

**Chapter 2**  
**Child Nutrition Funds**

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### **2-1. General:**

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

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

### **2-2. Fund Accounting:**

As discussed in Section 1-5 of the General Fund Operations part of the manual, each county board of education must establish by local policy the number of funds the schools within a county are authorized to maintain.

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

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

### **2-3. Accounting Records:**

The following accounting records must be maintained for each fund:

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

### **2-4. Transaction Journal:**

A transaction (receipts and disbursements) journal is to be maintained for each fund established at a school to record all receipts and disbursements of the fund. It is recommended that the county boards acquire a computerized accounting system for all schools in a county to use. Regardless of whether a computerized or manual system is used, the following transactions

must be posted to the transaction journal in a timely fashion: all receipts; all disbursements; all voided receipts; all voided checks; all interest earned; all bank charges; all transfers between accounts within a fund; all transfers between different funds; and all transfers between checking and investment accounts.

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

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

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

#### **2-5. Bank Account:**

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

The school principal must have signature authority for every bank account in which school funds are deposited, including child nutrition funds. In addition, the chief school business official of the county must also have signature authority on all accounts. This will ensure that the schools have access to school funds in circumstances in which the principal and his/her designee, if applicable, are absent unexpectedly or for an extended period of time.

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

#### **2-6. Collections:**

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

billings at the beginning of the month establishing a credit balance against which the meals are charged.

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

If a county/school utilizes a method whereby the collection of child nutrition funds is handled by the school, all moneys collected for the child nutrition program must be remitted daily to the school principal or to the individual designated by the principal to be responsible for the fund.

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

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

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

## **2-7. Issuance of Receipts:**

A pre-numbered receipt must be issued for all collections at the time the funds are collected, regardless of whether the collections are in cash or by check. This includes all revenues collected from students and parents; cafeteria sales, including the sales of milk or other drink products; donations; interest earned on bank accounts; refunds from vendors; and reimbursements from the central board office. The total amount of receipts issued must equal the total amount of funds received.

Receipts are not to be issued for deposits that result from the transfer of funds from savings or investment account or for the initial re-deposit of personal checks that have been returned by the bank for insufficient funds. Receipts, however, are to be issued when the funds are recovered from re-deposited checks that are returned a second time for insufficient funds. See Section 1-17 for the proper accounting procedures to use for checks returned a second time.

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

Every receipt issued must show the following information: the date, amount received, name of the individual from whom received, purpose of the collection and the fund and account for which the monies were received.

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

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

All receipts written must be posted to the transaction journal in a timely manner, but no less frequently than weekly, and in numeric order, including those that were voided. Receipts should normally be posted individually but may be posted in a batch, if the funds received are from the same source and receipted on consecutively numbered receipts. The range of receipt numbers in the batch must be shown in the receipt journal.

#### **2-8. Accounts Receivable:**

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

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

#### **2-9. Bank Deposits:**

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

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

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

If bank deposits are not made on a daily basis, it is recommended that the bank deposit slip be prepared on a daily basis with the total collections for the day sealed in a deposit envelope and

placed in a safe or otherwise safeguarded until the deposit is actually delivered to the bank. In this manner, daily collections can be easily reconciled to individual bank deposits on the bank statement.

#### **2-10. Checks Returned by the Bank for Insufficient Funds:**

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

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

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

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

#### **2-11. Purchase Orders:**

In school systems with a decentralized child nutrition program, a purchase order system is to be maintained for the program whereby all purchases of food, supplies, equipment and services that are purchased are made through a pre-numbered purchase order approved in writing by the principal or designee before the purchase is made. Purchase orders, however, are not required for equipment maintenance agreements or remittances to the central board office.

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

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

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

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

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

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

#### **2-12. Authorized Expenditures:**

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

#### **2-13. Disbursements:**

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

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

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

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

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

One of the required signatures must be either that of the school principal or other individual(s) designated to act in the place of the principal in his/her absence. The second signature is to be that of an individual designated by the principal or by the faculty senate, if the disbursement involves faculty senate funds. Blank checks are never to be pre-signed.

The following information must be imprinted on the check form:

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

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

#### **2-14. Itemized Claim For Payment:**

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

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

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

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

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

#### **2-15. Payment for Personal Services:**

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

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

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

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

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

#### **2-16. Posting Disbursements:**

All checks issued must be posted in a timely manner, but no less frequently than weekly, to the general journal of the fund from which the disbursement is being made. The checks are to be posted individually to the journal in numeric order. Checks may not be posted in a batch.

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

#### **2-17. Reconciliation of Bank Statements:**

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

After this review, the bank statements and canceled checks are to be forwarded to the individuals who will be preparing the bank reconciliations. Every bank account must be reconciled monthly as soon as possible after the bank statements are received. See Appendix A for a sample bank reconciliation form.

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

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

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

**2-18. Monthly Financial Statements:**

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

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

**2-19. Annual Financial Statements:**

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

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

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

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

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

