



STATE OF TENNESSEE
DEPARTMENT OF EDUCATION
6th FLOOR, ANDREW JOHNSON TOWER
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-0375

PHIL BREDESEN
GOVERNOR

TIMOTHY K. WEBB, Ed.D.
COMMISSIONER

MEMORANDUM

TO: Directors of Schools
Finance Directors

FROM: Wesley Robertson *WR*
Executive Director of Local Finance

DATE: August 24, 2009

SUBJECT: Transfer from 141 to 142

The Tennessee Department of Education (TN DOE) has been made aware of cash flow shortages in the School Federal Project Fund (142), which can also result in an audit finding if there is a cash overdraft at June 30th. In order to provide operating funds until federal reimbursement of grant expenditures are received by a LEA, it may become necessary for local officials to authorize the transfer of available undesignated fund balance from the General Purpose School Fund (141) to the School Federal Project Fund (142) sub fund (999). This transfer should be a sufficient amount for the stated purpose. The resolution should specify the amount of the transfer and indicate that the transfer is restricted for the purpose of providing operating funds for federal reimbursement of grant expenditures. Attached is an example of a resolution. These transferred funds would remain in the School Federal Project Fund (142) sub fund (999) indefinitely or until the School Board and/or Funding Body (County Commission or City Council) act to transfer the funds back to the General Purpose School Fund (141).

The transfer from the General Purpose School Fund (141) would be accounted for as an Operating Transfer Out (99100) and a reduction of Cash with Trustee (11140), which reduces the undesignated fund balance of the General Purpose School Fund (141). The transfer into the School Federal Projects Fund (142) sub fund (999) would be accounted for as an Operating Transfer In (49800) and an increase to Cash with Trustee (11140), which would become part of fund equity as Designated Fund Balance (35110) in the School Federal Projects Fund (142) sub fund (999). The local Board of Education should not transfer excessive funds from the General Purpose School Fund (141) to the School Federal Projects Fund (142) sub fund (999) to intentionally reduce the fund balance of the General Purpose School Fund to manipulate the budgetary process.

Cc: Timothy K. Webb, Ed.D, Commissioner
Robert W. Greene, Deputy Commissioner
David Bowling, Director of Local Finance, Comptroller of the Treasury
Jim Arnette, CGFM, CCP, CISA, Director of County Audit, Comptroller of the Treasury
Dennis F. Dycus, CPA, CFE, CGFM, Director of Municipal Audit, Comptroller of the Treasury

Enclosure

**RESOLUTION TO TRANSFER FUNDS FROM GENERAL PURPOSE SCHOOL FUNDS TO
FEDERAL PROJECTS FUND FOR FISCAL YEAR ENDING JUNE 30, 2009**

WHEREAS, Federal Projects grants operate on a reimbursement basis and funds are requested from the State of Tennessee by *Volunteer School District* for non-payroll expenditures on a monthly basis; and,

WHEREAS, the Federal Projects Fund operates with a cash deficit at various times throughout the fiscal year due to a slow turn-around time for reimbursements from the State of Tennessee; and,

WHEREAS, Generally Accepted Accounting Principles (GAAP) consider a cash deficit in any fund to be a significant deficiency in internal control; and,

WHEREAS, *Volunteer School District* does not desire to operate any fund with a cash deficit.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Education of *Volunteer School District*, a school district in Tennessee, meeting in *called* session on this 30th day of June, 2009, and by the County Commission of *Volunteer County*, a county in Tennessee, meeting in *called* session on this 30th day of June, 2009, that:

SECTION 1. The General Purpose School Fund shall transfer \$_____ to the Federal Projects Fund on *June 30, 2009*.

SECTION 2. The \$_____ transfer shall remain in the Federal Projects Fund as a designated fund balance from the General Purpose School Fund and may be repaid at any time as noted in a resolution passed by the Board of Education and County Commission.

SECTION 3. This resolution will take effect on *June 30, 2009*. The Secretary of the Board of Education shall include this Resolution in the minutes of the *Volunteer School District*. The County Clerk shall include this Resolution in the minutes of *Volunteer County*.

Adopted this 30th day of June 2009.

APPROVED:

APPROVED:

Chairman, Board of Education

Chairman, County Commission

ATTEST:

ATTEST:

Secretary, Board of Education

County Clerk