4, page 1-7 of the *Manual* that does not allow student activity fund money to be used to pay uncollected cafeteria balances. In this case, we have a board policy that **conflicts** with the *Manual*. The board policy appears to instruct that funds be taken from the school’s general fund to pay for uncollected cafeteria balances.

**Conclusion:** The uncollected cafeteria balances should be paid by the board of education’s general fund, rather than the school’s general fund.



**APPENDIX C**  
*Allowable and Unallowable Expenditures*

**INTERNAL SCHOOL FUNDS MANUAL**



## **Allowable Expenditures**

This is a guideline and **not an all-inclusive list** of allowable expenditures for internal school funds. All expenditures must be reasonable in nature and completed in accordance with the procedures set forth in the *Manual*. This includes adequate supporting documentation.

1. Awards such as merit certificates, trophies, plaques, or other means of recognition for behavior, athletic, or academic achievement for students;
2. Student incentives for athletics, specialized area performance, school spirit, involvement, academics, and other achievements;
3. Supplies, band instruments, and materials used by a student organization;
4. Entry fees and other expenses associated with competitions and meetings for student groups;
5. Travel expenses and meals consumed by the student members and their sponsors and bus drivers during an official school trip;
6. Membership in related organizations for student groups;
7. Charitable contributions and donations made with funds collected specifically for that purpose (refer to Section 4, Title 7, page 4-23 of the *Manual* for guidance regarding fundraising on behalf of an outside party);
8. Purchases using promotional credits from vendors must benefit students, not coaches and sponsors;
9. Equipment and maintenance costs that do not replace board responsibility. For example, purchasing playground equipment with funds donated for this specific purpose. The final purchase should be completed by the board of education as they are familiar with large capital purchase requirements and have necessary policies and procedures in place. Refer to [Appendix B](#) for assistance in determining if a purchase is a board responsibility.

## **Unallowable Expenditures**

This is a guideline and **not an all-inclusive list** of unallowable expenditures for internal school funds.

1. Personal purchases for staff members even with a reimbursement agreement;
2. Routine renovation or maintenance of school facilities or buildings; regular care and upkeep of school property (refer to [Appendix B](#) for assistance in determining allowable expenditures);
3. Gifts, services, donations, or bonuses to district employees or external support/booster organizations;
4. Loans to employees, parents, students, sponsors, or organizations for any reason;
5. Any purchase that benefits the sponsors or district personnel and not the student organization;
6. Alcoholic beverages, tobacco products, controlled substances;
7. Structural additions or improvements to the buildings or grounds that replace the local board's obligation;
8. Books, magazines, and memberships not benefiting the students;
9. Travel expenses for employee development, conferences, seminars, registration fees, etc. of school personnel;
10. Any expenditure prohibited by federal, state, or local laws or regulations.

**APPENDIX D**  
*Definitions*

**INTERNAL SCHOOL FUNDS MANUAL**

## Definitions

**NOTE:** Some terms are linked to the most applicable section of the *Manual*.

**Accounts Payable** – A liability created when goods or services have been received but have not yet been paid for by fiscal year end.

**Accounts Receivable** – An asset created when revenue is earned but for which payment has not yet been received by fiscal year end.

**Bank Reconciliation** – A schedule prepared at the end of each month explaining any differences between the bank’s and the school’s records of cash. The bank statement balance is to be reconciled to the school’s general ledger.

**Bid Threshold** – Amount over which bids must be obtained. This threshold is established by board policy and applicable state statute. Purchases over this threshold must be completed by the board of education.

**Bookkeeper** – The individual responsible for recording financial transactions in the school records.

**Canceled** – Documentation supporting disbursements should be marked in a manner which will prevent duplicate payment (i.e., invoices marked paid).

**Cashier** – An individual in the school’s office who collects money and writes receipts.

**Change Fund** – An amount of money obtained by issuing a check to a designated individual for the purpose of making change for a specific event or series of events where an admission fee is charged or goods are sold. The change received should be recorded in the “Cash on hand” account. Entries surrounding change funds should not impact the school’s revenue and expenditures accounts.

**Charter Management Organization (CMO)** – nonprofit entity that manages or operates two or more public charter schools.

**Club (Student Organization)** – Group of students organized into a single body for the purpose of pursuing common goals and objectives including various types of student clubs and class organizations, which are under the direct supervision of authorized personnel.

**Collection Analysis Reports (Exhibit 2b-2d)** – Example schedules to compare expected collections, actual collections, and ending inventory for fundraiser, resale, and yearbook activities. Any differences should be explained.

**Cooperative Activity** – Activity in which the school shares directly in the proceeds of the activity or receives a commission.

**Count of Collections (Exhibit 7)** – Form documenting total collections for a specific activity that did not utilize ticket reconciliations or collection logs. This form should be signed by two responsible individuals.

**Crowdfunding** – Fundraising via the internet.

**Day/Daily** – Refers to business days, i.e., Monday through Friday excluding banking holidays.

**Delivery Receipt** – Document that accompanies a delivery and itemizes the items delivered. The delivery receipt, in conjunction with the invoice and/or receiving report, serves as supporting documentation for the disbursement.

**Donation** – Any gift or contribution of money, materials, property or securities received by a school official or employee for the benefit of a school district, school, school club, or academic, arts, athletic or social activity related to a school.

**Donation/Allocation Summary Report (Exhibit 4)** – Form documenting the details for any donated or allocated funds. This should include the date of donation, source, purpose, and expenditures made.

**e.g.** – An abbreviation for a Latin phrase meaning “for example.” It is used to introduce a list of one or more examples.

**Fiscal Year** – A consecutive 12-month period for which financial statements are prepared to detail results of operations. Tennessee schools operate on a July 1 – June 30 fiscal year.

**Fundraiser** – An organized activity intended or designed to generate a profit. This may be conducted by the school, a student organization, or school support organization.

**Fundraiser Authorization Form (Exhibit 1)** –Form for each individual fundraising activity documenting the school, club or class, dates, purpose of fundraiser, etc. The form must be signed to indicate approval. The signature necessary depends on fundraiser participation.

**Fundraiser Summary Report (Exhibit 3)** – Summary form documenting all receipts and expenditures related to a specific fundraising activity.

**General Fund** – Accounts for all money to be used for the general operation of the school or for the welfare of the student body. At a minimum, revenues must be recorded by source and expenditures must be recorded by function.

**General Ledger** – An accounting record which shows all recorded transactions.

**i.e.** – An abbreviation for a Latin phrase meaning “that is” or “in other words.” It is used to clarify or rephrase something already stated.

**Inactive Account** – An account which has had no activity during the preceding 12 months.

**Intact** – Collections are deposited in the form and amount in which they are collected.

**Internal Control** – TCA Section 9-18-102 requires internal controls to be established and maintained. The objectives of internal control systems used in administering internal school funds are to provide management with reasonable, but not absolute, assurance that (1) internal school money is spent and related inventory is used in accordance with laws, regulations, and policies; (2) internal school money and related inventories are safeguarded against waste, theft, loss and misuse; and (3) accurate and reliable information is obtained, maintained, and fairly presented and disclosed in reports.

**Internal School Funds** – Any and all money received and accounted for at the individual schools.

**Inventory** – A detailed list or record showing quantities, descriptions, and values of property on hand at a given time. A physical inventory is the actual count of the items.

**Inventory Analysis Report (Exhibit 2a)** – Example schedule to verify beginning and ending inventory counts and reconcile calculated ending inventory to actual ending inventory.

**Invoice** – An itemized document from a third party that describes in detail the type, quantity, and charges for goods and services purchased. The invoice, in conjunction with the receiving report and/or delivery receipt, serves as supporting documentation for the disbursement.

**Noncooperative Activity** – Activity in which the school permits the use of school equipment or facilities without charge. However, there may be activities for which the school charges a rental fee. The school does not share in the proceeds of the activity.

**Outstanding Checks** – Checks issued and recorded by the school which have not yet been recorded (“cleared”) by the bank.

**Personally Identifiable Information (PII)** – Any data that could potentially identify a specific individual. Examples include social security number, financial account number, credit card number, home address, e-mail address, and telephone number.

**Professional Development** – Includes such activities as seminars, conferences, continuing professional education, courses for college credit, and other activities related to the ongoing growth and development of personnel. This is considered a board responsibility and must not be paid with internal school funds.

**Property** – Items necessary for the education of the students and for administration and operation of the school. Includes but is not limited to capital assets, minor equipment, and inventory.

**Purchase Order** – A prenumbered document issued to an authorized vendor approving the purchase of goods or services which indicates funds have been obligated.

**Purchase Authorization (Exhibit 8)** – Once a purchase requisition has been approved, it becomes a purchase authorization.

**Purchase Requisition (Exhibit 8)** – A request to make a purchase. These should be prenumbered.

**Quote** – A vendor’s estimated price for a specific good or service. Quotes are required for purchases that exceed the limit established by board and/or school policy or applicable state statute.

**Receipt** – A prenumbered document (physical or electronic) issued to an individual as proof of payment. The receipt should include the payor, amount of money received, method of payment, date, and purpose for payment.

**Receiving Report** – Document prepared by the school to record the verification of items/services received and accepted. The receiving report, in conjunction with the invoice and/or delivery receipt, serves as supporting documentation for the disbursement.

**Reconciliation** – Process of explaining, usually with the preparation of a schedule, the differences between expected and actual amounts.

**Reimbursement** – Repayment of authorized expenditures. Reimbursements between accounts should be recorded as an expenditure in the reimbursing account and as a reduction of expenditure in the account from which the original payment was made.

**Resale Activity** – Any activity involving the disbursement of money by the school for goods for resale.

**Restricted Fund Account** – Used to account for all money which is restricted for the use of a specific group (e.g., club, class, etc.) or legally restricted for a specific purpose (e.g., TISA funding for teacher’s supplies, scholarship donations, etc.).

**School Nutrition Fund** – Fund used to account for state and/or federal nutrition money for the purpose of financing cafeteria operations.

