

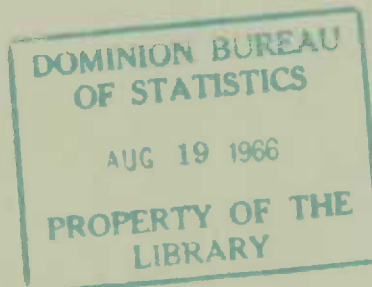
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A MANUAL OF ACCOUNTING
FOR SCHOOL BOARDS



DOMINION BUREAU OF STATISTICS

Education Division



DOMINION BUREAU OF STATISTICS

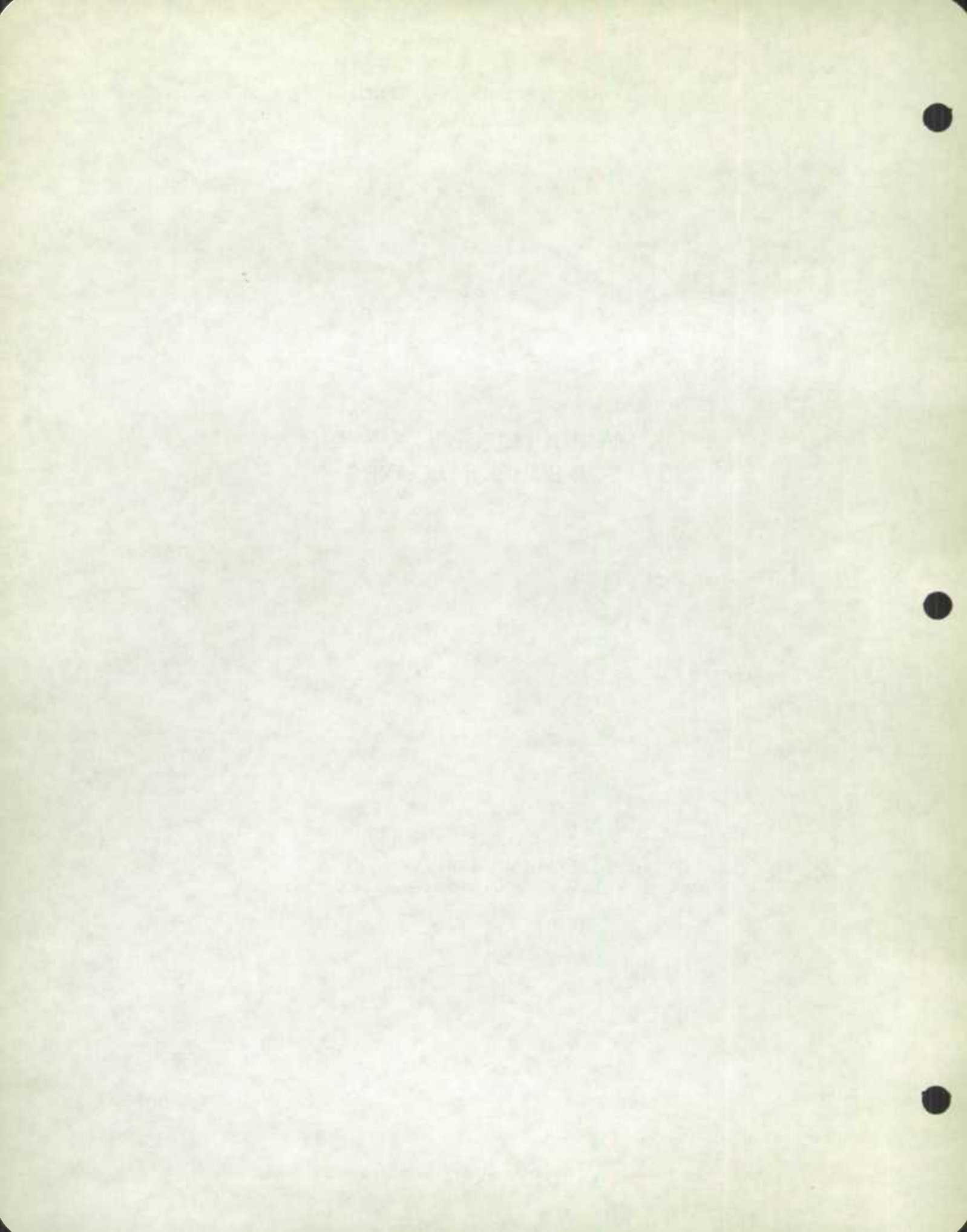
Education Division

A MANUAL OF ACCOUNTING
FOR SCHOOL BOARDS

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PREFACE

This manual replaces the Manual for School Secretary-Treasurers issued by the Queen's Printer in 1944 which was designed to assist in completing financial statements with a view to increasing the completeness and comparability of records concerning the provincial school systems. The former manual was prepared following a Federal-Provincial conference which provided for a committee of seven provincial, federal and other personnel to undertake its preparation. Although extremely valuable at the time of publication, the manual has been out of print for many years and changes in school organization and accounting procedures reduced its value.

The present manual was proposed at a Federal-Provincial Conference on Education Finance, November 22-24, 1961, at which meeting a committee was appointed representing the Atlantic Provinces, Quebec, Ontario, the Western Provinces and DBS. Members were Mr. C.W. Smith, Mr. G. Normandeau, Mr. F.S. Wilson, Mr. J.W. Chalmers, Mr. P.L. Maltby and Miss E.R. Cram. During the course of preparation Mr. G. Larose, Mr. B.E. Besteck and Mr. W.B. Bolton took over from Mr. Normandeau, Mr. Chalmers and Miss Cram respectively. Mr. P.L. Maltby provided liaison for meetings of the committee as well as preparing drafts and incorporating the ideas of the committee in the final report. Mr. Bolton of the Public Finance and Transportation Division ensured that this manual is not in conflict with definitions and procedures recommended in the Municipal Finance Reporting Manual.

This manual is offered with the hope that it will be useful to secretary-treasurers, and contribute to greater uniformity in accounting procedures and therefore in the production of uniform statistics.

WALTER E. DUFFETT,

Dominion Statistician.

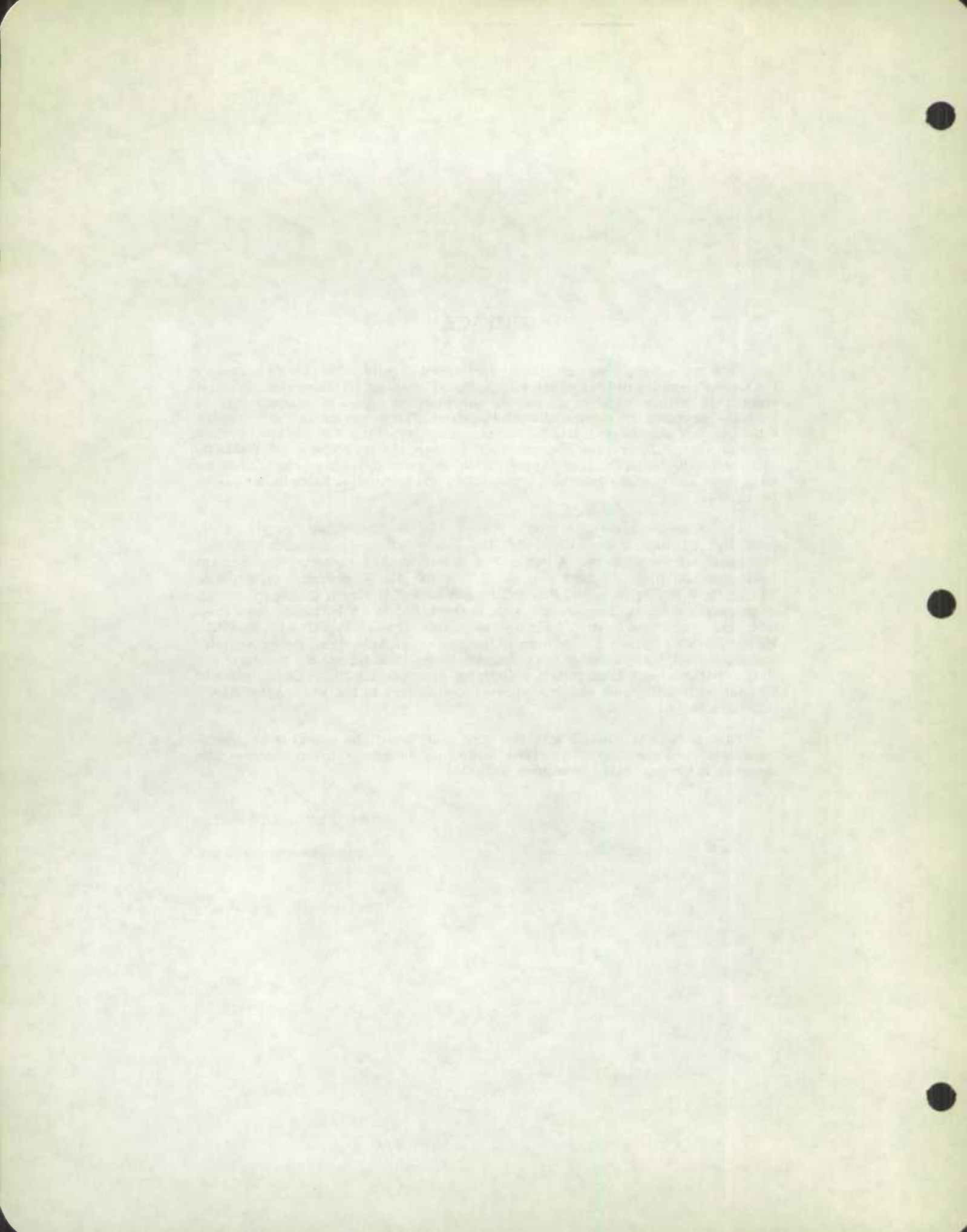
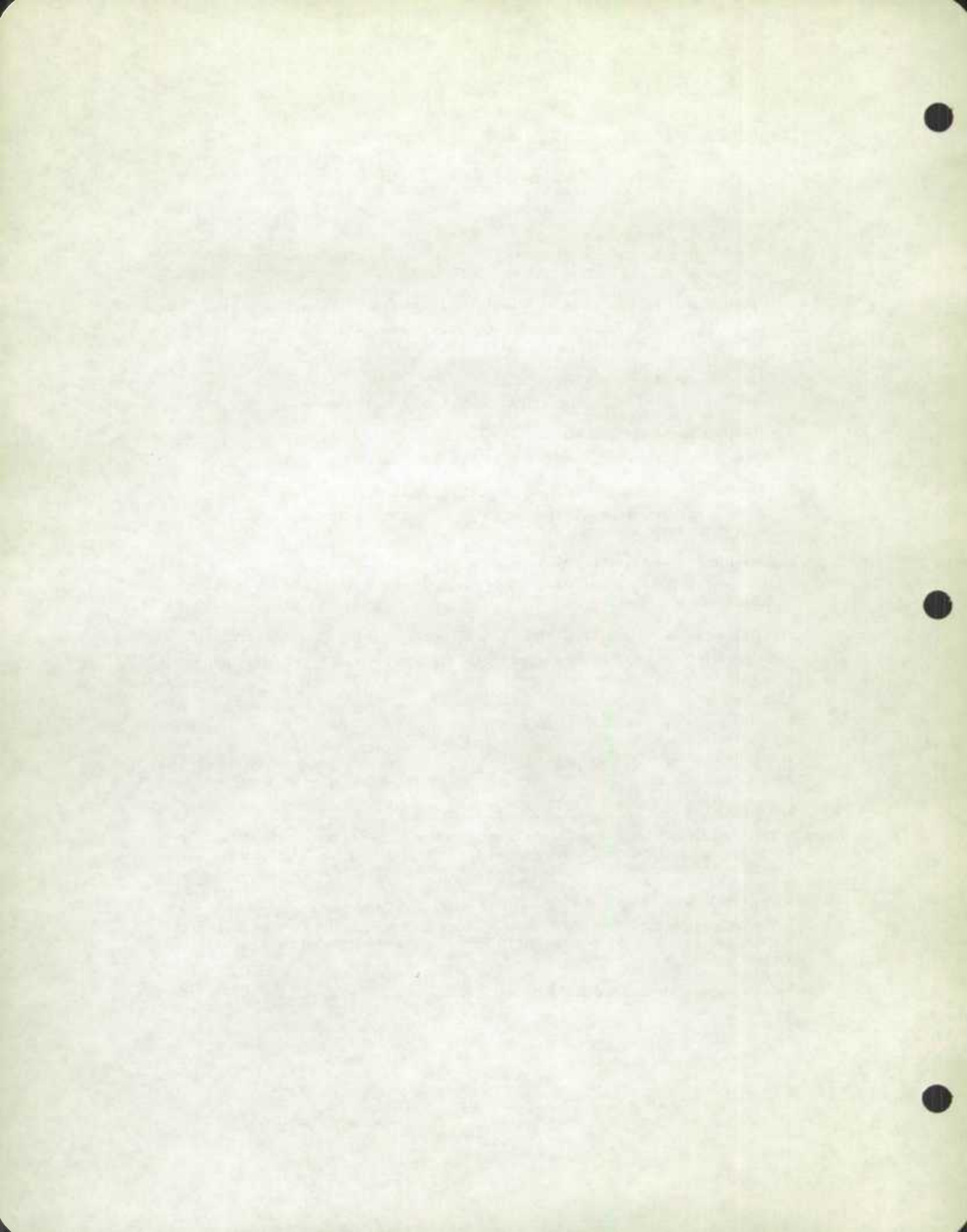


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CHAPTER 1

INTRODUCTION

There are in Canada some fifteen thousand school boards spending, annually, about one and a half billion dollars for the education of the children within their jurisdiction. Although the amount spent by individual boards varies from a few thousand dollars to several millions per year, the money which even the smallest board spends represents a large proportion of the local taxpayers' municipal and provincial tax burden. The foremost responsibility of school trustees is to the pupils in their schools and they are charged with raising the funds to finance the educational facilities which are required or which they consider desirable. They must also be prepared to account for their expenditures and to demonstrate that the best use has been made of the resources at their disposal.

This accounting is usually accomplished through completing a set of financial reports required by the provincial department of education, and making the information contained therein available to the local taxpayers. These reports are prepared from books of account maintained by the school board secretary-treasurers, many of whom are not trained accountants, but are conscientious citizens doing the job voluntarily or for a very small fee. It is for these officials that this manual is primarily intended; its aim is to help them to operate a simple system of bookkeeping which will enable them to account for their income and expenditure and to complete the reports required by the department of education. It is, however, expected that professional accountants will find this book of value, particularly those chapters dealing with the classification of accounts, allocation of costs and per pupil costs.

In the preparation of this manual, there has been constant consultation with officials of the provincial departments of education to ensure that it would be adaptable for use in all educational jurisdictions. It is, however, inevitable that each province must make some exceptions to generally accepted practices because of the varying requirements of provincial departments of education. This manual should, therefore, be read in conjunction with the instructions which normally accompany the annual financial statements required by these departments.

The assistance given by the provincial departments in the preparation of this manual has been indispensable. The reasons for their interest in complete accounting and accurate reporting need not be stressed here for they are sufficiently obvious.

The Dominion Bureau of Statistics is concerned with the collection and publication of complete, accurate and comparable information on educational expenditures in all the provinces. School boards are responsible for over two thirds of these expenditures and the accuracy of their returns is, therefore, of great importance. It is hoped that the widespread adoption of this manual will result in the provision of strictly comparable data on the detailed income and expenditure of school boards in every province. Such data will, it is anticipated, be of use and interest to trustees and educational administrators who will be able to compare the financial operations of their boards with those of similar boards throughout Canada.

The efficient financial administration by every board is essential to ensure that the resources available for the support of education are put to the best possible use. In brief, the aims of this manual are:

To order the work of the secretary-treasurer.

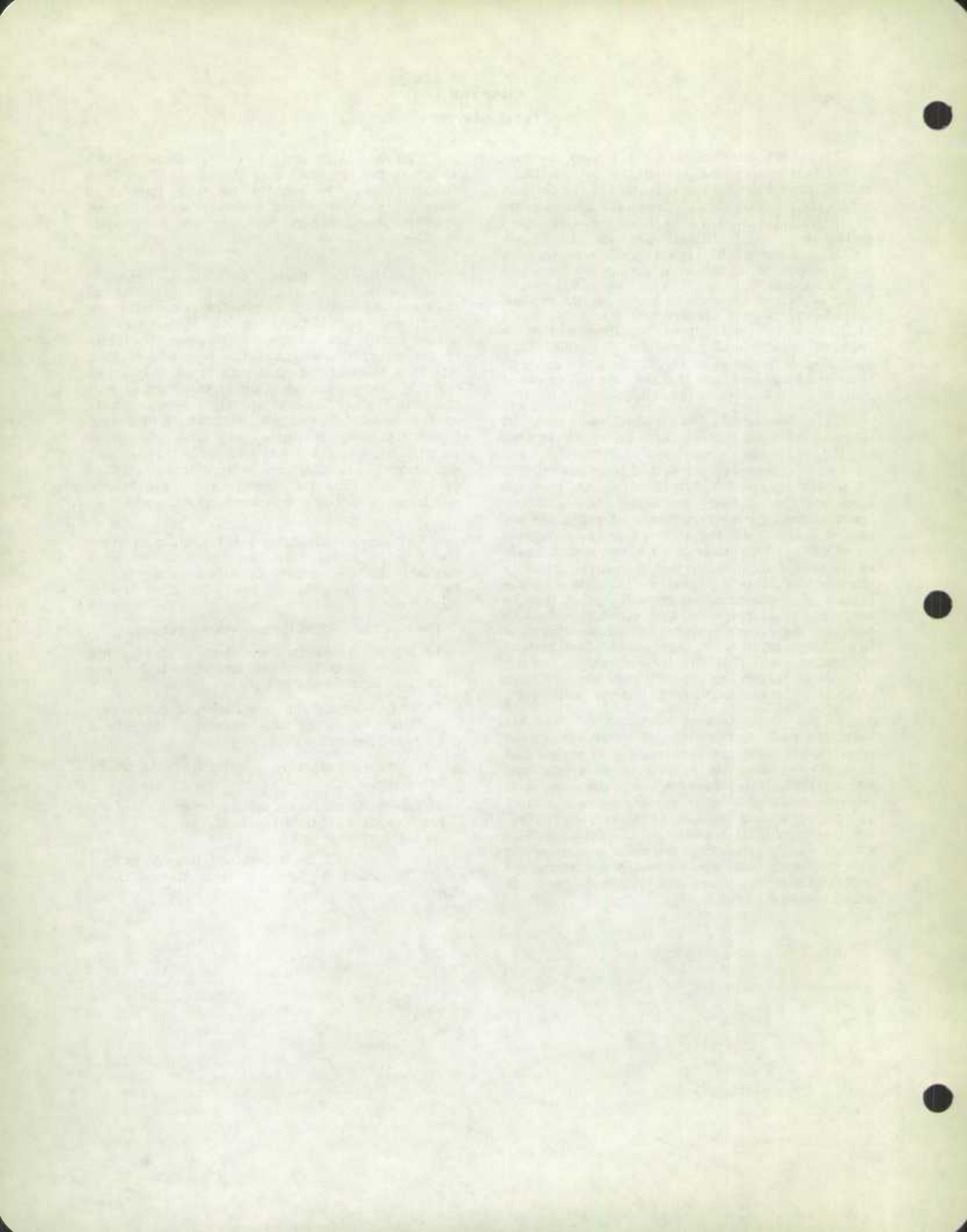
To provide a uniform classification of accounts so that valid comparisons can be made between similar boards in any province.

To make possible the compilation of comparable statistics on income and expenditure, on capital costs and debenture debt.

To enable comparable per pupil costs to be calculated.

To improve the accuracy and coverage of all other financial data published by DBS.

Its value will be determined largely by the extent to which it succeeds in achieving these objectives.



CHAPTER 2

A BRIEF OUTLINE OF ACCOUNTING FOR SCHOOL BOARD FINANCES

One of the primary objects of this manual is to provide some guidance for those secretary-treasurers who have had no opportunity of formal training in accounting or bookkeeping. Although it is not possible in a manual of this sort to give a complete outline of accounting procedures, this chapter aims at drawing attention to the more important aspects of the secretary-treasurer's accounting duties. Further information can be found in any good, up-to-date text book on bookkeeping or public accounting.

General Procedures

Before going on to give a detailed description of accounting we must draw the reader's attention to the need for businesslike procedures. A school board is not a business, in the sense that its main objective is to make a profit, but it is responsible for the expenditure of public funds. The secretary-treasurer should therefore, be sure that all his transactions are carried out in an efficient, businesslike manner. All entries should be both accurate and complete and should be made promptly. It is impossible to place too much emphasis on these requisites. Books which are inaccurate or incomplete will be, at best, misleading, and at worst may lead to breaches of the law. Delay in making entries will often lead to inaccuracy. As time passes it becomes more and more difficult to remember the exact circumstances of a transaction and consequently the possibility of error increases.

