



# Temporalities Manual for Schools

Accounting and Budgeting Manual  
For Elementary Schools

Updated August 7, 2014

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## **I. Introduction**

In recent years, considerable attention has been focused, both nationally and locally, on the growing financial problems that are confronting our Catholic schools. Many factors have contributed to these financial pressures including desirable efforts to upgrade the quality of educational programs, decline in the number of teaching religious who have generously contributed their services, increases in the salary levels of teachers and other school employees, and the general inflationary trend of other school-related costs.

School financial burdens and problems can best be understood and resolved by careful analysis and skillful financial management. Good fiscal management should be an important objective of every school. Fiscal responsibility is more than a series of statements which speak of high management principles. It is a planned and systematic way of doing business which results in accurate and understandable data and reports. It further implies that this data is available to decision makers who must know what is happening in the school.

Many unfortunate situations have occurred in schools due to poor accounting methods and the lack of proper fiscal control. Some reasons for establishing a good accounting system are:

- The accounting system should be consistent and should not change with the appointment of each new principal. Changes in the system result in a lack of consistency through the years and may add to misunderstandings.
- Financial reports should be clear and accurate so that even bookkeepers and secretaries who are not accountants can prepare reports which help the principal and local School Board make sound financial decisions.
- Monthly financial reports should be timely.
- Audit trails should exist, making it easy to trace financial activities.
- Bills should be paid and withholding taxes remitted in a timely manner. Failure to do so results in a poor reputation for the school and leaves the school open to scrutiny by federal, state and local officials.
- The integrity of the school secretary or bookkeeper is important, but may be suspect when he or she is unable to account for school funds due to poor bookkeeping.

Schools need an accounting manual to provide the "how to" for each new principal, secretary, bookkeeper or other personnel. This manual, of course, is not a problem solver, decision maker or skillful manager. Only people can fill these roles. However, it is hoped that this manual will go a long way toward meeting the school's need for establishing continuity and comparability in its accounting system.

To have a consistent accounting system throughout the Archdiocese, each school must adopt the chart of accounts and report forms as outlined in this manual. Standard accounting makes

it possible to compile meaningful comparative data which will be beneficial to all schools. Standard accounting also makes it possible for principals who transfer from one school to another to be assured that they will understand their new location's accounting system. Furthermore, this accounting manual should aid in the training of new secretaries, bookkeepers and/or local School Board members.

Schools need to use sound business and financial management practices so that they can realize maximum efficiency. Effective business techniques help achieve accountability and credibility for the school. Furthermore, a good financial and accounting system provides the opportunity to establish priorities, plan and maintain fiscal control of the school's assets.

### Fiscal Year

All schools in the Archdiocese will use a fiscal year beginning July 1 and ending on June 30.

### Cash Accounting System

The system of budgeting and bookkeeping outlined in this manual is a "cash basis" of accounting rather than the accrual method. Cash basis accounting is relatively easy and meets the immediate needs for school financial management.

The following pages present the components of the financial planning and accounting system for elementary schools. The chart of accounts is the foundation for the accounting system. Financial reports are based on the chart of accounts as their source of information. Budgets, procedures and timelines are built around the financial reports and are presented as part of an integrated accounting system.

### Effective Date

This manual should be implemented for the fiscal year beginning July 1, 2014 and overrides any school practices and procedures which may be in conflict with the contents of this manual.

This manual has been updated effective August 7, 2014.

## **II. Chart of Accounts and Definitions**

Too often we view accounting as merely a cold record of dollars and cents. However, this is only part of the story. Accounting, in its most functional sense, is a management tool. It is a means of assembling financial facts in a meaningful manner and communicating such facts to those who have a need and interest in interpreting them as a basis for future action.

Accounting systems which are useful tools do not just happen. They must be designed for and tailored to particular needs. With this in mind, the Archdiocese has developed the subsequently described uniform Chart of Accounts for parochial and archdiocesan elementary Catholic schools.

The Chart of Accounts is an organized listing of categories in which transactions relating to income, expense, assets and liabilities are recorded. To ensure consistency and thoroughness

in the financial record-keeping system, the accounts have been carefully structured and defined. The Chart of Accounts is the foundation on which the accounting system is built. It has been developed in sufficient detail to provide for adequate budgeting, reporting and control.

A. Structure of Accounts

The Chart of Accounts is structured in a manner that will readily permit the compilation and reporting of income, expenses, assets and liabilities in a considerable amount of detail, in very general summary form, or in various forms between these two extremes, depending upon the need or intended use of the data. This is possible because the six-digit, three field coding structure identifies (and permits grouping of) items of income or expense by:

1. Functions – major categories of cost or income.
2. Classifications – significant subdivisions of the functions.
3. Objects or Details – further and more specific breakdowns of the classifications.

Functions. Although a school may be considered primarily a place of instruction and learning, it is a multi-faceted operation. Recognizing this, administrators need to categorize school expenses (and income) by significant operations or functions to aid them in understanding how funds have been employed in the past and in planning the source and disposition of funds for the future. The Archdiocese of New Orleans has adopted an account numbering system which requires each financial transaction to be functionalized. Significant functions are identified by the digit in the first field of the account numbers as shown below:

<u>Account Number</u>	<u>Function</u>
0-000-00	Income
1-000-00	School Administration
2-000-00	Instruction and Learning Media
3-000-00	Transportation
4-000-00	Plant Upkeep
5-000-00	Fringe Benefits and Insurance
6-000-00	Rental/Acquisition of Assets
7-000-00	Other Expenses
8-000-00	Clearing Accounts
9-000-00	Assets and Liability Accounts

## B. Account Numbers and Titles

The Chart of Accounts in this manual was designed specifically for the Archdiocese of New Orleans. Account numbers, titles and descriptions are provided on the following pages.

“Subaccounts” can be added when the definitions on pages 7 to 20 indicate that subaccounts are permissible. A subaccount is a further breakdown of an existing account. The numbering system allows for the creation of subaccounts whenever the Chart of Accounts does not allow for sufficient detail. Although subaccounts are permitted, no further addition of account numbers or titles is permitted. The system is to be rigidly followed, as presented.

### Instructions for Use

1. Use the definitions in this manual as the official guide for all financial entries. Each account has its own identity, and its use should be limited to that purpose. Use each account as defined in the following pages.
2. Maintain consistent use during the accounting year.
3. All school financial transactions and entries should be handled within the Chart of Accounts.
4. Develop simple ways to allocate costs to various accounts.
5. Write notes on your Chart of Accounts indicating where you charge particular items. This will help you know where to charge it in the future so that consistency can be maintained.
6. Avoid overuse of the “Other” accounts. If substantial amounts are assigned to these accounts, costs are being inappropriately charged to this account.

## Chart of Accounts

### Acct No.    Account Description

#### 1. Income Accounts

0-100-10	Tuition – Current Year, Home Parish
0-100-20	Tuition – Current Year, Other Parishes
0-100-30	Tuition – Current Year, Non-Catholics
0-100-40	Tuition and Fees – Prior Years
0-200-10	Home Parish Financial Support
0-200-50	Archdiocesan Financial Support
0-300-00	Registration Fees
0-400-20	Other Fees
0-500-00	Interest Income
0-600-00	Fairs and Fundraisers
0-700-10	Parent Club Donations
0-700-20	Booster Club Donations

- 0-700-30 Other Donations
- 0-700-40 Religious Order Contributions
- 0-800-10 Athletics
- 0-800-20 Bookstore
- 0-800-30 Required Services
- 0-800-40 Student Clubs and Organizations
- 0-800-50 Development Income
- 0-800-60 Before/After School Income
- 0-800-70 Preschool Income
- 0-800-80 Summer School Income
- 0-900-00 Other School Income

## 2. Expense Accounts

### **Administration**

- 1-100-00 Archdiocesan Assessment
- 1-200-00 Salaries – Principal, Asst. Principal
- 1-300-10 Salaries – Counselor(s)
- 1-300-20 Salaries – Secretaries
- 1-300-30 Salaries – Other Clerical Personnel
- 1-400-10 Administrative Supplies and Materials
- 1-400-20 Other Administrative Expenses
- 1-500-10 Tuition Assistance
- 1-500-20 Tuition Refunds
- 1-500-30 Uncollectible Tuition

