

Revolving Cash Funds



Prepared by School Business Advisory Services



Revolving Cash Funds (RCF)

School districts may establish and operate a revolving cash fund to relieve the accounts payable (commercial) warrant process from writing numerous small warrants. The revolving fund is used when there is a need to issue a payment for services or supplies that has an urgent deadline which cannot be met through use of the regular accounts payable warrant issuance process. [Education Code \(EC\) 45167](#) also authorizes payment to employees to alleviate errors made in payroll.

The establishment and maintenance of an RCF should be in accordance with the Education Code and the California School Accounting Manual. Districts may use one or more of the basic types of revolving cash funds.

General consideration for all types of Revolving Cash Funds:

1. Disbursements should be for clearly legal expenditures. If in doubt, contact the Accounts Payable (Commercial) Warrant Audit Unit.
2. Wage payments are not recommended. Exception: to correct errors made in payroll.
3. Each disbursement should be a full payment—not a progress payment.
4. A signed receipt should be prepared and signed by the payee for each RCF disbursement. Keep records and receipts for the established retention period.
5. Voided checks should be kept on file.
6. Unused checks should be kept in a safe place and accessible only to authorized
 - a. personnel.
7. RCF checks should be press-numbered (numbered by printer); identify the fund and the
 - a. district.
8. An individual should be named as the custodian “payee” whenever possible.
9. Dual signatures are advisable but are not legally required.

Process for Establishing a Revolving Cash Fund (Petty Cash)

[EC 42800](#) states that the governing board of a school district may, with the consent of the county superintendent of schools, establish a revolving cash fund for the use of the chief accounting officer of the school district, by: 1) adopting a resolution setting forth the necessity for the revolving cash fund, 2) the officer for whom and the purposes for which the revolving cash fund shall be available, and 3) the amount of the fund. *The purposes for which the revolving cash fund shall be available shall include the purposes specified in [EC 45167](#).*

Step 1 – Board Approved Resolutions

Three certified original copies of the resolution and the approved board minutes shall be transmitted to the county superintendent of schools. If approval is granted for the establishment of the fund, the county superintendent of schools shall endorse his or her consent on the resolutions and 1) return one copy to the governing board of the school district, 2) transmit one copy to the county auditor, and 3) retain one copy for the permanent records of the county office.

The maximum amount allowed for revolving cash funds established pursuant to subdivision (a) shall be the lesser of:

- Two percent of the school district’s estimated expenditures for the current fiscal year, or

- A dollar amount limit of seventy-five thousand dollars (\$75,000) for any elementary school or high school district and one hundred fifty thousand dollars (\$150,000) for any unified school district for fiscal year 1990–91. The dollar amount limit for each school district shall, through the 2012–13 fiscal year, be increased annually by the percentage increase in the school district’s revenue limit established by Section 42238, as that section read on January 1, 2013. The dollar amount limit for each school district shall thereafter be increased annually by the percentage increase in the school district’s local control funding formula allocation established pursuant to Section 42238.02, as implemented pursuant to Section 42238.03.
- A sum of money, either in the form of currency or a special bank account, set aside for the purpose of making change or immediate payments of small amounts. The invoices for these payments are accumulated, and the account is reimbursed from the LEA’s funds, thus maintaining the account at the predetermined amount. Checks drawn on a *prepayment account* may not be for more than \$1,000, including tax and freight.

Step 2 - Bonding per [EC 42801](#)

Except as otherwise provided in subdivision (b) of this section, the officer for whose use the revolving cash fund is created shall file with the governing body of the district a bond in favor of the district, executed by him as principal and by a surety company authorized under the laws of the state to execute bonds as surety, in an amount not less than double the amount of the revolving cash fund.