In keeping accurate books, a proper system of filing and record keeping is essential. All documents such as invoices, receipts, etc. relating to the financial transactions of the school board should be kept by the secretary-treasurer, and kept in such a way that they can be readily found whenever they must be referred to. This will involve the operation of a filing system. The nature and complexity of the filing system will, of course, depend upon the size of the organization. For most purposes, documents should be filed either alphabetically or in date order. The secretary-treasurer will have to decide which type of filing system will be most appropriate for the documents with which he has to deal.

Two useful devices for checking the accuracy of the bookkeeping are the Trial Balance and Bank Reconciliation Statement. These will be described later.

A proper system of accounting provides a complete record of every financial transaction in which the board is involved; it enables the board to account for funds and control expenditure; it is a source of information about costs. By fulfilling all these requirements it will be an instrument for the efficient administration of the board's affairs.

Fund Accounting

If proper financial control is to be maintained, the various assets of the board must be used for those purposes for which they are intended. For example, money raised by the sale of debentures should be used only for the purpose for which the debentures were issued. To ensure this proper separation of assets, different funds must be set up for each separate and specific activity of the board.

A fund has been defined as a sum of money or other resources set aside for the purpose of carrying on specific activities in accordance with specific regulations, restrictions or limitations and constituting an independent accounting entity. Most secretary-treasurers will find it preferable to have a separate bank account for each of the funds they operate. Although this is not essential if separate sets of accounts are used for each fund, it simplifies some accounting procedures, and helps to avoid any possible confusion between the monetary assets of the different funds.

All boards must operate a **Current (Operating) Fund** which records all transactions concerned with current operations. In addition, a board should operate the following funds if it is engaged in any of the appropriate activities.

Capital (Building) and Loan Fund. — To record all transactions in moneys and other assets earmarked for use in acquiring school sites, buildings, equipment for new buildings, additions to existing buildings and major equipment additions.

Trust Fund. — To record the management assets received and held by the board as trustee, to be expended in accordance with the conditions of the trust.

Other Special Funds. — To record the operations of the ancillary and other special services, i.e., dormitories, hostels, or residences; teacherages; cafeterias; bookstores; textbook rental schemes; caution fees, locker fees, etc.

A more detailed discussion of each of the above funds will be found in Chapter 7.

Accrual Accounting and Cash Accounting

There are two bases of accounting which may be used — the accrual basis and the cash basis. The preferred method is the accrual basis, under which all revenues are recorded when earned or when levies or requisitions on municipalities are made, even though no cash has been received. Expenditures are recorded as incurred, when the goods are received or the services rendered. From these records a statement of revenue and expenditure is prepared. For example, supposing Board A arranges

for the education of its pupils at a school operated by Board B, during the year 1964, at a fee of \$1,500, Board A does not make payment until 1965. Under the accrual system the \$1,500 is charged to tuition fees for 1964, the year in which the education was received. The accounts will thus reflect the actual cost of education for the year 1964.

The cash basis of accounting does not provide such clarity, but some secretary-treasurers may find it simpler to operate. The cash basis involves a record of cash transactions and from this record a statement of Receipts and Payments is drawn up. Receipts are recorded when the cash or cheques are actually received, regardless of when they were earned, and payments are entered only when they are made, regardless of when they were incurred.

In addition money received from or repaid on loans is regarded as a receipt or payment, even though it does not affect the operating costs of the board. That is to say, the board's cash position is not permanently improved by borrowing money in the same way as it is by receiving grants or fees. To follow the example in the paragraph above, \$1,500 would not be charged to tuition fees until 1965 by Board A, although the liability was incurred in 1964 and was properly a part of the cost of education for 1964. It can easily be seen that this system does not give a true picture of the financial condition of the board, or of the cost of education for a particular year. However, if sufficient information on accounts receivable and accounts payable is available, it is possible for an auditor to prepare a statement of revenues and expenditures from books kept on the cash basis.

Single Entry Bookkeeping

The keeping of proper records is one of the most important duties of the secretary-treasurer and, with the advice of his trustees and auditor, he should decide whether the system of bookkeeping he is at present operating provides all the information required for efficient administration.

In a very small board, operating only one or two classrooms, the books may be kept on a single entry bookkeeping system. Only the following basic records will be used.

1. Cash book.
2. Duplicate receipt book (pre-numbered and stamped with name of the board. These are obtainable from any stationers).
3. Duplicate bank deposit book (which the bank will issue on request).
4. Cheque book with stubs or duplicates - pre-numbered. Current accounts are recommended as cancelled cheques will be returned along with bank statement.

Each of the board's financial transactions will be recorded on either the receipts side or payments side of the cash book and this entry will be the only record made of the transaction other than what appears in the supporting documents - Receipt book, bank deposit book and cheque book.

Cash Book - Receipts

A receipt signed by the secretary-treasurer should be issued for all moneys received and a duplicate kept in the duplicate receipt book. Cash and cheques received should be deposited in the bank as soon as possible and the duplicates of the deposit slip receipt-stamped by the teller. These documents provide evidence of receipts and deposits to support entries recorded on the receipts side of the cash book. (Form A is an example of the type of book which should be used for this purpose.) It should show:

1. Date of receipt
2. Number of duplicate receipt.
3. Details of source, (i.e. the name of payer and purpose of payment).
4. Account number. (This will simplify the summarizing of the entries at the end of the year. See Chapter 4).
5. Record of bank deposits.
6. Total amount received.
7. Amount of receipt entered in appropriate column.
8. A column for the auditor's check mark.

Where the number of entries to be made on the receipts side of the cash book is very small, it may not be necessary to have separate columns for each major source of revenue. The secretary-treasurer can use his discretion in deciding how many columns he requires for recording receipts. The important point to bear in mind is the need for accuracy in recording and in allocating receipts to the correct divisions and subdivisions set out in Chapter 4.

Cash Book - Payments

There must be proper authorization for all payments. The following documents are necessary to support all entries on the payments side of the cash book.

1. Board minute authorizing the payment.
2. Invoice or other evidence of material or service delivered.
3. Receipt or cancelled cheque endorsed by the payee.

No payments should be made in cash except from petty cash.

Petty Cash - Imprest System

In discussing disbursements, the statement was made that normally all payments should be made by cheque as this is a way to achieve effective internal control. There are occasions, however, when it is certainly more efficient to make very small payments by cash. If such payments are to be made, they should be handled from a petty cash fund set up on the imprest system, i.e. a fund which is established as a fixed amount for which the person in charge is held personally accountable.

In setting up and operating a petty cash fund the following rules should be observed:

1. Amount should be no larger than is necessary - \$25 to \$50 is generally adequate.
2. Fund should always be completely under the control of one person.
3. A limit should be placed on size of payments to be made from fund.
4. Receipts should be obtained for all payments.
5. Cash on hand in the petty cash fund plus receipts on hand should always add to the fixed amount of the fund.
6. Fund should be reimbursed by the person in control requesting a cheque from the general bank accounts, supporting the request by receipts totalling the amount of the cheque.

The original cheque setting up the petty cash fund will be set up as an asset in the general ledger accounts, and all subsequent cheques written to reimburse the fund will, of course, be charged to expense, according to the nature of the disbursements.

The payment page(s) of the cash book (Form B provides an example) should provide for the following items.

1. Date of payment.
2. Cheque number.
3. Detail of payment.
4. Account number. This will simplify the summarizing of the entries at the end of the year. See Chapter 4.
5. Payment distributed in appropriate column.
6. A column for the auditor's check mark.

CASH RECEIPTS

Date	Rec. No.	Details	Acct. No.	Bank* (Memo)	Total Received* Dr.	Local Taxation Cr.	Prov. Govt. Cr.	Federal Govt. Cr.	Fees from Indivs. Cr.	Other Boards Cr.	Other Sources Cr.	Audit √

* The total of each of these two columns should be the same and should agree with the sum of the totals of the distribution columns.

PAYMENTS (Cheque Register)

Date	Cheque No.	Details	Acct. No.	Total* Payment Cr.	Business Admin. Dr.

* The total of this column should agree with the sum of the totals of the distribution columns.

Instruction Dr.	Other Educational Services Dr.	Plant Operation and Maintenance Dr.	Pupil Transportation Dr.	Other Boards Dr.	Ancillary Services Dr.	Debt Charges		Capital Expenditures Dr.	Audit √
						Principal Dr.	Interest Dr.		

Cash Book - Payments

There must be proper authorization for all payments. The following documents are necessary to support all entries on the payments side of the cash book.

1. Board minute authorizing the payment.
2. Shipping invoice or other evidence of material or service delivered.
3. Receipt and cancelled cheque endorsed by the payee.
4. Signed copy of receiving slip.

Form D is an example of the type of record suitable for the payment side of the cash book. Not all boards will feel that the account number sub-columns are necessary and these boards will decide where they wish to record the account number to which the item is posted. Here, as elsewhere in the manual, the form illustrated is intended only as an example and as an indication of what information should be recorded. It should provide for the following items.

1. Date of payment.
2. Cheque number.
3. Details of payment (name of payee and purpose of payment).
4. Bank credit column (i.e. the amount of the cheque).
5. Columns for the distribution of the payments subdivided to show the number of the account debited and the amount.
6. General Ledger column subdivided between debit and credit.

Petty Cash - Imprest System

In discussing disbursements, the statement was made that normally all payments should be made by cheque as this is a way to achieve effective internal control. There are occasions, however, when it is certainly more efficient to make very small payments by cash. If such payments are to be made, they should be handled from a petty cash fund set up on the imprest system, i.e. a fund which is established as a fixed amount for which the person in charge is held personally accountable.

In setting up and operating a petty cash fund the following rules should be observed:

1. Amount should be no larger than is necessary - \$25 to \$50 is generally adequate.
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4. Receipts should be obtained for all payments.
5. Cash on hand in the petty cash fund plus receipts on hand should always add to the fixed amount of the fund.
6. Fund should be reimbursed by the person in control requesting a cheque from the general accounts, supporting the request by receipts totalling the amount of the cheque.

The original cheque setting up the petty cash fund will be set up as an asset in the general ledger and all subsequent cheques written to reimburse the fund will, of course, be charged to expense, according to the nature of the disbursements.

The General Journal

The journal (see Form E) is used for entering, in chronological order, any corrections, adjustments and closing entries. For example, where an expenditure has been posted to the wrong account, the correction should be made by putting a correcting

entry through the journal which records the transfer to the correct account. It is, of course, necessary to post the correction to the appropriate ledger sheet. The journal may also be used for recording transfers between funds and other transactions not involving cash e.g. discount on taxes or write-off.

Current (Operating) Fund

Form E

GENERAL JOURNAL

Date	Detail	Account	Debit	Credit
1963 July 1	Plant operation	931	2.50	
	(Repair and replacements)			
	Capital expenditures	1132		2.50
	To correct allocation of cheque to A. Jones on Page 92 of Cash Book			

The General Ledger

A ledger is a collection of accounts; a separate ledger page (illustrated in Form F) should be opened for each account (as shown in the classification in Chapters 3 or 4) which is likely to be operated during the year.

amount budgeted and the amount actually spent at any date. Some boards may wish to operate a more rigid system of budgetary control.

At the beginning of the financial year the amount budgeted for each account should be entered in the heading of the account, as a memorandum, so that a ready comparison can be made between the

A ledger sheet should, of course, be set up for each revenue account and for each expenditure account. All transactions should be debited or credited, as appropriate, in the ledger. For each account there is thus maintained a complete record of all its related financial operations during the year.

Current (Operating) Fund

Form F

GENERAL LEDGER - EXPENDITURE ACCOUNTS

Fund	Account					No.
<i>Current</i>	<i>Transportation (Contracted)</i>					<i>520</i>
Date	Detail	Folio	Debit	Credit	Balance	
	Budget estimate - memo \$500.					
1963 Jan. 2	Johnson Transport Company		50.00			

Trial Balance

As everyone is liable to make errors it is important that, from time to time, the accuracy of bookkeeping should be checked by taking a trial balance. As errors become more difficult to find the longer they are left, the secretary-treasurer should take a trial balance at regular monthly intervals. The steps in taking a trial balance are as follows:

1. Find the balance of each account by subtracting the smaller side from the larger. For example, if an account has credit items totalling \$200 and debit items totalling \$150 it has a credit balance of \$50.
2. List all the accounts on a sheet of journal paper (i.e. with two account columns) in the order in which they appear in the ledger.
3. In the debit column enter all debit balances and in the credit column enter all credit balances.
4. Add the columns. The totals should be equal because, as we have said earlier, in double entry bookkeeping two entries are made for each transaction, debiting one account and crediting another.

If the two columns balance, it is reasonably safe to assume that the books are accurate, although it is possible that an item has been posted to the wrong account or that there may be compensating errors which may come to light later. If the two columns do not balance, there must be an error in the books and there are certain steps which should be taken. These are:

1. Re-add the two columns in the trial balance.
2. Check the amounts in the trial balance with the balances of each account.
3. Re-add each account to make sure that the balance is correct.
4. Check the additions in the books of original entry.
5. Check that all entries have been correctly posted from the books of original entry.

Sometimes it may be possible to avoid taking all these steps by using short-cuts such as:

1. If only one digit is incorrect there is a high probability that there is a mistake in addition.

2. If the difference is divisible by 9 there is probably a transposition or reversal of digits, e.g. 95 entered as 59.
3. If the difference is divisible by 2 it is possible that some entry may have been posted on the wrong side of an account.
4. If the error is large first check those accounts which are large enough to allow such an error to be made.

The best way to avoid trouble in the trial balance is to take the greatest possible care in making each entry and each posting, and to keep all records up to date.

Two additional books of account which some boards may find it advantageous to maintain are the Purchase Journal and the Payroll Journal.

The Purchase Journal

Although this record is not necessary for the smaller boards some larger ones may wish to include it among their books of original entry particularly where invoices are not paid as soon as they are received.

The purchase journal is a specialized book of original entry in which all purchases on account are recorded. This will probably constitute the majority of purchases made as few goods or services are paid for prior to or at the time of delivery except from petty cash. It should be noted that transactions involving not only goods but also services such as telephone, electricity, etc., should be recorded in the purchases journal, a sample of which is shown at Form G.

As soon as an invoice is received from a supplier, the quantity, type and price of the goods or services actually received should be checked against the goods invoiced. The arithmetical accuracy of the invoice should also be checked. It is helpful if the receiver completes and signs a receiving slip certifying that the goods, as invoiced, have actually been received.

Form G

PURCHASE JOURNAL

Date	Account credited	Accounts payable Cr.	Purchases			Sundries	
			Admin. Dr.	Instrn. Dr.	Pl. Op. Dr.	Name	Amount Dr.
1963							
Mar. 5	Telephone Co.	9.25			9.25		
6	Furniture Supply Co.	105.00				Health Services	105.00
9	Projector Co.	350.00		350.00			
12	Petroleum Co.	93.00				Pupil Trans.	93.00

Next, the purchase invoice, as invoices received by the purchaser are called, should be entered in the purchase journal and the journal page number recorded on the face of the invoice for reference and audit purposes. The Purchase Journal should show:

1. Date of entry.
2. Account credited - a separate ledger account is maintained for each supplier in the accounts payable ledger. His name should be entered here.
3. Accounts payable - the credit entry is always to the account of the supplier and the amount is entered in the Accounts Payable column.
4. Purchases - there are usually several debit columns in a purchase journal. A separate column should be provided for each account for which there will be a substantial number of entries.
5. Sundries - as it is not practicable to provide columns for every account for which purchases might be made this column provides for the entry of miscellaneous purchases.

All items entered in the purchase journal are subsequently posted to the appropriate ledger account. A subsidiary ledger known as the accounts payable ledger should be established if there are a considerable number of suppliers. The only record of accounts payable in the general ledger is one account called the accounts payable control account, which summarizes the entries in the individual accounts in the accounts payable ledger. The total of the accounts payable column should be posted to the accounts payable control account at the end of each month. The credit entries should be posted individually to the accounts of the suppliers each day. The check mark indicates that the postings have been made.

N.B. If a board operates a purchase journal a column for accounts payable will be required in the cash book.

The Payroll Journal

The payment of wages and salaries has developed into a very complicated procedure. No longer is it a simple matter of handing the employee a cheque for one tenth or one twelfth of his annual earnings. There are few employees who do not have two or more of the following compulsory and voluntary deductions, income tax, unemployment insurance, superannuation, hospital and medical insurance, association or union dues, savings plan, etc. Proper payroll operations require the following documents:

- Payroll journal (Form H).
- Employee's earning record (Form I).
- Employee's statement of earnings.
- Employee's cheque.

There are several payroll systems, such as a pegboard payroll which will provide all these documents in one clerical operation, and which are economical for boards with relatively few employees. The secretary-treasurer of a board with several employees should investigate some of these systems. Some boards may find it more convenient to make arrangements for employees' salaries to be deposited directly to their accounts. If an employee leaves before the end of a pay period, relevant information should be entered on his individual pay record and subsequently posted to the payroll journal.

On the employee's earning record is entered each month the details of earnings, deductions and net pay. It is a permanent salary record and provides readily accessible information for the T4 income-tax reports, unemployment insurance reports, etc. The employee's statement of earnings accompanies his pay cheque and informs him of his salary and deductions.

The payroll journal records the same information, being, in effect, a list of the salaries, deductions and net pay of all employees in each pay period. In total it provides the data for drawing the monthly payroll transfer cheque (see below) to payroll bank account, and for drawing cheques payable to the appropriate bodies for income tax, health insurance and other deductions. Sub-totals, by functional classifications provide the details required for classification of accounts. Where the number of staff employed warrants it, the payroll may be divided into appropriate sections with a summary providing the grand totals. A separate payroll should be operated for casual employees.

Boards with very few employees will draw salary cheques on the general bank account but those with a larger staff will find it advisable to open a separate payroll account. Each pay period one cheque is drawn on the general account for the total amount of salaries payable and deposited to the payroll account, on which the individual salary cheques are drawn. This reduces the number of cheques to be entered in the cash book and simplifies the bank reconciliation in the general account by reducing the possible number of outstanding cheques.

Forms H and I are examples of how the payroll journal and employee's earning record might be set up. Additional columns can be added where necessary.

In addition to the books of account dealt with above, the following supplementary records should also be kept.

- The fixed assets register.
- The insurance register.
- The debenture register.

These records are dealt with in Chapter 2.

PAYROLL JOURNAL

Form H

Payroll Period _____ Classification _____ Payroll Date _____

Em- ployee No.	Employee Name	Pay Period	Units Worked	Rate	Earnings			Deductions							Net Pay	Cheque No.	
					Standard	Overtime, etc.	Gross	Income Tax	Unem- ployment Insurance	Health Insurance	Union Dues	Super- annuation	Total				

EMPLOYEE'S EARNING RECORD

Form I

Name _____ Position _____ Rate _____
 Address _____ School _____
 _____ Employee No. _____ Phone _____ Home _____
 _____ School _____

Pay Period	Units Worked	Rate	Earnings			Deductions							Net Pay	Cheque No.		
			Standard	Overtime, etc.	Gross	Income Tax	Unem- ployment Insurance	Health Insurance	Union Dues	Super- annuation	Total					
1																
2																
3																
4																
5																

The Annual Audit

An annual audit of the board's books is a legal requirement in most provinces, and in some of them the audit must be carried out by a member of one of the professional accounting societies. For the benefit of those in provinces where legislation permits laymen to perform this duty and for the information of secretary-treasurers a few words on the subject may be helpful. The following suggestions may also serve to give secretary-treasurers and trustees an idea of whether the audit of their books is being properly carried out.

First of all, the importance of having a capable auditor cannot be too strongly emphasized. In many provinces the choice of auditor is limited by statute or regulation, and the secretary-treasurer should be familiar with these limitations. Where any choice is left to the board it should be careful to choose a person, who not only possesses the legal qualifications for the job, but one who is known to be meticulous, scrupulous and conscientious in his work.

Before the books can be audited they must be in the proper form. This requires that all books should be in good order and balanced, and all records — cash receipts and cash payments book, journal, ledger, receipt books, (and other books of original entry) — made available to the auditor. Since it is an auditor's duty to be critical, adequate proof should be supplied of the authenticity of all transactions of the board. It is also worth bearing in mind that the more accounting work left for the auditor, and the more difficult his task, the higher his fee is likely to be.

Once he is satisfied that the books are balanced and that he has all the records he is likely to need, the auditor should begin by verifying, according to legislation, items in the books of original entry, such as the cash book and general journal.