### **Instruction and Learning Media**

- 2-100-10 Salaries – Teachers
- 2-100-20 Salaries – Teachers’ Aides
- 2-100-30 Salaries – Substitutes
- 2-200-10 Classroom Supplies and Materials
- 2-200-20 Textbooks
- 2-200-30 Computer Software
- 2-200-40 Other Instructional Expenses
- 2-300-10 Salary – Librarian
- 2-300-20 Salary – Library Secretary
- 2-300-30 Library Supplies and Materials
- 2-300-40 Library Books
- 2-300-50 Library Periodicals
- 2-300-60 Audio Visual Materials
- 2-300-70 Other Audio Visual Expenses

### **Transportation**

- 3-100-00 Salaries – Drivers
- 3-200-10 School Vehicle Supplies (Fuel)
- 3-200-20 School Vehicle Expenses (Other)
- 3-200-30 Maintenance – School Vehicles
- 3-300-00 Other Transportation Expenses

**Plant Upkeep**

- 4-100-10 Salaries – Custodial Personnel
- 4-100-20 Custodial Services – Subcontracted Services
- 4-100-30 Custodial Services – Supplies and Materials
- 4-100-40 Custodial Services – Other Expenses
- 4-200-10 Utility Expense – Gas
- 4-200-20 Utility Expense – Electric
- 4-200-30 Utility Expense – Water
- 4-200-40 Utility Expense – Telephone
- 4-300-00 Maintenance of Plant and Equipment
- 4-400-10 Maintenance and Repairs of Convent
- 4-400-20 Other Convent Expenses
- 4-500-00 Other Plant Upkeep Expenses

**Fringe Benefits and Insurance**

- 5-100-10 Social Security and Medicare
- 5-100-20 Pension Plan
- 5-100-30 Retirement – Religious
- 5-100-40 Room and Board – Religious
- 5-100-50 Hospitalization
- 5-100-60 Other Fringe Benefits
- 5-200-10 Student Insurance
- 5-200-20 Casualty Insurance
- 5-200-30 Vehicle Insurance

**Rental/Acquisition of Assets**

- 6-100-10 Rental of Portable Classrooms
- 6-100-20 Rental of Building
- 6-100-30 Other Rentals
- 6-200-00 Acquisition and Improvements of Sites and Buildings
- 6-300-10 Acquisition of Equipment
- 6-300-20 Acquisition of Computers
- 6-300-40 Acquisition of Televisions
- 6-300-50 Acquisition of Vehicles
- 6-400-00 Other Acquisitions

**Other Expenses**

- 7-100-00 Athletics
- 7-200-00 Bookstore
- 7-300-00 Student Clubs and Organizations
- 7-400-00 Development Expenses
- 7-500-00 Before/After School Expenses
- 7-600-00 Preschool Expenses
- 7-700-00 Summer School Expenses
- 7-800-00 Other School Expenses

**3. Clearing Accounts**



- 8-100-00 Advance Tuition and Fees Payments
- 8-200-00 Fairs and Fundraisers
- 8-300-00 Federal, State and FICA Tax Withholdings
- 8-400-00 Employee Benefit Withholdings

4. Asset and Liability Accounts

**Assets**

Current Assets

- 9-100-10 Cash – Checking Account
- 9-100-20 Cash – Tuition Loan Account
- 9-100-40 Cash – Charitable Gaming Account
- 9-100-60 Petty Cash
- 9-100-70 Cash – Archdiocesan Savings Account
- 9-200-00 Tuition and Fees Receivable

Designated Fund Accounts

- 9-300-00 School Endowment Fund

**Liabilities**

Current Liabilities

- 9-500-00 Accounts Payable
- 9-600-00 Advance Tuition and Fee Payments
- 9-700-00 Payroll Taxes and Other Withholding Payables

Long-Term Liabilities

- 9-800-00 Loans – Archdiocesan

C. Account Definitions

The following includes account definitions for every line item in the Chart of Accounts. Accounts are to be used exactly as specified in this manual. When it is not obvious which account is to be used, carefully read the descriptions to determine which account would be most appropriate. Account definitions are not to be changed or added, except by permission of the Office of Financial Services.

1. Income Accounts

0-100-10 Tuition – Current Year, Home Parish

Include tuition received for the current school year from parents or guardians of students within the home parish. Record the full tuition which should be received before any discounts, allowances, financial aid, etc. are given.

0-100-20 Tuition – Current Year, Other Parishes

Include tuition received for the current school year from parents or guardians of students who are members of other Catholic parishes. Record the full tuition which should be received before any discounts, allowances, financial aid, etc. are given.

0-100-30 Tuition – Current Year, Non Catholics

Include tuition received for the current school year from parents or guardians of non-Catholic students. Record the full tuition which should be received before any discounts, allowances, financial aid, etc. are given.

0-100-40 Tuition and Fees – Prior Years

Include tuition and fees received in the current year from parents or guardians for prior school years.

0-200-10 Home Parish Financial Support

Include vouchers for students from other parishes and receipts from the home parish for school operating expenses for the current school year. Also include the costs of any unreimbursed school expenses which will be paid directly by the home parish such as insurance, maintenance, utilities, etc. This amount must equal or exceed the fee guidelines established by the Office of Catholic Schools.

0-200-50 Archdiocesan Financial Support

Include receipts from the Archdiocese as financial support.

0-300-00 Registration Fees

Include receipts from parents or guardians of students as fees for the administrative costs required to enroll their child in school. **This fee is not refundable.**

0-400-20 Other Fees

Include receipts from parents or guardians of Non-Catholic students or Catholic students from another parish for Building Use Fees (this fee is assessed by the school), Non Parish Support Fees (this fee is established by the Office of Catholic Schools and must be assessed by the school), receipts from parents or guardians of students for the middle grade program, etc.

0-500-00 Interest Income

Include interest earned on the school's checking accounts, savings accounts, money market accounts, certificates of deposit, etc. Interest earned on development or capital funds is **not** recorded here.

0-600-00 Fairs and Fundraisers

Include the **net** proceeds from activities conducted by the school to raise funds such as fairs, festivals, picnics, raffles, bingo, etc.

0-700-10 Parent Club Donations

Include donations received from the school's PTO for use during the **current** school year. Income generated by the PTO from its activities is **not** recorded here. See Section IV. D. School Organizations for the rules governing PTO organizations and their activities.

0-700-20 Booster Club Donations

Include donations received from all other organizations which generate income on behalf of the school and which is to be spent in the **current** school year. Income raised by booster clubs from their activities is **not** recorded here. See Section IV. D. School Organizations for the rules governing booster club activities.

0-700-30 Other Donations

Include all cash gifts, donations and grants received by the school from individuals, alumni, corporations, foundations, etc. which can be used for general operating purposes and are not given for the purpose of receiving any goods or services from the school on behalf of the donor(s) or his (their) dependents.

0-700-40 Religious Order Contributions

Include all cash gifts and donations received by the school from a religious order which can be used for general operating purposes.

0-800-10 Athletics

Include **gross** receipts from school-sponsored athletic events which will be used for general operating purposes. Examples are gate receipts, concession income, transportation fees, etc.

0-800-20 Bookstore

Include **gross** income from the sale of books, supplies, uniforms, etc. which will be used for general operating purposes.

0-800-30 Required Services

Include income received from the State of Louisiana, which is disbursed to the school from the Archdiocese, for reimbursement of services required by the State and performed by school personnel.

0-800-40 Student Clubs and Organizations

Include income received from student clubs and organizations which will be used during the calendar year.

0-800-50 Development Income

Include **gross** income received from development activities. This account may be divided into the following subaccounts:

51 – Capital Funds Include income which is to be spent for capital expenses during the current school year which was received in an earlier accounting period and carried over for future use.

52 – Scholarship Funds Include income to be used in the current school year for student financial aid which was received in an earlier accounting period and carried over for future use.

53 – Fairs/Fundraisers Include income raised from fairs and other fundraisers which was received in an earlier accounting period but will be disbursed in the current school year.

54 – Other Development Income Include any other development income which was received in an earlier accounting period which will be used in the current school year.

0-800-60 Before/After School Income

Include the **gross** income received from the school's before/after school program(s). This account may be divided into the following subaccounts:

61 – Tuition Include income received from parents or guardians for before/after school services.

62 – Subsidy Income Include income received from the church parish, government or other sources to operate the before/after school program(s).

63 – Registration Fees Include income received from parents or guardians to cover the administrative costs of enrolling their child(ren) in the before/after school program(s).

64 – Other Fees Include income from any other fees received from parents or guardians. The source and amounts of these fees must be specified.

65 – Miscellaneous Before/After School Income Include any other income which is received from the before/after school care program(s).

0-800-70 Preschool Income

Include the **gross** income received from the school's preschool program. This account may be divided into the following subaccounts:

71 – Tuition Include income received from parents or guardians for preschool services.

