

A PROPOSED DESIGN OF A MANUAL OF ACCOUNTING
FOR STUDENT ACTIVITY FUNDS FOR USE IN THE
PUBLIC SCHOOLS OF VIRGINIA

by

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Chapter I

INTRODUCTION

Background

Extracurricular programs have been a part of the public schools since the early 1800's. In the last several decades, however, a considerable change has taken place in the school and in the public point of view concerning the purpose, efficiency, and management of extracurricular activities.

According to more recent concepts, extracurricular or student activities have become essential to the proper education and development of students. Educators and parents alike have more and more developed the opinion that student activities programs constitute a significant contribution to the educational growth of the child.¹

According to Anderson, Gremm, and Gruber the child may attain growth in effective speech through participation in debate; the school band will contribute to growth in music appreciation; the school paper may give the opportunity to develop writing skills; and the growth in certain citizenship qualities may result from serving on the student council.²

As the philosophical concept became accepted by educators that a student activity program is educationally defensible, and as public enthusiasm and support increased, there has been a virtually exponential growth in the number, size, and diversity of student activities.

In 1926 Koos conducted a study of the classes and types of pupil activities and found in the 40 junior high schools and 30 senior high schools studied that 848 activities were listed. Many duplications of similar activities were found, but out of this number he discovered 231 different types of pupil activities and was able to list 145 different kinds of activities mentioned twice or more as being active programs.³

During the Post-World War II period, authorities and writers in the field began to notice differences in the way student activities were being handled as compared with the 1920's and 1930's. Administrators became more and more concerned with the control of the activities program, not only at the local level but at regional and state levels. New activities appeared and others gained popularity, particularly such activities as intramural athletics, service organizations, school camping, and foreign study and travel.⁴

By the middle of the twentieth century the number and diversity of extracurricular activities appeared to have increased appreciably. The increasing importance of student activities was evidenced by the number of articles pertaining to student activities appearing in educational journals, the inclusion of extracurricular activities in the regular schedule of the school, and the allowance of teacher time for directing them.⁵

A number of surveys conducted during the early and mid-1950's illustrated the increasing diversity of student activity programs. Bowden, in a study of trends in the administration of student activities, conducted in 130 schools from throughout the country found that most had homerooms and interscholastic sports; 90 percent had student councils; about 66 percent had organized recreation programs; and at least 50 percent had drama, homemaking, honors groups, journalism, music, a photography club, a press club, a science club, and a Spanish club.⁶

Student activities have experienced their greatest growth in the secondary schools; however, they have also become prominent in the elementary school, especially in the upper grades. It was not uncommon to find several activities in the smaller schools, and in the large secondary school systems it was not unlikely to find hundreds of

student activities in operation. A number of surveys conducted in the various states served to illustrate this phenomenal development.

Arkansas: In a study of a sample of high schools in Arkansas, Walker reported that over 50 percent had basketball, an agriculture organization, a home economics organization, and cheerleaders. More than 25 percent reported softball, football, baseball, volleyball, chorus, band, dramatics, newspapers, yearbook, and student council.⁷

California: A study of 500 secondary schools in California by Shipp revealed that administrators in that state felt that student government was their "most outstanding" activity. Clubs were second in frequency for the total group reporting.⁸ About the same time Tompkins, in a study of the different types of activities in 27 secondary schools in the San Francisco area, reported a student council, some form of student government, athletics and athletics organizations existed in all the schools.⁹

Colorado: In a study of the secondary schools of Colorado by Romine, the most common form of student activity was school parties. Other student activities frequently found were cheerleaders, special assembly programs, dramatics, music programs, school newspaper, school annual, and student council.¹⁰

Indiana: Jung and Fox found that about 60 percent of the secondary schools in Indiana had a student council and that large schools were far more likely to have a student council than small schools.¹¹ Christopher and Howard reported in a study of 200 high schools in Indiana in 1953 that over 90 percent of the activities for girls, over 67 percent of the boys' activities and over 84 percent of all activities offered had been added within the previous thirty years. Of these activities, over 38 percent of the activities for girls, over 34 percent of the activities for boys and over 37 percent of the combined activities had been added during the last ten years. Basketball was found in all of the schools surveyed. FFA, Hi-Y, and football were the most popular all-boy activities; the Girls Athletic Association, FHA, and the Sunshine Society were the most popular all-girl activities. Band, newspaper, the annual, and the student council were the most outstanding activities for both boys and girls.¹²

Nebraska: Miller and Dahl studied 142 North Central Association schools in Nebraska and found that about 76 percent had some type of organization through which pupils participate in the management of student affairs with regard to subject matter clubs, 41 schools said there were enough, 22 schools said there were too few, and no school reported having too many.¹³

Virginia: While there has been no recent statewide research conducted in Virginia regarding student activities, an October 1976 survey of eight Virginia high schools located in Floyd, Montgomery, and Roanoke counties and the City of Radford, showed the number of individual accounts within the activity fund to range from a low of 59 to a high of 81. The Virginia High School League Handbook, the official publication of the Virginia High School League, designed for use by principals, coaches, and sponsors in the administration of the school program, lists a total of 26 interscholastic activities. With each of these activities go their supporting funds which are for the most part unappropriated funds.

Several decades ago, it was comparatively easy to define student body activities. They were prompted largely by students and received little recognition and assistance from teachers and administrators. During this period they were truly organized outside the formal courses offered for credit and not included as a part of the regular class instruction schedule. The curriculum was one aspect of the school program; student organizations were extra or "outside" the curriculum. Today the difficulties of differentiation have been compounded. It is not unusual to find many teachers on the payroll who devote a considerable portion

of their efforts to the direction of student activities. In addition, time may be provided during the regular school schedule for meetings of student organizations or athletic team practice sessions. Many schools provide and pay for special equipment and materials to stimulate student participation in clubs and interscholastic athletics.¹⁴

These activities have become so curricularized that administrators now boast that they have no extracurricular activities and suggest that they be referred to as co-curricular activities.¹⁵

As school activity programs have increased and expanded in recent years, the amount of money necessary to finance these programs has increased proportionately.¹⁶ As often happens in areas of rapid growth, administrative policies and procedures designed to operate the programs have tended not to keep pace with the expanding program structure. This has been particularly true with the student activities program. The responsibility for these extracurricular funds is, in effect, a public trust and certainly not to be treated casually. By law the administrator is accountable for the accurate handling of student activity funds just as he or she is responsible for the accounting of other school funds. The administrator who fails to use sound policies in the handling of these

funds may be legally guilty of gross neglect and would, in any case, be acting irresponsibly.

The responsibility that the school administrator carries cannot be measured in dollar amounts but the fact that school activities have become a multi-million dollar enterprise in the United States does give some indication of the responsibility in the area. While it has been impossible to determine the exact amount of money involved in the cost per pupil because of the variances within the schools and in the practices used by them, best estimates indicate that several billion dollars are spent annually on student activity programs.¹⁷ In recent years, both the development of extracurricular programs in terms of number, size, and diversity and the expected level of funding have explained the magnitude of money received and expended in the student activity program.

In 1926, McKown's study of 268 schools found activity fund budgets ranging from \$300 to \$125,000 per school year.¹⁸ By 1957-1958, Davis estimated that the activity budget for Los Angeles public schools alone would reach \$7 million.¹⁹ North Carolina reported an increase in school activity funds from approximately \$27 million in 1953 to more than \$40 million in 1958.²⁰

In the survey of eight Virginia high schools with enrollments ranging from 572 to 1370 the amount of

expenditure for student activities ranged from a low \$169,247 to a high of \$263,036. The total amount spent by all schools was \$1,409,790 with an average per pupil expenditure of \$172.20.