**School Representative** – Includes a school board member, the director of schools, a principal, any person primarily responsible for accounting for either school system or individual school funds, and any school system employee who is charged with directing or assisting in directing the related school club or activity. School representative does specifically include coaches, assistant coaches, band directors or any other school sponsor of a related club or activity.

**School Support Organization (SSO)** – Organizations composed of parents and teachers or parents and students (e.g., parent-teacher associations, parent-teacher organizations, booster clubs, etc.). Funds of these organizations should not be maintained within the school’s records. The tax exemption status or federal employer identification number of the district or school shall not be used in conjunction with a school support organization.

**School-wide Fundraiser** – A fundraiser benefiting all students of a school with expected involvement of all students.

**Separation of Duties** – Organizational structure and alignment of job duties that provide adequate separation of duties to prevent a single individual from controlling or processing transactions from beginning to end. This will reduce the opportunities for any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

**Sponsor** – The individual responsible for supervising, planning, and implementing activities of the student organization or activity to ensure compliance. The sponsor must be a school employee. The sponsor will work with the principal and bookkeeper to maintain financial records in a timely and accurate manner. Each account must have a sponsor.

**Student Activity Funds** – Money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school. The receipts and expenditures are maintained separately for each activity account. Examples of school activity accounts include: Beta Club, Band, Library, Class of 20X2, etc. Students not only participate in the activities of the organization but are also involved in managing and directing the organization's activities.

**Supporting Documentation** – Evidence to attest to the authenticity, accuracy, and authority of a financial transaction.

**Teachers/Others** – Teachers, assistants, volunteers, support staff, etc., who collect money for vending, fundraisers, field trips, fees, concessions, and other activities and remit it to the school's office.

**Teacher Collection Log (Exhibit 5)** – Form used to record monies collected for a particular event by teachers from a group of students. This form is used as documentation of the receipt of funds in lieu of individual receipts. This form will be given to the school bookkeeper by the teacher collecting the funds and a receipt will be issued to the teacher for the total on the form.

**Ticket** – Prenumbered ticket used at school functions where an admission price is charged and all tickets acquired must be accounted for by perpetual inventory records.

**Ticket Reconciliation (Exhibit 6)** – Form used to record the issuance of tickets for sale at an event, and the ticket sales realized. The form is reconciled and signed with explanation of any differences. The ticket seller, or other designated individual, retains a copy of the ticket reconciliation while the original accompanies the money and unsold tickets that are turned in to the cashier.

**Transfer** – Authorized movement of funds between activity accounts. A transfer is considered a donation or gift to the receiving fund or account. Transfers may not be made from the general fund to a restricted fund account to eliminate an account deficit (unless to close an inactive account as described in Section 4, Title 1, page 4-3 of the *Manual*). Transfers from a restricted fund account may not be made without written permission of the club or group (see **Exhibit 9**).

**Travel Expense Claim (Exhibit 10)** – Form used to document and request reimbursement for employee travel expenses (e.g., lodging, transportation, meals, etc.) associated with club or class activities.

**Validated Duplicate Deposit Slip** – A copy of a deposit slip bearing the bank’s stamp confirming the deposit was made. This serves as proof of the deposit.

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in November</b>	Descriptor Term: <b>Virtual Education Program</b>	Descriptor Code: <b>4.212</b>	Issued Date: <b>08/09/22</b>
		Rescinds:	Issued:

1 *General*

2 The Kingsport City Schools virtual education program is a course or series of courses offered by a  
3 school district to provide students a broader range of educational opportunities through the use of  
4 technology. Utilizing this program is temporary and shall not replace a student’s regular instructional  
5 program.<sup>1</sup>

6 Class size ratios for the virtual education program shall comply with the requirements as outlined in  
7 state law.<sup>2</sup>

8 Virtual education programs<sup>3</sup> may be made available to students for the following purposes:

- 9 1. Academic remediation, enrichment, or providing students access to a wider range of courses;
- 10
- 11 2. Continuity of educational service for students who are homebound;<sup>4</sup>
- 12
- 13 3. Continuity of educational service for students who are quarantining;<sup>5</sup>
- 14
- 15 4. Continuity of educational service for students enrolled in an alternative school;<sup>6</sup> or
- 16
- 17 5. Continuity of educational service when the district utilizes remote instruction due to dangerous  
18 or extreme weather conditions, a serious outbreak of illness affecting or endangering students  
19 or staff, or during the administration of end of course examinations or other examinations as  
20 allowed per state law.<sup>7</sup>
- 21
- 22 6. Continuity of educational service when the district utilizes hybrid instruction due to dangerous  
23 or extreme weather conditions, or an emergency, as determined by the Superintendent of  
24 Schools.<sup>8</sup>

25 **ELIGIBILITY AND PARTICIPATION REQUIREMENTS**

26 Students shall be eligible to utilize a virtual education program if participating in one of the above  
27 educational opportunities. The following factors shall also be taken into consideration when  
28 determining eligibility:

- 29 1. Attendance;
- 30

- 1        2. Grades; and
- 2
- 3        3. Technology availability.
- 4

## 5        **ATTENDANCE**

6        Student attendance in the virtual education program shall adhere to the general requirements of board  
7        policy 6.200 and any relevant administrative procedures.

8        Methods of confirming student attendance may include the following:

- 9            1. Students participating in a phone call with a teacher, with parent/guardian support as  
10            appropriate for the age of the student;
- 11
- 12           2. Students participating in synchronous virtual instruction;
- 13
- 14           3. Students completing work in a learning management system;
- 15
- 16           4. Students submitting work via hard-copy or virtual formats.

## 17       **REMOVAL FROM VIRTUAL EDUCATION PROGRAM**

18       A student may be removed from the virtual education program or denied future enrollment in a virtual  
19       education program based on disciplinary issues, attendance issues, or poor academic performance.

20       Before a student is removed based on poor academic performance, the following interventions shall  
21       occur:

- 22           1. Notification of parent/guardian;
- 23           2. One-on-one assessment conducted by the principal/designee regarding any learning needs and  
24           academic performance.

---

### Legal References

1. TRR/MS 0520-01-03-.05(2)
2. TCA 49-1-104(h); State Board of Education Policy 3.206
3. TCA 49-16-101; TRR/MS 0520-01-03-.05(2)(a)
4. TRR/MS 0520-01-02-.10; TRR/MS 0520-01-09-.07
5. TRR/MS 0520-01-13-.01(1)(d)(1)
6. TRR/MS 0520-01-02-.09; Public Acts of 2022, Chapter No. 960
7. Public Acts of 2022, Chapter No. 897
8. Public Acts of 2025, Chapter No. 484

---

### Cross References

Emergency Closings 1.8011  
Homebound Instruction 4.206  
Credit Recovery 4.210  
Alternative Education 6.319

Click here to choose a school board.

Monitoring: <b>Review: Annually, in November</b>	Descriptor Term: <b>Virtual Education Program</b>	Descriptor Code: <b>4.212</b>	Issued Date:
		Rescinds:	Issued:

1 *General*

2 The **[insert name of district]** virtual education program is a course or series of courses offered by three  
3 school district to provide students a broader range of educational opportunities through the use of  
4 technology. Utilizing this program is temporary and shall not replace a student's regular instructional  
5 program.<sup>1</sup>

6 Class size ratios for the virtual education program shall comply with the requirements as outlined in  
7 state law.<sup>2</sup>

8 **[Revise the list below to align with how the district utilizes virtual education programs (i.e., this  
9 is the full list of options to utilize this program but not all of these are required).]**

10 Virtual education programs<sup>3</sup> shall be made available to students for the following purposes:

- 11 1. Academic remediation, enrichment, or providing students access to a wider range of courses;  
12
- 13 2. Continuity of educational service for students who are homebound;<sup>4</sup>  
14
- 15 3. Continuity of educational service for students who are quarantining;<sup>5</sup>  
16
- 17 4. Continuity of educational service for students enrolled in an alternative school;<sup>6</sup>  
18
- 19 5. Continuity of educational service when the district utilizes remote instruction due to dangerous  
20 or extreme weather conditions, a serious outbreak of illness affecting or endangering students  
21 or staff, or during the administration of end of course examinations or other examinations as  
22 allowed per state law; or<sup>7</sup>  
23
- 24 6. Continuity of educational service when the district utilizes hybrid instruction due to dangerous  
25 or extreme weather conditions, or an emergency, as determined by the Director of Schools.<sup>8</sup>

26 **ELIGIBILITY AND PARTICIPATION REQUIREMENTS**

27 Students shall be eligible to utilize a virtual education program if participating in one of the above  
28 educational opportunities. The following factors shall also be taken into consideration when  
29 determining eligibility:

- 1 1. Attendance;
- 2
- 3 2. Grades;
- 4
- 5 3. Technology survey; and
- 6
- 7 4. **[Include any additional local requirements]**.

## 8 ATTENDANCE

9 Student attendance in the virtual education program shall adhere to the general requirements of board  
10 policy 6.200 and any relevant administrative procedures.

11 Methods of confirming student attendance shall include two or more of the following:

- 12 1. Students participating in a phone call with a teacher, with parent/guardian support as  
13 appropriate for the age of the student;
- 14
- 15 2. Students participating in synchronous virtual instruction;
- 16
- 17 3. Students completing work in a learning management system;
- 18
- 19 4. Students submitting work via hard-copy or virtual formats; or
- 20
- 21 5. **[Insert any additional local methods]**.

## 22 REMOVAL FROM VIRTUAL EDUCATION PROGRAM

23 A student may be removed from the virtual education program or denied future enrollment in a virtual  
24 education program based on disciplinary issues, attendance issues, or poor academic performance.

25 Before a student is removed based on poor academic performance, the following interventions shall  
26 occur:

- 27 1. Notification of parent/guardian;
- 28
- 29 2. One-on-one assessment conducted by the principal/designee regarding any learning needs and  
30 academic performance; and
- 31
- 32 3. **[Insert additional local intervention options]**.

## 33 ENROLLMENT AGREEMENT **(if applicable)**

34 The Director of Schools shall work with the Board's attorney to draft an enrollment agreement for  
35 students from other school districts that want access to virtual education program courses.