72 – Subsidy Income Include income received from the church parish, government or other sources to operate the preschool program.

73 – Registration Fees Include income received from parents or guardians to cover the administrative costs of enrolling their child(ren) in the preschool program.

74 – Other Fees Include income from any other fees received from parents or guardians. The source and amounts of these fees must be specified.

75 – Miscellaneous Preschool Income Include any other income which is received from the preschool program.

0-800-80 Summer School Income

Include the **gross** income received from the school's summer school program.  
This account may be divided into the following subaccounts:

81 – Fee Income Include income from any fees received from parents or guardians for the school's summer program.

82 – Subsidy Income Include income received from the church parish, government or other sources to operate the summer school program.

83 – Miscellaneous Summer School Income Include any other income which is received from the summer school program.

0-900-00 Other School Income

Include any other school income which cannot be recorded in any of the above income accounts.

2. Expense Accounts

**Administration**

1-100-00 Archdiocesan Assessment

Include the amount of the annual per student fee assessed by the Office of Catholic Schools which is used to help defray the cost of maintaining the office and its services.

1-200-00 Salaries – Principal, Assistant Principal

Include **gross** salary paid to principals, assistant principals, presidents, etc.

1-300-10 Salaries – Counselor(s)

Include **gross** salary paid to guidance counselors.

1-300-20 Salaries – Secretaries

Include **gross** salary or wages paid to school secretaries.

1-300-30 Salaries – Other Clerical Personnel

Include **gross** salary, wages or fees paid to bookkeepers and other clerical personnel.

1-400-10 Administrative Supplies and Materials

Include the cost of supplies, materials, reproduction expenses, computer software, etc. spent in operating the school office.

1-400-20 Other Administrative Expenses

Include the cost of any other administrative expenses such as postage, principal's expenses, memberships and fees, accounting and legal fees, hospitality, conferences and travel, etc.

1-500-10 Tuition Assistance

Include scholarships, tuition aid and all other situations where tuition, or a portion of it, will not be received from the student or from any other source. This would also include any work scholarships which are tuition reductions and involve no payment of wages and tuition discounts for children of staff members, alumni, etc.

10-500-20 Tuition Refunds

Include cash refunds of tuition and fees to students who paid in advance and withdrew for various reasons during the school year.

10-500-30 Uncollectible Tuition

Include on June 30 of each year, the amount of tuition and fees still outstanding (unpaid) which you determine to be uncollectible based upon your experience, history, trends, etc. Record the amount which you feel is still collectible in account No. 9-200-00 "Tuition and Fees Receivable".

**Instruction and Learning Media**

2-100-10 Salaries – Teachers

Include **gross** salary paid to all full and part-time religious and lay teachers. For religious salaries, include base salary only.

2-100-20 Salaries – Teachers' Aides

Include **gross** salary paid to all full and part-time religious and lay teacher aides. For religious salaries, include base salary only.

2-100-30 Salaries – Substitutes

Include **gross** salary or wages paid to substitute teachers.

2-200-10 Classroom Supplies and Materials

Include expenses for general teaching supplies and materials other than textbooks and workbooks which are used for classroom instruction.

2-200-20 Textbooks

Include expenses for textbooks and workbooks which are purchased with funds from the school's current operating budget.

2-200-30 Computer Software

Include expenses paid for the purchase of computer software used for classroom instruction.

2-200-40 Other Instructional Expenses

Include any other expenses incurred for classroom instruction.

2-300-10 Salary – Librarian

Include **gross** salary or wages paid to full and part-time religious and lay librarians.

2-300-20 Salary – Library Secretary

Include **gross** salary or wages paid to full and part-time religious and lay personnel functioning as the secretary for the school’s library.

2-300-30 Library Supplies and Materials

Include the cost of supplies and materials needed to operate the library.

2-300-40 Library Books

Include the cost of purchasing books for the library.

2-300-50 Library Periodicals

Include the cost of magazines, newspapers, etc. which are purchased for the library.

2-300-60 Audio Visual Materials

Include the cost of purchasing supplies and materials to be used for and with audio visual equipment. The purchase of new audio visual equipment should be recorded under account No. 6-300-10 “Acquisition of Equipment”.

2-300-70 Other Audio Visual Expenses

Include the cost of any other expenses made to operate the library.

**Transportation**

3-100-00 Salaries – Drivers

Include **gross** salary or wages paid to all full and part-time school drivers.

3-200-10 School Vehicle Supplies

Include the cost of purchasing fuel and oil for school vehicles.

3-200-20 School Vehicle Expenses (Other)

Include the cost of any expenses paid for other school vehicle supplies and materials.

3-200-30 Maintenance – School Vehicles

Include the cost of maintenance and repairs to school vehicles.

3-300-00 Other Transportation Expenses

Include the cost of any other expenses for the operation of any other transportation programs.

**Plant Upkeep**

4-100-10 Salaries – Custodial Personnel

Include **gross** salaries or wages paid to full-time and part-time personnel involved in plant operation and maintenance such as physical plant personnel, custodians, maintenance workers, grounds keepers, etc.

4-100-20 Custodial Services – Subcontracted Services

Include fees paid to outside companies and individuals for performing custodial services for the school. Include fees paid for services such as trash removal and pest control.

4-100-30 Custodial Services – Supplies and Materials

Include the cost of expenses paid for custodial supplies and materials for the school buildings and grounds.

4-100-20 Custodial Services – Other Expenses

Include any other expenses for custodial services not included in any of the above accounts.

4-200-10 Utility Expense – Gas

Include amounts paid for gas services.

4-200-20 Utility Expense – Electric

Include amounts paid for electric services.

4-200-30 Utility Expense – Water

Include amounts paid for water and sewerage disposal services.

4-200-40 Utility Expense – Telephone

Include amounts paid for telephone services.

4-300-00 Maintenance of Plant and Equipment

Include the cost of expenses paid for the repair and maintenance of school buildings, grounds, equipment, etc. Examples include repairing, repainting and removing.

4-400-10 Maintenance and Repairs of Convent

Include the cost of maintenance and repairs to the sisters' convent which are paid out of the school's budget.

4-400-20 Other Convent Expenses

Include the cost of any other expenses required for the operation of the convent for the religious who minister in the school. Include these costs only if they are to be paid out of the school's budget.

4-500-00 Other Plant Upkeep Expenses

Include the cost of any other expenses which are required for the upkeep of the school.



## **Fringe Benefits and Insurance**

### 5-100-10 Social Security and Medicare

Include only the employer's share of Social Security and Medicare for all lay personnel employed by the school. These amounts must be calculated and reported separately on all payroll tax reports.

### 5-100-20 Pension Plan

Include the school's share of contributions to the Archdiocesan pension plan on behalf of lay employees of the school. All employees who work more than twenty hours per week **must** be offered the opportunity to participate in the Archdiocesan pension plan.

### 5-100-30 Retirement – Religious

Include the school's share of contributions to religious communities on behalf of religious employees of the school.

### 5-100-40 Room and Board – Religious

Include the amount the school spends toward the room and board for religious who are not living in a convent operated through the school's budget.

### 5-100-50 Hospitalization

Include the cost for group medical and dental insurance paid for all religious and lay school personnel.

### 5-100-60 Other Fringe Benefits

Include the cost of expenses paid for any other fringe benefits such as Christmas gifts, etc. paid by the school to its employees.

### 5-200-10 Student Insurance

Include the amount assessed for student accident insurance.

### 5-200-20 Casualty Insurance

Include the amount assessed for liability and property insurance.

### 5-200-30 Vehicle Insurance

Include the amount assessed for vehicle insurance.

## **Rental/Acquisition of Assets**

### 6-100-10 Rental of Portable Classrooms

Include the cost of renting portable classrooms.

### 6-100-20 Rental of Building

Include the cost of renting school buildings and similar facilities.

### 6-100-30 Other Rentals

Include the cost of renting any other equipment, vehicles, etc.

6-200-00 Acquisition and Improvements of Sites and Buildings

Include the cost of acquiring or constructing school buildings and new facilities. Also include capital expenditures which will extend the useful life of existing school buildings or change them to make them more useful or desirable.

6-300-10 Acquisition of Equipment

Include the cost of capital expenditures which result in the (initial) acquisition of school equipment such as furniture, furnishings, copy machines, machinery, etc.

6-300-20 Acquisition of Computers

Include the cost of capital expenditures which result in the (initial) acquisition of school computers.