Unfortunately, the financial systems that were developed to accommodate the earlier activity funds have often been merely extended to support the wider system of student activities. The rapid growth of extracurricular programs in recent years has placed a strain on the now obsolete financial system with which the financial administrators of student activity programs have had to contend.

Along with the increase in the number of student activity funds has been a growing concern for the safe and economic handling of student activity money. While some local boards appropriate money for student activity programs, others are completely self supporting. Very often the student activity dollar is expected to take up where the tax dollar leaves off in the educational program.

Typical sources of income include:

1. admission to athletic contests, plays, dances,
2. concession sales, magazine sales, candy sales and various other sundry fund raising activities,
3. dues and fees to student clubs and organizations,

4. collections for the purchase of pictures, rings, pins, announcements, annuals,
5. food sales, primarily for in-school lunches,
6. flow-through money, such as collection for charitable organizations, and
7. collections for the Board of Education.

Recognizing the responsibilities and dangers involved in the handling of student activity funds and determined that proper precautions be taken for safeguarding such funds, the Virginia State Board of Education, in 1954, appointed a task force chaired by L. G. Blount Jr., Finance Director, State Department of Education, to study the problem of handling school activity funds (internal accounts). At its meeting on June 17, 1954, the State Board of Education adopted a set of rules and regulations governing such activity accounts. These regulations, along with suggested forms for activity fund accounting, were published in the Manual on System of Accounting for Student Activity Funds in August, 1954.

Need for the Study

A review of the literature reveals that much has been written regarding the administration of activity funds, all of which has emphasized a need for developing and practicing sound business principles in the handling of

these funds. The fundamental principle underlying any system of student activity fund accounting is uniformity, a criterion which implicitly stipulates that certain standard procedures exist.

The Manual on System of Accounting for School Activity Funds was developed and adopted in 1954. The basic records provided for in the manual, when compared to similar documents from other states, are inadequate as there are many areas of importance not covered in the manual.

The manual provides a system of accounting which when funds are audited will permit the auditor to verify:

1. total money collected,
2. total money disbursed,
3. that financial records agree with bank statements, and
4. that financial records are an accurate representation of all transactions.²¹

An accounting system is only effective to the degree that reliable information can be secured, analyzed, recorded, and reported. The system of accounting as it is now designed provides only a minimum of information. Under the present system of accounting it is impossible to collect and disseminate the information necessary for program evaluations and the establishment of sound policy.

There is, therefore, an apparent need for the design of a set of policies and procedures capable of proper accounting for the wide ranging student activities programs and for the substantial sums of money which are collected and disbursed for them. Standardization of terminology and activities essential to adequate monitoring of accounts and the capability of dissemination of information to be used in decision making and future planning are anticipated benefits of the proposed design.

Statement of the Problem

The problem of this study is to design a current, legally based and theoretically and operationally sound manual of accounting for school activity funds in the state of Virginia. More specifically the problem of this study will be to synthesize empirically-based information into a user-adjudged feasible and desirable policy and procedure statement which will provide the practicing school administrator with a comprehensive document for accounting for school activity funds.

Significance of the Problem

The rapid expansion of all phases of extracurricular activities has introduced new problems into school administration which challenges the attention and best thoughts of administrators and school board members.

Since large sums of money are spent annually on student activity programs, the demand for their economical, safe, and efficient administration is to be expected. This quasi-public revenue creates a persistent problem of internal finance with which the school administrators must cope if embarrassments and legal entanglements in financial accounting are to be avoided.

From a public relations standpoint, it is imperative to both the board of education and the school administrator that well designed policies and controls be in effect. The school and community have a right to know the sources and disposition of all school funds, no less so with tax funds than when the school, by means of its extracurricular activities, has earned the money.

An accurate system of accounting and a set of policies governing student activity funds can be a definite asset when dealing with organized school groups. It can also assure the public that adequate supervision and control is being maintained over the receipts and expenditures related to such activities.

It must be realized that school accounting of programs is more than just a set of records which contain historical information about past activities within the school. Such records must provide basic information which can be

used in making current administrative decisions and in planning future activities, since virtually every educational program will require financial resources in its implementation. The reliability of the accounting system is a vital element of public school administration. K. Forbis Jordan has put the issue squarely, "Data and supporting information available through the accounting program will form the information core around which plans are made for alterations in existing programs and development of future programs."²²

Limitations

This study will be limited to:

1. legal, legislative, and policy requirements specific only to Virginia,
2. the public high schools of Virginia, and
3. investigation of general practices and procedures which will provide data for the study. There was no attempt to critique past practices relative to specific school or district operation.

Summary and Overview of Study

Extracurricular activities have existed in the public schools since the early 1800's. Student activities have gone through three stages of development, First, they

were opposed, then tolerated, and later fostered as educators realized that extracurricular activities fulfilled many of the needs of the high school student.

This change in philosophy resulted in a rapid expansion of extracurricular programs in terms of number, diversity, and money spent. This expansion created a need for developing a system of accounting for these funds, based on sound business practices and procedures.

The manual of student activity fund accounting recommended for use in the public schools in Virginia today was adopted in 1954 and provides only a minimum of information. Therefore, there is a need to develop a manual which will provide a sound and flexible system of accounting, establish standard terminology and uniform classification of accounts, and develop a set of practices, procedures, and principles which will provide guidance to school business managers, principals, faculty members, and bookkeepers in accounting for, and the administration of, school activity funds.

Chapter II of this paper contains a review of literature relative to accounting principles, practices and procedures. It is also a review of legal aspects and court cases pertaining to the administration of student activity

funds. A detailed description of the procedures used in developing the manual are discussed in Chapter III.

Chapter IV will contain the findings of each series of reviews of the questionnaire items for inclusion in a manual for student activity fund accounting. It will also contain the substantive material of the proposed program of accounting recommended for use in the public schools of Virginia. A summary of the study, conclusions, implications, and recommendations will be presented in Chapter V.

Chapter II

REVIEW OF RELATED LITERATURE

The increasing size of student activity funds and the growing awareness of the many implications involved in the administration of activity funds has led to an abundance of literature dealing with the management of student activity funds, all of which outline certain basic elements essential to sound administration of school activity funds.

Accounting System

According to Tidwell, the greatest service that a well-planned accounting system can provide for the board of education is an effective and efficient procedure that produces accurate and reliable financial statements while safeguarding the assets and resources of the school and the integrity of every employee of the school district charged with the responsibility of handling money or property. This is the part of the accounting function known as internal accounting control. A by-product of effective internal accounting control is operational efficiency, adherence to established policies, and confidence in the financial administration of the school district. Responsibility for its operation extends to every level of authority in the school district.²³

Tidwell defines accounting as the art of recording, classifying, and summarizing--in a significant manner and in terms of money--transactions and events which are, in part at least, of a financial character, and interpreting the results thereof.²⁴ He further states that a public school accounting system includes not only ledger accounts, books of original entry, and underlying forms and papers, but also the routines and procedures by which all of the records of the school system are knit together into a meaningful and useful financial control device.²⁵

It has been established that accounting is primarily concerned with property and property rights; thus, each business transaction within a school system has a direct effect on property or property rights. The primary purpose of school fund accounting is to provide reliable information to all persons interested in the property or property rights of a specific school system, whether private or public.²⁶

A sound activity fund accounting system should provide a complete record of financial transactions which would be beneficial to administrators in budget preparation, adoption and execution. These financial records should also provide clear and concise information which can serve the public as a basis for evaluating the past, present and future operation of the student activity program. Also a

sound activity fund accounting system should provide financial controls and safeguards for the school's money and property and provide a basis whereby the governing board can place administrative responsibility and minimize the possibility of waste, carelessness, inefficiency, and possible fraud. It goes without saying that these records should provide historical data which, over a period of years, can be studied and analyzed critically and constructively for the purpose of aiding citizens, the governing board, and the school system's administrative officers to keep pace with the changing concepts in education.²⁷

A sound accounting system requires that it be adapted to the specific needs of a specific school district. According to Miller, Moyer, and Patrick, it would be unwise for any school to adopt a plan without first making a careful analysis of local conditions. They further state that there is no one plan that would be best for all high schools since the support of the co-curricular program varies from the school in which it must be entirely self-supporting to the school in which it is paid for entirely by school district funds.²⁸

It is essential that each school develop a plan which meets its individual requirements. There are, however, certain fundamental principles and basic procedures

found in all good plans for administering the financial affairs of the student activities program.