All balances at the beginning of the year should agree with balances at the end of the previous year. The balance shown in the bank pass book or bank statement, less the total amount of any cheques issued but not yet cashed, should equal the balance shown in the bank account in the general ledger. For all moneys received there should be a duplicate receipt form and preferably a confirming document from the paying body, e.g. a statement of grants from the provincial department of education or of school taxes received from the municipality. For all payments there should be a receipt or a cancelled cheque, an invoice, and a minute of the board authorizing the expenditure. Having satisfied himself of the authority for all entries in the books, the auditor should next check the mechanical accuracy and the correctness of all postings from books of original entry, to the general ledger, payroll record, etc. He is then in a position to check the annual financial statement, if it is drawn up by the secretary-treasurer, or to prepare it himself if it is his responsibility to do so.

In his report to the school board the auditor should not only draw attention to any irregularities or inaccuracies in the accounts, but he should also be prepared to recommend any improvements which he considers necessary to the adequacy of the accounting system.

In other words, the auditor should consider himself as the financial representative of the rate-payers. It is not sufficient for him merely to check the secretary-treasurer's arithmetic and bookkeeping, nor is it sufficient for him merely to verify that public money is not being misused; he has the positive duty of satisfying himself that the board's financial operations are **within its legal authority**, one of the most important aspects of his work. The secretary-treasurer should not hesitate to ask the auditor's advice on accounting matters and must be prepared to accept constructive criticism from him.

CHAPTER 3

CLASSIFICATION OF ACCOUNTS (I) - CURRENT (OPERATING) FUND

We referred in the previous chapter to the cash and accrual bases of accounting. The differences in these two methods make it preferable to give two separate and distinct classifications of accounts for the Current (Operating) Fund. Although many items will be identical in both bases, an attempt to cover both under one set of definitions would be confusing and may lead to misunderstanding.

The two items which may appear out of place in this classification because they are not directly connected with current operations, are "Capital Expenditure from Current Funds" and "Debt Charges". In some provinces it is considered preferable that there should be no capital expenditure from current funds and that where current assets are to be used for capital purposes, they should be shown as transfers to the Capital (Building) and Loan Fund and the expenditure shown as a payment from that fund.

Capital debt charges however, properly belong in the Current (Operating) Fund because the payments, which fall due each year, are met from current revenue. As capital debt is redeemed from current funds, the redemption is reflected in the Capital (Building) and Loan Fund by a journal entry reducing the amount of outstanding debentures and increasing investment in capital assets.

Both Capital Expenditures from Current Funds and Debt Charges enter into the cost of education but, because they are likely to be irregular in amount from year to year, depending on the school building program, they are shown separately from other current operating costs so that a comparable current operating cost per pupil may be calculated for each board. (See Chapter 11).

The classification appropriate to the accrual basis is given first. Secretary-treasurers of boards operating on the cash basis should turn to Chapter 4.

Accrual Basis

Classification of Revenues and Expenditures of the Current (Operating) Fund

Note: The numbering of the items in this classification is for reference purposes only. It is not, of course, intended to serve as a coding system for machine accounting purposes.

A. Revenues

A100 Local Taxation

Most boards will find either A110 or A120 appropriate for entries of revenues from local taxation.

A 110 Taxes levied by school board. - This item will apply to school boards in Prince Edward Island, most boards in Quebec, boards in the unorganized areas of Ontario, and a few boards elsewhere. Include taxes collected for the board by the provincial government.

A 120 Requisition on home municipalities. - This will apply to all boards where school taxes are levied by municipal authorities on behalf of the school board. It should be the gross amount, including levy for school debt charges, if these are paid by the board.

A 130 Requisitions on other municipalities. - A supporting schedule should list the municipalities and amounts.

A 140 Subscriptions in lieu of taxes.

A 200 Provincial Government

Include all revenue accruing to the school board from the provincial government in the fiscal period, **including** grants for debt charges and capital expenditures from current funds but **excluding** grants for capital expenditures which will appear in the Capital (Building) and Loan Fund.

A 210 Grants. - In those provinces which pay several grants for different purposes, a supporting schedule should show the amount received for each purpose. Where it is the practice to deduct teachers' superannuation contributions or trustees' association dues, etc., from grants receivable, the gross grants should be reported, with any deductions shown as a separate calculation. Salary grants or supplements paid by the province directly to the teachers should be excluded.

A 220 Reimbursement of cost of education, etc. - For children resident on provincial crown lands.

A 230 Other. - Include revenue for use of schools for practice teaching, etc.

A 300 Federal Government

A 310 Tuition fees.

A311 Indian students.

A312 Other students resident on Federal crown lands, such as establishments of Departments of National Defence, Agriculture and Transport.

A 320 Grants in lieu of taxes. - Only applicable where boards levy and collect their own taxes or where municipality pays such grants directly to the school board. Give the name of the department or agency making the payment.

A 330 Reimbursement of salaries. — Show the amount reimbursed by the Department of National Defence for salaries paid to teachers serving in D.N.D. schools overseas. (See Item B210). If not reported here these salaries may be shown as a recovery of expenditure but should still be identifiable.

A 340 Other. — Include revenue for transportation provided for federal pupils.

A 400 Tuition Fees from Individuals

Include here fees accruing for education from students and their parents or guardians, including welfare or other agencies acting as guardians. Do not include fees paid by other school boards (see A510) or fees paid for night school or summer school (see A 800).

A 410 Resident pupils.

A 420 Non-resident pupils.

A 500 Other School Boards in the Provincial School System

A supporting schedule should show the names of the authorities from which revenues are accrued and the sums involved under each of the following headings.

A 510 Tuition. — Include tuition fees accruing from other school boards for non-resident pupils.

A 520 Transportation.

A 530 Debenture debt payments.

A 540 Other.

A 600 Sale of Property and Insurance Proceeds

The following items will be used by boards in Ontario. In other provinces revenues from these sources may be shown at item A 500 of the Statement of Source and Application of Funds of the Capital (Building) and Loan Fund.

A 610 Sale of school sites.

A 620 Sale of school buildings.

A 630 Sale of other buildings.

A 640 Sale of equipment.

A 650 Insurance proceeds.

A 700 Gross Revenue from Ancillary Services

Ancillary services are those activities of the board which, although not directly related to the teaching process, provide services intended to improve the conditions under which instruction is carried on. A separate set of accounts should be kept for each service operated and any revenue entered here.

A 710 Teacherages or teachers' residences.

A 720 Cafeterias.

A 730 Bookstores.

A 740 Text-book rental schemes.

A 750 Other. — Include caution fees, locker fees, etc.

A 800 Other Educational Services

Gross revenue from the following educational services for which fees are charged, for which separate sets of accounts are to be maintained.

A 810 Night school.

A 820 Summer school.

A 900 Other Sources

A 910 Interest. — On bank deposits or short term investments of the Current (Operating) Fund, etc.

A 920 Rent. — Of school buildings, grounds and other facilities. Exclude rent of teacherages (see Item A 710) and rent received from the provincial or federal governments (see Items A 230 and A 340 respectively).

A 930 Recovery of expenditure (Specify). — This item may be used to show reimbursements by the Department of National Defence for salaries of teachers on loan overseas, recovery of salaries for jointly employed persons etc.

A 940 Transfers from other funds.

A 950 Miscellaneous revenues. — Enter here any revenues for which no provision is made under any other heading, including penalties for late payment of taxes.

A 1000 Surplus from Previous Year

This or any portion of it, is regarded as revenue if it is carried forward from one year to the next and used for meeting obligations in the later year. Where it is compulsory to carry forward the entire surplus, the amount entered here should agree with the amount shown as surplus on the previous year's statement of revenue and expenditure of the Current (Operating) Fund.

A 1100 Deficit for the Current Year

This is the amount by which the total of items B 100 to B 1100 exceed the total of items A 100 to A 900.

Note: Where capital payments are the responsibility of an authority other than the school board, as in Nova Scotia, the following item will be required following the Grand Total of the Revenue Section.
Transfers re Debt Charges and Capital Expenditure

from Current Funds. The amount shown here will equal the total of the memorandum items following the Grand Total of Expenditures. This note does not apply where municipalities merely issue debentures on behalf of the school board.

B. Expenditures

In each of the following classifications where it is appropriate, there is a separate category for "salaries, wages, etc." The amount shown here should be the gross amount (before deduction of income tax, and employees' contribution to medical insurance schemes, etc.) of salaries, wages, honorariums, fees or other remuneration, paid to employees of the board. It should include bonuses, overtime payments etc. The amount of the employer's contributions for unemployment, hospital, and medical insurance, and any other employee benefits should be shown as a separate item.

In arriving at the amount to be included under salaries and wages the following sample calculation, for a single employee may be of assistance.

	\$	\$
Net salary paid (take-home pay)		3,065
Add:		
Income tax deducted	202	
Employee's superannuation contributions.....	200	
Teacher' association dues.....	12	
Health insurance (employee's share).....	65	479
Total salary		3,544
 Employer's contributions:		
Superannuation	200	
Health insurance	60	
Total employer's contribution		260

The classification of an employee depends on the nature of his duties rather than on his title. Thus, the salary of a superintendent of schools whose sole concern is with academic matters should be classified under "Educational Administration and Supervision", but if his duties are mainly concerned with non-academic matters, it should be classified under "Business Administration".

There will be some instances where the duties of an employee are so varied that it is difficult to decide how his salary should be classified. In such a case, the secretary-treasurer can either classify the whole salary under one heading on some arbitrary basis or allocate the salary under the appropriate headings on the basis of the amount of time estimated to be spent on each activity. His choice will depend on whether he considers that the greater accuracy achieved by the second method justifies the extra time taken. The problems of allocating salaries and other expenditures are dealt with more fully in Chapter 10.

There is also a separate category for "Materials and Supplies". These are items which are consumed

in use or lose their identity through being incorporated into other units. If damaged, it is more feasible to replace them than to have them repaired. Some inexpensive items, otherwise having the characteristics of equipment, may be classified as supplies if not capitalized. Supplies should not be confused with equipment, which is non-expendable and would be repaired, rather than replaced, if damaged.

B 100 Business Administration

Business administration consists of those activities which have as their purpose the general regulation, direction and control of those aspects of the board's operations not directly concerned with instruction.

B 110 Salaries, wages, etc. - Include superintendent of schools (if his duties are mainly administrative), secretary-treasurer, business administrator, purchasing agent, etc., and their clerks and stenographers. Boards which collect their own taxes should include commission paid to individuals on taxes collected.

B 120 Materials and supplies.

B 121 Office supplies used in connection with day to day administration.

B 122 Supplies used in connection with board meetings, annual meetings, election of trustees, etc.

B 130 Other expenses of administration.

B 131 Office expenses including postage, rental of office machines, professional services (auditing, legal, etc., but excluding fees on the purchase of property); premium on secretary-treasurer's bond; travelling expenses and membership dues of administrative staff; payments to agencies supplying office staff, business machines, service; liability insurance, etc.

B 132 Expenses of the board in connection with board meetings, annual meetings, election of trustees, etc. - include membership of trustees' associations, travelling expenses or per diem allowances paid to trustees, etc.

B 200 Instruction (Day School)

For instruction include those activities which deal with or aid in the teaching process and tuition fees to other boards (excluding those mentioned at B 250), although instructional costs, should be shown under Item B 610.

B 210 Instructional salaries. - Include all principals, vice-principals, heads of departments and classroom teachers assigned to particular schools, and those itinerant and visiting teachers whose duties are clearly not supervisory. Report salaries of teachers who are on loan for service in Department of National Defence schools overseas as a separate item.

B 220 Educational administration and supervisory salaries. — Include the superintendent of schools (if his duties are mainly supervisory), supervisors, co-ordinators, consultants, inspectors and all other supervisory staff who are not assigned to a particular school.

B 230 Other salaries and wages. — Include all clerks and stenographers whose duties are connected with instruction. Include also any school librarians who are not regarded as teaching staff.

B 240 Materials and supplies. — Include text-books and stationery supplied free of charge by the board; supplementary books; library books, magazines, etc.; audio-visual supplies (including rent of films, tapes, etc.), charts, globes and pictures; supplies used in the teaching of art, science, commercial subjects, vocational subjects, home economics, industrial arts, physical education, agriculture, etc.; report cards, library cards, office supplies, etc.

B 250 Tuition fees to schools outside the provincial school system. — Include fees paid to Indian schools, private schools, schools for retarded children, etc.

B 260 Other expenses of instruction. — Include travelling expenses and membership fees of instructional personnel; expenses (other than pupil transportation) of field trips, commencement exercises, exhibitions and festivals; bursaries for teacher training, correspondence courses, internship, sabbatical leave, etc.

B 300 Other Educational Services

B 310 Attendance services. — Activities which have as their purpose the promotion and improvement of attendance at school.

B 311 Salaries, wages, etc. — Include attendance officers and others engaged in enforcing attendance and their clerks and stenographers.

B 312 Other expenses of attendance services — Include stationery, office supplies, travelling expenses, etc.

B 320 Health services. — Activities in the field of physical and mental health which are not directly concerned with instruction. Consists of medical, dental, psychiatric and nursing service in the nature of inspection, treatment, weighing, etc.

B 321 Salaries, wages etc. — Include doctors, psychiatrists, dentists, physio-therapists, etc. and their nurses, technicians, clerks and stenographers.

B 322 Other expenses of health services — Include medical, dental and first aid supplies; travelling expenses and membership dues of medical and health personnel; office supplies, etc.

B 330 Night school. — Include gross expenditure.

B 340 Summer school. — Include gross expenditure.

B 400 Plant Operation and Maintenance

Plant operation and maintenance consists of those activities concerned with keeping the school, grounds and equipment up to their original condition of completeness and efficiency and ensuring that the physical plant is open and fit for use. Include maintenance and repairs to vehicles not used for public transportation but exclude all pupil transportation costs.

B 410 Salaries, wages etc. — Include janitors, cleaners, engineers, firemen, etc., and other operational or maintenance staff employed by the board; carpenters, plumbers, etc.

B 420 Utility services. — Payments to outside bodies for heat, light, power, water, sewers, telephones in schools, etc.

B 430 Materials and supplies. — Include cleaning supplies, gardening supplies, toilet supplies, electrical fuses and bulbs, etc.

B 440 Repairs and replacements. — This item should include the total cost of work performed by people who are not employees of the board, as it is usually impossible in such cases to distinguish between the cost of labour and the cost of materials. See definitions of Repairs and Replacements in Glossary of Accounting Terms.

B 441 Repair and maintenance of buildings and grounds.

B 442 Repair of furniture and equipment.

B 443 Replacement of furniture and equipment, not capitalized.

B 450 Other expenses.

B 451 Rent of school buildings, grounds and other facilities.

B 452 Insurance of buildings, furniture and equipment.

B 453 Other (Specify).

B 500 Pupil Transportation or Alternative Services

Pupil transportation consists of conveying pupils to and from school activities, either between home and school or on trips for curricular or co-curricular activities. Included under this heading are services which are supplied as an alternative to transportation, e.g. hostels, dormitories, boarding allowances, etc.

B 510 Operation of board-owned buses.

B 511 Salaries, wages, etc. — Include transportation supervisors and their clerks and stenographers; drivers, mechanics and bus cleaners.

B 512 Materials and supplies. — Include cost of operating and maintaining vehicles and garages, such as gasoline, oil.

B 513 Repairs and replacements not capitalized.

B514 Purchase or acquisition of buses and other pupil transportation equipment, from current funds.

(N.B. - Replacements must be shown at Item B513)

B515 Provision for replacement of buses. - To be used only in provinces where boards are required by statute to provide for replacement. (N.B. - No board should show entries for the same bus at items B514 and B515)

B516 Other expenses. - Include licence or registration of vehicles; rent and taxes on garage; insurance of vehicles, drivers and students.

B520 Contractual services. - Include the cost of transportation provided under contract with private or public transport companies; payments made to parents for providing transportation.

B530 Alternative services.

B531 Net cost of operating dormitories, hostels or residences. A separate set of accounts should be kept for these.

B532 Boarding allowance.

B 600 Other School Boards in the Provincial School System

A supporting schedule should show the names of the boards and the sums involved under each of the following heads.

B 610 Tuition. - For the regular school program.

B 620 Transportation.

B 630 Debenture debt payments.

B 640 Other.

B 700 Miscellaneous Operating Costs

Enter any operating costs for which no provision is made at any other item, including provision for uncollected taxes.

B 800 Gross Costs of Ancillary Services

Ancillary services consist of those activities of the board which, although not directly related to the teaching process, provide services intended to improve the conditions under which instruction is carried on.

Separate sets of accounts should be kept for each service operated. The amount entered here should be the gross cost to the board.

B 810 Teacherages or teachers' residences.

B 820 Cafeterias.

B 830 Bookstores.

B 840 Text-book rental schemes.

B 850 Other, including caution fees, locker fees, etc.

B 900 Transfers to Other Funds

Note: In those areas where capital costs are the fiscal responsibility of an authority other than the school board, as in Nova Scotia, the information for items B1000 and B1100 will have to be obtained from the responsible authority and reported as memorandum after the Grand Total of Expenditures. This note does not apply where the municipalities merely issue debentures on behalf of the board.

B 1000 Debt Charges

Debt charges consist of expenditures for the retirement of debt and expenditures for interest on debt. Payments made to other boards in respect of debt charges should be shown at Item B 630.

B 1010 Capital debt charges.

B 1011 Administration.

B 1011.1 Debenture debt charges - Include principal instalments and interest.

B 1011.11 Principal.

B 1011.12 Interest.

B 1011.2 Other long-term debt charges.

B 1011.21 Principal.

B 1011.22 Interest.

B 1012 Instruction.

B 1012.1 Debenture debt charges.

B 1012.11 Principal.

B 1012.12 Interest.

B 1012.2 Other long-term debt charges.

B 1012.21 Principal.

B 1012.22 Interest.

B 1013 Transportation.

B 1013.1 Debenture debt charges.

B 1013.11 Principal.

B 1013.12 Interest.

B 1013.2 Other long-term debt charges.

B 1013.21 Principal.

B 1013.22 Interest.

B 1020 Current interest charges. - Include interest, debt charges, etc. on temporary loans for current operating purposes. Do not include principal repayments.

B 1100 Capital Expenditures from Current Funds
(Where permitted)

Capital expenditures are those which result in the acquisition of fixed assets or additions and improvements to fixed assets. When fixed assets are purchased from current funds there will be a journal entry debiting assets and crediting investment in capital assets.

B 1110 Sites

B1111 Acquisition and additions. — Include all costs of the acquisition of new sites and additions to existing sites, including professional fees for drawings, specifications, landscape architect, lawyer, etc.

B1112 Improvements. — Include landscaping; fencing; grading; drainage; sewers; paths; treatment of athletic fields and tennis courts; surfacing of playground areas, etc.

B 1120 Buildings

B1121 Acquisition and additions. — Include all costs relating to the acquisition of buildings and additions to existing buildings, including all professional fees. An addition to a building involves an increase in the existing floor area.

B1122 Improvements. — Include all structural alterations (as distinct from repairs which do not increase the existing floor area); the initial or additional installation of systems of heating, lighting, plumbing, ventilation, fire protection, etc.

B 1130 Furniture and equipment

B1131 For instruction. — Include pupils' and teachers' desks and chairs; tables, bookcases, etc., intended for classroom use; equipment used for instruction in science, art, commercial subjects, home economics, shop, physical education, agriculture, etc.

B1132 For other purposes. — Include all furniture and equipment not directly connected with instruction, including vehicles other than school buses.

If the secretary-treasurer intends to prepare a statement of Source and Application of Capital Funds, he will not show capital expenditures from current funds at Item B1100. Instead the total amount spent will be shown at Item B900 Transfers to Other funds. See also Item A 400 in Chapter 5.

B 1200 Deficit from Previous Year

This or any portion of it is regarded as expenditure if it is carried forward from one year to the next to be met out of the revenue of the later year if sufficient funds are available. The amount entered here should agree with the deficit shown on the previous year's financial statement.

B 1300 Surplus for the Current Year

This is the amount by which items A100 to A900 exceed the total of items B100 to B1100.

Note: A statement of changes which have taken place in the deficit account since the end of the last fiscal period should be shown at this item or on a separate statement included with the financial report.