6-300-40 Acquisition of Televisions

Include the cost of capital expenditures which result in the (initial) acquisition of school televisions.

6-300-50 Acquisition of Vehicles

Include the cost of capital expenditures which result in the (initial) acquisition of school vehicles.

6-400-00 Other Acquisitions

Include the cost of capital expenditures which result in the (initial) acquisition of any other assets not described above.

**Other Expenses**

7-100-00 Athletics

Include all costs involved in conducting the school's athletic program. This would include supplies, uniforms, referee fees, athletic travel, equipment purchase and repair, awards, publications, banquets, etc.

7-200-00 Bookstore

Include the costs of all supplies and materials needed to operate the school's bookstore.

7-300-00 Student Clubs and Organizations

Include expenses derived from the school's operating budget for the functioning of student clubs and organizations.

7-400-00 Development Expenses

Include the total expenses incurred from development activities. This account may be divided into the following subaccounts:

10 – Salaries Include **gross** salary or wages paid to all full and part-time employees who are development directors, secretaries, etc. in the development office.

20 – Social Security and Medicare Include only the employer's share of Social Security and Medicare paid on behalf of development personnel.

30 – Other Fringe Benefits Include only the employer's share of any other benefits paid on behalf of development personnel.

40 – Fund Raiser Include expenses associated with development fundraising activities.

50 – Supplies and Materials Include the cost of expenses for supplies and materials for the development office.

60 – Marketing, Public Relations and Publicity Include the cost incurred for marketing, publicizing and promoting development activities.

70 – Other Development Expenses Include any other costs incurred in the operation of the school's development program.

7-500-00 Before/After School Expenses

Include the total expenses incurred from the school's before/after school program(s). This account may be divided into the following subaccounts:

10 – Salaries Include **gross** salary or wages paid to all personnel employed in the before/after school care program.

20 – Social Security and Medicare Include only the employer's share of Social Security and Medicare paid on behalf of before/after school care employees.

30 – Other Fringe Benefits Include only the employer's share of any other benefits paid on behalf of before/after school care employees.

40 – Supplies and Materials Include the cost of expenses for supplies and materials for the operation of the before/after school care program.

50 – Snacks Include the cost incurred to provide snacks to students enrolled in the before/after school care program.

60 – Other Before/After School Expenses Include any other expenses incurred for the operation of the before/after school care program.

7-600-00 Preschool Expenses

Include the total expenses incurred from the school's preschool program. This account may be divided into the following subaccounts:

10 – Salaries Include **gross** salary or wages paid to all personnel employed in the preschool program.

20 – Social Security and Medicare Include only the employer's share of Social Security and Medicare paid on behalf of preschool employees.

30 – Other Fringe Benefits Include only the employer's share of any other benefits paid on behalf of preschool employees.

40 – Supplies and Materials Include the cost of expenses for supplies and materials for the operation of the preschool program.

50 – Snacks Include the cost incurred to provide snacks to students enrolled in the preschool program.

60 – Other Preschool Expenses Include any other expenses incurred for the operation of the preschool program.

#### 7-700-00 Summer School Expenses

Include the total expenses incurred from the school's summer school program. This account may be divided into the following subaccounts:

10 – Salaries Include **gross** salary or wages paid to all personnel employed in the summer school program.

20 – Social Security and Medicare Include only the employer's share of Social Security and Medicare paid on behalf of summer school employees.

30 – Other Fringe Benefits Include only the employer's share of any other benefits paid on behalf of summer school employees.

40 – Supplies and Materials Include the cost of expenses for supplies and materials for the operation of the summer school program.

50 – Snacks Include the cost incurred to provide snacks to students enrolled in the summer school program.

60 – Miscellaneous Summer School Expenses Include any other expenses incurred for the operation of the summer school program.

#### 7-800-00 Other School Expenses

Include any other school expenses which do not fit in any of the above categories.

### 3. Clearing Accounts

#### 8-000-00 Clearing Accounts

Clearing accounts are established to account for areas which generate income and have related expense. These are basically “wash accounts” used to account separately for activities which generate income and have related expenses, such as school fairs or other money-making projects which are intended to break even or generate a net profit. A separate clearing account may be established for each type of activity. Only the net gain or net loss from the clearing account is reported in annual school financial reports.

Clearing accounts may also be established to record the withholding and subsequent payment of federal and state taxes and other benefit amounts withheld from school employees’ gross pay. All clearing accounts must balance to zero after all related “ins and outs” are tabulated and the net proceeds or deficits should be transferred to one of the above appropriate accounts.

The recommended clearing accounts are:

#### 8-100-00 Advance Tuition and Fee Payments

Include the total of all tuition and fees collected in cash for the next school year.

#### 8-200-00 Fairs and Fundraisers

Include the total amount of income and expense in this clearing account. The net proceeds (either surplus or deficit) should be transferred to account No. 0-600-00 “Fairs and Fundraisers” after all of the related activity has ceased.

#### 8-300-00 Federal, State and FICA Taxes Withheld from Employees

Include the amount of taxes withheld from employees’ paychecks. The account is cleared when the withheld amounts are paid to the appropriate government agencies.

#### 8-400-00 Employee Benefit Withholdings

Include the amounts withheld from the employees’ paychecks for Medicare insurance, pension contributions and other benefits.

### 4. Asset and Liability Accounts

#### **Assets**

#### 9-100-10 Cash – Checking Account

Include the balance of funds in the school’s operating checking account on the last day of the month.

#### 9-100-20 Cash – Tuition Loan Account

Include the balance of funds in the school’s tuition loan account on the last day of the month.

9-100-40 Cash – Charitable Gaming Account

Include the balance of funds in the school’s charitable gaming account on the last day of the month. A separate account is required by law for any school that engages in charitable gaming activities.

9-100-60 Petty Cash

Include the balance of funds in the school’s petty cash fund on the last day of the month.

9-100-70 Cash – Archdiocesan Savings Account

Include the balance of funds invested by the school in its savings account with the Archdiocese. This balance is communicated to the schools on a quarterly basis.

9-200-00 Tuition and Fees Receivable

Include on June 30 of each year, the amount of tuition and fees owed by parents or guardians of students at year-end. The tuition and fees receivable balance should **not** include amounts which are determined to be uncollectible. These amounts should be included in account No. 1-500-30 “Uncollectible Tuition”.

9-300-00 School Endowment Fund

Include the balance of funds invested by the school in its savings account with the Archdiocese.

**Liabilities**

9-500-00 Accounts Payable

Include all unpaid disbursements for salaries, Social Security taxes, pension plan, utilities, supplies and any other bills on the date of the school financial report. To calculate the school’s accounts payable, run a tape total of all outstanding bills for the current period as of the date of the financial report.

9-600-00 Advance Tuition and Fee Payments

Include on June 30, the amount of tuition and fees which have been received in cash prior to the start of the next school year.

9-700-00 Payroll Taxes and Other Withholding Payables

Include all unpaid disbursements for the current period for salaries, Social Security taxes, pension plan, hospitalization and other withholdings on the day of the school financial report. To calculate the school’s unpaid payroll obligations, run a tape total of all outstanding costs as of the date of the financial report.

9-800-00 Loans – Archdiocesan

Include the total amount owed to the Archdiocese as of the date of the school’s financial report. This balance is reported to the parishes on a quarterly basis by the Accounting Office.

### **III. Budgeting**

#### **A. Purpose and Importance of Budgeting**

A budget is a financial plan for future action which recognizes both the school's goals and resources. It is a means of setting achievable objectives and controlling future (financial) events, rather than letting them "just happen". Thus, a school budget is the financial expression of an educational plan. The budget should give recognition to the present quality of a school's educational program and its present source and disposition of funds, as well as the school's long range educational goals and potential revenue. Most importantly, the budget should incorporate some program to make Catholic school education available to the children of lower income families. The following are several considerations school administrators must ponder in developing school budgets. Particularly where their school stands in terms of:

1. The Educational Program Offered. What are its strong points? Weak points? Does the school have an appropriate religious program? Qualified teachers? Curriculum? Reasonable teacher/pupil ratio? What is the anticipated enrollment? Is the plant adequate? Where should improvements be made? How? What will improvements mean in terms of personnel, facilities, supplies and services?
2. School Expenses. What have actual expenses been? Current year? Trends during the past few years and in the future? What are the principal reasons for significant increases or decreases in costs? What is the per pupil cost? Tuition scale? Salary program – based on automatic progressive scale or increases based on merit and other considerations? How much would it cost to implement each proposal offered as a means of improving the school's educational program? As much "firm" data as possible should be incorporated into next year's budget. Since salaries constitute the major category of school expenses, particular attention should be given to planned personnel requirements, the salary levels of particular teachers who will be retained, and the estimated levels of particular teachers and other employees who will have to be recruited. Anticipated changes in "payroll burden" costs which are generally associated with the level of salaries, should also be recognized, such as Social Security and pension costs. Most other expenses are either fixed in nature or may be projected based on recent trends.
3. Sources of Revenue. What have tuition rates, parish subsidies and other income been? Current year? Trends during the past few years and in the future? Have tuition payments been received timely? Is the level of the parish subsidy reasonable in view of the particular circumstances of the parish and school in question? If all or selected portions of the proposed improvements in the educational program were implemented, how would they be financed? Most importantly, what provision has the school made in its program to make Catholic school education available to children of lower income families?
4. Is a Basis for Control. By using budgets, control over school expenditures can be exercised. If variances from the budget – either positive or negative are out of line, inquiries can be made and corrective action can be taken.