The U.S. Office of Education, in a handbook designed as a guide for student activity fund accounting, has recommended that the following principles of accounting be implemented by the person responsible for the administration of the student activity program:

1. Administration of school activity funds should be governed by policies and rules prescribed by the local board of education.

2. The local board of education should designate one person to implement policies pertaining to activity fund accounting.

3. One person should be designated to be responsible for activity fund accounting in each school.

4. Each school activity should plan and follow a budget.

5. Each person responsible for funds should be bonded.

6. An annual audit should be made of all school activity funds by trained and recognized auditors.

7. Regular financial reports should be made to the administrative head of the school and to the board of education.²⁹

The handbook also presents seven generally accepted business procedures upon which an accounting system should be based.

1. Official receipts should be issued for all money received.

2. All money received should be deposited in a bank.

3. All money expended should be expended by check, except for small amounts paid from petty cash.

4. Supporting documents should be kept for all expenditures made.

5. Bank reconciliations should be made each month.

6. Monthly and yearly financial statements should be prepared.

7. An audit should be made each year and copies of the audit should be filed with persons having administrative authority.³⁰

In addition to describing accounting principles and procedures, the literature describes three general attitudes toward student activity fund accounting: (1) the laissez-faire idea, (2) the principal responsibility plan (decentralized), and (3) the board of education control system (centralized).

The first practice is probably the most ineffective from the standpoint of business administration and has become so obsolete that very little discussion is found in the literature, although Wilds cites a major advantage of this system in that it provides opportunities for training pupils along financial lines and is especially adaptable to schools with mature students.³¹

The second system (Decentralized Accounting) is the one most commonly used in public school accounting. Under this system the building principal is designated as the person responsible for the collection of the various monies in his building. The activity funds are handled by a certified employee (bookkeeper or clerk to the principal), bonded for a sum equal to the largest amount of money on hand at any one time.³² Reeder cites the responsibilities of this person as:

1. receiving all monies collected by any organization or activity of the school,
2. draws all checks, and
3. makes periodic reports of the financial status of each organization.³³

However, the school principal still must assume the final responsibility for the correct handling of funds.

According to Robbins, this system is recognized as a sound business practice for the following reasons:

1. A single entity is provided through which all transactions may be made.
2. Expenditures can be controlled.
3. Budgeting is more easily executed.
4. Funds which are non-revenue producing may be supported through the general funds.
5. Subsidies from local board funds may be more easily distributed.³⁴

The advocates of this method of accounting feel that the accounting function at the school level is of educational value, that centralization does not respond fast enough to the needs of the student body, that the communications for centralized accounting are too cumbersome, and that in the final analysis the most important function in accounting is that of cash collection, which must be performed at the school level.³⁵

The third system (Centralized Accounting) vests in the board of education the responsibility for all revenue, whether collected by taxation or funds collected in the name of the school student body or subdivision thereof. This system is not in wide useage at present; however, it is viewed by many authorities as the most effective accounting procedure.³⁶ The advocates of this method of accounting contend that it is much more efficient in that it produces standardized accounting and reporting, improves the element of internal control, permits the use of machine accounting

equipment, provides improved budgetary controls, allows for the utilization of more professional help and supervision, reduces the cost of the external audit, and permits the pooled investment of student body monies.³⁷

Local Board of Education Policies
and Regulations

Writers in the field of school administration are generally agreed that the accounting for school activity funds is a responsibility of the Board of Education. It is the board's responsibility to administer the entire school system, not just the academic part of it.

The Association of School Business Officials research committee for student activity fund accounting has inquired regularly into the prevailing practices of many school districts. In most instances they have found that accounting for student activity funds is the responsibility of the board of education. This position has legal acceptance in most of the 50 states--either by legal acceptance or by legislation, such as requiring an audit of student activity monies.³⁸

Meade emphasizes that board members must be cognizant of their collective responsibility in matters of this nature. It is the consensus that the board should limit itself to the formulation of policies, delegating

appropriate authority to the superintendent to set up desirable routines, and then holding him responsible for their efficient supervision. When this has been done, a board may feel that it has fulfilled its stewardship obligation provided that periodic reports of receipts, disbursements, and organization balances are made to the board by the superintendent, and that all accounts are given a thorough annual audit by a qualified person, preferably a certified public accountant.³⁹

Meade goes on to say that in addition to the stewardship aspect, there are at least two other objectives relative to the administration of extracurricular funds which warrant the attention of board members. It is axiomatic that financial control of activities represents, as in any other line of business, the most effective means of guiding their development. Wise financial regulation by a school board, acting upon the recommendation of its administrative officer, promotes a natural, steady, and healthy growth of activities, proper correlation, and constructive supervision. Regulation also helps to guarantee a permanency of ideals, policies, and practices which are little affected by changes in organization membership or in student, faculty, or administrative leadership.⁴⁰

Johns and Morphet outlined what they believed to be the responsibilities and duties of the local board of education with regard to student activity fund accounting:

Student activity accounts are usually administered by individual schools. Boards of education have a responsibility for internal accounts although these do not include tax funds. Any funds administered under the auspices of the school are school funds. A board of education should require all schools under its jurisdiction to follow uniform accounting and budgeting procedures in administering all internal records.⁴¹

According to Morphet, Johns and Reller, it is the responsibility of the state to publish manuals for classifying and recording receipts and expenditures. They further state that each state should prescribe the minimum accounts which must be kept by the local school district. However, each local school district should have the authority to establish accounts as their needs require but uniform procedures should be followed in keeping required accounts.⁴²

The Illinois School Code lists seven general duties of the board of education in connection with school activity funds.

1. The board of education shall approve all class organizations, clubs, and associations, and the purposes of each.
2. No funds shall be collected without the consent of the school board.
3. The board shall cause such records to be kept so as to furnish, at any time, amounts received and disbursed, and amount of cash on hand.

4. The board shall set forth the general policies and educational values for student participation in such classes, clubs or associations under proper faculty guidance.
5. The board shall see that proper persons are appointed and bonded to guarantee safe handling of funds.
6. The board shall cause such reports, including an annual audit, to be made to the board that will give an accurate accounting and reflection of the condition of each funds.
7. The board shall furnish, upon demand, such information as the Superintendent of Public Instruction may request regarding each class, club and association fund.⁴³

Administration and Supervision

According to Reeder, whether the amount of money involved in student activity funds be large or small the school must assume the responsibility for supervising it. No school organization can justly claim that since it has earned its own money it should be allowed to spend it in any manner it sees fit.⁴⁴

Reeder recommends school supervision of the finances of extracurricular activities for two reasons. In the first place, supervision begets a more economical expenditure of the funds. Under complete student control, there is the ever-lurking danger that the funds will be unintentionally, or sometimes criminally, wasted. To permit the waste of funds is not fair to the large group which furnishes the

funds, nor does waste inculcate good habits in the students responsible for it. In the second place, supervision guarantees the financial integrity and protects the reputation of those persons who handle the funds. Without a proper system of audits and of public reports of funds, stealing or misuse of funds on the part of persons who keep the funds is risked, and what is more to be deplored, the reputations of honest persons are likely to be besmirched by scandal-mongers. Even teachers and school officials, who find it necessary to assume control of these funds, must take heed lest "whispering campaigns" be launched against their financial integrity. All accounts should be so kept that no one, at any time or any place, could legitimately question the fidelity to their trust of the persons who keep the accounts.⁴⁵