---

**Legal References**

1. [TRR/MS 0520-01-03-.05\(2\)](#)
2. [TCA 49-1-104\(h\)](#); [State Board of Education Policy 3.206](#)
3. [TCA 49-16-101](#); [TRR/MS 0520-01-03-.05\(2\)\(a\)](#)
4. [TRR/MS 0520-01-02-.10](#); [TRR/MS 0520-01-09-.07](#)
5. [TRR/MS 0520-01-13-.01\(1\)\(c\)](#)
6. [TRR/MS 0520-01-02-.09](#); [TCA 49-6-3402\(i\)](#)
7. [TCA 49-6-3004\(i\)](#)
8. [Public Acts of 2025, Chapter No. 484](#)

**Cross References**

Emergency Closings 1.8011  
Homebound Instruction 4.206  
Credit Recovery 4.210  
Alternative Education 6.319



## State of Tennessee

### PUBLIC CHAPTER NO. 484

#### HOUSE BILL NO. 485

By Representatives Hardaway, Love, Brooks, Cepicky, McKenzie, Camper, Mitchell, Salinas, Towns, Chism, White, Hakeem, Dixie, Shaw, Hulse, Doggett, Lynn, Harris, Miller, Glynn, Justin Jones, Hemmer, Stinnett, Slater, Freeman

Substituted for: Senate Bill No. 517

By Senators Akbari, Lamar, Campbell, Oliver

AN ACT to amend Tennessee Code Annotated, Title 49, relative to school attendance.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-6-3004, is amended by adding the following as a new subsection:

(j)

(1) An LEA or public charter school may provide up to four (4) days of the required one hundred eighty (180) days of classroom instruction in subdivision (a)(1) via hybrid learning in the event of dangerous or extreme weather conditions, or an emergency, as determined by the director of schools or the director of the public charter school in accordance with this subsection (j).

(2) An LEA or public charter school that provides hybrid learning pursuant to this subsection (j), shall provide:

(A) Students enrolled in kindergarten access to at least four (4) hours of instruction each day; and

(B) Students enrolled in grades one through twelve (1-12) access to at least six and one-half (6 1/2) hours of instruction each day.

(3) In tracking daily student attendance and compliance with state school attendance and truancy intervention laws, an LEA and public charter school shall implement policies and procedures for the LEA or public charter school to request and receive daily visual, verbal, or written confirmation of student participation in instructional time; determine excused versus unexcused student absences; and implement interventions to address student absences during remote instruction.

(4) Each LEA and public charter school that provides hybrid learning pursuant to this subsection (j) shall comply with all state and federal laws, rules, and policies.

(5) Each LEA and public charter school shall make services required by a student's individualized education program (IEP) available to the student on days that hybrid learning is provided pursuant to this subsection (j).

(6) If an LEA or public charter school uses the maximum amount of days authorized for hybrid learning pursuant to subdivision (j)(1) in a school year, then the LEA or public charter school may request the commissioner to authorize additional days for hybrid learning in the event of a natural disaster or serious outbreaks of illness affecting or endangering students or staff.

(7) As used in this subsection (j), "hybrid learning" means an instructional day in which some students participate in-person classroom instruction and some students participate in remote classroom instruction.

**HB485**

SECTION 2. This act takes effect July 1, 2025, the public welfare requiring it.

HOUSE BILL NO. 485

PASSED: April 22, 2025



CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES



RANDY MCNALLY  
SPEAKER OF THE SENATE

APPROVED this 21<sup>st</sup> day of May 2025



BILL LEE, GOVERNOR

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in November</b>	Descriptor Term: <b>Use of the Internet</b>	Descriptor Code: <b>4.406</b>	Issued Date: <b>08/12/25</b>
		Rescinds: <b>4.406</b>	Issued: <b>07/12/22</b>

1 The Board supports the right of staff and students to have reasonable access to various information  
2 formats and believes that it is incumbent upon staff and students to use this privilege in an appropriate  
3 and responsible manner.

## 4 **Employees**

5 Any employee who accesses the district's computer system for any purpose agrees to be bound by the  
6 terms stated in the Employee Handbook.

7 The superintendent of schools shall develop and implement procedures found in the Employee  
8 Handbook and/or the Teacher Technology Expectations document for appropriate Internet use which  
9 shall address the following:

- 10 1. Development of the Network and Internet Use Agreement.
- 11 2. General rules and ethics of Internet access.
- 12 3. Guidelines regarding appropriate instruction and oversight of student Internet use.
- 13 4. Prohibited and illegal activities, including but not limited to the following:<sup>1</sup>
  - 14 • Sending or displaying offensive messages or pictures
  - 15 • Using obscene language
  - 16 • Harassing, insulting, defaming or attacking others
  - 17 • Damaging computers, computer systems or computer networks
  - 18 • Hacking or attempting unauthorized access to any computer
  - 19 • Violation of copyright laws
  - 20 • Trespassing in another's folders, work or files
  - 21 • Intentional misuse of resources
  - 22 • Using another's password or other identifier (impersonation)
  - 23 • Use of the network for commercial purposes

## 24 **Students**

25 The superintendent of schools shall develop and implement procedures found in the Student Handbook  
26 for appropriate Internet use by students. Procedures shall address the following:

- 27 1. General rules and ethics of Internet use.
- 28 2. Prohibited or illegal activities, including, but not limited to:<sup>1</sup>
  - 29 • Sending or displaying offensive messages or pictures
  - 30 • Using obscene language
  - 31 • Harassing, insulting, defaming or attacking others
  - 32 • Damaging computers, computer systems or computer networks

- 1 • Hacking or attempting unauthorized access
- 2 • Violation of copyright laws
- 3 • Trespassing in another's folders, work or files
- 4 • Intentional misuse of resources
- 5 • Using another's password or other identifier (impersonation)
- 6 • Use of the network for commercial purposes
- 7 • Buying or selling on the Internet

## 8 **INTERNET SAFETY MEASURES**

9 Internet safety measures shall be implemented that effectively address the following:

- 10 • Controlling access by students to inappropriate matter on the Internet and World Wide Web
- 11 • Safety and security of students when they are using electronic mail, chat rooms, and other forms
- 12 of direct electronic communications
- 13 • Preventing unauthorized access, including "hacking" and other unlawful activities by students
- 14 on-line
- 15 • Unauthorized disclosure, use and dissemination of personal information regarding students
- 16 • Restricting students' access to materials harmful to them
- 17 • Limiting the content accessible by students using the internet access provided by the district to
- 18 content that is age-appropriate.<sup>7</sup>

19 The superintendent of schools/designee shall establish a process to ensure the district's education  
20 technology is not used for purposes prohibited by law or for accessing sexually explicit materials. The  
21 process shall include, but not be limited to:

- 22 • Utilizing technology that blocks or filters Internet access (for both students and adults) to
- 23 material that is obscene, child pornography or harmful to students<sup>3</sup>
- 24 • Maintaining and securing a usage log
- 25 • Prohibiting and preventing a user from sending, receiving, viewing, or downloading materials
- 26 that are deemed to be harmful to minors<sup>8</sup>
- 27 • Monitoring on-line activities of students<sup>2</sup>

28 The Board shall provide reasonable public notice of, and at least one (1) public hearing or meeting to  
29 address and communicate, its Internet safety measures.<sup>2</sup>

30 A written parental consent shall be required prior to the student being granted access to electronic media  
31 involving district technological resources. The required permission/agreement form, which shall specify  
32 acceptable uses, rules of on-line behavior, access privileges and penalties for policy/procedural  
33 violations, must be signed by the parent/legal guardian of minor students (those under 18 years of age)  
34 and also by the student. This document shall be executed each year and shall be valid only in the school  
35 year in which it was signed unless parent(s) provide written notice that consent is withdrawn. In order  
36 to rescind the agreement, the student's parent/guardian (or the student who is at least 18 years old) must  
37 provide the Superintendent of Schools with a written request.

1 Complaints alleging a violation of the internet safety measures or regarding technology that blocks or  
2 filters Internet access shall be submitted to the director of the KCS Technology Department. All  
3 complaints shall be reviewed to determine how to appropriately respond.

#### 4 5 **E-MAIL**

6 All data including e-mail communications stored or transmitted on school system computers shall be  
7 monitored. Employees/students have no expectation of privacy with regard to such data. E-mail  
8 correspondence may be a public record under the public records law and may be subject to public  
9 inspection.<sup>5</sup>

#### 10 **INTERNET SAFETY INSTRUCTION<sup>6</sup>**

11 Students will be given appropriate instruction in internet safety as a part of any instruction utilizing  
12 computer resources. The director shall provide adequate in-service instruction on internet safety. Parents  
13 and students will be provided with material to raise awareness of the dangers posed by the internet and  
14 ways in which the internet may be used safely.

#### 15 **SOCIAL NETWORKING**

- 16 1. **Students are prohibited from accessing social media platforms using district internet except when**  
17 **expressly authorized by a teacher for educational purposes.<sup>7</sup>**
- 18 2. District staff who have a presence on social networking websites are prohibited from posting  
19 data, documents, photographs or inappropriate information that is likely to create a material and  
20 substantial disruption of classroom activity.
- 21 3. District staff are prohibited from accessing personal social networking sites on school computers  
22 or during school hours except for legitimate instructional purposes.
- 23 4. The Board discourages district staff from socializing with students on social networking  
24 websites. The same relationship, exchange, interaction, information, or behavior that would be  
25 unacceptable in a non-technological medium is unacceptable when done through the use of  
26 technology.  
27

#### 28 **VIOLATIONS**

29 Violations of this policy or a procedure promulgated under its authority shall be handled in accordance  
30 with the existing disciplinary procedures of this District.

#### 31 **VENDOR CONTRACTS<sup>3</sup>**

32 Prior to entering into any contract for the provision of digital or online materials created or marketed for  
33 kindergarten through grade twelve (K-12), the district shall obtain an assurance that the vendor shall  
34 adhere to state law. This determination includes ensuring that the vendor filters, blocks, or otherwise

- 1 prevents access to pornography or obscenity and verifying that the technology prevents a user from  
2 sending, receiving, viewing, or downloading materials that are harmful to minors.