Based upon the above, it can be seen why it is vitally important that all schools prepare an annual operating budget and use it to guide operations. Failure to recognize the importance of

budgeting has caused many of our schools to experience severe financial distress. With time and practice, accurate budgeting may help to relieve some of this distress.

### B. Principles of Budgeting

It is recommended that the following principles be used as a basis for your budget planning. Implementation of these principles will ensure accurate budgets and good results from the process.

1. Base the next year's budget on an accurate estimate of the current year's income and expenses.
2. Budget all figures as accurately as possible. Avoid the tendency to pad figures to provide for numerous contingencies. Conversely, be sure to budget enough for all planned expenses.
3. The parish should not subsidize the school indirectly by failing to charge adequate expenses to the school, especially in the areas of staff and utilities. On the other hand, be sure that the school is not assessed unfairly for parish costs. Accurate prorrations are important (see Exhibit I).
4. Try to make your school budget reflect the educational program plan. If changes in the program are planned, appropriate additions or reductions in expenses should be made in next year's budget.
5. Involve people in the budget planning process who need to be informed. This includes the pastor, principal, local School Board and other appropriate individuals.
6. Provide parents with a budget summary and inform them of the cost per pupil to help parents understand how the parish and the parents share the responsibility for the cost of educating their children.

### C. Financial Planning Calendar

The following budget calendar based on June 30 fiscal year end will help your school complete its financial planning activities:

<u>TARGET DATE</u>	<u>ACTIVITIES</u>
January 15	Principal's Enrollment and Financial data mailed to the school.
February	Tuition and fees established for the elementary schools for the next school year.
March 15	Budget due from elementary school for subsequent school year.



August 31	School Income and Expense Statement for the year just completed submitted to the Office of Financial Services.
September 30	Revised elementary school budget submitted to the Office of Catholic Schools reflecting fall enrollment, staffing, etc.

D. Steps in Budget Analysis and Development

Listed below are the steps in the budget analysis and development process. Most steps have been listed and should be followed in chronological order.

The pastor, principal, local School Board and any other appropriate individuals are to be involved in the process. However, many of the steps can best be performed by a single individual or several people working together. After reviewing the steps, determine the most appropriate and efficient manner of accomplishing the tasks.

1. Prepare the Budget

Step 1: A copy of the template is to be submitted to the Catholic School Financial Coordinator at the appropriate time. When posting financial information, omit cents and always round to the nearest dollar.

Step 2: Complete the budget template previously provided and submit to the Catholic School Financial Coordinator.

For each item in the standard Chart of Accounts, develop an income and expense budget figure.

Use the prior year actual and the current year budgeted figures as a basis for next year's budget.

Consider the school's program plan as the budget is being developed. Will more staff be needed? Must a new computer be purchased?, etc.

Avoid the tendency to force the budget to balance by placing unrealistic figures in income or expense accounts. If after your best efforts, you cannot submit a balanced budget and find it necessary to submit a deficit budget, advise the Catholic School Financial Coordinator stating the amount of the anticipated deficit and explain the reasons for it.

Step 3: Document the calculations and assumptions used in preparing the budget.

Document some of your assumptions so that it will be easier to retrace your steps as you find it necessary to review the budget. Things to document include: all percentages, ratios and other factors used to prorate expenses or income between the parish and school, inflationary factors used to increase budget items,

lists of equipment and other items which are part of budgeted figures, and other calculations used in arriving at each budgeted line item.

## 2. Evaluate the Projected Budget

Step 4: Meet with the pastor and local School Board to discuss the school budget. Make any revisions in the budget per their recommendations. If your school needs assistance in analyzing these figures, request help from the Catholic School Financial Coordinator.

## 3. Submit the Budget and Supporting Documentation

Step 5: Submit the completed budget to the Office of Catholic Schools by the requested deadline.

Submit copies to other appropriate parties.

Step 6: Communicate the budget to parents. Develop a carefully planned strategy to communicate financial information to (parishioners and) parents. Accurate and complete information about school finances and tuition rates can help parents understand the amount which they are paying for quality education and will favorably affect the recruitment potential of the school. Present only a summary to them because most parents will not need or want to review the numerous and specific details.

Proration of Joint Expenses of School and Church

Even though the church and school maintain separate bank accounts, there will be some instances where an expenditure will be made (from either the church or the school bank account) which is applicable partly to the church and partly to the school. In such instances, the jointly incurred costs will have to be allocated between the church and school on a mutually agreeable basis. Settlement of all such amounts should be made by check at regular intervals (e.g., monthly). The following sample case illustrates a method for settling such jointly incurred expenses:

Assumptions

1. The church pays the electric bill (\$1,000); based on mutually agreeable estimates of service rendered, the school is to pay 85% (\$850) and the church 15% (\$150).
2. The school pays all janitors' salaries (\$2,000); based on mutually agreeable estimates of services rendered, the school pays 80% (\$1,600) and the church 20% (\$400). Social Security and pension plan costs applicable to these salaries amount to \$280 (\$224 for the school and \$56 for the church).

At the end of the month, the school writes a single check in the amount of \$394 in settlement of the above transactions, determined as follows:

1.	Payable to church by school:	
	Utility bill	\$850
2.	Payable to school by church:	
	Salaries	400
	Social Security and Pension	<u>56</u>
	Net Amount payable to church by school	<u>\$394</u>

Proration of Joint Expenses of School and Church

The Cash Disbursements Journal entries to record the above transactions on the school's books would be:

Acct No.	Account Name	Debit	Credit
4-200-20	Utility Expense – Electric	\$850	
4-100-10	Salaries – Custodial Personnel		\$400
5-100-10	Social Security		32
5-100-20	Pension Plan		24
	Cash – Checking Account		394

Note: Even though the school charged a portion of the janitors' salaries to the church in the above example, the school (as employer) would still be responsible for paying the full amounts due for Social Security and other taxes to the government.

#### IV. Accounting Procedures

##### A. Accounting Guidelines, Systems and Records

Every school should have an accounting system to process its transactions and periodically furnish information for the preparation of financial reports. The objectives of a school's accounting system should be: (1) to measure and control school financial activities and (2) to provide financial information to school officials, parents and the Archdiocese. To evaluate whether a school's accounting system is obtaining these stated objectives, several criteria or guidelines should be used to evaluate the current system. They are:

The system should involve reasonable costs.

The system should be easily understood by persons working with it.

The system should be efficient.

The system should permit an audit trail for all transactions.

The system should be able to process the vast majority of transactions in a uniform and consistent manner.

The system should provide reliable data.

The system should be effective, i.e., able to produce reports to assist users in making correct financial decisions about the school.

The accounting procedures and Chart of Accounts for Archdiocesan schools were designed with the following underlying principles in mind:

1. Complete Accountability. All school receipts and expenditures should be accounted for.
2. Separate Accountability. Financial transactions of the school should be separated from those of the parish.
3. Comparability. Similar receipts and expenditures are to be recorded to the same accounts each time they are recorded, therefore, it is important that the definitions in the Chart of Accounts (Section II) be followed carefully. Otherwise, comparisons of the financial operations of a given school by years, or the comparison of several schools within a single year will not be meaningful.

Principals are responsible for the adequacy of the school's bookkeeping and financial management. It doesn't matter whether the school's books are kept manually or are computerized, whether done in-house by a school employee or by an outside bookkeeper or bookkeeping service, experience has shown that some rules of bookkeeping are more successful than others. Therefore, the following are minimum standards that must be attained by all schools within the Archdiocese of New Orleans:

- (1) All school cash receipts (tuition, fees, parish subsidy, etc.) should be deposited in a separate checking account which is to be maintained for the school only. School funds are not to be commingled with other parish monies. All school expenditures are to be made from this bank account. School monies received in cash should not be spent directly without being run through the school's checking account, since this practice would result in understatements of both school income and expenses.