Stout put the matter of the obligation of funds concisely:

1. No obligations are to be incurred which cannot be liquidated within the school year.
2. Separate accounts for all funds.
3. All money collected shall be deposited with the central treasurer daily and deposited in the bank daily by the central treasury.
4. No one may obligate student body funds without first receiving proper written authority.⁴⁶

Another aspect of the administration of student activity funds has to do with the investment of surplus funds. Public finance differs from private finance in that funds are allowed to build up. Surplus funds acquired in private industry are immediately reinvested whereas in public finances taxes are collected annually or semi-annually. In the case of student activity funds a fund raising project may be completed in September with no plan to expend these funds until May. Thus, experience has shown that there are times during the year when the bank account is considerably larger than is necessary for meeting current needs. Authorities are in agreement that it certainly is good business judgment to place surplus money where it will bring the best return on a safe investment. Young states that the economical administration of income requires that surpluses be as productive as possible. He further states that their productivity is based on two factors: (1) the alertness of those administering them, and (2) the interest rates.⁴⁷

Morphet, Johns and Reller comment on the investment of funds:

If the balance in a school fund will not be needed for six months or more, it should be placed on time deposit or invested in high rate government securities because demand deposits usually draw no interest. These securities are normally short term securities, because the maturity date of the securities purchased should correspond closely with when the money will be needed.⁴⁸

Fundamental to the administration and supervision of activity funds is the development of records which are comprehensible and which will provide quick and reliable fiscal information when needed. Slobetz stresses the fact that forms should be as simple as possible; that a minimum number should be used; and that only the information needed should be recorded. He also emphasized the fact that forms should be uniform in size to aid in filing.⁴⁹

Budgeting

The budget system is used in practically all modern enterprises which use substantial sums of money. It is simply an interpretation of an organization's program in terms of the resources it can command--made in advance. It places a premium upon foresight, eliminates impractical proposals, and guards against costly errors. Every organization, the work of which calls for the use of sufficient sums of money to make financial questions genuinely significant in the eyes of its members, should be required to operate on a budget system.⁵⁰

Just as budgeting is essential to any business operation, it is also essential to student activity funds planning. The preparation of a budget can provide excellent training for students in budget preparation and a splendid discipline in financial management.⁵¹

Deyoung emphasized the importance of a student activities budget in planning, controlling, and educational value to the students:

Too often, extracurricular organizations "go into the red" because of poor initial planning of finances. Each group ought to prepare a budget consisting of its proposed program of activities, estimated expenditures, and proposed receipts. Furthermore, a central committee should draw up one consolidated budget for all the school activities. Aside from its function as a control, the budget has a definite education value if the students participate in planning and executing it.⁵²

By using an activities budget students learn to estimate their income, make plans as to how they will earn the money, and then plan their expenditures according to the expected income. Once the anticipated income has been determined, students are responsible for seeing that actual disbursements do not overrun predetermined estimates of expense.⁵³ A well planned student activity budget has many advantages. Among these are: (1) estimated revenues and expenditures will be balanced; (2) a more intelligent distribution of income will result; (3) departments will plan activities more intelligently; and (4) income producing events will be scheduled in advance.⁵⁴

Each school activity should be required to present a plan of activity and the estimates of the cost involved. In school affairs, as in private business, a carefully developed budget is the best kind of "preventive maintenance"

and usually makes "emergency repair" unnecessary. The many claims for budgetary control and efficient handling of school finances can be summarized as follows: (1) it requires all extracurricular activities to organize on a businesslike basis and follow established business procedures; (2) all activities are required to live within their income; (3) a better balanced extracurricular program will result; (4) it encourages worthy but non-revenue producing activities by providing for them; (5) it conserves time and energy of teachers and students and prevents poorly planned fund raising activities; and (6) provides for financial resources to be balanced among various student activities.⁵⁵

The budget has been recognized as an important essential of any business operation. The person who finds himself charged with the responsibility of developing a student body budget must be cognizant of that which constitutes a well made student body budget. The criteria for a well organized student activity budget can be summarized as follows: (1) the amount of money taken in during each year should be spent during the year; (2) the balance carried over during the summer should be large enough to allow the organization to function when school opens; (3) each budget should contain a contingency fund; (4) goals

for the year should be developed prior to budget preparation; (5) if income is dependent on ticket sales to entertainment events, consideration should be given to ticket price and crowd control; and (6) the budget should be created by the students with the advice and help of faculty sponsors.⁵⁶

The steps of budget preparation, presentation, and adoption completes the formal construction and acceptance of the budget plan. The real test of any budget comes in its administration. The best budget will fail if it is not properly administered and even a poor budget may succeed in the hands of a competent administrator.

Personnel

The effective functioning of a school activities financial plan is dependent on the fulfillment of certain basic functions by those who have been placed in positions of responsibility. Key personnel include the principal, bookkeeper, teacher, and a finance committee.

It is difficult for a principal who tries to do the detail work alone to develop an activities program. It is the principal's job to plan, think through, inaugurate, stimulate, and supervise the work which must be done by the members of the team, i.e., his or her faculty.

It is the duty of the principal to appoint the activity sponsors, the bookkeeper or treasurer. The principal countersigns all checks. He also appoints a faculty committee to perform an internal audit. In addition to these responsibilities, it is the duty of the principal or his designated representative to approve all purchases and expenditures.⁵⁷

Douglas, in dealing with the accounting of extra-curricular activity funds, placed on the principal the responsibility for safeguarding school activity funds:

Even more important is for the principal to see that every fund of any sort entrusted to any student officer or faculty adviser of any student activity be the subject of an adequate accounting system. Experience has definitely shown that the failure to do this constitutes an invitation to dishonesty or carelessness, which not only is distinctly harmful training for young people but reflects discredit on the administration of the school.⁵⁸

Of strategic importance to the principal in assuming these responsibilities is the selection of personnel. Harris states that careful selection of personnel is an essential component of any sound plan to protect school revenue.⁵⁹

In keeping with sound business practice, the bookkeeper must be well trained in the best accounting practices. The school bookkeeper is charged with the following responsibilities: (1) keeping the cash book or journal;

(2) keeping individual account ledgers; (3) receiving all monies; (4) drawing checks for all disbursements; (5) conducting all bank transactions; (6) providing all necessary financial supplies and forms; (7) rendering periodic statements of each student activity account; (8) instructing sponsors and student treasurers in their duties; (9) conducting test checks on organization accounts and receipt books at periodic intervals; and (10) checking for compliance with the accounting system.⁶⁰

In addition to the principal and bookkeeper, there should be a finance committee composed of students and faculty who are interested in the school as a whole, rather than in some particular activity. The members of the finance committee should be appointed by the principal rather than by virtue of holding some elective office.⁶¹

The finance committee is an advisory committee responsible for establishing in-house financial policies and procedures. While the committee had only limited responsibility at its inception, its responsibilities have grown until they include reviewing organizational budgets, preparing overall activity budgets, regulating expenditures to conform to the budget, and insuring the most economical expenditure of available funds.