A. REVENUE (Concluded)

	Previous Year	Budget Estimates	Actual Revenue
A 900 Other Sources			
A 910 Interest			
A 920 Rent			
A 930 Recovery of expenditure			
A 940 Transfers from other funds			
A 950 Miscellaneous revenues			
Total, other sources			
TOTAL REVENUE			
A 1000 Surplus from Previous Year			
A 1100 Deficit for the Current Year			
TOTAL			

B. EXPENDITURE

	Previous Year	Budget Estimates	Actual Expenditure
B 100 Business Administration			
B 110 Salaries, wages, etc.			
B 120 Materials and supplies			
B 121 Office supplies			
B 122 Board's supplies			
B 130 Other expenses of administration			
B 131 Office expenses			
B 132 Board's expenses			
Total, business administration			
B 200 Instruction (Day School)			
B 210 Instructional salaries			
B 220 Educational administration and supervisory salaries			
B 230 Other salaries and wages			
B 240 Materials and supplies			
B 250 Tuition fees to schools outside the provincial system			
B 260 Other expenses of instruction			
Total, instruction			
B 300 Other Educational Services			
B 310 Attendance Services			
B 311 Salaries, wages, etc.			
B 312 Other expenses of attendance services			
B 320 Health Services			
B 321 Salaries, wages, etc.			
B 322 Other expenses of health services			
B 330 Night school			
B 340 Summer school			
Total, other educational services			
B 400 Plant Operation and Maintenance			
B 410 Salaries, wages, etc.			
B 420 Utility services			
B 430 Materials and supplies			

B. EXPENDITURE (Continued)

	Previous Year	Budget Estimates	Actual Expenditures
B 440 Repairs and replacements			
B 441 Repair and maintenance of buildings and grounds			
B 442 Repair of furniture and equipment			
B 443 Replacement of furniture and equipment			
B 450 Other expenses			
B 451 Rent of school buildings, etc.			
B 452 Insurance of buildings, furniture and equipment			
B 453 Other (specify)			
Total, plant operation and maintenance			
B 500 Pupil Transportation or Alternative Services			
B 510 Operation of board-owned buses			
B 511 Salaries, wages, etc.			
B 512 Materials and supplies			
B 513 Repairs and replacements not capitalized			
B 514 Purchase or acquisition of buses, etc.			
B 515 Provision for replacement of buses			
B 516 Other expenses			
B 520 Contractual services			
B 530 Alternative services			
B 531 Dormitories			
B 532 Boarding allowances			
Total, pupil transportation or alternative services			
B 600 Other School Boards in the Provincial System			
B 610 Tuition			
B 620 Transportation			
B 630 Debenture debt payments			
B 640 Other			
Total, other school boards in the provincial system			
B 700 Miscellaneous Operating Costs			
B 800 Gross Costs of Ancillary Services			
B 810 Teacherages or teachers' residences			
B 820 Cafeterias			
B 830 Bookstores			
B 840 Text-book rental schemes			
B 850 Other			
Total, gross costs of ancillary services			
B 900 Transfers to Other Funds			
B 1000 Debt Charges			
B 1010 Capital debt charges			
B 1011 Administration			
B 1011.1 Debenture debt charges			
B 1011.11 Principal			
B 1011.12 Interest			
B 1011.2 Other long-term debt charges			
B 1011.21 Principal			
B 1011.22 Interest			

B. EXPENDITURE (Concluded)

	Previous Year	Budget Estimates	Actual Expenditure
B 1012 Instruction			
B 1012.1 Debenture debt charges			
B 1012.11 Principal			
B 1012.12 Interest			
B 1012.2 Other long-term debt charges			
B 1012.21 Principal			
B 1012.22 Interest			
B 1013 Transportation			
B 1013.1 Debenture debt charges			
B 1013.11 Principal			
B 1013.12 Interest			
B 1013.2 Other long-term debt charges			
B 1013.21 Principal			
B 1013.22 Interest			
B 1020 Current interest charges			
Total, debt charges			
B 1100 Capital Expenditures from Current Funds			
B 1110 Sites			
B 1111 Acquisition and additions			
B 1112 Improvements			
B 1120 Buildings			
B 1121 Acquisition and additions			
B 1122 Improvements			
B 1130 Furniture and equipment			
B 1131 For instruction			
B 1132 For other purposes			
Total, capital expenditures from current funds			
TOTAL EXPENDITURE			
B 1200 Deficit from Previous Year			
B 1300 Surplus for the Current Year			
TOTAL			

CHAPTER 4
CLASSIFICATION OF ACCOUNTS (II) - CURRENT (OPERATING) FUND

Cash Basis

Many of the secretary-treasurers whose books are kept on the cash basis will be using the single entry system of bookkeeping (see page 13). This may be a good time to review the steps they must take in arriving at the statement of receipts and payments. Secretary-treasurers and trustees are responsible for receiving and spending public funds. The procedures for recording all transactions connected with these funds should be followed conscientiously and methodically so that a proper accounting can be made.

The Receipts side of the statement is a summary of all the money received by the board during the year. On receiving any money whether by cheque or cash, the secretary-treasurer should take the following steps:

1. Issue a receipt from his duplicate receipt book (see page 13).
2. Enter the receipt in his cash book (see pages 13 and 14).
3. Deposit the cash or cheque in the bank at the first opportunity.
4. Obtain from the teller a stamped copy of the deposit slip.

At the end of the year he should add the receipts from each of the sources shown in the following classification of accounts.

The Payments side of the statement summarizes all the board's disbursements during the year. The

procedure for recording them is a little more complicated and should always be carried out methodically. The following steps are required in making and recording a payment:

1. Obtain the board's approval for making the payment, in the form of a board minute.
2. Make out a purchase order, have it signed by the designated signing authority, and send it to the supplier.
3. As soon as the goods or services are delivered an invoice should be obtained from the supplier and the receiver should make out a receiving slip.
4. Make out a cheque for the amount due and enter the details on the stub. Do not make payments in cash except for very small amounts (see page 13).
5. Enter the payment in the cash book (see page 13).
6. Where payment is made from Petty Cash obtain a receipt from the person to whom the payment was made. When payment is made by cheque, the cancelled cheque will serve the same purpose.
7. At the end of the year add the payments made under each of the headings in the classification of accounts given below.

For the purpose of summarizing payments, a simple work sheet (Form J) might be useful. It can easily be drawn up by the secretary-treasurer. Of course, columns need be provided for only those items where entries would be made.

Form J

B 100. Business Administration			B 200. Instruction (Day School)						B 300. Other Educational Services	
B 110 Salaries, wages, etc.	B 120 Materials and supplies	B 130 Other expenses	B 210 Instructional Salaries	B 220 Educ. Admin. and Supervisory Salaries	B 230 Other salaries and wages	B 240 Materials and supplies	B 250 Tuition Fees to private schools	B 260 Other expenses of instruction	B 310 Attendance Services	B 320 Health Services

On closing his books at the end of the year the secretary-treasurer may find that his books do not show the same bank balance as his bank statement or pass book. This is probably because some of the cheques he has issued have not yet been cashed. If he checks the stubs of his cheque book against the cancelled cheques he can determine which cheques are still outstanding and can prepare the following statement to satisfy himself and to show the board that this is the cause of the difference.

	\$	\$
Bank Balance per bank pass book or bank statement.....		1,420.50
Outstanding cheques:		
Dec. 18 J. Benson.....	300.00	
Dec. 30 F. Brown.....	2.95	
Dec. 31 F. Harrison.....	22.50	
Total outstanding.....		325.45
Bank Balance less outstanding cheques.....		1,095.05
Balance on hand per cash book.....		1,095.05

The secretary-treasurer should never hold cash or cheques which should have been deposited in the bank.

In this classification two items may appear out of place because they are not directly connected with current operations. They are "Capital Payments from Current Funds" and "Debt Charges". In some provinces it is considered preferable that there should be no capital payments from current funds and that where current assets are to be used for capital purposes, they should be shown as transfers to the Capital (Building) and Loan Fund and the payment shown as a payment from that fund.

Debt charges however, properly belong in the Current (Operating) Fund because the payments, which fall due each year, are met from current receipts.

Both Capital Payments from Current Funds and Debt Charges enter into the cost of education but, because they are likely to be irregular in amount from year to year, depending on the school building program, they are shown separately from other current operating costs so that a comparable current operating cost per pupil may be calculated for each board.

Classification of Receipts and Payments of the Current (Operating) Fund

Note: The numbering in this classification of accounts is for reference purposes only. It is not, of course, intended to serve as a coding system for machine accounting purposes.

A. Receipts

A 100 Local Taxation

A 110 Taxes levied by school board. - This item will apply to school boards in Prince Edward Island, most boards in Quebec, boards in the unorganized areas of Ontario, and a few boards elsewhere. Include taxes collected for the board by the provincial government.

A 120 Requisition on home municipality or municipalities. - This will apply to all boards where school taxes are levied by municipal authorities on behalf of the school board. This should be the gross amount, including levy for school debt charges, where these are paid by the board.

A 130 Requisitions on other municipalities. - A supporting schedule should list the municipalities and amounts.

A 140 Subscriptions in lieu of taxes.

A 200 Provincial Government

Include all receipts from the provincial government in the fiscal period, including grants for debt charges and capital expenditures from current funds but excluding grants for capital expenditures which will appear in the Capital (Building) and Loan Fund.

A 210 Grants. - In those provinces which pay several grants for different purposes, a supporting schedule should show the amount received for each purpose. Where it is the practice to deduct teachers' superannuation contributions or trustees' association dues, etc., from grants receivable, the gross grants should be reported with any deductions shown as a separate calculation. Salary grants or supplements paid by the province directly to the teachers should be excluded.

A 220 Reimbursement of cost of education, etc. - For children resident on provincial crown lands.

A 230 Other. - Include receipts for use of schools for practice teaching, etc.

A 300 Federal Government

A 310 Tuition fees.

A 311 Indian students.

A 312 Other students resident on Federal crown lands, such as establishments of Departments of National Defence, Agriculture and Transport.

A 320 Grants in lieu of taxes. - Only applicable where boards levy and collect their own taxes or where municipality pays such grants directly to the school board. Give the name of the department or agency making the payment.

A 330 Reimbursement of salaries. - Show the amount reimbursed by the Department of National Defence for salaries paid to teachers serving in D.N.D. schools overseas. (See Item B210). If not reported here these salaries may be shown as a recovery of expenditure but should still be identifiable.

A 340 Other. - Include receipts for transportation provided for Federal pupils.

A 400 Tuition Fees from Individuals

Include here fees received for education from students and their parents or guardians, including welfare or other agencies acting as guardians. Do not include fees paid by other school boards (see A510) or fees paid for night school or summer school (see A 700).

A 410 Resident pupils.

A 420 Non-resident pupils.

A 500 Other School Boards in the Provincial School System

A supporting schedule should show the names of the paying authorities and the sums received under each of the following headings.

A 510 Tuition. - Include tuition fees received from other school boards for non-resident pupils.

A 520 Transportation.

A 530 Debenture debt payments.

A 540 Other.

A 600 Gross Receipts from Ancillary Services

Ancillary services are those activities of the board which, although not directly related to the teaching process, provide services intended to improve the conditions under which instruction is carried on. A separate set of accounts should be kept for each service operated and any receipts entered here.

A 610 Teacherages or teachers' residences.

A 620 Cafeterias.

A 630 Bookstores.

A 640 Text-book rental schemes.

A 650 Other. - Include caution fees, locker fees, etc.

A 700 Other Educational Services

Gross receipts from the following educational services for which separate sets of accounts are to be maintained.

A 710 Night school.

A 720 Summer school.

A 800 Other Sources

A 810 Interest. - On bank deposits or short term investments of the Current (Operating) Fund, etc.

A 820 Rent. - Of school buildings, grounds, and other facilities. Exclude rent of teacherages (see Item A 610) and rent received from the provincial governments (see Items A 230 and A 340 respectively).

A 830 Recovery of expenditure (Specify). - This item may be used to show reimbursements by the Department of National Defence for salaries of teachers on loan overseas, recovery of salaries for jointly employed persons etc.

A 840 Transfers from other funds. - (where permitted)

A 850 Miscellaneous receipts. - Enter here any receipts for which no provision is made under any other heading, including penalties for late payment of taxes.

A 900 Loans Received

Include loans from bank and other sources for current operating purposes whether or not secured by note. Exclude principal of loans unpaid in the same fiscal year.

A 1000 Cash on Hand and in the Bank at End of Previous Year

This figure must agree with the amount (Item B 1300) on the statement of receipts and payments for the preceding year.

A 1100 Bank Overdraft at End of Current Year

This shows the amount by which the balance on hand at the beginning of the year plus the receipts for the year failed to meet the payments of the period plus any overdraft from the previous year.

B. Payments

In each of the following classifications where it is appropriate, there is a separate category for "Salaries, wages, etc." The amount shown here should be the gross amount, (before deduction of superannuation, income tax, and employees' contribution to medical insurance schemes, etc.) of salaries, wages, honorariums, fees or other remuneration, paid to employees of the board. It should include bonuses, overtime payments, etc. The amount of the employer's contributions for unemployment, hospital and medical insurance, and any other employee benefits should be shown as a separate item.

In arriving at the amount to be included under salaries and wages the following sample calculation, for single employee may be of assistance.

	dollars
Total salary (regular salary plus overtime)	3,544
Less:	
Income tax deducted	202
Employee's superannuation contribution	200
Teachers' association dues	12
Health insurance (employees' share)	65
Total deductions	479
Net salary paid (take home pay)	3,065
Employer's contributions:	
Superannuation	200
Health insurance	60
Total employer's contributions	260

The classification of an employee depends on the nature of his duties rather than on his title. Thus, the salary of a superintendent of schools whose sole concern is with academic matters should be classified under "Educational Administration and Supervision", but if his duties are mainly concerned with non-academic matters, it should be classified under "Business Administration". There will be some instances where the duties of an employee are so varied that it is difficult to decide how his salary should be classified. In such a case, the secretary-treasurer can either classify the whole salary under one heading on some arbitrary basis or allocate the salary under the appropriate headings on the basis of the amount of time estimated to be spent on each activity. His choice will depend on whether he considers that the greater accuracy achieved by the second method justifies the extra time taken. The problems of allocating salaries and other expenditures are dealt with more fully in Chapter 10.

There is also a separate category for "Materials and Supplies". These are items which are consumed in use or lose their identity through incorporation into other units. If damaged, it is more feasible to replace them than to have them repaired. Some inexpensive items, otherwise having the characteristics of equipment, may be classified as supplies if not capitalized. Supplies should not be confused with equipment, which is non-expendable and would be repaired rather than replaced, if damaged.

B 100 Business Administration

Business administration consists of those activities which have as their purpose the general regulation, direction and control of those aspects of the board's operations not directly concerned with instruction.

B 110 Salaries, wages, etc. — Include superintendent of schools (if his duties are mainly administrative), secretary-treasurer, business administrator, purchasing agent, etc., and their clerks and stenographers. Boards which collect their own taxes should include commission paid to individuals on taxes collected.

B 120 Materials and supplies.

B121 Office supplies used in connection with day to day administration.

B122 Supplies used in connection with board meetings, annual meetings, election of trustees, etc.

B 130 Other expenses of administration.

B131 Office expenses including postage, rental of office machines, professional services (auditing, legal, etc., but excluding fees on the purchase of property), premium on secretary-treasurer's bond; travelling expenses and membership dues of administrative staff;

payments to agencies supplying office staff, business machine time and service; liability insurance, etc.

B132 Expenses of the board in connection with board meetings, annual meetings, election of trustees, etc. — include membership of trustees' associations, travelling expenses or per diem allowances paid to trustees, etc.

B 200 Instruction (Day School)

Instruction consists of those activities dealing with or aiding in the teaching process. Tuition fees to other boards excluding those mentioned at B250, although instructional costs, should be shown under Item B610.

B 210 Instructional salaries. — Include all principals, vice-principals, heads of departments and classroom teachers assigned to one school, and those itinerant and visiting teachers whose duties are clearly not supervisory. Report salaries of teachers who are on loan for service in Department of National Defence schools overseas as a separate item.

B 220 Educational administration and supervisory salaries. — Include superintendent of schools (if his duties are mainly supervisory), supervisors, co-ordinators, consultants, inspectors and all other supervisory staff who are not assigned to one school.

B 230 Other salaries and wages. — Include all clerks and stenographers whose duties are connected with instruction. Include also any school librarians who are not regarded as teaching staff.

B 240 Materials and supplies. — Include text-books and stationery supplied free of charge by the board; supplementary books; library books, magazines, etc.; audio-visual supplies (including rent of films, tapes, etc.), charts, globes and pictures; supplies used in the teaching of art, science, commercial subjects, vocational subjects, home economics, industrial arts, physical education, agriculture, etc.; report cards, library cards, office supplies, etc.

B 250 Tuition fees paid to schools outside the provincial school system. — Include fees paid to Indian schools, private schools, schools for retarded children, etc.

B 260 Other expenses of instruction. — Include travelling expenses and membership fees of instructional personnel; expenses (other than pupil transportation) of field trips, commencement exercises, exhibitions and festivals; bursaries for teacher training, correspondence courses, internship, sabbatical leave, etc.

B 300 Other Educational Services

B 310 Attendance services. — Activities which have as their purpose the promotion and improvement of attendance at school.

B311 Salaries, wages, etc. - Include attendance officers and others engaged in enforcing attendance and their clerks and stenographers.

B312 Other expenses of attendance services. - Include stationery, office supplies, travelling expenses, etc.

B320 Health services. - Activities in the field of physical and mental health which are not directly concerned with instruction. Consists of medical, dental, psychiatric and nursing service in the nature of inspection, treatment, weighing, etc.

B321 Salaries, wages, etc. - Include doctors, psychiatrists, dentists, physio-therapists, etc. and their nurses, technicians, clerks and stenographers.

B322 Other expenses of health services. - Include medical, dental and first aid supplies; travelling expenses and membership dues of medical and health personnel; office supplies, etc.

B330 Night school. - Include gross payments.

B340 Summer school. - Include gross payments.

B400 Plant Operation and Maintenance

Plant operation and maintenance consists of those activities concerned with keeping the school, grounds and equipment up to their original condition of completeness and efficiency and ensuring that the physical plant is open and fit for use. Include maintenance and repairs to vehicles **not** used for pupil transportation but exclude all pupil transportation costs.

B410 Salaries, wages, etc. - Include janitors, cleaners, engineers, firemen, etc., and other operational or maintenance staff employed by the board; carpenters, plumbers, etc.

B420 Utility services. - Payments to outside bodies for heat, light, power, water, sewers, telephones in schools, etc.

B430 Materials and supplies. - Include cleaning supplies, gardening supplies, electric fuses and bulbs, etc.

B440 Repairs and replacements. - This item should include the total cost of work performed by people who are not employed by the board, as it is usually impossible in such cases to distinguish between the cost of labour and the cost of materials. (See definitions of Repairs and Replacements in Glossary of Accounting Terms.)

B441 Repair and maintenance of buildings and grounds.

B442 Repair of furniture and equipment.

B443 Replacement of furniture and equipment, not capitalized.

B450 Other expenses.

B451 Rent of school buildings, grounds and other facilities.

B452 Insurance of buildings, furniture and equipment.

B453 Other (Specify).

B500 Pupil Transportation or Alternative Services

Pupil transportation consists of conveying pupils to and from school activities, either between home and school or on trips for curricular or co-curricular activities. Included under this heading are services which are supplied as an alternative to transportation, e.g. hostels, dormitories, boarding allowances, etc.

B510 Operation of board-owned buses.

B511 Salaries, wages, etc. - Include transportation supervisors and their clerks and stenographers; drivers, mechanics and bus cleaners.

B512 Materials and supplies. - Include cost of operating and maintaining vehicles and garages, such as gasoline, oil.

B513 Repairs and replacements not capitalized.

B514 Purchase or acquisition of buses and other pupil transportation equipment, from current funds.

N.B. Replacements must be shown at Item 513.

B515 Provision for replacement of buses. To be used only in those provinces where boards are required by statute to provide for replacement.

B516 Other expenses. - Include licence or registration of vehicles; rent and taxes on garage; insurance of vehicles, drivers and students.

B520 Contractual services. - Include the cost of transportation provided under contract with private or public transport companies; payments made to parents for providing transportation.

B530 Alternative services.

B531 Net cost of operating dormitories, hostels or residences. A separate set of accounts should be kept for these.

B532 Boarding allowances.

B600 Other School Boards in the Provincial School System

A supporting schedule should show the names of the boards and the sums involved under each of the following heads.

B610 Tuition. - For the regular school program.

B620 Transportation.

B630 Debenture debt payments.

B640 Other.

B 700 Miscellaneous Operating Costs

Enter any operating cost for which no provision is made at any other item, including provision for uncollected taxes.

B 800 Gross Cost of Ancillary Services

Ancillary services consist of those activities of the board which, although not directly related to the teaching process, provide services intended to improve the conditions under which instruction is carried on.

Separate sets of accounts should be kept for each service operated. The amount entered here should be the gross cost to the board.

B 810 Teacherages or teachers' residences.

B 820 Cafeterias.

B 830 Bookstores.

B 840 Text-book rental schemes.

B 850 Other, including caution fees, locker fees, etc.

B 900 Transfers to Other Funds

Note: In those areas where capital costs are the fiscal responsibility of an authority other than the school board, such as Nova Scotia, the information for items B1000 and B1100 will have to be obtained from the responsible authority and reported as memoranda after the Grand Total of Payments.