(2) All schools must use double-entry accounting. For every financial transaction, i.e., every time a check is written or a deposit is made, two accounts are always affected, with one of them being cash the majority of the time. For example, when tuition receipts are counted and deposited, both cash and tuition income are affected, they both increase. Conversely, when a check is written to pay a telephone bill, cash is negatively affected because it is decreased and utility expense is increased by the payment of this expense.

(3) All schools must use at least three ledgers or journals for recording financial transactions: a cash receipts journal for recording all cash received, a cash disbursement journal for recording all cash spent, and a payroll register for recording all payroll calculations and payments.

(4) All schools should have one main checking account for operating expenses. The only exception is the need to have a separate checking account for charitable gaming activities (which is required by law). Separate checking accounts (fairs, etc.) are not required but may be necessary to adequately account for the funds.

(5) The Archdiocese operates under a Central Financing System. All school savings should be deposited with the Archdiocese. Schools are paid a competitive, fixed interest rate on these funds. **Separate savings, money market and certificates of deposit are not allowed.**

(6) All receipts should be deposited as soon as possible in the school's bank account(s). All amounts deposited should be adequately documented either on the deposit slips or on a separate supporting schedule.

(7) All school expenses should be paid by check. Cash payments, except for small, miscellaneous purchases made from Petty Cash (see 9 below), should not be made for any expenditure.

(8) An invoice, receipt, statement, bill, etc. must be retained and filed for every check written. These records and other related materials should be retained for five years. In every case, an audit trail should exist for all income received and expenses incurred within the school.

(9) A Petty Cash account may be maintained. The Petty Cash account should be reimbursed only when verified receipts are present for each item for which cash was spent. Petty Cash should be used for only very small, infrequent expenses.

## B. Accounting for Prepaid Tuition and Fees

### 1. Advance Payments Received

As stated earlier, schools are on a cash basis of accounting. However, there is one exception to this rule.

Advance tuition and fee payments received in cash during the current school year for the next school year are not to be recorded as income until the beginning of the next fiscal year, July 1. **These advance payments are not to be recorded as income, nor is the money to be spent until the next fiscal year.**

To accomplish this, the following steps should be taken:

- As you collect tuition or fees for the next school year before July 1, record them in the clearing account No. 8-100-00 “Advance Tuition and Fee Payments” in which it is recorded as income.
- Deposit the money in a segregated Archdiocesan savings account so that it is not spent until after July 1. **Do not deposit these funds in your operating account.**
- On June 30, when the Assets/Liabilities Report is prepared, show the amount of tuition and fees collected in advance in account No. 9-600-00 “Advance Tuition and Fee Payments”.
- On July 1, transfer the amount of **fee income only** out of the clearing account and into the appropriate fee income account. Also, since registration fees are nonrefundable, these monies may be withdrawn from the savings account and spent in whatever manner the principal deems appropriate.
- Since the prepaid or advance tuition and other school fees are subject to refund, they can only be recorded and spent as income on a ratable and consistent basis throughout the school year. This means that the school records as income and spends only one-tenth of the total prepaid tuition balance each month. This amortization should begin for the month of August and continue through May.

The following example will help clarify the above policy:

As of May 15 (the last day of the school year), a school had collected a total of \$200,000 in advance payment of tuition and fees (\$150,000 in tuition and \$50,000 in registration fees). The entire amount has been appropriately recorded in a clearing account established for these types of receipts. Also the amount has been invested in the school’s segregated Archdiocesan savings account.

On June 30, the school reports on its Assets and Liabilities Report that it has exactly \$200,000 tuition and fees collected in advance.

On July 1 (or later), the school transfers \$50,000 into its operating account to purchase textbooks, purchase new computers and pay teacher salaries. The school keeps \$150,000 (tuition portion) in the segregated Archdiocesan savings account.

On August 31, the school transfers \$15,000 (or \$150,000 divided by 10 months) into its checking account to recognize the earning of its first month of the total prepaid tuition balance.

## 2. Unrestricted Tuition Loan or CD Accounts

Most schools have tuition loan accounts which restrict the amount of funds which may be transferred to Archdiocesan savings accounts or checking accounts. No special accounting for these transactions are required since the school is “forced” by its financial institution to use only

one-tenth of its total student loan balance. However, schools which have unrestricted access to the funds in their tuition loan accounts must handle these accounts in the same manner as described above for advance cash payments of tuition. Specifically, these schools may not transfer to Archdiocesan savings or checking accounts more than one-tenth of the total outstanding tuition loan balance each month.

### C. Internal Accounting Controls

The protection of an entity's assets is a basic management requirement of all organizations. Unfortunately, in most schools the internal control of assets, especially cash, has traditionally been weak. Thousands of dollars of cash and other school assets are involved each year. Because most school assets are limited and come from parents and other school supporters, principals have a special obligation to make certain that all funds are received, deposited and spent properly.

Safeguarding the school's assets, particularly cash, is the primary objective of a school's internal control system. This means that proper controls for the handling of all cash receipts and disbursements should be developed, maintained and periodically reviewed for compliance.

Each school, regardless of its size, should establish the following system of internal accounting control. Implementation of these practices and procedures should substantially reduce, but not eliminate, the opportunity for misappropriation of assets.

#### 1. General Internal Controls

- A. All school facilities should be locked when not in use. This includes both exterior and interior doors and windows.
- B. All accounting and financial records should be safeguarded at all times. This means that these records should be kept in a locked, fireproof safe in the school's office when not in use. Principals should not allow the school's financial records to be taken out of the school.

#### 2. Cash Receipts Internal Controls

- A. Parents should be encouraged to use checks when making tuition and other payments to the school.
- B. Daily school collections should be counted in a secure area, preferably in a locked room which is not visible to school visitors.
- C. All checks received should be restrictively endorsed (For Deposit Only) as soon as possible.
- D. All cash and checks should be deposited in the school's bank account as soon as possible after receipt and counting. The person making the deposit should not be the same person who collected the cash in the school's office.



- E. All undeposited cash should be kept in a safe, lock box or similar protective container when at the school. No money is to be kept in desk drawers. Only the principal (and/or assistant principal) should have access to these funds.
- F. Deposit slips should be made in duplicate and the bank verification slip should be attached to the duplicate copy of the deposit slip.
- G. A detailed list or report should be prepared each day detailing the amount collected by denomination and account number. The amount collected per this report should agree with the amount deposited in the school's bank account.
- H. Prenumbered cash receipts should be issued for all types of cash received in the school's office. The receipts must note the amount received, person making payment, reason for the payment and must be signed by the person receiving the cash. These receipts should be in triplicate with the original given to the person making payment, a copy attached to the duplicate deposit slip as support and a copy maintained in the book as the control copy. If a receipt is voided, all copies must be kept in the control book.
- I. On a regular basis, preferably monthly, a responsible party should check the receipt book to confirm that all cash received has been deposited. The person doing the checking can be the principal, a school board member or anyone other than the person who normally receives cash. Performance of this procedure should be indicated by signing and dating the receipt copies.
- J. The school should obtain or make a sign which encourages everyone to request a receipt for any cash payments given to the school. This sign should be posted in the school's office.
- K. Monthly tuition statements should be mailed to all parents or guardians detailing the amount paid (for the month and year-to-date) and the amount still outstanding.

### 3. Cash Disbursements Internal Controls

- A. All invoices should be reviewed and approved in writing by the principal (or assistant principal) prior to any checks being written or signed. This should be done by signing or initialing the invoices.
- B. All disbursements, except for very minor items, should be made by prenumbered checks.
- C. The authorized check-signer(s) should never pre-sign any checks.
- D. All voided checks should be marked and retained.

- E. Checks payable to Cash should be strictly prohibited.
- F. The school should instruct its bank in writing to never cash checks payable to the school.
- G. Blank or unused checks should be safeguarded at all times.
- H. The Petty Cash Fund should be set at a stipulated balance and should be used for only minor disbursements. The fund should be the responsibility of a single person and should be reimbursed only by check for the amount needed to balance the fund at its stipulated balance. The fund should never be reimbursed by removing cash from school collections.
- I. Transfers among bank accounts should be properly authorized and the purpose should be adequately documented.
- J. School secretaries, bookkeepers, teachers, etc. should never have check-signing authority on any school bank accounts.