---

**Legal References**

1. [TCA 39-14-602](#)
2. [47 USCA § 254 \(h\)\(5\)\(A\)–\(C\), 254\(l\); 47 CFR § 54.520\(e\)\(1\)\(i\); 20 USCA § 7131; Public Acts of 2025, Chapter No. 195](#)
3. [TCA 49-1-221\(a\)\(1\)\(C\)\(i\)](#)
4. [TCA 39-17-901; TCA 49-1-221\(a\)\(1\)\(C\)\(ii\)](#)
5. [TCA 10-7-512](#)
6. [TCA 49-1-221\(a\)\(1\)\(E\)](#)
7. [Public Acts of 2025, Chapter No. 195](#)

**Cross References**

- Use of Email 1.805
- School and System Websites 4.407
- Controversial Materials 4.801
- Student Publications 6.704

Click here to choose a school board.

Monitoring: <b>Review: Annually, in November</b>	Descriptor Term: <b>Use of the Internet</b>	Descriptor Code: <b>4.406</b>	Issued Date: Click here to enter a date.
		Rescinds:	Issued:

1 The Board supports the right of staff and students to have reasonable access to various information  
2 formats and believes that it is incumbent upon staff and students to use this privilege in an appropriate  
3 and responsible manner.

#### 4 **EMPLOYEES**

5 Before any employee is allowed use of the district's internet or intranet access, the employee shall sign  
6 a written agreement, developed by the Director of Schools/designee that sets out the terms and conditions  
7 of such use. Any employee who accesses the district's computer system for any purpose agrees to be  
8 bound by the terms of that agreement, even if no signed written agreement is on file.

9 The Director of Schools shall develop and implement procedures for appropriate internet use which shall  
10 address the following:

- 11 1. Development of the Network and Internet Use Agreement;
- 12
- 13 2. General rules and ethics of internet access;
- 14
- 15 3. Guidelines regarding appropriate instruction and oversight of student internet use;
- 16
- 17 4. A uniform signature block for use by all district employees; and
- 18
- 19 5. Prohibited and illegal activities including, but not limited to, the following:<sup>1</sup>
  - 20 • Sending or displaying offensive messages or pictures;
  - 21 • Using obscene language;
  - 22 • Harassing, insulting, defaming, or attacking others;
  - 23 • Damaging computers, computer systems, or computer networks;
  - 24 • Hacking or attempting unauthorized access to any computer;
  - 25 • Violation of copyright laws;
  - 26 • Trespassing in another's folders, work, or files;
  - 27 • Intentional misuse of resources;
  - 28 • Using another's password or other identifier (impersonation);
  - 29 • Using the network for commercial purposes; and
  - 30 • Buying or selling on the internet.

## 1 STUDENTS

2 The Director of Schools shall develop and implement procedures for appropriate internet use by students.  
3 Procedures shall address the following:

- 4 1. General rules and ethics of internet use; and
- 5
- 6 2. Prohibited or illegal activities including, but not limited to:<sup>1</sup>
  - 7 • Sending or displaying offensive messages or pictures;
  - 8 • Using obscene language;
  - 9 • Harassing, insulting, defaming, or attacking others;
  - 10 • Damaging computers, computer systems, or computer networks;
  - 11 • Hacking or attempting unauthorized access;
  - 12 • Violation of copyright laws;
  - 13 • Trespassing in another's folders, work, or files;
  - 14 • Intentional misuse of resources;
  - 15 • Using another's password or other identifier (impersonation);
  - 16 • Using the network for commercial purposes; and
  - 17 • Buying or selling on the internet.

## 18 INTERNET SAFETY MEASURES<sup>2</sup>

19 Internet safety measures shall be implemented that effectively address the following:

- 20 1. Limiting the content accessible by students using the internet access provided by the district to  
21 content that is age-appropriate;
- 22
- 23 2. Protecting the safety and security of students when they are using electronic mail, chat rooms,  
24 and other forms of direct electronic communications using internet access provided by the  
25 district;
- 26
- 27 3. Preventing unauthorized access, including "hacking" and other unlawful activities by students  
28 online;
- 29
- 30 4. Restricting students' access to materials harmful to them; and
- 31
- 32 5. Preventing students from using internet access provided by the district to access websites, web  
33 applications, or software that does not protect students against the disclosure, use, or  
34 dissemination of their personal information.

35 The Director of Schools/designee shall establish a process to ensure the district's education technology  
36 is not used for purposes prohibited by law or for accessing sexually explicit materials. The process shall  
37 include, but not be limited to:

- 38 1. Utilizing technology that filters, blocks, or otherwise prevents internet access (for both students  
39 and adults) to material that is obscene or pornographic;<sup>3</sup>
- 40

- 1           2. Prohibiting and preventing a user from sending, receiving, viewing, or downloading materials  
2           that are deemed to be harmful to minors;<sup>4</sup>  
3
- 4           3. Maintaining and securing a usage log; and  
5
- 6           4. Monitoring online activities of students.<sup>2</sup>

7 The Board shall provide reasonable public notice of and at least one (1) public hearing or meeting to  
8 address and communicate its internet safety measures.<sup>2</sup>

9 A written parental consent shall be required prior to the student being granted access to electronic media  
10 involving district technological resources. The required permission/agreement form, which shall specify  
11 acceptable uses, rules of online behavior, access privileges, and penalties for policy/procedural  
12 violations, must be signed by the parent/guardian of minor students (those under 18 years of age) and  
13 also by the student. This document shall be executed each year and shall be valid only in the school year  
14 in which it was signed unless parent(s)/guardian(s) provide written notice that consent is withdrawn. In  
15 order to rescind the agreement, the student's parent/guardian (or the student who is at least 18 years old)  
16 must provide the Director of Schools with a written request.

17 **[Note: Insert the following language if the district contracts for the provision of digital or online**  
18 **materials created and marketed for K-12.]** Complaints alleging a violation of the internet safety  
19 measures shall be submitted to **[insert title of employee]**. All complaints shall be reviewed to determine  
20 how to appropriately respond.

## 21 **EMAIL**

22 Users with network access shall not utilize district resources to establish electronic mail accounts through  
23 third-party providers or any other nonstandard electronic mail system. All data including email  
24 communications stored or transmitted on school district computers shall be monitored.  
25 Employees/students have no expectation of privacy with regard to such data. Email correspondence may  
26 be a public record under the public records law and may be subject to public inspection.<sup>5</sup>

## 27 **INTERNET SAFETY INSTRUCTION<sup>6</sup>**

28 Students will be given appropriate instruction in internet safety as a part of any instruction utilizing  
29 computer resources. The Director of Schools shall provide adequate in-service instruction on internet  
30 safety. Parent(s)/guardian(s) and students will be provided with material to raise awareness of the  
31 dangers posed by the internet and ways in which the internet may be used safely.

## 32 **SOCIAL NETWORKING**

- 33           1. Students are prohibited from accessing social media platforms using district internet except when  
34           expressly authorized by a teacher for educational purposes.<sup>7</sup>
- 35           2. District staff who have a presence on social networking websites are prohibited from posting  
36           data, documents, photographs, or inappropriate information that is likely to create a material and  
37           substantial disruption of classroom activity.

1        3. District staff are prohibited from accessing personal social networking sites on school computers  
2        or during school hours except for legitimate instructional purposes.

3        4. The Board discourages district staff from socializing with students on social networking  
4        websites. The same relationship, exchange, interaction, information, or behavior that would be  
5        unacceptable in a non-technological medium is unacceptable when done through the use of  
6        technology.

## 7        **VIOLATIONS**

8        Violations of this policy or a corresponding administrative procedure shall be handled in accordance  
9        with the existing disciplinary procedures of the district.

## 10       **VENDOR CONTRACTS<sup>8</sup>**

11       Prior to entering into any contract for the provision of digital or online materials created or marketed  
12       for kindergarten through grade twelve (K-12), the district shall obtain an assurance that the vendor  
13       shall adhere to state law. This determination includes ensuring that the vendor filters, blocks, or  
14       otherwise prevents access to pornography or obscenity and verifying that the technology prevents a  
15       user from sending, receiving, viewing, or downloading materials that are harmful to minors.

---

### Legal References

1. [TCA 39-14-602](#)
2. [47 USCA § 254 \(h\)\(5\)\(A\) – \(C\), 254\(l\); 47 CFR § 54.520\(e\)\(1\)\(i\); 20 USCA § 7131; Public Acts of 2025, Chapter No. 195](#)
3. [TCA 49-1-221\(a\)\(1\)\(C\)\(i\)](#)
4. [TCA 39-17-901; TCA 49-1-221\(a\)\(1\)\(C\)\(ii\)](#)
5. [TCA 10-7-512](#)
6. [TCA 49-1-221\(a\)\(1\)\(E\)](#)
7. [Public Acts of 2025, Chapter No. 195](#)
8. [TCA 49-1-221\(c\)](#)

### Cross References

- Use of Email 1.805
- Use of Artificial Intelligence Programs 4.214
- School and System Websites 4.407
- Controversial Materials 4.801
- Student Publications 6.704



# State of Tennessee

## PUBLIC CHAPTER NO. 195

HOUSE BILL NO. 825

By Representatives Maberry, Renea Jones, Hardaway, Parkinson, Davis, McCalmon,  
Terry, Keisling, Littleton, Reedy

Substituted for: Senate Bill No. 811

By Senators Powers, Crowe, Jackson, Reeves, Rose, Walley, Yager

AN ACT to amend Tennessee Code Annotated, Title 49, relative to internet safety.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 49, Chapter 6, is amended by adding the following as a new part:

### **49-6-4601.**

This act is known and may be cited as the "Teen Social Media and Internet Safety Act."