Additionally, the finance committee should assume the responsibility for the orientation of students entrusted

with the handling of funds, performing internal audits, keeping records necessary for committee operation, and reporting periodically to the students on the status of their finances. In short, the finance committee is a clearing house for all financial matters.⁶²

Although it is agreed that teachers should not spend long hours in clerical work associated with activity fund accounting, there are some tasks which the teacher out of necessity must perform. In the operation of a student activities program, students often need and want the help of adults. Teachers are thus called upon to supervise various fund raising activities, to provide guidance in the expenditures of large sums of money, and to train student officers in financial management. In addition, teachers are faced with such time consuming tasks as the collection of routine fees required by the board of education, returnable deposits, and student insurance.⁶³

Bonding

As a precautionary measure against dishonesty and mismanagement of funds, most local Boards of Education have formulated a policy which requires the bonding of all employees who handle money. Morphet and Johns state that the bonding of school officials and employees not only protects

the district against loss but also stimulates officials and employees to keep better records and to follow more businesslike procedures in handling school funds.⁶⁴

An adequate fidelity bond provides protection against loss which could occur through intentional or careless acts of employees in positions of trust. In executing a fidelity bond, past employment records of persons covered by the bond are reviewed by the insurer and the employee is notified if the performance and conduct of the employee is questionable, thus reducing the possibility of hiring a person of doubtful integrity.⁶⁵

Morphet and Johns strongly recommend that every person handling or having access to school money or negotiable merchandise be placed under a fidelity bond of some type. The principle types of fidelity bonds are: (1) individual bonds, (2) name schedule bonds, (3) position schedule bonds, and (4) blanket bonds.

The individual bond is written on an individual in the sum required by the board, and the cost of the bond is determined by the amount for which the individual is insured. It usually is the most expensive type of fidelity bond.

The name schedule bond covers a number of individuals listed in the same schedule. It furnishes the same

protection as the individual bond. The premium usually is less than the total of the premiums of individual bonds carried on the same individual.

The position schedule bond does not require the listing of the name of the individual occupying a position. The board is insured against the dishonesty of any person occupying the position. This type of bond is particularly useful in positions in which there is a rapid turnover of personnel. The bond has to be changed only when positions are added or abolished.

The blanket bond is now being used widely. It is probably the best type of fidelity bond for the average school system. A blanket bond can be used to cover all school employees. Additions and deductions of persons covered may be made without notifying the company and without premium change during the year. Losses may be recovered without identifying the individual causing the loss, provided it can be established that the loss came within the terms of the bond.

Public employee blanket bonds are of two principal types: the honesty blanket position bond and the honesty blanket bond. In writing an honesty blanket position bond, employees are divided into classes according to the insuring risks involved. Employees are usually classified as:

(1) executives and those who actually handle money, securities, or negotiable merchandise; (2) those who do not handle money, securities, and merchandise but have access to these valuables; and (3) those who represent little or no risk. The higher the proportion of persons covered in the low risk groups, the lower the premium. This type of policy pays up to the bond limit for each person involved in the loss.

The honesty blanket bond insures the district against the dishonest acts of all employees except those covered by statutory public official bonds. It pays up to the bond limit for any one loss. This type of bond requires a minimum coverage but prescribes no maximum.⁶⁶

Public official bonds are referred to as statutory public official bonds because all states require that certain classes of public officials be bonded. All officials who are responsible for the disbursement, collection, custody, or care of school funds should be covered with a public official bond. These usually include the superintendent of schools, the tax collector, the treasurer, and members of the board of education.

The public official bond is much broader in its coverage than the fidelity bond. It protects the board not only from the dishonesty of an individual but also from

loss due to his ignorance, negligence, or carelessness and from loss due to burglary or fire, of funds in the custody of a public official. The public official bond is a written obligation guaranteeing that a public official will faithfully perform his duties and that he will honestly account for all funds and property that come into his possession. Public policy requires very broad coverage in a public official bond.⁶⁷

Auditing

An important function of accounting is that of auditing. There are many definitions for the word "audit." However, for purposes of school fund accounting the word audit involves examination of the documents, records, reports, system of internal control, accounting procedures, and other evidence for the purpose of determining the propriety, legality, and accuracy of proposed or consummated transactions, or for the purpose of ascertaining whether all transactions have been recorded and reported accurately.

Auditing of accounts is a standard procedure followed by business and industry as well as government. The Association of School Business Officials has developed the following objectives of an Audit program:

1. To safeguard money, property and employees.

2. To determine the adequacy of the methods of internal check.
3. To maintain adherence to the established standards, policies, and procedures--financial, accounting, and operating.
4. To check condition and use of property and equipment, particularly from the standpoint of adequate return.
5. To maintain and coordinate internal auditing procedure with those of the public accountant.
6. To present accurate, complete, and unbiased statistics with respect to the operation of the educational system.⁶⁸

Johns and Morphet go even farther in declaring that a well conducted audit will: (1) furnish assurance to the public that school funds and property are being properly administered, and (2) assist in developing improved business administration and financial accounting procedures and policies.⁶⁹

Forbis Jordan cites four primary benefits which accrue to the school district through a well conducted audit:

1. The local school board, the citizens, and the state department of education are provided with assurances that proper safeguards are being used in the operation of the school accounting program.
2. The auditors may be called upon to make recommendations for improving the accounting system and procedures.

3. The school board is provided with a report on the financial condition of the school district from an outside independent agency.
4. Regularly scheduled audits are an indication that the school district is observing sound business procedures and should promote a broader base of public support for the schools.⁷⁰

Corbally believes it is the responsibility of school administrators to insist on regular audits of the school activity funds.

School administrators should insist upon regular external audits of all the accounts--including the so-called internal accounts such as athletic or student body fund accounts for which they are responsible. The audit provides a sense of assurance that school financial accounts are accurate, well-managed, and in keeping with the requirements of law and regulation.⁷¹

Three types of audits are in general use in cases involving school funds. The first type is the "internal audit," conducted by a technically trained person or group of persons within the school system. The internal audit is an important part of an effective system of internal management and control. Its purpose is to detect and correct errors of omission or commission, whether intentional or unintentional, at the time the transaction occurs. The internal auditor is an employee of the school system and is subject to the wishes, desires, and demands of the administrative officers; therefore, the internal auditor and his staff are not independent to the extent generally required by the public.

The second type of audit is a "federal or state examination of the accounts," conducted by the federal or state's authorized audit agency. This type of audit serves the purpose of determining that legal provisions prescribed by the governmental agency are being followed by the school system.

The need for a third type of audit exists. In many cases, the board of education secures an outside, "independent audit." This type of audit is conducted on an annual basis, and the scope of the examination can be extended to provide a complete accounting and auditing service for the school system. It would include a review of internal control practices and procedures and could include recommendations for improving them. Examinations of this type can encourage efficiency on the part of each employee in the accounting department of the school system. An additional advantage of this type of audit is that it can be made while there is still time for appropriate administrative or legal action to be taken, if necessary, in order to safeguard assets and resources. In this way, the audit is a useful tool of local management.⁷²

The auditing of internal school accounts is distinctive in that the auditor is examining a situation in which educational and fiduciary considerations are

intermingled. All the basic accounting and auditing principles applying to organizations which are run predominantly on a cash basis must operate in this case. Certain principles, however, such as those dealing with depreciation, valuation of inventories and amortization, do not apply in the auditing of internal accounts. The application of commonly accepted accounting and auditing principles must be viewed in the light of their effect on the educational process.⁷³

A good auditing program gives the public assurance that school financial affairs are being faithfully administered. It protects those who are responsible for funds, and it protects the public. Therefore, according to Johns and Morphet, it is imperative that the local board of education establish sound policies and employ competent auditors for both internal and external auditing.⁷⁴

Legal and Legislative Aspects of Fund Accounting

The establishment of an extracurricular program has generally been accepted as a part of the total educational program and is subsidized in part through the use of school facilities, labor, and services of the school.

It is difficult to locate a school district which supports the total extracurricular program of its schools

out of public funds. Conversely it is just as unusual to find a school district which does not, either directly or indirectly, support the extracurricular activities of its students to some degree.⁷⁵

This subsidy strengthened the opinion of authorities that boards of education have the authority to install proper accounting and handling of school activity money and have the right to have audits performed either through a private firm or auditor, or through the services of the state auditor.