B 1000 Debt Charges

Debt charges consist of payments for the retirement of debt and payments of interest on debt including principal of loans borrowed and repaid in the same fiscal year. Payments made to other boards in respect of debt charges should be shown at Item B630.

B 1010 Capital debt charges.

B 1011 Administration.

B 1011.1 Debenture debt charges — Include principal instalments and interest.

B 1011.11 Principal.

B 1011.12 Interest.

B 1011.2 Other long-term debt charges.

B 1011.21 Principal.

B 1011.22 Interest.

B 1012 Instruction.

B 1012.1 Debenture debt charges.

B 1012.11 Principal.

B 1012.12 Interest.

B 1012.2 Other long-term debt charges.

B 1012.21 Principal.

B 1012.22 Interest.

B 1013 Transportation.

B 1013.1 Debenture debt charges.

B 1013.11 Principal.

B 1013.12 Interest.

B 1013.2 Other long-term debt charges.

B 1013.21 Principal.

B 1013.22 Interest.

B 1020 Current interest charges. — Include interest, debt charges, etc. on temporary loans for current operating purposes. Do not include principal repayments.

B 1100 Capital Payments from Current Funds (Where permitted)

Capital payments are those which result in the acquisition of fixed assets or additions and improvements to fixed assets. When fixed assets are purchased from current funds there will be a journal entry debiting assets and crediting investment in capital assets.

B 1110 Sites.

B 1111 Acquisition and additions. — Include all costs of the acquisition of new sites and additions to existing sites, including professional fees for drawings, specifications, landscape architect, lawyer, etc.

B 1112 Improvements. — Include landscaping; fencing; grading; drainage; sewers, paths; treatment of athletic fields and tennis courts; surfacing of playground areas, etc.

B 1120 Buildings.

B 1121 Acquisition and additions — Include all costs relating to the acquisition of buildings and additions to existing buildings, including all professional fees. An addition to a building involves an increase in the existing floor area.

B 1122 Improvements. — Include all structural alterations (as distinct from repairs which do not increase the existing floor area); the initial or additional installation of systems of heating, lighting, plumbing, ventilation, fire protection, etc.

B 1130 Furniture and equipment.

B 1131 For instruction. — Include pupils' and teachers' desks and chairs; tables, bookcases, etc., intended for classroom use; equipment used for instruction in science, art, commercial subjects, home economics, shop, physical education, agriculture, etc.

B 1132 For other purposes. — Include all furniture and equipment not directly connected with instruction, including vehicles other than school buses.

B 1200 Bank Overdraft at the Beginning of the Year

This amount agrees with the figure shown on the statement of receipts and payments for the previous year (Item A 1100). It should also agree with the overdraft included in the statement of assets and liabilities for the preceding year.

B 1300 Balance on Hand and in Bank at End of Year

This is the amount by which the total of Items A 100 to A 1000 exceeds the total of Items B 100 to B 1200. It should agree with the cash balance shown in the statement of assets and liabilities of the Current (Operating) Fund.

A. RECEIPTS (Concluded)	Previous Year	Budget Estimates	Actual Receipts
A 900 Loans Received			
TOTAL RECEIPTS			
A 1000 Cash on Hand and in the Bank at End of Previous Year			
A 1100 Bank Overdraft at End of Current Year			
TOTAL			
<hr/>			
B. PAYMENTS	Previous Year	Budget Estimates	Actual Payments
B 100 Business Administration			
B 110 Salaries, wages, etc.			
B 120 Materials and supplies			
B 121 Office supplies			
B 122 Board's supplies			
B 130 Other expenses of administration			
B 131 Office expenses			
B 132 Board's expenses			
Total, business administration			
B 200 Instruction (Day School)			
B 210 Instructional salaries			
B 220 Educational administration and supervisory salaries			
B 230 Other salaries and wages			
B 240 Materials and supplies			
B 250 Tuition fees to schools outside the provincial system			
B 260 Other expenses of instruction			
Total, instruction			
B 300 Other Educational Services			
B 310 Attendance services			
B 311 Salaries, wages, etc.			
B 312 Other expenses of attendance services			
B 320 Health services			
B 321 Salaries, wages, etc.			
B 322 Other expenses of health services			
B 330 Night school			
B 340 Summer school			
Total, other educational services			
B 400 Plant Operation and Maintenance			
B 410 Salaries, wages, etc.			
B 420 Utility services			
B 430 Materials and supplies			
B 440 Repairs and replacements			
B 441 Repair and maintenance of buildings and grounds			
B 442 Repair of furniture and equipment			
B 443 Replacement of furniture and equipment			

B. PAYMENTS (Continued)

	Previous Year	Budget Estimates	Actual Payments
B 450 Other expenses			
B 451 Rent of school buildings, etc.			
B 452 Insurance of buildings, furniture and equipment			
B 453 Other			
Total, plant operation and maintenance			
B 500 Pupil Transportation or Alternative Services			
B 510 Operation of board-owned buses			
B 511 Salaries, wages, etc.			
B 512 Materials and supplies			
B 513 Repairs and replacements not capitalized			
B 514 Purchase or acquisition of buses			
B 515 Provision for replacement of buses			
B 516 Other expenses			
B 520 Contractual services			
B 530 Alternative services			
B 531 Dormitories			
B 532 Boarding allowances			
Total, pupil transportation or alternative services			
B 600 Other School Boards in the Provincial System			
B 610 Tuition			
B 620 Transportation			
B 630 Debenture debt payments			
B 640 Other			
Total, other school boards in the provincial system			
B 700 Miscellaneous Operating Costs			
B 800 Gross Costs of Ancillary Services			
B 810 Teacherages or teachers' residences			
B 820 Cafeterias			
B 830 Bookstores			
B 840 Text-book rental schemes			
B 850 Other			
Total, gross costs of ancillary services			
B 900 Transfers to Other Funds			
B 1000 Debt Charges			
B 1010 Capital debt charges			
B 1011 Administration			
B 1011.1 Debenture debt charges			
B 1011.11 Principal			
B 1011.12 Interest			
B 1011.2 Other long-term debt charges			
B 1011.21 Principal			
B 1011.22 Interest			
B 1012 Instruction			
B 1012.1 Debenture debt charges			
B 1012.11 Principal			
B 1012.12 Interest			

B. PAYMENTS (Concluded)

	Previous Year	Budget Estimates	Actual Payments
B 1012.2 Other long-term debt charges			
B 1012.21 Principal			
B 1012.22 Interest			
B 1013 Transportation			
B 1013.1 Debenture debt charges			
B 1013.11 Principal			
B 1013.12 Interest			
B 1013.2 Other long-term debt charges			
B 1013.21 Principal			
B 1013.22 Interest			
B 1020 Current interest charges			
Total, debt charges			
B 1100 Capital Payments from Current Funds			
B 1110 Sites			
B 1111 Acquisition and additions			
B 1112 Improvements			
B 1120 Buildings			
B 1121 Acquisition and additions			
B 1122 Improvements			
B 1130 Furniture and equipment			
B 1131 For instruction			
B 1132 For other purposes			
Total, capital payments from current funds			
TOTAL PAYMENTS			
B 1200 Bank Overdraft at the Beginning of the Year			
B 1300 Cash on Hand and in Bank at End of the Year			
TOTAL			

CHAPTER 5

CLASSIFICATION OF ACCOUNTS (III) - STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Just as either the cash or accrual basis of accounting can be used for recording the transactions of the Current (Operating) Fund so either can be used to record the transactions of the Capital (Building) and Loan Fund.

If the cash basis is used, the secretary-treasurer will prepare, at the year end, a Statement of Receipts and Payments. This statement is dealt with in the next chapter.

If the accrual basis is used the annual statement will be a Statement of Source and Application of Funds. This statement shows where all the board's capital funds were obtained and how they were applied during the fiscal year under review.

A. Source of Funds

A 100 Unexpended Funds (Specify)

Funds accrued in previous years and available for expenditure, such as: Unexpended proceeds from the sale of debentures, from the sale of assets, from gifts or grants. These funds should not be confused with cash on hand although some of them may be in cash; they may also be investments, accounts receivable from insurance proceeds, or amounts due from other funds.

A 200 Provided by Sale of Debentures

Show par value of debentures issued and sold; i.e. the gross amount added to the debenture debt. Premiums should be recorded at Item A 710 and discounts at Item B 420.

A 300 Provided by Other Long-term Borrowings

Include proceeds of long-term loans incurred to provide funds for capital payments.

A 310 Provincial Government.

A 320 Other.

A 400 Provided by Transfers from Other Funds

A 410 Current (Operating) Fund. - Include amounts provided by the Current (Operating) Fund for the acquisition of fixed assets. Whether the capital expenditure is made directly from the Current (Operating) Fund or the money is transferred to the Capital (Building) and Loan Fund, the Current (Operating) Fund should show only the total amount spent under Item B 900. A corresponding entry will appear here and the expenditure will appear, properly classified, in the Statement of Application of Funds.

A 420 Other Funds (Specify).

A 500 Provided by Sale of Fixed Assets and Insurance Proceeds

A 510 Sale of school sites.

A 520 Sale of school buildings.

A 530 Sale of other buildings.

A 540 Sale of Equipment.

A 550 Insurance Proceeds.

A 600 Provided by Grants or Shared Cost Contributions

Include only grants or contributions made specifically for capital projects - i.e., the purchase of lands, buildings, and equipment, including school buses.

A 610 Federal Government.

A 620 Provincial Government. - The total amount accruing from the provincial government should be shown here, even if that government is reimbursed in part by the federal government.

A 630 Other Boards or Municipalities. - A supporting schedule should list the boards or municipalities and the amounts involved.

A 700 Provided from Other Sources

A 710 Premium on debentures. - Include proceeds from sale of debentures over and above face value.

A 720 Other. - Include gifts or donations for capital purposes.

A 800 Overexpenditure (to be provided)

The amount by which capital expenditures during the year have exceeded the funds provided, and which must, in a future period be made up by debenture issue, by contribution from the Current (Operating) Fund, or in some other way.

B. Application of Funds

B 100 Overexpenditure of Previous Years Provided

Amounts applied against overexpenditure in previous years on capital projects for which sufficient funds had not been made available and for which, in the current year, funds were obtained through debenture issue, contributions from the Current (Operating) Fund, or in some other way.

B 200 Expenditure for Provision of School Sites, Buildings, Furniture and Equipment

Include all expenditure made for fixed assets including those from the Current (Operating) Fund.

The amount of such expenditures should agree with Item A410. Expenditures should be shown gross, with trade-in allowances recorded at Item A540.

B210 Sites.

B211 Acquisitions and additions. — Include all costs of the acquisition of new sites and additions to existing sites, including professional fees for drawings, specifications, landscape architect, lawyer, etc.

B212 Improvements. — Include landscaping; fencing; grading; drainage; sewers; paths; treatment of athletic fields and tennis courts; surfacing of playground areas, etc.

B220 Buildings.

B221 Acquisitions and additions. — Include all costs relating to the acquisition of buildings and additions to existing buildings including all professional fees. An addition to a building involves an increase in the existing floor area.

B222 Improvements — Include all structural alterations (as distinct from repairs which do not add to the existing floor area); the initial or additional installation of systems of heating, lighting, plumbing, ventilation, fire protection, etc.

B230 Furniture and equipment (other than replacements).

B231 For instruction. — Include pupils' and teachers' desks and chairs; tables, bookcases, etc., intended for classroom use; equipment

used for instruction in science, art, commercial subjects, home economics, vocational subjects, industrial arts, physical education, agriculture, etc.

B232 for other purposes. — Include all furniture and equipment not directly connected with instruction.

B232.1 School buses and other pupil transportation equipment.

B232.2 Other.

B300 Expenditure on Shared Cost Contributions to Other Boards

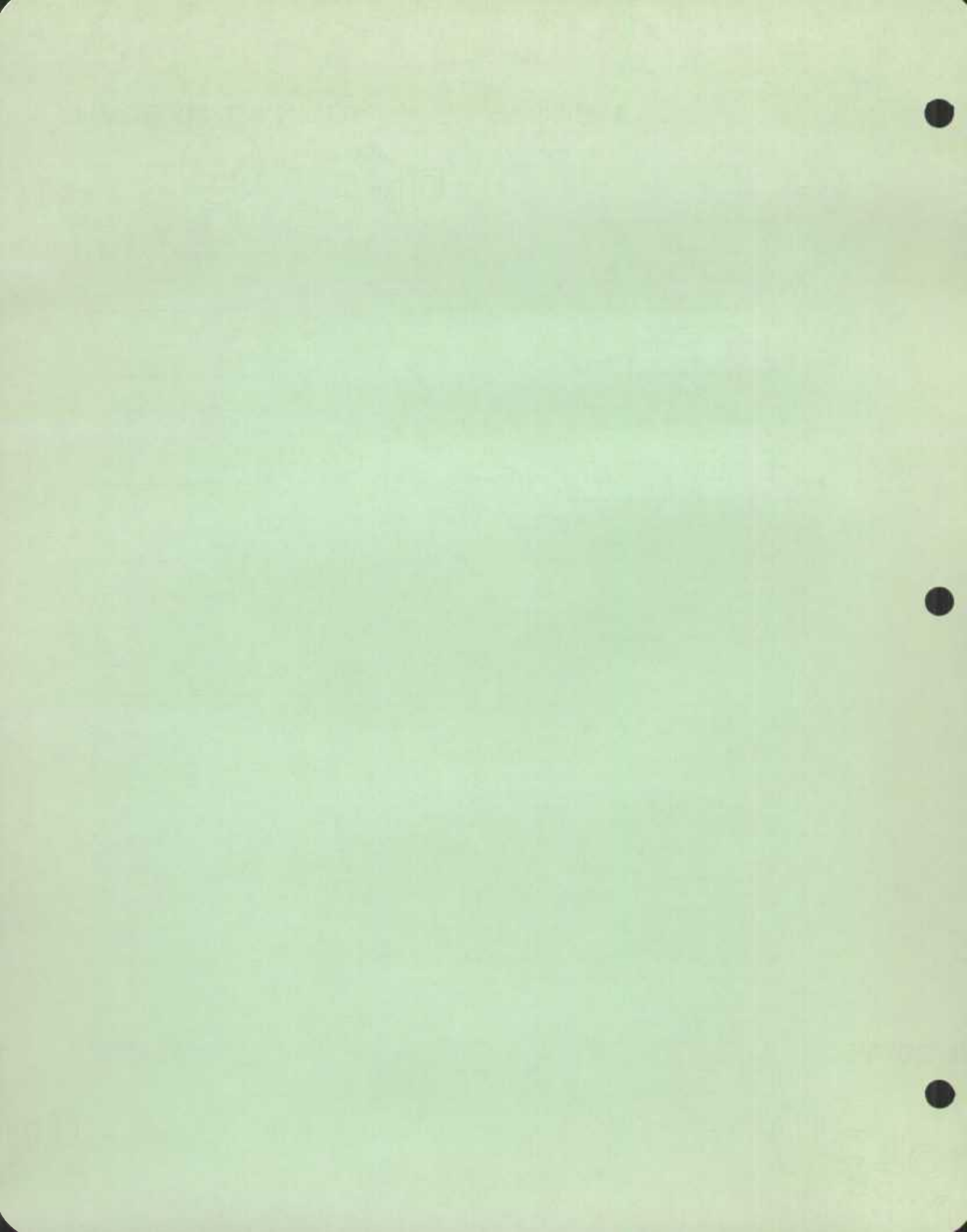
B400 Other Expenditures

B410 Cost of issuing and selling debentures.

B420 Discount on sale of debentures. — Include amount by which the proceeds of debenture sales less costs of issue fall short of the face value.

B500 Unexpended Funds

Include funds unexpended at the end of the year and available in the Capital (Building) and Loan Fund for expenditure in future periods, such funds may be from the sale of debentures, sale of assets, insurance proceeds, from gifts or grants. They should not be confused with cash on hand although some of them may be cash; they may also be investments, accounts receivable, or amounts due from other funds.



CHAPTER 6

CLASSIFICATION OF ACCOUNTS (IV) - CAPITAL (BUILDING) AND LOAN FUND

Reporting for this fund is customarily on a cash basis and the following classification of Receipts and Payments accounts identifies source and application of funds.

A. Receipts

A 100 Balance in Fund at Beginning of Year

This figure agrees with the amount reported (Item B 600) on the statement of the previous year.

A 200 Sale of Debentures

Show par value of debentures issued and sold; i.e. the gross amount added to the debenture debt. Premiums should be recorded at Item A 720 and discounts at Item B 520.

A 300 Other Capital Borrowings

A 310 Temporary loans. - pending receipt of debenture proceeds.

A 311 Provincial government.

A 312 Other.

A 320 Long-term loans. - to provide funds for capital payments.

A 321 Provincial government.

A 322 Other, including mortgages.

A 400 Loans or Transfers from Other Funds (Where permitted)

A 500 Sale of Fixed Assets and Insurance Proceeds

Boards in Ontario will report sale of fixed assets at Item A 600 of the Current (Operating) Fund.

A 510 Sale of school sites.

A 520 Sale of school buildings.

A 530 Sale of other buildings.

A 540 Sale of equipment.

A 550 Insurance proceeds.

A 600 Capital Grants or Shared Cost Contributions

Include only grants or contributions made specifically for capital purposes - i.e., the purchase of lands, buildings, and equipment, including school buses.

A 610 Federal government.

A 620 Provincial government. - The total amount received from the provincial government should be shown here, even if that government is reimbursed in part by the federal government.

A 630 Other boards or municipalities. - A supporting schedule should list the boards or municipalities and the amounts involved.

A 700 Other Sources

A 710 Interest. - On bank deposit and other funds of Capital (Building) and Loan Fund invested pending their use; on debentures sold after date of issue at sale price plus accrued interest.

A 720 Premium on debentures. - Include proceeds from sale of debentures over and above face value.

A 730 Other. - Include gifts or donations for capital purposes.

A 800 Bank Overdraft at End of Year

The amount entered here must agree with the overdraft shown in the statement of assets and liabilities for the current year.

B. Payments

B 100 Bank Overdraft at Beginning of Year

This amount agrees with the figure shown on the statement of Receipts and Payments for the preceding year (Item A 800). It should also agree with the overdraft shown in the statement of assets and liabilities for the preceding year.

B 200 Provision of School Sites, Buildings, Furniture and Equipment

B 210 Sites.

B 211 Acquisition and additions - Include all costs of the acquisition of new sites and additions to existing sites, including professional fees for drawings, specifications, landscape architect, lawyer, etc.

B 212 Improvements. - Include landscaping; fencing; grading; drainage; sewers; paths; treatment of athletic fields and tennis courts; surfacing of playground areas, etc.

B 220 Buildings.

B 221 Acquisition and additions. - Include all costs relating to the acquisition of buildings and additions to existing buildings, including all professional fees. An addition to a building involves an increase in the existing floor area.

B 222 Improvements. - Include all structural alterations (as distinct from repairs which do not add to the existing floor area); the initial or additional installation of systems of heating, lighting, plumbing, ventilation, fire protection, etc.

B230 Furniture and equipment. (Other than replacements.)

B231 For instruction. — Include pupils' and teachers' desks and chairs; tables, bookcases, etc. intended for classroom use; equipment used for instruction in science, art, commercial subjects, home economics, vocational subjects, industrial arts, physical education, agriculture, etc.

B232 For other purposes. — Include all furniture and equipment not directly connected with instruction.

B232.1 School buses and other pupil transportation equipment.

B232.2 Other.

B300 Payments to Other Boards for Shared Cost Contributions

B400 Transfers to Other Funds (if permitted)

B500 Other Payments

B510 Cost of issuing and selling debentures.

B520 Discount on sale of debentures. — Include amount by which the proceeds of debenture sales fell short of the face value.

B530 Repayment of temporary loans — pending receipt of debenture proceeds.

B531 Provincial government.

B531.1 Principal.

B531.2 Interest.

B532 Other temporary loans.

B532.1 Principal.

B532.2 Interest.

B600 Balance in Fund at End of Year

This should agree with the amounts reported in the statement of assets and liabilities for the current year at Items A 100 and A 200.