### **49-6-4602.**

As used in this part, unless the context otherwise requires:

(1) "Department" means the department of education;

(2) "Internet" means the combination of computer facilities and electromagnetic transmission media, and related equipment and software, comprising the interconnected worldwide network of computer networks that employ the Transmission Control Protocol/Internet Protocol or any successor protocol to transmit information; and

(3) "Social media" means a form of interactive electronic communication through an internet website or application by which a user creates a service-specific identifying user profile to connect with other users of the internet website or application for the purpose of communicating and sharing information, ideas, news, stories, opinions, images, videos, and other content.

### **49-6-4603.**

(a)

(1) By January 1, 2026, the department shall develop guidance for LEAs and public charter schools to instruct students in grades six through twelve (6-12) who are enrolled in the LEA or public charter school on social media and internet safety.

(2) The department shall update the guidance developed pursuant to this subsection (a), if necessary, to reflect changes in social media use, emergent technologies, and new threats to teens using social media.

(3) The guidance developed pursuant to this subsection (a) must conform with the requirements established in § 49-6-4604.

(b) Beginning with the 2026-2027 school year, each LEA and public charter school that enrolls students in any of the grades six through twelve (6-12) shall instruct students in grades six through twelve (6-12) using the guidance developed by the department pursuant to subsection (a).

**HB825**

(c) If a parent or guardian of a student wishes to excuse the parent's or guardian's student from only a portion of the social media and internet safety instruction provided pursuant to subsection (b), then the parent or guardian must submit a request, in writing, to the student's teacher or school principal. If the parent or guardian wishes to excuse the parent's or guardian's student from all of the social media and internet safety instruction provided pursuant to subsection (b), then the parent or guardian must submit a request, in writing, to the student's school principal. A student who is excused from any or all portions of social media and internet safety instruction must not be penalized for grading purposes if the student satisfactorily performs alternative lessons.

**49-6-4604.**

(a) The social media and internet safety guidance developed in § 49-6-4603(a) must include:

- (1) Time management and healthy behaviors on social media;
- (2) The negative effects of social media on mental health, including addiction to social media;
- (3) The distribution of information on social media;
- (4) How social media manipulates behavior;
- (5) The permanency of sharing materials online;
- (6) How to use social media safely, including:
  - (A) Maintaining personal security;
  - (B) Preventing oversharing of personal information;
  - (C) Identifying cyberbullying, predatory behavior, and signs of potential human trafficking; and
  - (D) Reporting suspicious behavior encountered on social media to the appropriate authorities; and
- (7) Emphasizing the importance of evaluating information generated by artificial intelligence and understanding the potential for misinformation when using artificial intelligence.

(b) The social media and internet safety guidance developed pursuant to § 49-6-4603(a) may include the benefits of social media use; provided, that the guidance must only include the benefits of social media related to:

- (1) Career and resume building for future academic or employment opportunities;
- (2) Sharing information with family and friends; and
- (3) Safely connecting with other users with similar interests.

**49-6-4605.**

Beginning with the 2025-2026 school year, each LEA and public charter school shall prohibit students from accessing a social media platform using the internet access provided by the LEA or public charter school, except when expressly authorized by a teacher for educational purposes only.

SECTION 2. Tennessee Code Annotated, Section 49-1-221(a)(1), is amended by adding the following as new subdivisions:

- (G) Limit the content accessible by students using internet access provided by the LEA to content that is age-appropriate;

**HB825**

(H) Protect the safety and security of students accessing email, chat rooms, and other forms of direct, electronic communication using internet access provided by the LEA; and

(I) Prevent students from using internet access provided by the LEA to access websites, web applications, or software that does not protect students against the disclosure, use, or dissemination of their personal information.

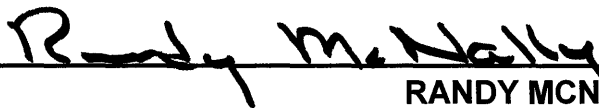
SECTION 3. Section 2 of this act takes effect July 1, 2025, the public welfare requiring it. All other sections of this act take effect upon becoming a law, the public welfare requiring it.

HOUSE BILL NO. 825

PASSED: April 3, 2025



CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES



RANDY MCNALLY  
SPEAKER OF THE SENATE

APPROVED this 11<sup>th</sup> day of April 2025



BILL LEE, GOVERNOR

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in February</b>	Descriptor Term: <b>Compensation Guides &amp; Contracts</b>	Descriptor Code: <b>5.110</b>	Issued Date: <b>11/12/19</b>
		Rescinds: <b>5.110</b>	Issued: <b>02/08/18</b>

1 The superintendent of schools shall determine the administrative needs of the school system and issue  
2 employment contracts to each administrator. Each principal shall have a performance contract.  
3 Contracts may vary with respect to the number of working months per year and the term in years.

4 Work days and holidays may vary and are based on the number of working months per year. These  
5 days shall be established by the Board.

6 Within the contract, the superintendent shall determine administrative leave (vacation) days. Unused  
7 administrative leave (maximum of one year allotment) shall be carried forward from year to year.

8 Kingsport City Schools shall be represented on the Employee Benefits Committee of the City of  
9 Kingsport, comprised of members from the City of Kingsport and Kingsport City Schools, to review  
10 and make recommendations on the employee benefits to the respective Boards.

## 11 **Non-Licensed or Classified Positions**

### 12 *Contracts*

13 All persons who are employed in a position for which no teaching license is required shall be hired on  
14 an at-will basis by the superintendent of schools<sup>1</sup> and shall have no expectation of continued  
15 employment with the school system. Accordingly, the superintendent may transfer, suspend, or dismiss  
16 any such employee at any time and for any reason that in the sole discretion of the superintendent is  
17 consistent with the efficient operations of the schools;<sup>2</sup> provided, however, that before dismissing any  
18 such employee for an offense that would preclude reemployment in the school system or misconduct  
19 that would disqualify such employee from receiving unemployment benefits, the superintendent shall  
20 provide the employee with written notice of the reasons that the superintendent is considering dismissal  
21 and provide the employee up to three (3) business days to request a meeting with the superintendent to  
22 respond to and discuss the proposed action. The decision of the superintendent shall be final. Except  
23 as may otherwise be required by federal law, if the superintendent suspends such employee, it shall be  
24 without pay. If the employee is retained the employee may be paid consistent with what would have  
25 been the employee's regular work hours (no overtime shall be included) for the period of suspension,  
26 unless suspension without pay is deemed to be an appropriate penalty.

### 27 *Compensation*

28 Within the restrictions of the sources of income available to the Board of Education, Kingsport City

1 Schools shall maintain a plan to compensate non-licensed/classified employees at levels commensurate  
2 with those established for similar positions in surrounding and comparable school systems. The  
3 compensation plan shall also be commensurate to the levels of responsibility, special training and  
4 educational requirements for each position. The Board shall annually review and authorize any “step”  
5 (incremental increase for service) and/or cost-of-living adjustments.

## 6 **TEACHERS**

### 7 *Contracts*

8 Public school teachers are contracted with the Superintendent of Schools in accordance with State law,  
9 as determined by system needs.

### 10 *Compensation*

11 Public school teachers shall be compensated under a separate plan administered by the Board under  
12 Tennessee public law.

### 13 **ACCRUED LEAVE & BENEFICIARIES<sup>3</sup>**

14 **A deceased teacher’s estate or designated beneficiary shall be paid the value of any unused accumulated**  
15 **leave. Unless a teacher designates differently, the beneficiary shall be the same as the beneficiary**  
16 **designed for receipt of retirement benefits with the Tennessee Consolidated Retirement System.**

---

#### Legal References

1. TCA 49-2-301(b)(1)(FF)
2. TCA 49-2-301(b)(1)(EE)
3. Public Acts of 2025, Chapter No. 433

Click here to choose a school board.

Monitoring: <b>Review: Annually, in January</b>	Descriptor Term: <b>Compensation Guides &amp; Contracts</b>	Descriptor Code: <b>5.110</b>	Issued Date:
		Rescinds:	Issued:

1 *General*

2 Certified personnel shall make a written contract at a fixed salary per month before entering upon their  
3 duties.<sup>1</sup>

4 The Director of Schools shall establish the salary rating of all personnel and shall recommend the salary  
5 schedule to the Board for its approval.<sup>2</sup>

6 Contracts for certified personnel shall provide the following:<sup>3</sup>

- 7 1. A minimum of one hundred and eighty (180) working days;
- 8
- 9 2. A minimum of five (5) days for in-service education;
- 10
- 11 3. Ten (10) vacation days; and
- 12
- 13 4. Five (5) days as designated by the Board (teachers shall use one (1) day for parent-teacher  
14 conferences).

15 The school calendar adopted by the Board each year shall become part of all certified personnel contracts.

16 Salaries and supplements may be paid from revenue derived from sources other than taxes, provided  
17 the revenue is deposited with and salaries paid through the Board. This includes donations or  
18 contributions from individual, civic, or other non-school related sources of funds from individual  
19 school activity funds, such as gate receipts and concessions.<sup>1,4</sup>

20 **ACCRUED LEAVE & BENEFICIARIES<sup>5</sup>**

21 **[Include the provision below if the Board opts to compensate the estate of a deceased teacher for  
22 accrued leave.]**

23 A deceased teacher's estate or designated beneficiary shall be paid the value of any unused  
24 accumulated leave. Unless a teacher designates differently, the beneficiary shall be the same as the  
25 beneficiary designed for receipt of retirement benefits with the Tennessee Consolidated Retirement  
26 System.