Regulations of the Board of Education of the Commonwealth of Virginia require that school activity funds be audited annually by a duly qualified accountant or accounting firm approved by the local school board and a copy of the audit filed in the office of the division superintendent.⁷⁶

K. Forbis Jordan feels that because of the contribution which these activities make to the educational program and because they take place under school supervision, school authorities must assume responsibility for seeing that they are conducted on an educationally sound basis. The basic point stressed by Jordan is that activity funds are considered to be quasi-public; therefore, local school officials must assume responsibility for providing proper safeguards in the handling of funds.⁷⁷

Since monies raised by various extracurricular fund raising endeavors are not tax revenues the question frequently arises as to whether they are public or nonpublic funds. If such monies are public funds they come under the custody of the school board from which approval must be obtained for all financial transactions.

Hamilton submitted the opinion that student activity funds are definitely public funds. Their source is from public not private activities; they involve the use of public property and they utilize the services of teachers paid by public money. Therefore, extracurricular funds are no different from other school funds. However, it is often assumed by school people that special funds are of a character different from those raised by taxation, fines, forfeitures, and grants; hence are subject to different controls.⁷⁸

Under §§22-72 to 22-78, 22-144 and 22-147 Virginia School Law, the county school board is vested with the use and control of all school funds, whether derived from state appropriations, local taxation, or other sources and has exclusive authority to expend the funds set apart by law for school purposes.⁷⁹

Few cases have come into the courts concerning the management and supervision of school activity funds. The

first significant case in which the subject of litigation was the supervision of extracurricular funds occurred in Pennsylvania in 1942. The case known as the "German Township Case" establishes the principle that it is illegal to spend athletic or extracurricular funds without board approval.

The German Township School Directors created an athletic control board based on the theory that athletic activities, high school band organizations, and other extracurricular activities could be entirely segregated from the supervision and control of the board of education. They contended that they could delegate to an appointive athletic control board all jurisdiction over the activities mentioned and the handling of finances incident to such management. They insisted that the purchase of equipment for athletic teams, uniforms for the high school band, and the expenditure of the proceeds arising from these activities are entirely a matter for the athletic board of control without any supervisory action over the conduct of this committee by the board as a whole. Accepting this theory, the athletic control board deposited the proceeds of athletic games in a local bank and drew checks against the account in payment of bills completely disregarding the provisions in the school code requiring school board

approval for such payments. Under this arrangement none of the extracurricular funds ever reached the school treasury, therefore the account was never audited by the township auditors.

Suit was filed against the school directors for their removal because of irregularities in financial management, one charge of which was directed at the supervision of extracurricular funds, although the athletic control board had already authorized the purchase and drew vouchers in payment for athletic supplies and equipment and band uniforms costing \$965.30 and \$1,421.20, respectively.

The board of directors, in defending its action to delegate the duty of supervision and control of all extracurricular activities to the athletic control board, cited a section of the school code which provided for school boards to ". . . prescribe, adopt, and enforce such reasonable rules and regulations . . ." as are required for the management of extracurricular activities. Although the school code permitted the board of education to make reasonable rules and regulations governing extracurricular activities, it granted no authority to divorce extracurricular activities from the curricular program of the school. The court said in the German Township School Case:

The language of this section in no sense serves to divorce the athletic and musical organizations of the high school from the other departments of the public schools. It cannot be construed as clothing a board of athletic control with supreme authority over the finances required to conduct these departments. The members of the band, who receive instructions in playing the various instruments used in such an organization, and who take part in the varied exercises that take place on the football field, particularly between the halves of the game, are as much a part of the student body as are those who specialize in intellectual achievements.⁸⁰

In another Pennsylvania case some five years later another Pennsylvania court reached a similar conclusion by ruling that school activities funds must be deposited in the official school account and must be handled as regular public funds.

The Hatfield Township school district, in addition to its official account, had an activities account in a local bank. The sole right to withdraw funds from this account was possessed by the supervising principal although he was presumed subject to the directives of the board. The school board challenged the right of the statutory auditors to examine those activity accounts on the grounds that they were not regular school funds and therefore not subject to audit. When the auditor attempted to force the school board to produce the activity fund records, the school authorities sought a court determination of the question: Is an activities account subject to audit even

though no tax money is deposited in it? The court answered this question in the affirmative, by ruling that all money raised through extracurricular activities becomes a part of the official school account because it is raised through the aid of the school district's investment, i.e., buildings, equipment, and personnel.

The court, aware of the possibility that some school districts might not, directly or indirectly, furnish financial support for extracurricular activities, said in part:

. . . [I]t is certainly true that, if a school district operates and expends tax money for the acquisition, maintenance or lighting of the playing field, or for the services of a coach, the admissions charged result from the use of public property and from the expenditure of tax monies and are the property of the school district, must go into the official treasury thereof, and are subject to audit.⁸¹

On September 29, 1954 the Attorney General of Missouri rendered an opinion stating that school activity funds were public funds:

As a general proposition, we believe it safe to say that revenue received by the district, whether derived from taxation, donation, state aid, or as the result of some school activity which is an incidental part of the administration and government of the schools of the district, is properly classified as "school district moneys." In other words, funds which are received or should be received by the school district in its capacity as such must be funded and disbursed in accordance with Section 165.110, supra.

Educational activities are a function of the school district, the government and control of which is vested in the board of education (Section 165.317, MoRS, Cum. Supp., 1953). Therefore, we perceive no reason why the funds derived from or expended in the conduct of school sponsored athletic events or dramatic activities which are an incident of the educational program should not be considered the same as other funds of the district and, hence, subject to the control of the board. Being district funds, they can be disbursed only as provided in Section 165.110, supra.⁸²

Voges reported that the research committee of the Association of School Business Officials had found the boards of education to be legally responsible for school activity funds in most states:

In the last few years the Association of School Business Officials research committee for student activity accounting has inquired regularly into the prevailing practices of many school districts. In most instances it has found that accounting for student activity money is the responsibility of the board of education. This position has legal support in most of the fifty states either by general acceptance or by legislation, such as requiring an audit of student activity moneys.⁸³

A Kentucky Court of Appeals recognized the authority of a board of education to control activity funds, yet regarded its duty to do so as quasi-private, thus making the school district liable for debts incurred by those in charge of activity funds.

A high school athletic coach with the approval of the principal purchased athletic equipment and, because the purchase was made with the full knowledge of the board, the

board of education could not deny liability for the debt. The court held that the board of education could not claim immunity for the debt incurred because through its supervision of the activities fund it acted in a quasi-private manner. The court said in part in the Board of Education of Anderson County v. Calvert:

It is our belief [that] the board in its general supervision of the activities fund has not acted in a governmental capacity, but rather in a quasi-private proprietary manner. It is undenied [that] the monies in the fund are not tax-derived income, so that the legal precepts that ordinarily apply to revenue obtained by taxation for educational purposes do not apply. This being true, the board cannot claim immunity as to the liability of the activities fund for the debts sued on that it could not of the income sought to be subjected came through tax channels.⁸⁴

In a more recent Kentucky case, the Commonwealth of Kentucky ex rel. Breckinridge v. Collins, a member of a board of education and a principal stockholder in a soft drink bottling company vacated his position by selling soft drinks to schools of his district even though the profits were used for school athletic supplies, repairs of band equipment, and class trips.

The attorney general of Kentucky brought suit against the school board member for engaging in what he regarded as improper business transactions with the school district. Upon receiving an adverse judgment in the circuit court of Letcher County, the attorney general appealed the

case to the Court of Appeals of Kentucky. He contended that the profits from the sale of soft drinks were school funds used to promote public education and should come within the supervisory control of the board of education. The appellee argued that these profits were not school funds because they were kept separate and apart from tax revenue and there were no sales or payments which involved the school board or the school funds. He also contended that these funds, raised by pupils from school projects, belonged to the various class organizations.