(Name of School District or Division)

CAPITAL (BUILDING) AND LOAN FUND

Statement of Receipts and Payments

for the year ended _____ 19 _____

A. RECEIPTS

	Budget Estimate	Actual Receipts
A 100 Balance in Fund at Beginning of Year		
A 200 Sale of Debentures		
A 300 Other Capital Borrowings		
A 310 Temporary loans		
A 311 Provincial government		
A 312 Other		
A 320 Long-term loans		
A 321 Provincial government		
A 322 Other		
Total, other capital borrowings		
A 400 Loans or Transfers from Other Funds		
A 500 Sale of Fixed Assets and Insurance Proceeds		
A 510 Sale of school sites		
A 520 Sale of school buildings		
A 530 Sale of other buildings		
A 540 Sale of equipment		
A 550 Insurance proceeds		
Total, sale of fixed assets and insurance proceeds		
A 600 Capital Grants or Shared Cost Contributions		
A 610 Federal government		
A 620 Provincial government		
A 630 Other school boards or municipalities		
Total, capital grants or shared cost contributions		
A 700 Other Sources		
A 710 Interest		
A 720 Premium on debentures		
A 730 Other		
Total, other sources		
A 800 Bank Overdraft at End of Year		
TOTAL		

B. PAYMENTS

	Budget Estimates	Actual Payments
B 100 Bank Overdraft at Beginning of Year		
B 200 Provision of School Sites, Buildings, etc.		
B 210 Sites		
B 211 Acquisition and additions		
B 212 Improvements		
B 220 Buildings		
B 221 Acquisition and additions		
B 222 Improvements		
B 230 Furniture and equipment		
B 231 For instruction		
B 232 For other purposes		
B 232.1 School buses		
B 232.2 Other		
Total, provision of school sites buildings, etc.		
B 300 Payments to Other Boards for Shared Cost Contributions		
B 400 Transfers to Other Funds		
B 500 Other Payments		
B 510 Cost of issuing and selling debentures		
B 520 Discount on sale of debentures		
B 530 Repayment of temporary loans		
B 531 Provincial government		
B 531.1 Principal		
B 531.2 Interest		
B 532 Other temporary loans		
B 532.1 Principal		
B 532.2 Interest		
Total, other payments		
B 600 Balance in Fund at End of Year		
TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.



CHAPTER 7

STATEMENT OF ASSETS AND LIABILITIES

Just as the Statement of Revenue and Expenditure or Statement of Receipts and Payments is an account of the board's current financial transactions during the fiscal year, so the Balance Sheet or Statement of Assets and Liabilities shows the financial position of the board at the year end. To achieve this, a statement is necessary for each of the four types of funds listed and defined in Chapter 2, so that all aspects of the board's activities are included.

The term "assets" includes both current assets such as cash, taxes receivable, accounts receivable, temporary investments and supplies or stores; and fixed assets having permanent character and continuing value such as land, buildings, machinery, furniture and other equipment. Liabilities include debts, bank overdrafts, loans, accounts payable and other legal obligations which must be paid in cash or renewed or refunded at some future date. Contingent liabilities (see Glossary of Terms) should be recorded in a footnote to the Statement of Assets and Liabilities.

The Current (Operating) Fund.

The Classification of Accounts in Chapters 3 and 4, indicates the kind of transactions dealt with in this fund.

A. Current Assets

A 100 Cash on hand and in the Bank

Include balances in bank account(s) of the Current (Operating) Fund and any cash on hand. Where boards operate on the cash basis this figure should agree with Item B1300 of the Statement of Receipts and Payments. The total amount of the Petty Cash Imprest Fund (see Glossary), which should be reimbursed before closing the books, will be included in this item.

A 200 Taxes Receivable

A 210 Tax requisition from home municipality. Include amount of tax requisition due but not yet received.

A 220 Tax requisition from other municipalities. Include amount of tax requisition due but not yet received.

A 230 Taxes receivable by school board. Include amount of taxes due but not yet received. Where the Provincial Government collects taxes on behalf of the board, include taxes collected by and due from the province, which have not yet been received.

A 300 Accounts Receivable

A 310 Other school boards. - Include all money due, but not received, from other school boards for tuition, transportation or other services.

A 320 Municipalities. - Include all money due, but not received, from municipalities, other than the requisitions which should be shown at Item A 210 above.

A 330 Provincial government. - Include grants or other payments due but not received. (In some provinces provincial government grants paid in any year are based on the operations of the previous year; e.g. grants paid in 1964 will be based on 1963 operations. In such cases the grants payable in 1964 cannot be regarded as assets at the end of 1963. The grants are not earned in 1963 but are only based on 1963 operations, and are not due until some time in 1964.)

A 340 Federal government. - Include any fees or grants in lieu of taxes, etc. due for the fiscal period ended at the date of the statement, but which have not yet been received.

A 350 Other. - Individuals, corporations, etc. Schedules should be attached to show the nature and amount of each separate item.

A 400 Due from Other Funds

Include any amount due from other funds but not yet transferred. The amounts here should agree with the amounts shown under the appropriate liability item of the fund from which the sum is due.

A 500 Inventories

Include the inventory value of school supplies, etc. on hand.

A 600 Other Current Assets

List separately any other current assets, such as pre-paid insurance, taking care not to include any assets which should be shown in one of the items shown above.

A 700 Deficit

If the sum of liabilities is greater than the the sum of assets, the difference between the two should be entered here.

B. Current Liabilities

B 100 Short-term Loans and Overdrafts (See glossary for definition of short-term loan.)

B 110 Principal. - Outstanding on short-term loans or bank overdrafts.

B 120 Interest. - Due on short-term loans or overdrafts, but not paid.

(Name of School District or Division)

CURRENT (OPERATING) FUND

Statement of Assets and Liabilities

as of _____ 19 _____

	Amount \$		Amount \$
A. CURRENT ASSETS		B. CURRENT LIABILITIES	
A 100 Cash on Hand and in the Bank		B 100 Short-term Loans and Overdrafts	
A 200 Taxes receivable		B 110 Principal	
A 210 Tax requisition from home municipality		B 120 Interest	
A 220 Tax requisition from other municipalities		Total, short-term loans and overdrafts	
A 230 Taxes receivable by school board		B 200 Temporary Loans	
Total, taxes receivable		B 210 Principal	
A 300 Accounts Receivable		B 220 Interest	
A 310 Other school boards		Total, temporary loans	
A 320 Municipalities		B 300 Debentures Due and Unpaid	
A 330 Provincial government		B 310 Principal	
A 340 Federal government		B 320 Interest	
A 350 Other		Total, debentures due and unpaid	
Total, accounts receivable		B 400 Other Capital Loans Due and Unpaid	
A 400 Due from Other Funds		B 410 Principal	
A 500 Inventories		B 420 Interest	
A 600 Other Current Assets		Total, other capital loans due and un- paid	
		B 500 Accounts Payable	
		B 510 Due to other boards	
		B 520 Due to municipalities	
		B 530 Due to the provincial government	
		B 540 Due to the federal government	
		B 550 Other accounts payable	
		Total, accounts payable	
		B 600 Due to Other Funds	
		B 700 Other Current Liabilities	
A 700 Deficit		B 800 Surplus	
TOTAL		TOTAL	

B200 Temporary Loans (See glossary for definition of temporary loan.)

B210 Principal. - Outstanding on temporary loans.

B220 Interest. - Due on temporary loans, but not paid.

B300 Debentures Due and Unpaid

B310 Principal. - Payments due and payable.

B320 Interest. - Due and unpaid.

B400 Other Capital Loans Due and Unpaid

B410 Principal. - Payments due and payable.

B420 Interest. - Due and unpaid.

B500 Accounts Payable

B510 Due to other boards. - Include any amounts owing for tuition, transportation, etc. Specify each item separately.

B520 Due to municipalities.

B530 Due to the provincial government. - Include amounts owing for superannuation contributions, etc., deducted but not paid. Specify each item separately. Capital loans from provincial government, due and unpaid, should be shown at Item B400.

B540 Due to the federal government. - Include income tax, unemployment insurance, etc.

B550 Other Accounts payable. - Include any other current accounts due but not paid, such as those to contractors and tradesmen, unpaid salaries, etc.

B600 Due to Other Funds.

Include any amounts due to other funds but not yet transferred. The amounts here should agree with the amounts shown under the appropriate asset item of the fund to which the amount is due.

B700 Other Current Liabilities

Specify each item separately, include prepaid items such as fees etc., paid in advance.

B800 Surplus

If the sum of the assets is greater than the sum of the liabilities, the difference should be entered here.

Capital (Building) and Loan Fund

This fund is concerned with the Board's transactions in land, buildings and equipment. General fixed assets of the board need not be depreciated, but should remain in the Capital (Building) and Loan Fund Balance Sheet at cost, as long as they exist.

They should be written off when they are sold or cease to exist, with replacements set up at cost. The only exception to this may be school buses and trucks (see Assets Item A 500).

A. Capital Assets

A100 Cash on Hand and in the Bank

Include all cash assets in this fund.

A200 Capital Fund Investments

A210 Government of Canada. - Direct and guaranteed bonds.

A220 Provincial governments. - Direct and guaranteed bonds.

A230 Municipal governments. - Include bonds or debentures of school boards, etc.

A240 Other investments.

A300 Land and Buildings at Cost.

Land includes all school sites and additions to school sites, playgrounds, athletic fields, etc., plus the cost of acquiring title to such lands. Buildings include all cost incidental to the erection of buildings, including the installation of plumbing, heating, lighting, etc., built in lockers, etc. Include also works in progress. The basis of the cost shown in the balance sheet should be clearly stated.

A310 Land.

A320 Schools.

A330 Dormitories, residences, etc.

A340 Teacherages or teachers' residences.

A350 Other buildings. - Include administrative buildings, health buildings, etc.

A400 Furniture and Equipment

Include at cost all furniture and equipment as defined in the Classification of Accounts, whether the expenditure has been met from current funds or from capital funds. Do not include supplies, that is, materials normally used within a year or consumed in use.

A410 Schools.

A420 Dormitories, residences, etc.

A430 Teacherages or teachers' residences.

A440 Other buildings.

A500 Buses, Trucks, etc.

Include here, if permitted, the depreciated value of all vehicles owned by the board. To arrive at the depreciated value, apply the formula approved

by the Provincial Department of Education. In a separate schedule show the purchase price less provision for replacement.

A 510 Pupil transportation equipment. - Buses, vans, etc.

A 520 Other transportation equipment. - Cars, trucks, etc. not used for transporting pupils.

A 600 Due from Other Governments

A 610 Provincial government. - Include capital grants due but not yet received, if the school board is already entitled to the grant.

A 620 Federal government. - Include contributions to construction costs due but not received.

A 630 Other school boards.

A 640 Municipalities.

A 700 Other Accounts Receivable

A 800 Due from Other Funds

Include any amounts due from other funds but not yet received.

A 900 Other Capital Assets

List individually any other capital assets.

B. Capital Liabilities

B 100 Bank Overdraft

Include bank overdrafts of the Capital (Building) and Loan Fund.

B 200 Debenture Debt Unmatured

Include here only the principal of debenture debt not yet due for repayment. Debenture debt and interest due and payable should be entered at Item B 300 of the Current (Operating) Fund Statement of Assets and Liabilities.

B 210 Debenture debt issued or assumed by the board.

B 220 Debenture debt issued by municipality on behalf of the board.

B 300 Long-term Capital Loans not yet Due for Repayment

B 310 Provincial governments, boards or commissions. - This will apply only in provinces which make capital loans to school boards.

B 320 Other unpaid loans. - Include any other long-term loans for capital purposes, not yet due for repayment.

B 400 Temporary Loans Pending Receipt of Debenture Proceeds

When temporary loans have been raised pending the receipt of debenture proceeds, enter here the outstanding principal.

B 410 Provincial government.

B 420 Bank and other temporary loans.

B 500 Capital Accounts Payable

Include any capital accounts due but unpaid, such as those to building contractors for progress estimates which will be paid from the capital fund.

B 600 Due to Other Funds

Include any amounts due to other funds but not yet transferred.

B 700 Other Capital Liabilities

List separately any other capital liabilities, taking care not to include any liabilities which should have been shown in any of the above items.

B 800 Investment in Capital Assets

The excess of assets over liabilities in the Capital (Building) and Loan Fund Balance Sheet. It represents the board's equity in Capital Assets.

Other Special Funds

These are the funds used to record the financial transactions of the ancillary and other special services, i.e. dormitories, hostels, residences; teacherages; cafeterias; bookstores and textbook rental schemes, etc. It is very important that accounting for these funds should be kept separate from the Current (Operating) Fund, since inclusion of the amounts spent and received for these activities would greatly distort the financial picture of the purely educational aspects of the school board's operations.

To set up a sample balance sheet for each of the special funds would enlarge this chapter considerably, and since the assets and liabilities will be of a similar nature in most cases, the statement for cafeterias must serve as an example for the others.

This statement refers only to the current activities of the cafeterias, etc., as many boards would be unable to distinguish the capital assets used for educational purposes and those used for ancillary activities.

(Name of School District or Division)

CAPITAL (BUILDING) AND LOAN FUND

Statement of Assets and Liabilities

as of _____ 19 _____

	Amount \$		Amount \$
A. CAPITAL ASSETS		B. CAPITAL LIABILITIES	
A 100 Cash on Hand and in the Bank		B 100 Bank Overdraft	
A 200 Capital Fund Investments		B 200 Debenture Debt Unmatured	
A 210 Government of Canada		B 210 Debenture debt issued or assumed by the board	
A 220 Provincial governments		B 220 Debenture debt issued by the muni- cipality on behalf of the board	
A 230 Municipal governments		Total, debenture debt unmatured	
A 240 Other investments			
Total, capital fund investments		B 300 Long-Term Capital Loans	
A 300 Land and Buildings at Cost		B 310 Provincial governments	
A 310 Land		B 320 Other unpaid loans	
A 320 Schools		Total, long-term capital loans	
A 330 Dormitories, residences, etc.		B 400 Temporary Loans Pending Receipt of Debenture Proceeds	
A 340 Teacherages or teachers' residences ..		B 410 Provincial government	
A 350 Other buildings		B 420 Bank and other temporary loans	
Total, land and buildings		Total, temporary loans	
A 400 Furniture and Equipment		B 500 Capital Accounts Payable	
A 410 Schools		B 600 Due to Other Funds	
A 420 Dormitories, residences, etc.		B 700 Other Capital Liabilities	
A 430 Teacherages			
A 440 Other buildings			
Total, furniture and equipment			
A 500 Buses, Trucks, etc.			
A 510 Pupil transportation equipment			
A 520 Other transportation equipment			
Total, buses, trucks, etc.			
A 600 Due from Other Governments			
A 610 Provincial government			
A 620 Federal government			
A 630 Other school boards			
A 640 Municipalities			
Total, due from other governments			
A 700 Other Accounts Receivable			
A 800 Due from Other Funds			
A 900 Other Capital Assets		B 800 Investment in Capital Assets	
TOTAL		TOTAL	

A. Cafeteria Fund Assets

A 100 Cash on Hand and in the Bank

A 200 Accounts Receivable

Include any amounts due and owing to the board in respect of the cafeteria's operations.

A 300 Inventories

Include the inventory value of consumable goods and supplies on hand. For the cafeteria this would include stocks of food, crockery, cutlery, etc., and cooking implements not large enough to be capitalized.

A 400 Due from Other Funds

Include amounts due from other funds but not yet transferred.

A 500 Other Assets

Include other assets of a current or liquid nature. [Capital assets should be included in the statement for the Capital (Building) and Loan Fund.]

A 600 Deficit

If the sum of the liabilities exceeds the sum of the assets, enter the difference.

B. Cafeteria Fund Liabilities

B 100 Bank Overdraft

Show the net amount by which the cafeteria bank account is overdrawn.

B 200 Accounts Payable

Amounts due and owing to suppliers, tradesmen, etc., for goods and services received during the fiscal period but not yet paid for.

B 300 Due to Other Funds

Include any amounts due to other funds but not yet transferred.

B 400 Other Liabilities

Include any other liabilities of a current nature. Specify each item separately.

B 500 Surplus

Enter here the amount by which the assets exceed the liabilities.

For each of the other special funds, these items will be adequate except that there will be slight differences of definition depending on the particular activities for which the fund is operated.

The reader is reminded that for each of these special funds completely separate sets of accounts should be maintained, and a separate statement of revenue and expenditure or receipts and payments prepared.

Trust Fund

Some boards need to operate such a fund, mostly for administering moneys donated for prizes, scholarships, etc. In addition to the statement of assets and liabilities an annual statement of changes in the Trust Fund balance should be prepared.

A. Trust Fund Assets

A 100 Cash on Hand or in the Bank

A 200 Investments

Include the cost price of invested funds of the trust fund.

A 210 Government of Canada. — Direct and guaranteed bonds.

A 220 Provincial governments. — Direct and guaranteed bonds.

A 230 Municipal governments. — Include bonds or debentures of school boards, etc.

A 240 Other Investments.

A 300 Due from Other Funds

Include amounts due from other funds but not yet transferred.

A 400 Other Assets (Specify)

B. Trust Fund Liabilities

B 100 Trust Fund Balance

If the fund arises from a bequest, gift or endowment, the fund would represent the original amount of the bequest, etc.; if the principal is to be held intact. If the principal is to be gradually expended, this account would represent the reduced balance of the trust.

B 200 Accounts Payable

B 300 Due to Other Funds

Include amounts due to other funds but not yet transferred.

B 400 Other Liabilities (Specify)

(Name of School District or Division)

CAFETERIA FUND

Statement of Assets and Liabilities

as of _____ 19____

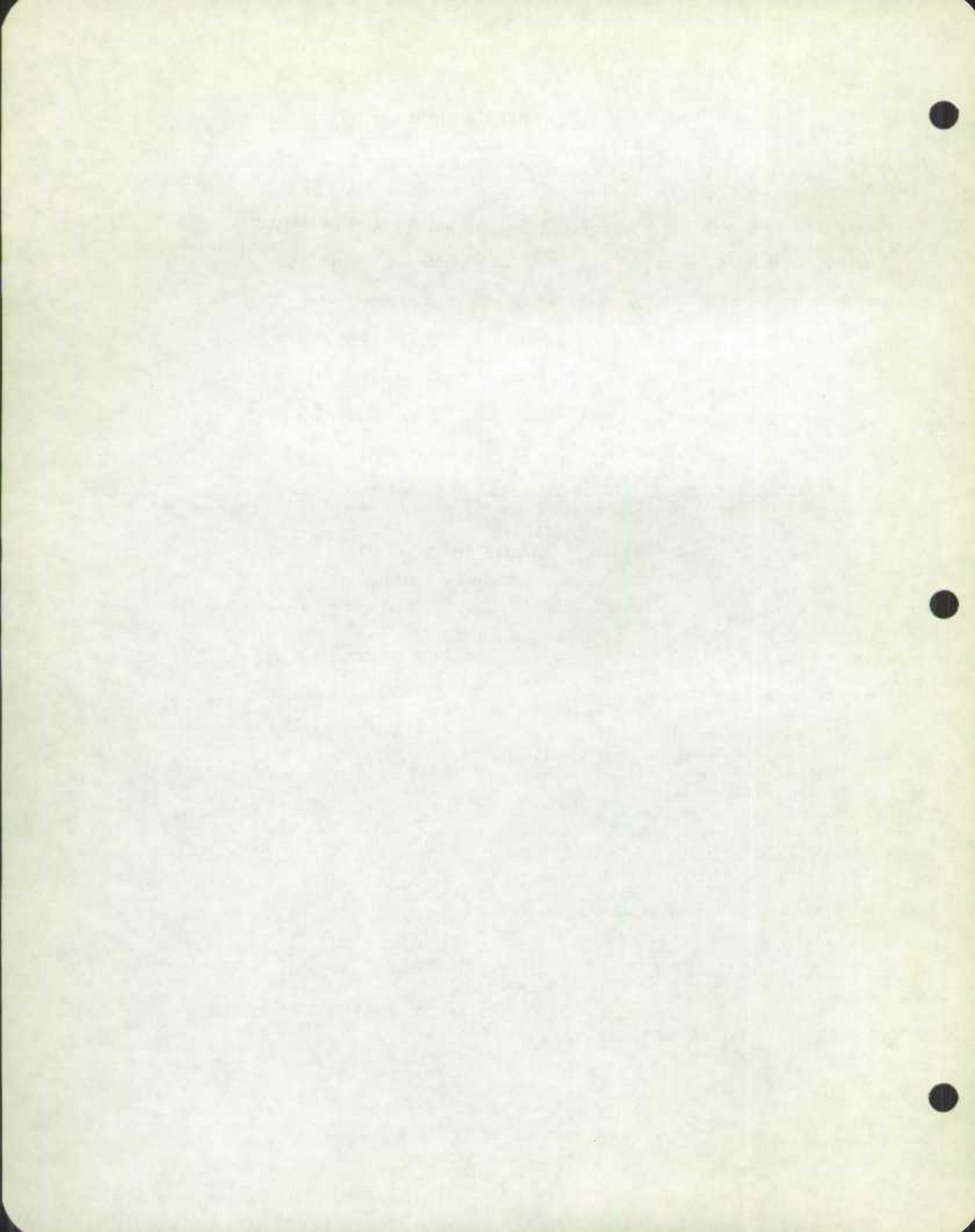
A. CAFETERIA FUND ASSETS	Amount \$	B. CAFETERIA FUND LIABILITIES	Amount \$
A 100 Cash on Hand and in the Bank		B 100 Bank Overdraft	
A 200 Accounts Receivable		B 200 Accounts Payable	
A 300 Inventories		B 300 Due to Other Funds	
A 400 Due from Other Funds		B 400 Other Liabilities	
A 500 Other Assets		B 500 Surplus	
A 600 Deficit			
TOTAL		TOTAL	

TRUST FUND

Statement of Assets and Liabilities

as of _____ 19____

A. TRUST FUND ASSETS	Amount \$	B. TRUST FUND LIABILITIES	Amount \$
A 100 Cash on Hand or in the Bank		B 100 Trust Fund Balance	
A 200 Investments		B 200 Accounts Payable	
A 210 Government of Canada		B 300 Due to Other Funds	
A 220 Provincial governments		B 400 Other Liabilities	
A 230 Municipal governments			
A 240 Other investments			
Total, investments			
A 300 Due from Other Funds			
A 400 Other Trust Fund Assets			
TOTAL		TOTAL	



CHAPTER 8 BUDGETING

The budget, which is perhaps the most important aspect of school board administration, is a legal requirement in most provinces. It has been defined as "an estimate of the proposed expenditure for a given period and purpose, and the proposed means of financing it". This definition implies that there are three parts to the budget. For a school board, these parts are:

1. The Education program or statement of educational philosophy, policy and needs. A discussion on this would be out of place in an accounting manual, but, until the board has decided on its educational program for the coming year, it is impossible to pass on to the next aspect, which is,
2. An expenditure program which is essentially a translation of the educational program into monetary terms. It should specify in detail the expenditures which are needed to put into practice the educational plans of the board.
3. The financing program which is the plan for obtaining the money needed to support the expenditure program.