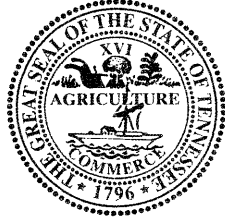
---

**Legal References**

1. [TCA 49-2-203\(a\)\(1\); TCA 49-5-408](#)
2. [TCA 49-5-402](#)
3. [TCA 49-6-3004](#)
4. [TCA 49-6-2006\(a\)](#)
5. [Public Acts of 2025, Chapter No. 433](#)

**Cross References**

School Calendar 1.800  
Revenues 2.400  
Payroll 2.802  
Application and Employment 5.106



# *State of Tennessee*

## **PUBLIC CHAPTER NO. 433**

### **SENATE BILL NO. 602**

**By Bailey, Akbari, Bowling, Campbell, Haile, Harshbarger, Hatcher, Lowe, Pody, Reeves, Rose, Seal, Southerland, Stevens, Walley, Watson, White, Yarbro**

Substituted for: House Bill No. 1125

By Farmer, Parkinson, Hale, Howell, Moody, Terry

AN ACT to amend Chapter \_\_ of the Public Acts of 2025 (1st Ex. Sess. – SB 6001 / HB 6004); and Tennessee Code Annotated, Title 4, Chapter 49; Title 8 and Title 49, relative to education.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 49-1-302(d)(2)(B), is amended by adding the following as a new subdivision:

( ) The department shall develop guidelines and criteria for determining how long a student must have been present in a teacher's classroom before the student's record is attributable to the teacher; provided, that for teachers who teach a course for which a Tennessee comprehensive assessment program test is administered, a student must have been present in the teacher's classroom for one hundred fifty (150) days of classroom instruction, or seventy-five (75) days of classroom instruction if the school is on a block schedule, before the student's record is attributable to the teacher.

SECTION 2. Tennessee Code Annotated, Title 49, Chapter 5, Part 7, is amended by adding the following as a new section:

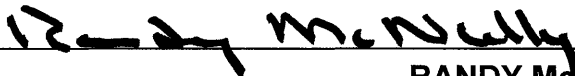
(a) An LEA or public charter school may compensate the estate of a teacher who died on or after September 1, 2024, while employed by the LEA or public charter school, for the teacher's unused and accrued annual and sick leave in the same manner that the estates of deceased state employees are compensated pursuant to § 8-50-808.

(b) A teacher may designate a beneficiary to receive payment for accrued annual and sick leave upon the teacher's death. Unless a teacher designates differently, the beneficiary is the same as the beneficiary designated for receipt of retirement benefits with the Tennessee consolidated retirement system.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.


SENATE BILL NO. 602

PASSED: April 21, 2025

  
\_\_\_\_\_  
RANDY McNALLY  
SPEAKER OF THE SENATE

  
\_\_\_\_\_  
CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 9<sup>th</sup> day of May 2025

  
\_\_\_\_\_  
BILL LEE, GOVERNOR

# Kingsport City Schools

Monitoring: <b>Review: Annually, in February</b>	Descriptor Term: <b>Teacher Effect Data</b>	Descriptor Code: <b>5.1141</b>	Issued Date: <b>02/08/18</b>
		Rescinds: <b>5.1141</b>	Issued: <b>07/03/14</b>

- 1 Teacher Effect Data will not be a public record and will be made available only to the specific parties
- 2 designated by law.<sup>1</sup> The Board designates the Superintendent of Schools, Assistant Superintendent,
- 3 Chief Human Resources Officer, ~~Chief Program Officer – Curriculum and Instruction, Director of~~
- ~~Secondary Education~~ Chief Academic Officer - Secondary, ~~Director of Elementary Education~~ Chief
- 4 Academic Officer - Elementary, ~~and~~ Director of Special Education, Director of Performance Excellence,
- 5 and each teacher’s respective building ~~principal~~ administrators as the appropriate administrators to
- 6 distribute, review and keep secure the administrator's copies of the teacher effect data.
- 7
  
- 4 The guidelines for distribution, security and application of the teacher effect data will be kept on file in
- 5 the central office and will be given to the teacher, the assigned administrator and all school board
- 6 members and shall become an administrative procedure to be up-dated as needed by the Superintendent
- 7 of Schools.

---

Legal References

1. TCA 49-1-606(b); TCA 10-7-504(a)(23)

Cross References

- Maintaining Test Security 4.701

## Document: Tenn. Code Ann. § 49-1-606

---

### Tenn. Code Ann. § 49-1-606

**Copy Citation**

Current through the 2024 Regular Session.

**Tennessee Code Table of Contents PAW- ET TABLE OF CONTENTS Title 49 Education**  
**Chapter 1 State Administration Part 6 Performance Goals and Assessment**

49-1-606. Annual estimates of teacher effects on student progress in grades three through eight (3-8).

**(a)** Annually, data from the Tennessee comprehensive assessment program (TCAP) tests, or their future replacements, will be used to provide an estimate of the statistical distribution of teacher effects on the educational progress of students within school districts for grades three through eight (3-8). Teacher effect data shall not be retained for use in evaluations for more than the most recent five (5) years. A student must have been present for one hundred fifty (150) days of classroom instruction per year or seventy-five (75) days of classroom instruction in a block schedule before that student's record is attributable to a specific teacher.

**(b)**

**(1)** The estimates of specific teacher effects on the educational progress of students will not be a public record, and will be made available only to the specific teacher, the teacher's appropriate administrators as designated by the local board of education and school board members. The state department of education shall provide raw test score data to LEAs as soon as practicable after receipt of the data, but in no case later than June 30. The estimates of specific teacher effects may also be made available to the state board approved teacher preparation programs of individual teachers. The estimates made available to the preparation programs shall not be a public record and shall be used only in evaluation of the respective teacher preparation programs. Each institution or postsecondary system receiving the estimates shall develop a policy to protect the confidentiality of the data.

**(2)** The estimates of specific teacher effects on the educational progress of students may be made available to parties conducting research for, or on behalf of, the department, schools, LEAs, or postsecondary institutions; provided, however, that the estimates made available shall not be a public

record and shall be used only for research purposes. Each party receiving the estimates of specific teacher effect data for research purposes shall execute a signed data sharing agreement with the entity providing the data that includes provisions safeguarding the privacy and security of the data.

## History

---

Acts 1992, ch. 535, § 4; 1995, ch. 427, § 1; 1997, ch. 141, § 1; 2001, ch. 243, § 1; 2010 (1st Ex. Sess.), ch. 2, §§ 7, 8; 2012, ch. 703, § 1; 2013, ch. 105, § 2; 2014, ch. 873, § 1; 2017, ch. 192, § 6.

TENNESSEE CODE ANNOTATED

Copyright © 2025 by The State of Tennessee All rights reserved

**Content Type:**

**Terms:**

**Narrow By:** -None-

**Date and Time:** Aug 20, 2025 03:53:29 p.m. EDT



[Print](#)

[Cookie Policy](#)

[Terms & Conditions](#)

# Kingsport City Board of Education

Monitoring: <b>Review: Annually, in January</b>	Descriptor Term:  <b>Employment of Retirees</b>	Descriptor Code: <b>5.119</b>	Issued Date: <b>08/12/25</b>
		Rescinds: <b>5.119</b>	Issued: <b>12/12/23</b>

1 *General*

2 The Superintendent of Schools may hire a retired individual if certain conditions are met as provided  
3 for in state law.

4 Prior to commencement of reemployment, the Director of Schools shall provide the required  
5 employment information to the Tennessee Consolidated Retirement System (TCRS). In order to be  
6 eligible for employment after retirement, a TCRS member must comply with the following:

- 7 1. The retired member must have a bona fide separation of service which includes a separation of  
8 at least sixty (60) calendar days and no previous agreement to return to work after retirement;  
9 and
- 10 2. The retired member may not accrue additional retirement benefits as a result of the member's  
11 reemployment and may not draw disability retirement benefits.

12 **EMPLOYMENT CONTRACTS FOR UP TO 120 DAYS**

13 Retired members under the Tennessee Consolidated Retirement System (TCRS) may be employed for  
14 up to one hundred twenty (120) days per year without loss of retirement benefits. Retired members may  
15 substitute teach for additional days.<sup>1</sup>

16 ~~**GENERAL EMPLOYMENT CONTRACTS**~~

17 ~~The Superintendent of Schools may employ retired teachers. Retirement benefits will not be lost or  
18 suspended under certain conditions which include, but are not limited to, the following:<sup>2</sup>~~

- 19 ~~1. The retired teacher shall hold a valid license and shall not be entitled to tenure status;~~
- 20
- 21 ~~2. The retired teacher shall not be eligible to accrue additional retirement benefits, accrue leave, or  
22 receive medical insurance coverage; and~~
- 23
- 24 ~~3. The salary paid to the retired teacher shall not be less than the rate of compensation set by the  
25 Board for teachers with no experience filling similar positions or more than eighty five percent  
26 (85%) of the rate of compensation set by the Board for teachers with comparable training and  
27 years of experience filling similar positions.~~

28 ~~**ADDITIONAL EMPLOYMENT OPTION FOR RETIREES<sup>3</sup>**~~

~~Retired members of TCRS or a similar system may be offered reemployment for up to one (1) year as a kindergarten through twelfth (K-12) grade teacher, substitute teacher, or bus driver under the following conditions:~~

- ~~1. The retired member has been retired for at least sixty (60) calendar days;~~
- ~~2. The retirement benefit payable to the retired member is reduced to seventy percent (70%) of the retirement allowance;~~
- ~~3. The retired member is not drawing disability retirement benefits; and~~
- ~~4. The retired member can't accrue additional retirement benefits.~~

~~The Superintendent of Schools shall notify TCRS of the member's reemployment.~~

~~To continue receiving TCRS benefits, the following conditions must be met in addition to the general standards above:~~

- ~~1. During a twelve-month period, the retiree must not work more than one hundred twenty (120) days; and~~
- ~~2. The retiree member's compensation must not exceed 60% of the annual full-time salary received in the year immediately prior to the member's last paid day of covered employment. This amount shall be adjusted by five percent (5%) for each year after that date.~~

~~The retired member may work beyond one hundred twenty (120) days as a substitute teacher if the payment does not exceed the rate of compensation for substitute teachers filling similar vacant positions.~~

### **HARD TO FILL POSITIONS<sup>3</sup>**

~~The Superintendent of Schools may contract with retired members for hard to fill positions if the following conditions are met in addition to the general standards above:~~

- ~~1. During the reemployment, the retirement benefit payable to the retiree must be reduced to seventy percent (70%) of the retirement allowance the member would have otherwise been entitled to receive; and~~
- ~~2. The retired member's reemployment must not exceed one (1) year, but the retired member may be reemployed for additional one-year periods per state law.~~

~~The Director of Schools shall certify to TCRS that the employee is being rehired in a hard-to-fill position. In order to qualify, one or more of the following conditions must be established:~~

- ~~1. It is difficult to recruit and retain qualified employees for the position;~~
- ~~2. The position requires specialized certification, credentials, or education;~~
- ~~3. The demand for the position exceeds the supply;~~
- ~~4. The position is in high demand in the marketplace;~~
- ~~5. The position is filled by key personnel;~~

- 1       6. The position requires specific skills and experience; or
- 2       7. The position has other unique recruitment or retention issues identified and documented by the
- 3       Superintendent of Schools.