- ✓ The bond shall be conditioned upon the faithful administration of the revolving cash fund and upon the willingness and ability of the principal to account for and pay over the revolving cash fund at any time upon the demand of the governing board of the district. The premium on the bond shall be a legal charge against the district, payable from the funds of the district.
- ✓ In lieu of the bond required by subdivision (a) of this section, an officer may be bonded as provided by [EC 41021](#).
- ✓ Per [EC 42801.5](#), notwithstanding the requirement to provide for indemnity bonds pursuant to [EC 42650](#) and [42801](#), the governing board of a school district may, in lieu thereof, insure against losses caused by an employee or an officer of a school district if the insurance gives the same or greater protection to the school district that a bond would provide in indemnifying the school district against any loss caused by the employee or officer of the district.
- ✓ [EC 42801](#) states that no bond shall be required when the revolving cash fund does not at any time exceed twenty-five dollars (\$25).

Per [EC 42803](#), the governing board of the district shall draw an order, on the form and in the manner required by law for order, requisition, and warrant for the payment of school moneys, payable from the county or special fund of the district, in favor of the officer for whose use the revolving cash fund is created, for the amount of the revolving cash fund, and transmit the order to the county superintendent of schools accompanied by the bond and a certified copy of the resolution. Upon approving the order, the county superintendent of schools shall detach and retain the bond. Upon allowing and signing the warrant, the county auditor shall detach and retain the certified copy of the resolution and the county treasurer shall pay the warrant.

As outlined in [EC 42804](#), the person entrusted with the revolving fund shall not be authorized to expend any portion of the fund except for services or material, the securing or purchasing of which is a legal charge against the district, and no expenditure shall be made unless a receipt is obtained therefor setting forth the date and the purpose of the expenditure and the amount expended. The governing board of any school district may establish and account for the revolving fund in one or more banks. The account shall be known as “**The Revolving Fund Account of [insert name of district] District**” and shall be established in the custody of the officer for whose use the revolving cash fund is created who shall be responsible for the payment into the account or accounts of all moneys required to be reimbursed into the account or accounts, and for all expenditures therefrom, subject to such regulations as the governing board prescribes. A bill shall be presented to the district monthly, or more often, if necessary, for the reimbursement of the fund in the same manner as other bills are presented. Bills shall be supported by the receipts required. All sums received in payment of the bills shall be returned to the revolving cash fund or bank account or accounts and each person entrusted with the revolving cash fund shall, upon demand of the county superintendent of schools or the county auditor or of the governing board of the district, give an account of the fund.

[EC 42805](#) states, the governing board of the district may at any time reduce or discontinue any revolving cash fund established by its order. Whenever the fund is ordered reduced the person using it shall immediately return to the county treasury the amount necessary to reduce the fund, as ordered by the board. If the fund is discontinued, the person using it shall immediately refund the amount thereof to the county treasurer. In either event a reasonable time shall be allowed the person to reimburse himself by bills presented to the school district for expenditures legally made from the fund.

RCF – Standard ([EC 42800-42805](#))

- **Establishment:** The governing board may, with the consent of the county superintendent of schools, adopt a resolution establishing an RCF for use by* the Chief Accounting Officer of the district. The resolution should set forth the necessity for the revolving cash fund, the officer for whom and the purposes for which the revolving cash fund shall be available, and the amount of the fund. The governing board may establish an account for the RCF in one or more banks, subject to such regulations for use as the governing board prescribes. The RCF shall be established by submitting to the county superintendent of schools an accounts payable (commercial) warrant payable to the officer for whose use the RCF is created, accompanied by two certified copies of the board resolution. Upon approval, the county superintendent shall endorse his consent on the resolution and return one copy to the district.

*Note: The RCF may be named **[insert District name] School District, Revolving Cash Account** without naming the custodian to allow for personnel changes without having to close an account and reopen a new one.

- The custodian of the RCF must be covered either by an individual bond not less than double the amount of the RCF or pursuant to [EC 41021](#) by a name schedule bond, schedule position bond, or blanket bond.
- **Fund Limit:** The lesser of 2% of the district’s estimated expenditures for the current fiscal year; or \$75,000 for any elementary or high school district, or \$150,000 for any unified school district.