#### 4. Reconciliation Internal Controls

- A. Bank account reconciliations should be prepared monthly by a person who is not involved in writing checks or receiving money.
- B. The Petty Cash Fund should be reconciled by the principal (or assistant principal) on a surprise basis at least quarterly.
- C. An updated inventory of securities, valuables, equipment and other major noncash assets should be maintained for accounting and insurance purposes. All schools should take an annual inventory of these assets.

#### 5. Payroll and Personnel Internal Controls

- A. New or prospective employees should be properly screened in accordance with the guidelines established by the Office of Catholic Schools. This screening should include a verbal check of all references, former employers, etc. Any school employees working near school children should be screened in accordance with the Safe Environment training and background screening guidelines established by the Safe Environment Coordinator.
- B. Individual personnel files should be maintained on all employees, not just contracted employees.
- C. Changes in employment (additions and terminations), salaries or wage rates and payroll deductions should be properly authorized and documented in the employee's personnel file.

- D. Policies and procedures should be established for handling vacations, holidays and sick leave.
- E. Time and attendance records should be maintained and approved in writing by the principal (or his designee) prior to payroll processing.
- F. A separate imprest basis payroll bank account can be maintained by large schools.
- G. All payroll disbursements should be made by prenumbered checks.
- H. Payroll registers should be reviewed and initialed by the authorized check signer.
- I. Taxes (federal, state and FICA) must be withheld from the wages of all employees and must be paid when due.
- J. All employees are to receive W-2 forms at the end of the calendar year. Payments made to individuals or unincorporated companies functioning as independent contractors must be totalled during the year. A Form 1099 must be prepared and given to any person or unincorporated entity receiving \$600 or more from the parish for services rendered during the calendar year.
- K. Cash payrolls of any kind are not allowed.

#### D. School Organizations

School organizations are associated with the school by reason of their involvement in raising funds for specific projects or for the general operations of the school. Some examples are Athletic Booster Club, Parents Club, Band Boosters, etc. In some instances these groups want to maintain their own checking or savings account, and they want to influence how the funds which they raise are to be spent.

While the monies may be handled by the school organizations, the funds have been raised in the name of the school for school-related activities. The school must therefore have control over the raising, handling and disbursement of these funds. The following rules should apply to all school auxiliary organizations:

1. School organizations are to prepare a budget and annual plan which is to be submitted to the school for review and approval. The principal, in turn, should communicate the school's needs to each auxiliary organization.
2. School organizations are to present an Income and Expense Statement to the principal on a regular basis. Reports should be submitted monthly, quarterly or annually, based upon the decision of the principal.

3. The school and/or the local School Board should provide guidelines as to the types of activities in which school organizations are allowed to engage, and how they can spend the funds which have been raised.

4. No salaries are to be paid directly to employees or others by a school organization, e.g., coaching stipends. If a group raises funds for salaries, the funds are to be given to the school and payments are to be made to employees through the school's payroll system.

5. At the end of each fiscal year, the funds raised by school organizations which remain in their checking account are to be turned over to the school to be used for the operating budget. School organizations may retain a small balance with which to start their new year. Accountability is to be maintained by the school over these groups. The following page is a sample Income and Expense Statement which can be used by school organizations in reporting their activities to the principal.

**Exhibit II**

School Name

\_\_\_\_\_ Club

Sample Income and Expense Statement

June 30, 20\_\_

Cash Balance at Beginning of the Year \$ \_\_\_\_\_

**INCOME**

Dues \$ \_\_\_\_\_

Raffle \_\_\_\_\_

Awards Dinner \_\_\_\_\_

Miscellaneous \_\_\_\_\_

Total Income \$ \_\_\_\_\_

**EXPENSE**

Raffle Expenses \$ \_\_\_\_\_

Awards Dinner Expense \_\_\_\_\_

Funds Transferred to the School \_\_\_\_\_

Athletic Expenditures:

New Football Uniforms \_\_\_\_\_

Wrestling Mats \_\_\_\_\_

New Scoreboard \_\_\_\_\_

Football Equipment \_\_\_\_\_

Refreshments \_\_\_\_\_

Miscellaneous \_\_\_\_\_

Total Expense \$ \_\_\_\_\_

Cash Balance at End of Year \$ \_\_\_\_\_

## V. Financial Statements and Reports

### A. School Financial Statements

Financial statements are important tools which can be used by pastors and principals in planning and controlling all aspects of the school's program. The following principles should govern the preparation and use of financial statements:

- The format should remain simple and easy to read.
- The format should provide information in a form that is useful for pastors, principals and other decision makers.
- The format of financial statements should be the same as the Chart of Accounts and the Budget.
- Financial statements should be prepared at regular intervals (monthly).
- Financial statements should be printed and distributed to all who need the information. A summary format should be given to or shared with parents (see example at Exhibit III).

An Income and Expense Report should be prepared by all schools monthly. The Income and Expense Report should conform to the Chart of Accounts and should contain the following headings:

<u>Acct No.</u>	<u>Account Title</u>	Current Month <u>Actual</u>	YTD <u>Actual</u>	Annual <u>Budget</u>
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**Exhibit III**

Sample Monthly Financial Report to Parents

Average tuition and fees per pupil	\$ 1,500
Average cost per pupil	2,000
Total School Revenue in October	59,500
Total School Expenses in October	63,200
Net deficit for the month	(3,700)
Cash balance, October 31	115,700
Commitments for November	66,500

Note: This format is only an example. Principals may decide how much detail they wish to communicate to parents. The key is to communicate something to them.

## B. Archdiocesan Reports

The following reports are required from all schools by the Office of Financial Services:

1. Monthly financial reports are reviewed in QuickBooks online by the Catholic School Financial Coordinator and should be up to date in a timely manner.
2. A profit and loss statement is to be included with your annual parish financial report and submitted to the Department of Financial and Administrative Services by July 31<sup>st</sup>.
3. The school budget template is due on March 15<sup>th</sup> for the subsequent school year. A revised school budget template based on actual fall enrollment and staffing must be submitted to the Catholic School Financial Coordinator annually by October 1<sup>st</sup>.

## VI. Payroll Procedures

When one considers that school payments for salaries represent approximately seventy to eighty percent of all school expenses, the importance of complete and accurate payroll records cannot be over-emphasized. It is essential, therefore, that payroll methods, systems and forms be maintained in accordance with good accounting practices. The following instructions are minimum requirements. However, some schools with very large enrollments may wish to use more elaborate procedures which would still provide the essentials described here.

### A. Labor Relations and Tax Regulations

In general, under both Federal and State labor laws, a regular time work week consists of a maximum of forty hours, after which overtime commences. Overtime pay must be computed at a rate of 1½ times the employee's regular hourly rate of pay for those hours worked in excess of the forty hours. Wages must at a minimum meet the Federal minimum wage rate.

Whether an employee is paid daily, weekly or monthly, all phases of the law are based on a work week. The work week may begin on any day and hour of the week as established by the employer. Pay periods for two or more weeks or for a month may not be averaged out for the sake of overtime or minimum wages. Both Federal and State regulations require posting of a sign "Notice to Employees" where employees can readily see it. These signs may be obtained from the U.S. Labor Department, Wage and Hours Division and the State Department of Labor. Certain other requirements are covered under succeeding sections of this section entitled Personnel Records and Payroll Records.

Both Federal and State laws provide definitions which have an important bearing on payroll treatment of amounts paid to employees; rules for preservation of records; and requirements as to reports. Annually the school should obtain copies of the Federal Employer's Tax Guide, Circular E and the Louisiana Instructions for Employers and Tax Withholding Tables. The following are definitions which should be understood by all pastors and principals:



1. Employer – An employer is a person or organization for whom a worker performs a service as an employee. The employer usually gives the worker the tools and place to work and has the right to fire the worker.
  
2. Employer Identification Number (EIN) – The school and/or the parish has both a Federal and State employer identification number which must be shown on certain tax forms used by the parish and school.
  
3. Employee – Anyone who performs services is an employee if you, as an employer, can control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you control the method and result of the services. If an employer-employee relationship exists, it does not matter what it is called. It also does not matter how payments are measured or paid. See Part VI. G. for a discussion of independent contractors.
  
4. Wages – Wages include all pay you give an employee for services performed. It includes salaries, vacation allowances, bonuses, etc. It does not matter how you measure or make the payments.
  
5. Social Security – All employees of the parish and school are subject to Social Security Tax. The only exceptions are payments made to religious employees.
  