The court concluded, by citing Anderson County v. Calvert, supra, that, by legislative intent, activity funds are school funds over which the school board has full control. Thus the school board member, through his actions, violated the law and in so doing vacated his position.⁸⁵

In a 1961 South Carolina case, Betterson v. Stewart, the court recognized the existence of school funds not administered either directly or indirectly by the board of education.

Funds derived from extracurricular activities were entrusted to the supervising principal of a school district. Neither the raising nor the disbursement of this money was supervised by the board of trustees. The entire

undertaking was conducted through the voluntary endeavors of the pupils and teachers.

Legal action was initiated by taxpayers and parents against the principal to require him to account for the funds. The plaintiffs also contended that the maintenance of this fund by the school authorities was not authorized by law and was therefore beyond their lawful powers.

The court of common pleas of Jasper County dismissed the case, but upon appeal the Supreme Court of South Carolina modified the lower court's ruling. The supreme court declared that the principal had ". . . the duty of rendering a full and accurate accounting of his administration . . . [of extracurricular funds], showing a complete statement of his receipts, disbursements, and any balance remaining." But in regard to the authority of the board of trustees to maintain such a fund the court said:

The record shows that the fund in question was not raised or maintained by the school authorities but was purely a voluntary endeavor on the part of patrons, teachers, and pupils of the school for the purpose of promoting the welfare of the school and its students. Since the fund in question was not raised or administered, either directly or indirectly, by the Board of Trustees, the question of whether they have such power is not an issue and need not be considered.⁸⁶

Mohler and Bolmeier briefly summarize these court cases as follows:

Since proceeds raised in the conduct of extracurricular activities are not tax revenues, the question has arisen as to whether they are public funds which come under the custody of the board of education. Several courts have ruled that proceeds of extracurricular activities are public funds and must be accounted for in the same manner as other school district funds. However, a Kentucky court recognized the authority of a board of education to control activity funds, yet regarded its duty to do so as quasi-private, which waived the school district's governmental immunity as to the liability in regard to debts incurred by those in charge of the activities funds. Although it is generally accepted that extracurricular funds belong to the school district and should be handled accordingly, the Supreme Court of South Carolina recognized the existence of extracurricular funds not administered either directly or indirectly by the board of education.⁸⁷

According to Mohler and Bolmeier, school districts and teachers in the course of conducting extracurricular activities have become involved in legal problems, some of which have come before the courts for adjudication. From the cases discussed in their book, Law of Extracurricular Activities in Secondary Schools, the following conclusion is drawn regarding the financial accounting of student activity funds: proceeds of extracurricular activities are public funds and must be accounted for in the same manner as all other school district funds.⁸⁸

Contents of the Manual

From a search of the literature and an analysis of various other state manuals for student activity fund

accounting a list of topics and subtopics was developed which should be included in a manual for student activity fund accounting. These topics and subtopics were selected on the basis of meeting the criteria of the principles of student activity fund accounting and accepted business procedures established by the Association of School Business Officials.

The manual includes the following sections and subtopics:

Introduction

Section 1: Virginia State Laws and State Regulations

- Powers and Duties of State Board
- Bonding
- Bids for Material, Supplies, Equipment or Services
- Auditing
- Assessment of Fees
- Retention Schedule of Financial Records
- State Board Regulations

Section 2: Classification of Receipts and Expenditures

- Regular Student Activities
 - Athletics
 - Concessions
 - School Store
 - Clubs

- Instruction Materials
- Paid Admission to Entertainment Events
- Publications
- Activity Fees (Books or Cards)
- Assessments
- Flower and Gift Funds
- Trust Accounts
- Photograph Sales
- Clearing Accounts
 - Collections for Board of Education
 - Inter Fund Transfers
 - Returnable Deposits
 - Abatement
 - Sales Tax Collections
 - Charitable Organizations (Fund Raising Drives)
 - Petty Cash
 - Outside Groups
- Coding of Accounts
- Sample Chart of Accounts

Section 3: Accounting Procedures

- Basic Principles
- Collections and Deposits of Monies
- Bank Deposits
- Disbursements

- Basic Records
- Transfer between Accounts
- Refunds
- Filing
- Bank Statements
- Bank Service Charges
- Bad Checks
- Canceling (Voiding) Outstanding Checks
- Lost Checks
- Dormant Accounts
- Closing the Books
- Financial Report
- Membership Dues
- Sales Campaigns
- Admissions (Ticket Sales)
- Petty Cash Funds

Section 4: Internal Control

- Principles of Internal Control
- Test Checks
- Auditing of Accounts
- Sample Questionnaire on Internal Control Accounting
- Audit Program Guide
- Auditors Financial Reporting Checklist

Section 5: Management of Student Body Funds

- Investment of Funds
- Obligation of Funds
- Budget Preparation
- Budget Control
- Bidding
- Expenditures which Require Prior Authorization
- Expenditures without Prior Authorization
- Prohibited Expenditures
- Purchasing
- Payment
- Advances
- Operation of School Store
- Vending Machines
- Property Control (Inventories)

Section 6: Functions and Duties of Personnel

- Board of Education
- Superintendent
- Business Manager
- Principal
- Central Treasurer
- Faculty Auditor
- Faculty Advisor
- Finance Committee
- Activity Treasurer (Student)

Section 7: Approved Forms and Instructions

- Check Requisition
- Official Receipt for Money Collected
- Report of Money Collected
- Report of Tickets Sold or Admissions
- Request for Services, Equipment or Supplies (Purchase Order)
- Petty Cash Voucher and Receipt
- Receipt and Expenditure Ledger
- Reconciliation with Bank Statement
- Employees Individual Ledger Sheets
- Principal's Monthly Financial Report on Internal Accounts
- Departmental Receipts
- Sales Tax

Section 8: Glossary of Terms

Chapter III

METHODOLOGY

A search of the literature and research in the field of activity fund accounting was conducted to develop a list of accepted principles, practices, and procedures which authorities deem important and necessary in the administration of and accounting for student activity funds.

Information as to the regulation of student activity funds was obtained from a study of Virginia statutory and case law. The Virginia Attorney General was asked to provide any attorney general opinions that have been rendered affecting student activity funds.

Aside from the normative literature and legal opinions, letters were written to superintendent in departments of education in the fifty states requesting available information as to laws, board of education policies, attorney general opinions, and methods and procedures used in accounting for student activity funds. (See Appendix A.)

In addition, letters requesting information as to local board of education policy and methods and procedures used in accounting for student activity funds were written to fifteen Virginia school divisions, selected on the basis

of a rural/suburban/urban cross-section of school districts having various size high schools.

The information received from the state departments of education and Virginia school systems was reviewed to ascertain any areas which the various state and local school systems have included as a part of their accounting system and which had not been revealed by the literature search. Any information thus arrived at was used to enlarge upon the list of usable principles, practices, and procedures and incorporated into a descriptive outline of a manual of accounting for student activity funds.

Three certified public accountants, each of whom has been engaged in the examination of school funds for a minimum of five years, were then asked to review the descriptive outline. Individual interviews were then conducted with the CPA's during which they were questioned with regard to present procedures and policies used in accounting for student activity funds, the adequacy and workability of the present state manual, and local and state board policy governing student activity fund accounting. Also, their ideas were solicited as to what additional practices and procedures should be included in the descriptive outline. Their responses were compiled and on items where there were conflicting opinions the recommendations of the

majority were accepted. However, some recommendations were such that there was no quantitative basis for rendering judgment and thus were evaluated by the researcher for inclusion in the outline on the basis of relevance (bearing upon or relative to student activity fund accounting), importance (significant to student activity fund accounting), desirability (worthy of being included), adequacy (meeting the requirements of student activity fund accounting), and operational feasibility (practical and capable of being used effectively).