The dollar amount limit for each school district shall thereafter be increased annually by the percentage increase in the school district's local control funding formula allocation established pursuant to [EC 42238.02](#), as implemented pursuant to Section 42238.03. The RCF may be discontinued by governing board resolution.

- **Purchase Limit:** None, unless prescribed by the governing board.
- **Uses:** Payments from the RCF shall only be for services or material which are a legal charge against the district, and for which a receipt is obtained setting forth the date, payee, purpose of the expenditure, and amount expended.
- **Reimbursement:** At least monthly, the fund should be reimbursed by drawing a warrant on the General Fund payable to the Custodian (by name) of the Revolving Cash Fund; e.g., Penny Money, Custodian, Revolving Cash Fund, School District. The RCF custodian should sign the reimbursement register.

RCF - Instructional Materials - [EC 42810](#)

- **Establishment:** The governing board may, by resolution, establish revolving cash funds for use by school principals and other administrative officials designated by the governing board and acting in accordance with regulations prescribed by the governing board for services or material. The resolution shall set forth the necessity for the revolving cash funds, the principals of schools and other administrative officials of the school district designated by the governing board, the purposes for which the revolving cash funds shall be made available, and the amount of the funds. The governing board may establish an account for the RCF in one or more banks, subject to such regulations for use as the governing board prescribes. The RCF shall be established by submitting to the county superintendent of schools an accounts payable (commercial) warrant payable to the principals and other administrative officials for whose use the RCF is created, accompanied by two certified copies of the board resolution. Upon approval, the county superintendent shall endorse his consent on the resolution and return one copy to the district. The custodian of the RCF must be covered either by an individual bond not less than double the amount of the RCF or pursuant to [EC 41021](#) by a name schedule bond, schedule position bond, or blanket bond.
- **Fund Limit:** The total amount of the funds for each district shall not exceed 3% of the current year's instructional supply budget.
- **Purchase Limit:** None, unless prescribed by the governing board.
- **Uses:** Payments from the RCF shall only be for services or material related to classroom instruction, as well as the purposes specified in [EC 45167](#) (payroll errors). **Reimbursement:** At least monthly, the fund should be reimbursed by drawing a warrant on the General Fund payable to the Custodian (by name) of the Revolving Cash Fund; e.g. Joe Principal, Custodian, Revolving Cash Fund, _____ School District. The RCF custodian should sign the reimbursement register.

RCF - Prepayment Fund - EC 42820

- **Establishment:** The governing board may establish a revolving cash fund for the purposes of paying bills as prescribed in [EC 42821](#).
- **Fund Limit:** The maximum amount of the RCF is \$10,000 for school districts with 20,000 or more units of ADA, \$5,000 for school districts with 5,000 or more but less than 20,000 units of ADA, \$2,500 for school districts with 500 or more but less than 5,000 units of ADA, and \$1,000 for school districts with less than 500 units of ADA.
- **Purchase Limit:** \$1,000 – Reminder! The check is to state on its face that it is not valid for more than \$1,000.
- **Uses:** For purchases in an amount of \$1,000 or less, including tax and freight, or at the time of preparing the order for those purchases to make the check payable to the vendor permitting him or her to fill in the amount to be paid upon shipment of the purchases.
- **Reimbursement:** Upon approval of the expenditures by the governing board, the clerk of the governing board shall draw an order for the replenishment of the RCF. The reimbursement should be made payable to the Custodian (by name) of the Revolving Cash Fund; e.g., Penny Money, Custodian, Revolving Cash Fund, [insert district name] School District. The RCF custodian should sign the reimbursement register.

NOTE: Amendments to [EC 38091](#) which became effective on January 1, 2014, eliminated the specific authorization for a Revolving Cash Fund out of the Cafeteria Fund. There is no longer authority for such a fund to be created.