6. Income Tax – Amounts are, or are not, withheld from earnings of employees based on the number of their withholding allowances or exemptions and the tax tables in the Federal and State Publications mentioned in the first paragraph of this section.
  
7. Preservation of Records – Time records must be preserved for a period of four years and payroll records for five years.
  
8. Forms and Reports –The following forms and reports are the general responsibility of the (parish and) school:

Tax Deposits and Reports

<u>Federal</u>	<u>State</u>	<u>Form Description</u>
<u>Form#</u>	<u>Form#</u>	
8109	L-1	Tax Deposit
941	L-1	Employer's Withholding Return
W-2	L-2	Wage and Tax Statement
W-3	L-3	Reconciliation of Tax Withheld
W-4	L-4	Withholding Exemption Certificate

## B. Personnel Records

The school should have an employment application, teacher contract and/or authorization form for each employee which should include at least the following information:

- Name, home address and telephone number.
- Date of birth, sex and marital status.
- Schooling and previous employment.
- Appropriate contact, in case of illness or accident.
- Date hired and job title.
- Number of assigned hours and salary or rate of pay.

Some schools may also wish to have a performance record on each employee. The larger office supply stores carry standard forms of employment applications, authorizations and performance records.

In addition to the above, the Office of Catholic Schools has stringent requirements with regard to pre-employment screening of employees, teacher contracts, salary scales, etc. Please ensure that your school complies with these guidelines.

Both Federal and State laws require that a record be kept of hours worked in each workday and each workweek. Any method of keeping time is satisfactory, as long as it is accurate and shows all hours worked each day. Some of the more usual types of time records are time sheets, time slips or a time clock.

## C. Payroll Records

Payroll records consist of completed time records, payroll register or other individual earnings records, the paycheck stub and the disbursements journal. The payroll register or other individual earnings should contain each employee's name, address, social security number, marital status, job title, assigned hours, rate of pay, gross earnings and deductions per pay period. Columns shall provide for pay period date, gross earnings, deductions for social security, federal and state income tax withholdings, benefits and net pay. There should be sufficient lines on which to record amounts for each pay period and total for each month, quarter and year.

When preparing employees' pay, the school should enter on each check stub the employee's name, gross earnings, social security, federal and state withholdings, other deductions and net pay. The employee's direct deposit should reflect the amount of the net pay. The school should post to the Cash Disbursement Journal from the check stubs. Payments to employees for bonuses, gifts, appreciation, etc. should be made by direct deposit and included in the employee's total earnings for the year whether or not taxes were withheld from these payments. Schools using computerized payroll systems should ensure that their system complies with all payroll procedures discussed in this section.

#### D. Tax Deposits and Reports

The school is financially responsible for amounts withheld for social security and income taxes withheld from its employees' pay. It is also responsible for its share of employer social security taxes equal to the amount of social security withheld from its employees' pay. The timing of payments for the amounts withheld for both the federal and state governments vary depending upon the amount owed. Check with your respective federal and state employer's tax guides to ensure that you are remitting these payments at the appropriate time.

At the end of each calendar quarter, the school must prepare and submit federal and state reports listing applicable amounts for all employees paid during the quarter. The federal report which is to be submitted is Form 941 "Employer's Quarterly Federal Tax Return," and the state report which is to be submitted is Form L-1 "Employer's State Withholding Return." These reports are both due to the respective agencies by the last day of the month following the quarter's end.

At the end of the calendar year, the school must also prepare and submit an annual report covering each employee paid during the year. For each employee, determine the gross earnings, taxes and benefits withheld and net pay for the entire year. Complete a Form W-2 (four parts) for each employee. One copy is to be provided to the federal and state governments, the employee and the remaining copy should be maintained by the employer.

#### Please Note

Even though the school's payroll may be processed by an outside bookkeeper or bookkeeping firm, the school is still responsible for ensuring that all of the prescribed payroll procedures are performed. Also, the school must have copies of all applicable forms and reports for its records. Pastors, principals and bookkeepers can individually and collectively be held liable for the failure to withhold and remit the appropriate amount of employment-related taxes to the federal and state governments.

## E. Employee Benefits

All eligible school employees must be offered full and complete participation in all available Archdiocesan fringe benefits. The following rules apply with regard to these benefit programs:

1. Retirement Plan. All employees who work twenty hours or more must be given the opportunity to participate in the Archdiocesan Pension Plan. The employee may choose to have withheld from current earnings his/her contribution (3%-16% of gross salary or wages). The school, as the employer, must match at 3.5% and must contribute an additional 2% for the cost of administering the benefit plan. Therefore, the total contribution to be made by the school on behalf of all employees enrolled in the Archdiocesan Pension Plan is 5.5%. All employees who are offered participation in the plan but decline must have signed a form stating this refusal. This form must be retained by the school in the employee's personnel/payroll file.

2. Hospital and Medical Insurance. Health coverage is to be made available to all benefit eligible time employees. The school must pay a fixed amount toward the cost of the health coverage. The fixed amount is communicated to the school annually at the appropriate time. Health care costs in excess of this amount, including dependent coverage, are paid by the employee. All employees who were offered participation in the health coverage benefits but declined must have signed a form stating this refusal. This form must be retained by the school in the employee's personnel/payroll file. Part-time employees who work twenty hours or more a week may participate in the school's health plan, but the school should participate in the cost of this benefit on a prorated basis.

## F. Independent Contractors

As stated earlier, all employees must have the appropriate amount of FICA, federal and state taxes withheld from their gross salary or wages, depending on their allowances or exemptions. However, there may be instances where a school may have a person or persons who are self-employed performing various duties for the school such as maintenance, landscaping, lawn work, bookkeeping, etc. Payments to these self-employed persons or independent contractors are made without any tax withholdings. Special care should be taken in this area, as the Internal Revenue Service often views this area as one which employers tend to (intentionally or unintentionally) abuse. Therefore, the following is a list of several factors or criteria used by the Internal Revenue Service to determine whether or not a worker is an independent contractor:

1. The hours worked by the independent contractor are not regulated. He/she sets his/hers own hours.
2. The independent contractor hires his/her own employees.
3. The independent contractor supplies his/her own tools, materials and instruments.

4. The independent contractor's services are available to the public.
5. The independent contractor is paid by the job, not by the hour.
6. The independent contractor is responsible for his/her own liability, health, workmen's compensation and other insurance.
7. The independent contractor pays for his/her own expenses.
8. The independent contractor has his/her own place of business.
9. The independent contractor's work requires specialized training and experience.
10. The independent contractor cannot be terminated at will (this is an employee). His/her contract must be terminated in accordance with the requirements as mandated in the contract.
11. Independent contractors do not receive bonuses.
12. The independent contractor should have any and all licenses that are needed to perform his/her work.
13. Most importantly, the school can control the ends (results) of the work, but not the means (the way the work is to be performed).

The above are only some of the factors used by the Internal Revenue Service to evaluate whether or not a worker is an employee or an independent contractor. All of the factors are equally important, therefore having only two or three does not eliminate the need to have them all. Pastors and principals must ensure that many (if not all) of these factors are present in its dealings with self-employed persons. Any payments of \$600 or more to any self-employed individual or unincorporated business must be reported annually on a Form 1099-Misc. in the box labeled "Non-Employee Compensation." You must also obtain a Form W-9 "Request for Taxpayer's Identification Number" from any nonincorporated business so that you can prepare the Form 1099-Misc. at the end of the calendar year.

Examples:

1. A self-employed person cuts the grass and performs other landscaping duties for a school. He is paid \$300 per week. This person has and uses his own equipment, hires and pays two student assistants, has an office out of his own home and markets his services to the public. This person could rightfully be treated as an independent contractor by the school since he meets the majority of the criteria previously discussed. In this instance, the school would supply this individual with a Form 1099-Misc. for the total payments made to him during the calendar year.

2. A brother-in-law of the school's secretary regularly cuts the grass for a local school and performs other miscellaneous duties as directed. He works three days a week at \$10.00 an hour. He must sign in and out on the days he works. He works exclusively for the school and is paid on the same days as the school's regular staff. A review of the above criteria would indicate that this person is an employee of the school and should be treated as one. Specifically, taxes should be calculated and withheld from his earnings and he should receive a Form W-2 at the end of the calendar year.

While the above examples may make this issue seem "cut and dry", it is the numerous situations that fall somewhere in between these two extremes that present challenges to school administrators (and pastors). Therefore, a word to the wise is sufficient, be sure your self-employed workers are truly independent contractors! If a principal or pastor is unsure of the appropriate classification of any of his current workers, he should consult with the Office of Financial Services.