4       Once the retired member is hired by the district, the district shall pay TCRS as prescribed by state law.  
5       The school district shall pay to TCRS during the period of reemployment the greater of (1) a payment  
6       equal to the amount the school district would have contributed to TCRS; or (2) an amount equal to five  
7       percent (5%) of the retired member's pay rate.  
8

---

Legal References

1. [TCA 8-36-805; TCA 8-36-809; Public Acts of 2025, Chapter No. 159](#)
2. [TCA 8-36-805; Public Acts of 2025, Chapter No. 159](#)
3. [TCA 8-36-809; Public Acts of 2025, Chapter No. 159](#)

Cross References

Application and Employment 5.106  
Substitute Teachers 5.701

Click here to choose a school board.

Monitoring: <b>Review: Annually, in January</b>	Descriptor Term: <b>Employment of Retirees</b>	Descriptor Code: <b>5.119</b>	Issued Date: Click here to enter a date.
		Rescinds:	Issued:

1 *General*<sup>1</sup>

2 The Director of Schools may hire a retired individual if certain conditions are met as provided for in  
3 state law. Prior to commencement of reemployment, the Director of Schools shall provide the required  
4 employment information to the Tennessee Consolidated Retirement System (TCRS). In order to be  
5 eligible for employment after retirement, a TCRS member must comply with the following:

- 6 1. The retired member must have a bona fide separation of service which includes a separation of  
7 at least sixty (60) calendar days and no previous agreement to return to work after retirement;  
8 and  
9
- 10 2. The retired member may not accrue additional retirement benefits as a result of the member's  
11 reemployment and may not draw disability retirement benefits.

12 **EMPLOYMENT CONTRACTS FOR UP TO 120 DAYS**<sup>2</sup>

13 Retired members under TCRS may be employed for up to one hundred twenty (120) days per year  
14 without loss of retirement benefits. Retired members may substitute teach for additional days.

15 To continue receiving TCRS benefits, the following conditions must be met in addition to the general  
16 standards above:  
17

- 18 1. During a twelve-month period, the retiree must not work more than one hundred twenty (120)  
19 days; and  
20
- 21 2. The retired member's compensation must not exceed 60% of the annual full-time salary  
22 received in the year immediately prior to the member's last paid day of covered employment.  
23 This amount shall be adjusted by five percent (5%) for each year after that date.

24 The retired member may work beyond one hundred twenty (120) days as a substitute teacher if the  
25 payment does not exceed the rate of compensation for substitute teachers filling similar vacant  
26 positions.

27

28

## 1 **HARD TO FILL POSITIONS<sup>3</sup>**

2 The Director of Schools may contract with retired members for hard to fill positions if the following  
3 conditions are met in addition to the general standards above:

- 4 1. During the reemployment, the retirement benefit payable to the retiree must be reduced to  
5 seventy percent (70%) of the retirement allowance the member would have otherwise been  
6 entitled to receive; and  
7
- 8 2. The retired member's reemployment must not exceed one (1) year, but the retired member may  
9 be reemployed for additional one-year periods per state law.

10 The Director of Schools shall certify to TCRS that the employee is being rehired in a hard-to-fill  
11 position. In order to qualify, one or more of the following conditions must be established:

- 12 1. It is difficult to recruit and retain qualified employees for the position;  
13
- 14 2. The position requires specialized certification, credentials, or education;  
15
- 16 3. The demand for the position exceeds the supply;  
17
- 18 4. The position is in high demand in the marketplace;  
19
- 20 5. The position is filled by key personnel;  
21
- 22 6. The position requires specific skills and experience; or  
23
- 24 7. The position has other unique recruitment or retention issues identified and documented by the  
25 Director of Schools.

26 Once the retired member is hired, the district shall pay TCRS the greater of: (1) a payment equal to the  
27 amount the employer would have contributed to the retirement system during the period of  
28 reemployment; or (2) an amount equal to five percent (5%) of the retired member's earnable  
29 compensation.

---

### Legal References

1. [TCA 8-36-805](#); [TCA 8-36-809](#); [Public Acts of 2025, Chapter No. 159](#)
2. [TCA 8-36-805](#); [Public Acts of 2025, Chapter No. 159](#)
3. [TCA 8-36-809](#); [Public Acts of 2025, Chapter No. 159](#)

### Cross References

Application and Employment 5.106  
Substitute Teachers 5.701



# Tennessee Senate

## PUBLIC CHAPTER NO. 159

### SENATE BILL NO. 251

By Yager, Reeves

Substituted for: House Bill No. 313

By Marsh, Hawk

AN ACT to amend Tennessee Code Annotated, Section 8-25-213 and Title 8, Chapter 36, Part 8, relative to reemployment after retirement.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 8-36-805, is amended by deleting the section and substituting:

(a) A retired member or prior class member of the retirement system, and a retiree of a local retirement fund receiving benefits in accordance with chapter 35, part 3 of this title may return to service temporarily in a position covered by the retirement system and continue to draw the person's retirement allowance; provided, that all of the following conditions are met:

(1) The retired member must have had a bona fide separation of service. For purposes of this section, a "bona fide separation of service" means a separation of service where there is:

(A) No prearranged agreement, whether verbal or in writing, prior to the member's retirement between the member and a participating employer in the retirement system for the member to return to work for the employer after retirement; and

(B) A complete separation of service, from all employment in a position or positions covered by the retirement system, for at least sixty (60) calendar days between the member's effective date of retirement and the first day of work for the employer as a retiree;

(2) During a twelve-month period, the retiree must not work more than one hundred twenty (120) days or the equivalent of one hundred twenty (120) days, or if employed as a teacher by an institution of higher learning, twenty-four (24) quarter credit hours or eighteen (18) semester credit hours;

(3) The entire compensation payable to the retired member for the temporary employment period must not exceed an amount equal to the sum of sixty percent (60%) of the annual full-time salary received by the retired member in the year immediately prior to the member's last paid day of covered employment, adjusted by five percent (5%) for each year since the member's last paid day of covered employment or by such other percentage as may be determined by the treasurer and the commissioner of human resources. In determining the percentage for a given year, the treasurer and the commissioner of human resources may consider any matter which, in their discretion, they deem relevant, including, but not limited to, the condition of the labor market and the ability to fill the respective positions;

(4) The retired member may work beyond the one hundred twenty (120) days prescribed in subdivision (a)(2) if employed as a substitute teacher in a public school system; provided, that the compensation payable to the retired member for such work does not exceed the rate of compensation set by the public school system for substitute teachers filling similar vacant positions, and the total salary paid to any

such retired member for teaching during the twelve-month period does not exceed the pertinent pro rata share of average salary being paid at the institution in the academic discipline concerned;

(5) The head of the employing entity or the head's designee:

(A) Certifies to the retirement division the member's name, period to be employed, number of days to be worked, compensation to be paid, anticipated termination date, and that there was no explicit prearrangement at the time of the member's retirement for future employment with the new employing entity after the member's retirement. The certification must be made in the manner prescribed by the retirement division and must be filed annually, if applicable, and acknowledged by the member;

(B) Submits a statement showing working hours and compensation for the retiree when requested; and

(C) Is subject to audit to verify working hours and the compensation being paid;

(6) If the period of return to service or the compensation therefor exceed that specified in this section, then the person's monthly retirement allowance must be reduced by the greater of the following:

(A) Each day worked in excess of the limitation must result in the loss of one-twentieth (1/20) of the monthly retirement allowance; or

(B) Any compensation received in excess of the limitation must reduce the retirement allowance payable by the ratio the compensation exceeds the limitation;

(7) The retirement system may obtain reimbursement for any retirement benefits overpaid as a result of a retiree's reemployment in excess of that permitted by this section, by deductions from a retiree's monthly benefit;

(8) The retired member, if otherwise eligible, may participate in the state's 401(k) or 457(b) deferred compensation plans, but is not eligible to accrue additional retirement benefits in the retirement system as a result of the member's reemployment; and

(9) The retiree is not drawing disability retirement benefits under this chapter.

(b) For a member whose effective date of retirement was in fiscal years 2022-2023, 2023-2024, or 2024-2025, with the state fiscal year being from July 1 to June 30, if the retirement system discovers that the member did not have a bona fide separation of service, then the member must be treated as receiving an in-service distribution and the retirement system shall make any required tax reporting changes to reflect the in-service distribution in prior years. After July 1, 2025, the identified members may be temporarily reemployed pursuant to this chapter after a bona fide separation of service.