The budget, if conscientiously drawn up, is a valuable tool in the hands of the administrator. Too often it is thought of as a rather tedious method of determining what mill rate to levy or what amount to requisition from the municipality for the appropriate year. Whilst this is one of the most important functions of the budget, it is by no means the only one. A well prepared and executed budget should also:

1. Provide a means of controlling expenditures.
2. Lead to an annual critical review of procedures.
3. Help to develop good accounting practices.
4. Lead to advance planning of educational and financial programs.
5. Lead to better understanding between the administration and the teaching staff, because it is a group effort.

The ultimate responsibility for the budget rests with the Board but usually the task of drawing it up will be assigned to the secretary-treasurer, as he has most of the necessary information at hand and will be called on to put the budget into effect. To gather all the details he requires, he will have to enlist the co-operation of other members of the staff, more particularly the school superintendent or principals. It is important that all those acting in an administrative capacity should be called on to prepare budget estimates for their areas of responsibility. Not only are they in a better position than anyone else to know their own needs but, if they are not consulted they are likely to feel, quite justifiably, that important decisions regarding their departments or schools are being thrust upon them without consultation.

The secretary-treasurer will not, of course, be able to accept all the estimates as they stand;

adjustments will have to be made but, for the best results, this process should be done in consultation with those most concerned.

In small boards employing only a few teachers the work of drawing up the budget will probably be best carried out if the board works directly with the secretary-treasurer and the principal or teacher.

Expenditures (Payments)

The estimates of expenditures (payments) should be prepared in the same detail and form as the Classification of Expenditures (Payments) (See Chapters 3 and 4).

There are four major types of expenditure, salaries and wages, the costs of contractual services, costs related to the physical plant and costs dependent on enrolment. The distinctions are not clear cut, but it is possible to place most items in the appropriate group.

1. Salaries and Wages.

- (a) Determined by agreement. — The majority of salaries and wages paid by the board are based on agreements and can therefore be estimated, although some allowances have to be made for substitute teachers in case of sickness, etc.
- (b) Other. — These will be more difficult to estimate but details of such expenditures in previous years combined with a knowledge of proposed operations for the coming year should provide a reasonable basis for estimates.

2. Contractual Services

Transportation, cleaning and some other services may be provided on a contract basis and the expenditures will be relatively simple to estimate in accordance with the terms of the contract.

3. Plant

Expenses for heat, light and fuel do not vary greatly from year to year so the best basis for estimates is the expenditure of previous years combined with current data on rates, although the secretary-treasurer will, of course, have to make allowances for any changes in the size of the plant. Insurance premiums and debenture payments are usually fixed and known in advance. Forecasting plant operations and maintenance requires the planning in advance of any major alterations, or jobs such as painting, re-roofing, etc. where these expenditures are not capitalized. From time to time emergencies will occur which it has been impossible to foresee and to budget for. In such instances special provisions will have to be made, with the board's approval, to meet the expenditures involved.

4. Enrolment

Such expenses as textbooks, instructional supplies, etc., are dependent on the number of pupils enrolled and, to arrive at reasonable estimates for these items, a forecast of enrolment is essential. While the secretary-treasurer of a board operating a one-room school probably knows all the children in the district, the bigger boards will find forecasting enrolments much more difficult. However, secretary-treasurers will find that with previous enrolment figures in front of them and with a knowledge of local economic and social conditions, their estimates may come surprisingly close to the actual enrolment. This procedure will be more difficult in fast growing suburban areas and the secretary-treasurer will have to tap all available sources of information to estimate enrolment. The municipality should be able to tell him how many dwellings are to be built and the telephone company and other public utility companies will be able to give reasonable estimates of the number of families living in new developments.

Budgeting will be easier in those provinces (Quebec, Prince Edward Island and Newfoundland) where the school boards' fiscal year coincides with the school year. The boards in these provinces should know before the year begins the approximate enrolment and the number of teachers. This should enable them to make accurate estimates of expenditure for textbooks, school supplies and teachers' salaries, items which constitute a major portion of school boards' costs.

Where the fiscal year runs from January to December, estimates will be more difficult as parts of two school years are involved. To estimate from January to June should be relatively simple, since the pupils and teachers involved are actually in the school but for the September-December period, the basic data are not so readily available and forecasts must be made.

Revenues (Receipts)

The estimates of Revenues (Receipts) should be prepared in the same detail and form as the classification of revenues (receipts). (See Chapters 3 and 4.) The first item for boards operating on the cash basis is cash on hand or bank overdraft from the previous year. For those on the accrual basis it will be surplus or deficit from the previous year. This amount will, of course, be known so the first important item to be estimated is provincial grants. The degree to which this will be known in advance by the secretary-treasurer varies from province to province but some Departments of Education attempt to have some information in the hands of the boards as early as possible. In other provinces, the secretary-treasurer must make his own estimates on the basis of the latest grants regulations.

Tuition and transportation fees from other authorities may be a substantial source of income for some school boards. For the current school year the number of non-resident pupils attending the board's schools and the rate of fees charged will be known. It should, therefore, be possible to give an accurate estimate of the total fees for the period

from January to the end of the school year. For the September to December period it will be necessary to forecast the expected number of non-resident pupils and also the rate of fees.

Other items of revenue (excluding local taxation, which is dealt with below) are usually difficult to estimate but, because of their minor significance in the total revenue picture, even relatively large discrepancies between the amounts estimated and the actual amounts received are not likely to have a serious effect on the budget.

It will now be possible to arrive at the amount to be raised by local taxation, by deducting the sum of all other sources of revenue from total expenditures. This amount will be raised by requisition on the municipality or by striking the appropriate mill rate on the basis of total assessment. Where the board collects its own taxes, allowance should be made for uncollected taxes. This will also apply where the municipality collects taxes on behalf of the school board but pays over only the amount actually collected rather than the amount levied.

When all items have been estimated, it is useful to compare them side by side with the actual expenditures for one or two previous years. Any gross differences can then be seen quite easily and the reasons for them ascertained and explained. The secretary-treasurer can thus justify each item in his budget when he presents it to the board and the board can see at a glance how revenues and expenditures are changing from year to year.

For efficient operation of the budget, it is helpful to break down revenues and expenditures on a monthly basis. Certain demands will be made on the board at specific times and it is usually important that these can be met immediately, partly because discounts may be involved and partly because it is good public relations for the board to meet its obligations promptly. The times at which most payments fall due are known in advance to the secretary-treasurer as are the dates on which most of the revenues will be received. It should not be difficult, therefore, to prepare a monthly forecast.

Once the budget has been approved, it should be entered in the board's minutes. In British Columbia, it is a legal requirement that the budget should be put in the accounts and transfers between items can only be made with the consent of the provincial Department of Education. Budgetary control, even when not required by law, is sound accounting practice. A monthly comparison of actual with estimated revenues and expenditures shows the state of the board's finances. Any variations from the budget can be investigated and appropriate action taken.

Although this chapter has dealt only with the budget for the Current (Operating) Fund, a budget should be prepared for every fund operated by the board so that all aspects of the board's operations can be controlled.

CHAPTER 9

SUPPLEMENTARY RECORDS

In Chapter 2 reference was made to supplementary records which most boards will find it advisable to keep, even though they are not an integral part of the accounting system. They are:

- The Fixed Assets Register
- The Insurance Register
- The Debenture Register

Maintenance of these three registers takes very little time once they have been set up and the board will have at its immediate disposal a good deal of useful information. These records will also prove invaluable in the event of such emergencies as the destruction of property by fire.

The Fixed Assets Register

This register, which should contain a complete record of all fixed assets (see Glossary of Accounting Terms), may, for convenience, be divided into two parts: - Real Property and Other Fixed Assets.

Real Property

This section should contain a complete record of all the real property, that is sites and buildings owned by the board. Cases have been known of boards, wishing to sell an old school, finding after investigation that they have no title to the land on which it stands. If a record of real property had been maintained this oversight would have come to the board's attention and some action might have been possible. Form K shows an example of a Real Property Record. Note that in addition to the column for purchase price there is a column for appraised value. Where the purchase value is not known boards will find it well worth the relatively small fee involved to have school property valued by a professional appraiser. It will give them a reliable estimate of the current value of their property which will be useful if the board is considering disposing of any of its property or again in the event of total loss by fire.

Other Fixed Assets

The purpose of the Fixed Assets Record is to maintain in one place a complete record of all the permanent property of the board, showing the date of acquisition, cost price, and subsequent disposal along with other relevant information. An example of a Fixed Assets Record is shown at Form L. Where depreciation of school buses is permitted provision must be made to show the depreciated value.

Separate pages should be maintained for different types of property and equipment - audio-visual equipment, office machines, etc. Such a record has the following uses:

It enables the value of inventory, which is to be entered in the balance sheet, to be readily arrived at.

Where a board operates several schools the distribution of any type of equipment among the schools can be seen at a glance.

The chief pitfall to be avoided in this type of register is failing to record the disposal of the equipment when it is discarded, traded in or sold.

The Insurance Register

The insurance register (Form M) provides a ready reference to the number, type, coverage, premium and expiration dates of all the insurance policies held by the board. It is advisable that one person should be responsible for maintaining the register and handling payments and claims. As most of the board's insurance will be for three year terms, three columns are provided to show the amount of premiums due each year and to assist the board in planning an insurance program in which the annual policies are for approximately the same amount each year. Entering the cheque number and dates of premium payments may save searching through the ledgers to verify that the premiums have been paid.

Debenture Register

Every board should keep a record of the debentures it has issued or which have been issued on its behalf by the municipality or province. Such a record will simplify the completion of reports required by the province and will show, at a glance, the amount of debenture debt outstanding, and the payments due.

Before becoming involved in the issuing of debentures, the secretary-treasurer should familiarize himself with the provincial regulations governing debenture issues.

Form N shows an example of a Debenture Register in which a separate page or card should be maintained for each issue. This is a copy of a form which has been in use in one of the provinces for several years and has proved quite satisfactory. Secretary-treasurers may wish to make minor changes to adapt it to their particular needs.

FIXED ASSETS REGISTER - Real Property

Date Purchased	Description	Purchase Price	Appraised Value	Disposal			
				Nature of Title	Amount	Method	Date
9-6-48	Site of Western High	\$7,000	\$6,000				

Form L

FIXED ASSETS REGISTER - Other Fixed Assets

Classification: Audio-Visual

Date Purchased	Description	Supplier	Serial no. if applicable	Cost Price
7-12-53	Movie Projector	Bell & Howell	726503	489.50

Form L (Cont'd)

FIXED ASSETS REGISTER - Other Fixed Assets

School	Disposal			Remarks
	Amount	Method	Date	
Central High	-	Trans'd to Western High	9-9-60	

Form M

INSURANCE REGISTER

Date of Policy	Name of Company and/or Agent	Property etc., insured	Type	Amount of Policy	Rate per \$1000
1-1-60	Great Northern Insce. Co.	Central High	Fire	\$400,000	\$3

Form M (Cont'd)

INSURANCE REGISTER

Expiry Date	Amount of Premium Payable			Date Paid	Cheque No.	Remarks
	1960	1961	1962			
31-12-62	1,200	1,200	1,200	25/12	1593	

DEBENTURE REGISTER (Front Page)

Form N.

Purpose of Issue	Date of Issue
Term in Years	Date of Maturity
Amount of Issue	Coupon Interest Rate
Interest Due Dates	Currency of Payment
Where Payable	Denomination of Debentures
To Whom Sold	Annual SF Requirement
Price Paid in Relation to Par	Cost basis to Board (Yield)
Ratepayers' Meeting or Plebiscite	Approved by Department

Date	Debenture Number	Denomination	In Whose Name Registered	Address	Registrar	Checked by

DEBENTURE RECORD (Reverse Page)

Form N (cont'd)

Principal maturing					Interest coupons maturing								
Debenture numbers	Face value	Due date	Date debenture redeemed	Coupon Value									Year
													Month
													Cpn. No.

One column will be required for every year of debenture's term

CHAPTER 10 ALLOCATION OF COSTS

Traditionally, the unit of school administration in Canada has been the small school district operating one school and in units like this accounting procedures can be relatively simple. However, although there are still several thousands of such boards, the majority of our children now attend schools under the administration of boards whose operations are more extensive, both geographically and educationally. Most of these conduct, in addition to the regular academic program, night classes, summer schools and vocational courses. The efficient and economical administration of these more complex units, requires the keeping of separate sets of accounts for each of these various activities, especially where separate figures are required for grant claims or to establish fees.

As many, or all, of these activities may be carried on under the same roof, or by the same staff, the problem arises of sharing, or pro-rating, various costs among the different types of education.

Problems of pro-rating are not, however, limited to boards which undertake a variety of activities. In Chapters 3 and 4 attention was drawn to the problem of allocating the salary of an employee whose duties do not fall entirely within one field. This situation could exist in almost any school district, as could some of the other examples dealt with later.

There are in fact, very few school districts which can completely ignore the problems of pro-rating, which will arise in any of the following circumstances where pro-rating is necessary or, at least, desirable.

1. Where a board operates both academic and vocational courses in the same school building.
2. Where a board operates a day school and night school or summer school in the same building.
3. Where a board operates an elementary and a secondary school in the same building.
4. Where any member of the staff of a board performs duties which are divided between different educational programs (e.g. elementary and secondary) or between different functions (e.g. administration and instruction).

Although these four situations are among the most common, other circumstances may arise where a secretary-treasurer feels that he should pro-rate costs.

When we consider that one of the purposes of an accounting system is to improve the efficiency of the administration, the need for pro-rating becomes obvious. The educational administrator needs to know how much it is costing the board to educate a vocational pupil, how much the pupil transportation system costs, what fees to charge

for a summer school if it is to be self-sufficient. He cannot do this if all the cost of building maintenance and operation is charged to academic education because most of the floor space is devoted to academic classrooms; if the wages of the maintenance worker who also drives the school bus are charged to maintenance because he spends only a quarter of his time driving the bus; if no operating costs are charged to summer school because it is only open for a few weeks. Pro-rating of expenditures is the only way in which a reasonably accurate record can be kept of the cost of each educational function or service, and without this knowledge efficient administration is impossible.

There are many bases which can be used for allocating costs, but the following will meet most needs.

1. Time.
2. Floor area.
3. Number of pupils.
4. Pupil-mileage.
5. Quantity Consumed.

1. Time. — This method consists of allocating expenditure according to the proportion of time spent on each activity. If a person spends 25 p.c. of his time in instruction and 75 p.c. in administration, 25 p.c. of his salary would be charged to instruction and 75 p.c. to administration.

2. Floor area. — It is usually preferable to use square footage rather than cubic capacity, partly because it is easier to work with and partly because, where two operations are conducted in the same building, ceiling height is uniform. By this method costs are allocated according to the amount of floor space devoted to a particular activity. For example, if cleaning costs are to be allocated between academic and vocational education in a school with 15,000 square feet of vocational shops and 30,000 square feet of academic classrooms, one-third of the cost would be charged to vocational and two-thirds to academic. If allocation is to be made which involves night or summer schools, the differing periods of time for which the building is occupied will also have to be taken into account.

3. Number of pupils. — This may be number of pupils enrolled or the number in average daily attendance according to which is more appropriate in a particular case. It consists of pro-rating expenditure on the basis of the number of pupils engaged in an activity. Where some of the pupils are full-time and some part-time, both should be converted into similar units. Suppose a school with 600 full-time pupils operates a six weeks summer school for 125 pupils. If school is normally open for 192 days, 125 summer course pupils will be equal to $\frac{30}{192} \times 125$ full-time pupils, or approximately 20 pupils. Therefore, $\frac{20}{620}$ of the costs to be pro-rated should be allocated to the summer school.

4. Pupil-mileage. — This method will be applied only to pupil transportation costs and is based on the number of pupil-miles, that is the sum of the number of miles each pupil is carried.

5. Quantity consumed. — By this method expenditure is allocated according to actual consumption. It can be applied only to materials and supplies and not to utility services, unless these are separately metered. If \$1,000 worth of supplies are purchased and one-fifth are used by night school students, \$200 would be charged to night schools. It will not always be possible to determine the actual allocation of supplies between pupils in different programs, and it may be necessary to pro-rate costs on the basis of Average Daily Attendance, Average Daily Enrolment or enrolment as of a specified date.

No single one of these five methods of pro-rating can be applied to every instance where allocation of expenditures is desirable, as the method used must have some relation to the cost which is being allocated. Time is obviously the best method of allocating instructional salaries, but could not

be used for allocating supplies. Similarly, floor area can be used for allocating the cost of utility services such as heating and lighting, but could not be used for pro-rating teachers' salaries as a teacher's work load has little relation to floor area. The accompanying chart which suggests the methods most appropriate to each of a variety of accounts may prove helpful. In practice, however, the secretary-treasurer will have to make his own decision in accordance with local conditions and the information available to him.

Finally, it must be stressed that pro-rating of costs is no substitute for recording actual costs where this is possible. Pro-rating is merely a device for estimating the approximate costs of services, etc. when it is not feasible to obtain actual figures. Inevitably, it involves a good deal of additional work for the secretary-treasurer, but he will find his efforts well rewarded by the accurate and meaningful figures which he produces. These figures will be of great value in assisting the trustees to make decisions regarding the administration and organization of the board's activities.

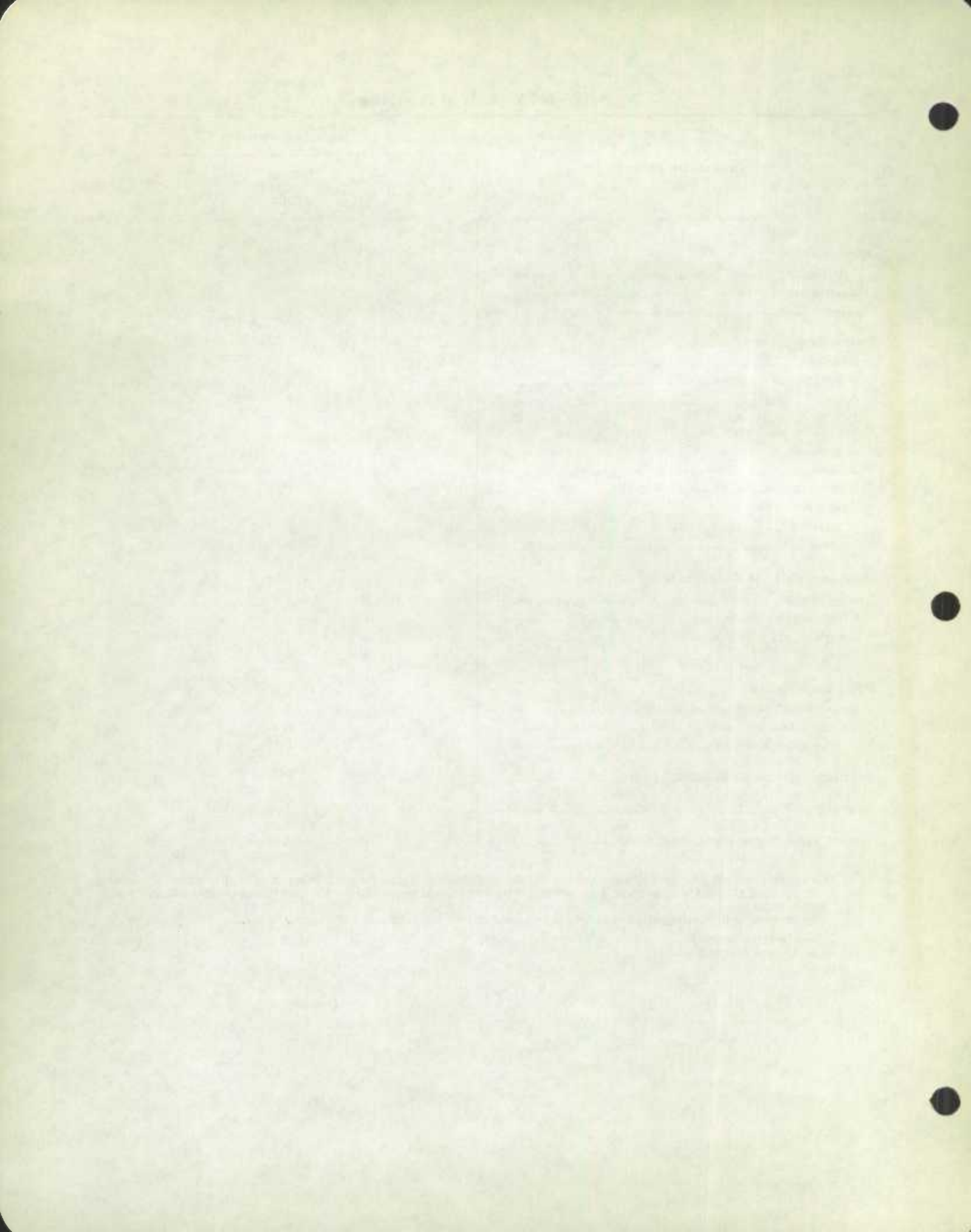
Suggested Methods of Pro-rating

Expenditure Accounts	Method of pro-rating				
	Time	Floor area	Number of pupils	Pupil/mileage	Quantity consumed
Administration:					
Salaries			P		
Materials and supplies			A		P
Other			P		
Instruction:					
Salaries	P		A		
Materials and supplies			A		P
Other			P		
Other Educational Services:					
Attendance:					
Salaries			P		
Other			P		
Health Services:					
Salaries			P		
Other			P		
Plant operation and Maintenance:					
Salaries		P			
Utility services		P			
Materials and supplies		A			P
Other		A	P		
Pupil transportation:					
Board-owned buses			A	P	
Contractual services			A	P	
Alternative services			P		
Ancillary services			P		
Debt charges ¹		P	A		
Capital expenditures from current funds ²		P	A		

¹ Consideration must be given to the amount raised by debenture sales for each program area. For example, federal and provincial funds will provide a higher proportion of capital requirements for vocational programs than for academic programs.

² The method of pro-rating will depend, to a large extent, on the nature of the expenditures.

P: - Preferred method.
A: - Alternative method.



CHAPTER 11 PER PUPIL COSTS

Secretary-treasurers and trustees are all anxious that the school under their control should be operated as efficiently as possible. One of the most useful measures of the efficiency of a board is a comparison of its per pupil costs with those of other boards. Per pupil costs can also be used to compare provinces or to draw attention to changes in costs from year to year. Like any unit of measurement, however, it is useless unless we are sure that it has a consistent value. There must be standards for the calculation of per pupil costs and in this chapter an attempt is made to suggest such standards.

In determining per pupil cost four factors must be considered.

1. The pupil unit of measure (e.g. average daily attendance, average daily enrolment, enrolment as of a specified date).
2. The expenditure accounts to be included (e.g. administration, instruction, etc.).
3. The period of time.
4. The program areas (e.g. elementary, secondary, academic, special education, vocational, etc.).

1. Pupil unit of measure. — The three possibilities to be considered are enrolment as of a specified date, average daily attendance, and average daily enrolment. Of these, enrolment as of a specific date is so unsatisfactory that it can be dismissed almost immediately. Enrolment at the beginning of the school year would probably be too high, as enrolments usually fall during the school year. For the same reason, enrolment at the end of the school year would be too low. Average daily attendance (ADA) is a much more useful tool for it is a measure of the average number of pupils in attendance throughout the school year. ADA is the total number of days attendance by all pupils, divided by the number of days that school was actually in session. It is the measure most commonly used in Canada. Average daily enrolment (ADE) sometimes known as Perfect Aggregate Attendance is probably the best measure, as it shows the average number of pupils enrolled in a school and facilities have to be provided for every child enrolled whether or not he is actually in attendance. ADE is the sum of the daily enrolments divided by the number of days that school was actually in session. This measure is not much used in Canada at present, but is being used to an increasing extent in the U.S.A. where it is known as Average Daily Membership. Some boards may wish to calculate costs both on ADA and ADE basis.

In computing per pupil costs for a part-time program it will, of course, be necessary to convert the ADA or ADE to whole-time equivalents. For example, a board might operate a night school for 300 pupils attending night classes for 2 hours each per week. If day school hours were 30 per week, the 300 night pupils would be equivalent to $\frac{300}{30} \times 2 = 20$ full-time pupils.

2. Expenditure accounts. The expenditure accounts to be included in calculations of per pupil costs will depend on the purpose for which the cost is to be used.

If a secretary-treasurer wishes to calculate the total cost of education per pupil, he will include the following expenditure accounts.

- Administration
- Instruction
- Other educational costs
- Plant operation and maintenance
- Pupil transportation
- Debt charges
- Capital expenditures from current funds

He may also wish to include the net cost of ancillary services. He should not include payments made to other school boards or other authorities for children who are attending schools operated by those boards nor should he include the costs of their transportation. As these pupils are not attending schools operated by the paying board they do not enter into the ADA used to compute per pupil costs; to include the payments made for their tuition and transportation would make per pupil costs too high. Both the cost of educating non-resident pupils and their average daily attendance should be included in the calculation of per pupil costs.

However, as soon as comparisons are made with other boards some items will have to be omitted. A board which has just undertaken the construction of a new school will probably have a high rate of debenture debt repayment, whereas a board which has built no new schools or additions for thirty years will probably have no debenture debt. Boards in British Columbia, for example, will have little or no capital expenditure from current funds, whereas in some provinces this may be a substantial item. A better basis for comparison would be "operating costs", from which Debenture Debt and Capital Expenditures from Current Funds would be omitted. This would permit a comparison between the day to day costs of providing education between boards or with the average of boards in a province.

To achieve strict comparability, some other items may also need to be omitted. Not all boards provide pupil transportation services and not all boards provide ancillary services such as cafeterias or subsidized text books. For purposes of comparison with such boards, the two expenditure accounts "Pupil Transportation" and "Gross Cost of Ancillary Services" should be excluded.

If possible, it would be helpful to compute the cost per pupil of each major expenditure account so that the board's expenditure on administration, instruction, etc. can be seen in relation to similar expenditures by other boards. This may indicate specific activities for which expenditures are

unusually high and these activities can then be investigated. **It cannot be assumed that because one board is spending more per pupil than another that it is less efficient.** Nevertheless, there should be an explanation for any gross differences in per pupil costs between boards. One may be providing a high level of administration that is saving money on other items. It may have to pay more to secure the services of able staff, or it may have to pay more for supplies. Cost will vary with the conditions under which the board operates. A school in the far north will have higher heating and lighting costs than one in the south; bad roads will increase expenditures on transportation and physical isolation will increase almost all operating costs.

3. Time. Per pupil expenditures will normally be computed on an annual basis, although it may sometimes be necessary, in order to determine tuition fees, to use a weekly, daily or even hourly basis.

4. Program area. The different program areas for which per pupil costs are calculated will depend on the requirements of individual boards. Normally, secretary-treasurers will wish to calculate separate per pupil costs for elementary and secondary, academic and vocational, evening and summer courses. This will necessitate using the pro-rating procedures suggested in Chapter 10.

Throughout this manual we have tried to make the point that, if the trustees are to carry out their responsibilities, they must be supplied with all the necessary information by the secretary-treasurer. Detailed per pupil costs for the board, presented side by side with those for similar boards, or for previous years can be a very effective tool in the hands of the conscientious trustees.

GLOSSARY OF SOME TERMS USED IN THE MANUAL

The following definitions have been drawn from several sources including "Terminology for Accountants" issued by the Canadian Institute of Chartered Accountants, the "Municipal Finance Reporting Manual", Third Edition, 1960, and the "Manual of Instructions for Uniform Accounting for Minnesota School Districts". From time to time the third and the fourth editions of the "Accountants' Handbook" were also consulted. In some instances the original definition has been adapted or rephrased to apply more directly to school board accounting.

Account. — A formal record of an asset, liability, surplus, reserve, income, or expense, in which the effects of transactions are entered in terms of money.

Accounting. — The process of analysing and systematically recording, in terms of money, business transactions and events which are, in part at least, of a financial nature, and of summarizing, reporting and interpreting the results thereof. (Compare Bookkeeping.)

Account Payable. — An amount owing to a creditor. Generally limited to amounts owing for purchases of goods and services.

Account Receivable. — Amounts claimed against a debtor, usually money claims arising from the sale of goods or services.

Accrual Basis. — A system of accounting is said to be on an accrual basis when income is accounted for when earned or due regardless of when received, and expenses are accounted for as soon as the liability is incurred regardless of when payment is made.

Assess. — 1. To place a value on property for taxation purposes.
2. To fix the amount of a tax.

Assessment. — 1. The value of property (usually land, buildings, improvements) established for taxation purposes.

2. The amount of the tax levied against a person or property, etc.

Appraisal. — A valuation, generally of land, buildings and equipment made by a properly qualified person. The valuation may be made on one of several bases, e.g. replacement cost, market value, etc.

Assets. — In general, anything owned, measured in terms of money.

Average Daily Attendance (ADA). — In a given school year the ADA for a school is the total number of days attendance by all pupils, divided by the number of days that school was actually in session.

Average Daily Enrolment (ADE). — In a given school year the ADE for a school is the sum of the daily enrolments divided by the number of days that school was actually in session. (Also called Average Daily Membership.)

Audit(n). — An examination of the accounts, including the verification of assets, liabilities, receipts, disbursements, revenues, expenditures, reserves and surplus, in such detail as may be necessary to permit certification of the statements rendered.

Balance Sheet. — A formal statement of the financial position of a fund compiled from the books of account, showing assets, liabilities, and owner's equity in a classified manner and as at a particular moment of time.

Bank Statement. — A list sent by a bank periodically (usually monthly) to its customers setting out all of the changes during the period in the customer's current or personal chequing account with the bank. The cheques charged against the account during the period are usually returned to the customer with a bank statement together with vouchers for other entries, if any, initiated by the bank.

Book of Account. — Any book or record in which business transactions of an organization are recorded in terms of money and which constitute part of the accounting system. The books of account include books of original entry as well as ledgers.

Bookkeeping. — The process of classifying and recording business transactions in terms of money in the books of account.

Book of Original Entry. — See JOURNAL.

Book Value. — The amount at which an asset or liability is recorded in the books of account. The book value of an asset which is being depreciated (e.g. school bus) is the recorded value less the reserve for depreciation.

Bond. — A long-term note issued in accordance with a formal legal procedure by a government or corporation and secured either by specific properties or revenues or by the general credit of the government or corporation. (See Debenture, also Serial Debenture.)

Budget. — An orderly and detailed plan of proposed expenditures for a given period or purpose and of the means of financing them designed to provide control over future operations.

Capital Expenditure. — Disbursements that result in the acquisition of or addition to fixed assets.

Cash. — 1. **Cash on hand:** coins and paper money, money orders, postal notes, cheques and accepted sight drafts.

2. **Cash in bank:** the balance of current accounts and of savings accounts in banks or other responsible financial institutions.

Cash Basis of Accounting. — A system of accounting is said to be on a cash basis when income is accounted for only when received in cash, and expenses are accounted for only when paid. (Compare with Accrual Basis.)

Charge. — Same as DEBIT.

Contingent Liabilities. — Possible liabilities which may arise from past circumstances and become a legal obligation, (e.g. an unsettled disputed claim).

Contractual Services. — Services rendered by personnel who are not on the payroll, including all related expenses of the contract.

Control Account. — A general ledger account, the balance of which represents the total of the balances of the accounts in a subsidiary ledger, e.g. the accounts payable account in the general ledger summarizes and controls the accounts payable ledger.

Cost. — The amount paid or payable to obtain property, goods or services.

Credit. (n.) — An entry on the right side of an account. Such entries may either 1. decrease assets, 2. increase liabilities, 3. represent income, or 4. represent deductions from expense.

Debentures. — Debentures are bonds secured by the general credit of the borrower rather than by specific property or revenue. (See Bond, also Serial Debenture.)

Debenture Debt. — That portion of the indebtedness represented by outstanding debentures (including assumed debentures).

Debenture Discount. — The amount by which the selling price of a debenture is less than the face value.

Debenture Premium. — The amount by which the selling price of a debenture exceeds the face value.

Debit. — An entry on the left hand side of an account. Debit entries may either 1. increase assets, 2. decrease liabilities, 3. represent expense, or 4. represent deductions from income.

Debt Charges. — The amount of money necessary annually to pay the interest on all debt and the principal of long term debt.

Deficit. — 1. On a balance sheet, the excess of the total liabilities of a fund over the total assets.

2. In the statement of revenue and expenditure, the excess of expenditures over the revenues.

Depreciation. — Loss in value of fixed assets due to wear and tear, age and obsolescence.

Disbursement. — A payment in cash or by cheque for goods or services, or as a gift.

Double Entry Bookkeeping. — The system of bookkeeping, now in general use, in which every transaction is recorded in one or more accounts as a debit and in one or more as a credit in such a manner that the total of the debit entries equals the total of the credit entries.

Equipment. — Physical property of a more or less permanent nature, other than land, buildings or improvements to either of these. Examples are machinery, tools, trucks, cars, furniture and furnishings.

Expenditure(s). — General running expenses, whether paid or payable, chargeable to a financial period.

Financial Position. — The state of affairs represented by the assets, liabilities, and the board's equity at a specified time.

Fiscal Period. — The period for which financial statements are regularly prepared, (generally a twelve-month period). The fiscal year for school boards in Quebec, Newfoundland and Prince Edward Island is the school year. In all other provinces it is the calendar year.

Fixed Asset. — A tangible long-term asset, such as land, building, equipment, held for use.

Fixture. — Machinery furnishings, equipment attached to or forming a normal part of a building.

Fund. — Money (or its equivalent) set aside for a specific purpose, the nature of which is usually indicated in the name of the fund, e.g. current (operating) fund, building fund, trust fund(s).

General Ledger. — An accounting record containing accounts in which are recorded in detail, or in summary, or a mixture of these, all the financial transactions of the board. (See Ledger.)

Grant. — A contribution made by one level of government to another (e.g. provincial government to school board) for which the contributor expects no payment or service in return.

Imprest Fund. — A definite sum of money set aside for cash purchases (e.g. petty cash) and renewed from time to time to the extent of the exact amount of the signed receipts received when purchases were made. The sum of the cash on hand and the receipts for payments should always equal the total amount of the fund.

Improvement. — An alteration or structural change in a building or unit of equipment which increases its durability, productivity or efficiency.

Income. — Money received or receivable.

Inventory. — An itemized list of goods (materials and supplies) on hand showing quantities and values, usually restricted to items to be currently consumed.

Investments. — Securities (bonds, etc) required or held to yield revenue either temporarily or permanently, e.g. government bonds held as all, or part, of the principal of a trust fund.

Investment in Capital Assets. — In the capital (building) and loan fund, the excess of the assets over the liabilities; the board's or ratepayers' equity in the capital assets.

Invoice. — The document prepared by the seller and sent to the purchaser setting out the details of goods sold or services rendered including quantity, price, terms of payment, etc.

Journal. — 1. In a single entry system, an account book in which the data of financial transactions are formally recorded.

2. In a double entry system, the book of account in which business transactions are formally recorded for the first time as a basis for posting to the ledger accounts, and sometimes for the purpose of first distributing or summarizing the items.

Ledger. — A book or file of accounts; a book of final entry containing all the accounts of the board (General Ledger); a book or file containing all the accounts of a particular type or nature (e.g. accounts payable ledger).

Levy. (n). — A tax, or the total amount of a tax.
(v). — To impose a tax.

Liability. — In general, a debt or obligation.

Liquid Assets. — Cash on hand and in the bank and temporary investments readily convertible into cash.

Maintenance Cost. — The cost of keeping property in efficient working condition.

Obligations. — Debts or amounts owing arising out of formal or informal agreements.

Overdraft. — The excess of withdrawals over the amount provided in an account such as a bank account or an appropriation account.

Par Value. — The nominal or face value of a debenture or other security.

Payment(s). — 1. Cash (or its equivalent) paid for goods or services or as a gift.
2. A disbursement (q.v.)

Payroll. — The book, sheet, or other document on which are listed the names of employees and the amounts payable to them as salaries or wages at a given time (sometimes referred to as a "paylist").

Petty Cash. — Cash kept on hand or in a special bank account for the purpose of meeting small payments. (See Imprest Fund).

Plant. — All of the board's tangible fixed property including land, buildings, equipment, etc. (See also Fixed Assets.)

Possible Aggregate Attendance. — See Average Daily Enrolment.

Post. (v). — To transfer an amount from a journal, or other record of original entry, to a ledger account.

Posting. — The act of transferring to an account in a ledger, the data, either detailed or summarized, contained in a book or document of original entry.

Prepaid Expense. — That portion of an operating expense properly chargeable to the operations of the next year or two, e.g. prepaid rent, prepaid insurance, prepaid interest.

Principal. — The capital amount of an investment or of a loan.

Pro-rate. — To pro-rate an expenditure is to distribute the amount among two or more accounts in proportion to the share of the cost applicable to each of these accounts.

Purchase Journal. — A book of original entry in which purchases on credit terms are recorded.

Purchase Order. — A form used to place an order for goods or services with a supplier.

Receipt. — 1. Cash received during a financial period (see revenue).

2. A signed acknowledgement of the receipt of money or goods.

Refund. (n). — An amount returned, or a credit allowed for the return of goods sold or an overcharge for goods or services, or the unexpended portion of an advance.

(v). — 1. To return or allow credit for any of the above.

2. To repay a loan with cash or credit secured by a new loan.

Repair. — The restoration of damaged or worn out parts of equipment or plant to a state of normal working efficiency. In the case of small parts, this may be done by a replacement, nevertheless these are accounted for as repairs.

Replacement. — The installation of a new piece of equipment or other unit of plant in place of an old unit (e.g. a new furnace for an old). This may result in a change in the book value.

Requisition. - 1. In those situations where the municipality levies taxes on behalf of the school board, the amount which the board requires the municipality to raise for school purposes.

2. A form of request, usually on official stationery, for specified articles, services or funds.

Reserve. - An amount appropriated from a surplus for a specific purpose. It indicates that an unidentified portion of assets is being held for that specific purpose.

Reserve Fund. - A fund with its own accounts established to set aside money which may be used only for a specific purpose.

Revenue. - The amounts received and receivable for a financial period that do not increase any liability or reserve nor represent the recovery of an expenditure.

School Taxes. - Compulsory charges levied by a governmental unit (i.e. a municipality or school board) upon the income or property of persons, or corporations, for the purposes of providing public education.

Serial Debentures. - Debentures redeemable by regular instalments of interest and principal paid in full out of the ordinary revenues of the year. (See Debenture, also Bond.)

Shared Cost Contribution. - A contribution from government, another school board or other source which is to be spent on some agreed upon activity considered to be the responsibility of the receiving board, and based on a specific share of the total cost of meeting that responsibility.

Short-term Loan. - A loan which, in the ordinary course of business, will be liquidated within one year. (See Temporary Loan).

Single Entry. - A form of bookkeeping in which only cash books and/or personal accounts are maintained.

Supplies. - The small, non-permanent materials which are actually consumed or worn out in use, including small, inexpensive units of equipment, (e.g. office stationery, paper and chalk, cleaning materials, hand tools, etc.)

Surplus. - 1. The excess of total assets of a fund over the total liabilities.

2. In the statement of revenue and expenditure, the excess of revenue over expenditure.

Taxes Receivable. - An asset account representing the uncollected portion of taxes which a school board has requisitioned or levied but not received.

Tax Roll. - A record of persons or companies subject to taxation, including the amount of taxes levied against each.

Temporary Loan. - Money borrowed, under proper authority, for general purposes until taxes are collected, or for capital purposes until debentures are sold. (See Short-term Loans.)

Trust Fund. - A fund consisting of resources received and held by the board as trustee to be expended or invested in accordance with the conditions of the trust.

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Definitions of words or phrases marked with an asterisk (*) appear in the Glossary of Accounting Terms.

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