SECTION 2. Tennessee Code Annotated, Section 8-36-809, is amended by deleting the section and substituting:

Notwithstanding another law to the contrary, a retired member or prior class member of the retirement system, and any retired member of a local retirement fund receiving benefits pursuant to chapter 35, part 3 of this title may be reemployed in a position covered by the retirement system without the loss or suspension of the retired member's retirement system benefits; provided, that the following conditions are met, as certified by the employer:

(1) The retired member must have had a "bona fide separation of service". For purposes of this section, a "bona fide separation of service" means a separation of service where there is:

(A) No prearranged agreement, whether verbal or in writing, prior to the member's retirement between the member and a participating employer in the retirement system for the member to return to work for the employer after retirement; and

(B) A complete separation of service from all employment in a position or positions covered by the retirement system of at least sixty (60) calendar

days between the member's effective date of retirement and the first day of work for the employer as a retiree;

(2) The retired member is reemployed in a hard-to-fill position. For purposes of this section, a "hard-to-fill position" means a position where one (1) or more of the following conditions are met:

(A) The employer is experiencing difficulty in recruiting and retaining qualified employees for the position;

(B) The position requires specialized certification, credentials, or education;

(C) The demand for the position exceeds the supply;

(D) The position is in high demand in the marketplace;

(E) The position is filled by key personnel;

(F) The position requires specific skills and experience; or

(G) The position has other unique recruitment or retention issues identified and documented by the employer;

(3) During the reemployment, the retirement benefit payable to the retired member must be reduced to seventy percent (70%) of the retirement allowance the member would have otherwise been entitled to receive;

(4) The retired member's reemployment must not exceed one (1) year; however, the retired member may be reemployed for additional one-year periods, provided, that the conditions contained in this section are met for each period of reemployment;

(5) To fund the liability created by this section, the retired member's new employer shall pay to the retirement system during each period of reemployment the greater of:

(A) A payment equal to the amount the employer would have contributed to the retirement system had the retired member been a member of the retirement system during the period of reemployment; or

(B) An amount equal to five percent (5%) of the retired member's earnable compensation;

(6) The retired member, if otherwise eligible, may participate in the state's 401(k) or 457(b) deferred compensation plans, but is not eligible to accrue additional retirement benefits in the retirement system as a result of the member's reemployment;

(7) Prior to the commencement of each reemployment of the retired member, the head of the retired member's new employer, or the head's designee:

(A) Notifies the retirement division of the retired member's reemployment with documents or information required by the retirement system; and

(B) Certifies in writing to the retirement division that:

(i) The position is a hard-to-fill position;

(ii) The retired member has the requisite experience and training for the position to be filled;

(iii) No other qualified persons are reasonably available to fill the position; and

(iv) There was no explicit prearrangement at the time of the member's retirement for future employment with the new employing entity after the member's retirement; and

(C) Makes the certification in the manner prescribed by the retirement division, file the certification annually, if applicable, and ensure the certification is acknowledged by the member; and

(8) The retiree is not drawing disability retirement benefits under this chapter.

SECTION 3. Tennessee Code Annotated, Section 8-36-801(c), is amended by deleting the second sentence and substituting:

This subsection (c) does not apply to retirees who return to service in a position covered by the retirement system as provided in § 8-36-805, § 8-36-809, § 8-36-810, § 8-36-818, or § 8-36-820.

SECTION 4. Tennessee Code Annotated, Section 8-25-213(1), is amended by deleting the subdivision and substituting:

(1) Is subject to the applicable work and compensation limits set forth in § 8-36-805(a).

SECTION 5. Tennessee Code Annotated, Sections 8-36-821 and 8-36-822, are amended by deleting the sections in their entireties.

SECTION 6. Section 5 takes effect January 1, 2026, the public welfare requiring it. All remaining sections of this act take effect July 1, 2025, the public welfare requiring it.


SENATE BILL NO. 251

PASSED: March 31, 2025

  
RANDY McNALLY  
SPEAKER OF THE SENATE

  
CAMERON SEXTON, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 11<sup>th</sup> day of April 2025

  
BILL LEE, GOVERNOR



TO: Board of Education  
Dr. Chris Hampton, Superintendent

FROM: David J. Frye, Chief Finance Officer DJF

DATE: September 9, 2025

SUBJECT: Recommendation to Award the Bid for Washington Elementary HVAC Replacement

The City of Kingsport issued an Invitation to Bid on July 26, 2025 for the Washington Elementary School HVAC Replacement. On August 26, 2025, the Procurement Manager received three bids. The lowest compliant bid was \$1,998,000.00 from S B. White Company, Inc. Derwin Cartmel, Holston Engineering, has reviewed the bids and recommends moving forward with an agreement with S. B. White in the amount of \$1,998,000.00.

The total cost of this project will be \$2,262,760.00 (detail given below). Funding will be from the Washington HVAC Replacement project GP2512.

Architect/Engineer Fee	\$ 119,880.00
Construction Costs	1,998,000.00
6% Contingency	119,880.00
Miscellaneous Costs	25,000.00
Total Costs	\$ 2,262,760.00

The administration recommends entering into an agreement with S.B. White Company, Inc., in the amount of \$1,998,000.00 and authorizing a 6% contingency of \$119,880.00.

**BID OPENING  
MINUTES  
August 26, 2025  
4:00 P.M.**

Present: Brent Morelock, Procurement Manager; Sandra Sloan, Asst. Procurement Manager, Schools; David Sewell, Maintenance Director, Schools; Andy True, Asst. Superintendent, Schools; Travis Bishop, CFO City of Kingsport; Joe Riggs, Holston Engineering; Peyton Millhorn, Holston Engineering; Derwin Cartmel, Holston Engineering

The Bid Opening was held in the Conference Room 436, 4<sup>th</sup> Floor, City Hall.

The Procurement Manager opened with the following bids:

<b>Washington Elementary School HVAC Replacement</b>		
<b>Vendor:</b>	<b>Lump Sum:</b>	<b>Completion/Delivery Time:</b>
HVAC, Inc.	\$2,180,000.00	Commence 90 days Complete August 2026
SB White Co., Inc.	\$1,998,000.00	Commence 60 days Complete 8/1/2026
Nor-Well	\$2,217,810.00	Commence 10 days Complete 8/7/2026

The submitted bids will be evaluated and a recommendation made at a later date.



**HOLSTON ENGINEERING, INC.**

301 Montgomery Street, Suite #4

Johnson City, TN 37604

(423) 926-5991

e-mail: [Holston.Engineering@holsteng.com](mailto:Holston.Engineering@holsteng.com)

August 26, 2025

Ms. Sandra Sloan  
Kingsport City Schools  
400 Clinchfield Street, Ste. 200  
Kingsport, TN 37660

Re: George Washington Elementary HVAC replacement

Dear Sandra:

Regarding the accepted bids for the George Washington Elementary HVAC replacement, Holston Engineering, Inc. recommends awarding the bid to S.B. White Company, Inc. for \$1,998,000 (one million nine hundred ninety eight thousand dollars) dated 8/26/2025.

If you have any questions, please feel free to contact us.

Sincerely,  
HOLSTON ENGINEERING, INC.

Derwin E. Cartmel, PE  
President

September 9, 2025

KINGSPORT CITY SCHOOLS  
FISCAL YEAR 2025-2026  
BUDGET AMENDMENT NUMBER TWO

**GENERAL PURPOSE SCHOOL FUNDS**

**ITEM ONE: BALLAD HEALTH DONATION**

Ballad Health is donating \$4,500 to Kingsport City Schools to create a “Reset Room” at Jackson Elementary School. This project is to aid in positive mental health and stress reduction for students and teachers.

It is recommended that the estimated revenue for Other Local Revenue and the appropriations for Jackson Capital Outlay be increased by \$4,500.

**ITEM TWO: NISWONGER FOUNDATION - PROJECT ON TRACK GRANT**

Kingsport City Schools has received a Project on Track grant from the Niswonger Foundation for \$115,384. These funds are to be used to provide a high dosage/low ratio literacy tutoring program for identified students at Johnson, Kennedy, and Roosevelt Elementary Schools.

It is recommended that the estimated revenue for Other Local Revenue and the appropriations for teacher salaries and benefits and Instructional Supplies and Materials be increased by \$115,384.

**ITEM THREE: MEDICAID REIMBURSEMENT**

In FY 2025 we began a program to receive Medicaid reimbursements for medical services provided to students that qualify for TN Care. We are contracting with Steller Therapy Services to assist with these reimbursements. For the school year 2024-25 we have received \$72,524 for these services. The contract with Steller Therapy Services requires a 30% fee for their services. The net amount available to Kingsport City Schools for the 2024-25 school year is \$52,167. It is estimated that a similar amount will be generated during the 2025-26 school year. While the specific details of how these funds will be spent has not been determined, it is anticipated that the majority will be programmed towards the health services program. In addition, there won't be any funds spent until the amount to be received is known and the funds are received.

It is recommended that the estimated revenue for Other Local Revenue and the appropriations for Health Services Contracted Services, Supplies and Equipment be increased by \$150,000.



David Frye &lt;dfrye@k12k.com&gt;

---

**TennCare Billing**

3 messages

---

**Vicki Johnston** <vjohnston@k12k.com>  
To: David Frye <dfrye@k12k.com>

Tue, Sep 9, 2025 at 3:00 PM

Per the Centers for Medicare and Medicaid Services, public school districts can receive reimbursement from Medicaid for health services provided to students with chronic health conditions who require nursing care while attending school. Medicaid in Tennessee is called "TennCare".

With parental permission, school nurse services that are medically necessary such as daily medication administration, diabetic management, catheter care and tube feedings as well as a few other healthcare services provided by the school nurse are all reimbursable by Medicaid. This would also include nursing assessment performed by a Registered Nurse, asthma management and medication administration on a regular basis. Eligible nursing services specifically include blood glucose monitoring and testing, tracheostomy care and suctioning, colostomy care, oxygen saturation for monitoring pulmonary or cardiac disease and nebulizer treatments.

School districts must contract with a TennCare Managed Care Organization to be reimbursed for services. Kingsport City Schools currently contracts with Stellar Therapy Services for oversight and billing of these services provided for those students with a chronic medical condition. Additional information provided to Stellar to meet billing requirements are documentation of a prescribed order, parental consent and an Individualized Healthcare plan developed by the Registered Nurse. All providers' orders must be student specific with a focus on chronic medical conditions. Specific reimbursement for medically necessary services can range from \$8.80 to \$20.39 depending on the type of TennCare that each student utilizes. Parents are never charged or billed for these nursing services. Currently, no reimbursement is permitted for students with private insurance, only Tennessee Medicaid.

Vicki Johnston, BSN, RN  
Nursing Supervisor  
Kingsport City Schools  
Office: 423-378-2110

Past President, Tennessee Association of School Nurses 2021-2024  
President, Tennessee Association of School Nurses 2019-2021

---

**David Frye** <dfrye@k12k.com>  
To: Melissa Woods <mwoods@k12k.com>

Tue, Sep 9, 2025 at 3:19 PM