The descriptive outline was then presented to the Assistant Superintendent for Administration, Virginia Department of Education, for his evaluation along with that of his staff. They were asked to evaluate the outline in terms of the provision of needed information, feasibility as a working document, and other comments which they deem appropriate.

Using majority opinion, relevance, importance, desirability and operational feasibility as criteria for acceptance where remarks could not be analyzed quantitatively, the recommendations of the department of education were incorporated into the descriptive outline and submitted to five high school principals and five school bookkeepers. They were, in turn, asked to analyze the data not

not only in terms of relevance, importance, and desirability but also in terms of adequacy and operational feasibility. Individual interviews were then conducted with each principal and bookkeeper to gain further insight into any recommendations made in the remarks section of the descriptive outline and to inquire as to the reasoning on any items on which there were conflicting opinions. The responses were then compiled using the majority opinions as the basis for acceptance, except in those cases where the remarks were so convincing as to appear irrefutable in terms of relevance, importance, desirability, adequacy, and operational feasibility.

Following this procedure, fifteen Virginia school divisions were contacted and asked to provide the names of the firm(s) responsible for auditing the school accounts in their division. The firms identified were sent the previously prepared descriptive outline and asked to check the items which they believe should be included in a Manual for Student Activity Fund Accounting and which they would consider to be beneficial to them as they audit school accounts. Also, they were asked to add other items which they believe should be part of the manual. To further enhance the analysis, three CPA's were selected from this group and contacted for interviews for any further comments

and discussion relative to the legality and comprehensive-ness of the list of principles, practices and procedures that have been recommended for inclusion in the manual.

Upon receiving the returns from each group of respondents and following the personal interviews, the responses were compiled. On items where there were conflicting opinions, the opinions of the majority were accepted providing they were not in conflict with legal statutes, State board regulations, attorney general's opinion, or in the case where there was no quantitative basis for rendering judgment on the respondents' comments, they were accepted on the basis of relevance, importance, desirability, adequacy and operational feasibility.

From the information gathered from the search of the literature and that provided by the various state departments of education, certified public accountants, school principals, and bookkeepers, the first complete draft of the revision of the Manual on Systems of Accounting for School Activity Funds was prepared.

The members of the state department of education, certified public accountants, school principals, and bookkeepers who participated in the earlier portion of the study were asked to review the draft critically for

completeness and clarity and to make any additional recommendations. These recommended revisions were then incorporated into a final draft of the manual.

Chapter IV

FINDINGS AND PRESENTATION OF A MANUAL OF ACCOUNTING FOR STUDENT ACTIVITY FUNDS

This chapter discusses the findings resulting from the questionnaire responses of certified public accountants, principals, and bookkeepers relative to items deemed necessary for inclusion in a manual for student activity fund accounting. Also contained in this chapter is a manual for student activity fund accounting.

The first step in the process of developing the manual was to write the Superintendents of Public Instruction in the fifty states and the superintendent of fifteen local school divisions within the state of Virginia requesting such available information as to board policy and operational procedures used in the accounting for school activity funds.

Responses were received from thirty-one states, six of which had manuals which were presently in use. Three states responded that they were in the process of developing such a manual. Ten responses were received from the letters sent to local school superintendents within the state of Virginia, only one of which had a manual that had been developed at the local level. The other nine

respondents reported that they used the present Virginia Manual on System of Accounting for School Activity Funds.

From the review of the normative literature and an analysis of the various state manuals a questionnaire was developed containing a list of items deemed necessary for inclusion in a manual for student activity fund accounting. This questionnaire was submitted to a series of reviews by CPAs, school principals, and school bookkeepers.

Round #1--Review by CPAs

Results of the initial review of the questionnaire and personal interviews with three CPAs are summarized as follows:

Section I. Virginia State Laws and Regulations

1. It was pointed out that there was no provision in Virginia law requiring bids to be taken for items to be purchased from school activity funds.
2. All other items were recommended for inclusion.

Section II. Classification of Receipts and Expenditures

1. All items were recommended for inclusion in the manual.

2. It was recommended that trust accounts and photograph sales be moved from regular student activity accounts to clearing accounts.

3. It was recommended that charitable organization accounts be shown under trust accounts.

4. It was recommended that guidelines for the transfer of instructional aids monies be added to the list of items to be included in the manual.

Section III. Accounting Procedures

1. All items were recommended for inclusion, however, each of the CPAs stressed that petty cash funds should be very carefully controlled and used only in the case of emergency and for very small purchases.

2. It was recommended that for clarity the word refund be substituted for abatements.

3. No additional items were recommended for inclusion.

Section IV. Internal Control

1. All items were recommended for inclusion.

2. Each of the CPAs suggested that a "list of items to be included in the auditors report" be included.

Section V. Management of Student Body Funds

1. All items were recommended for inclusion.
2. It was recommended that guidelines be developed for the entering into of contracts regarding such items as photography sales, yearbook publishing, purchase of class rings, and purchases for which payment was to extend over a period of years.
3. The CPAs were extremely critical of present methods of paying activity fund employees and recommended that some system be developed which would make provision for the collection of state and federal income taxes and the collection of F.I.C.A. taxes.

Section VI. Responsibilities of Personnel in Student Activity Fund Accounting

1. All items in this section were recommended for inclusion.
2. It was recommended that the word bookkeeper be substituted for central treasurer.
3. No additional items were recommended for inclusion.

Section VII. Approved Forms and Instructions

1. All items in this section were recommended for inclusion.

2. It was recommended that a standard journal page be used by the bookkeeper rather than keeping individual activity fund ledgers. Also, a standard journal page may replace the cash receipts and disbursements page when there is only a small number of accounts.

3. No additional items were recommended for inclusion.

Section VIII. Glossary of Terms

It was agreed by each of the CPAs that an extensive glossary of terms necessary to common understanding of financial accounting procedures for school activities be included.

Round #2--Review by the Staff of the Assistant State Superintendent in Charge of Finance

The second step in the process of further development of the list of items to be included in the questionnaire was to have been performed by the staff of the Assistant State Superintendent in charge of finance. It was not possible for this office to respond in the time allotted, thus necessitating that this step be bypassed.

Round #3--Review by Principals and Bookkeepers

The recommendations of the CPAs were incorporated into the questionnaire and submitted to five high school principals and five high school bookkeepers. After receiving their responses to the questionnaire, individual interviews were then conducted with each of these individuals.

Section I. Virginia State Laws and Regulations

1. All respondents recommended that the items of bonding and auditing be included in the manual.
2. One of the ten respondents recommended that the following items be deleted from Section I because they only pertained to central office staff: (a) Powers and Duties of the State Board; (b) Bids for Material, Supplies, Equipment or Services, (c) Assessment of Fees; and (d) State Board Regulations. However, when it was pointed out during the interview that this manual was designed to be helpful to central office staff and board members in addition to personnel at the school level, he agreed that these items should be included in the manual.
3. No additional items were recommended for inclusion.

Section II. Classification of Receipts and Expenditures

1. Two of the ten respondents recommended that petty cash be excluded from the manual.

2. All other items were recommended for inclusion by all respondents. However, one principal remarked that it would not be practical to code accounts in a small high school.

3. It was recommended that general funds be included under regular accounts and that student insurance be included under clearing accounts.

Section III. Accounting Procedures

1. Two of the ten respondents recommended that petty cash not be included.

2. Respondents were unanimous in their recommendations to include all other items.

3. The following items were recommended for inclusion in the manual:

- a. Reimbursement for Expenditure of Personal Funds
- b. Stop Payment Action on a Check
- c. Loss of Cash
- d. Guidelines for Protection of Funds within a School

- e. Provision for Advancing Money to an Activity Sponsor when Cash Monies are Needed to Meet Incidental Expenses

Section IV. Internal Control

1. The respondents were unanimous in their responses to include all items in this section.
2. No additional items were recommended.

Section V. Management of Student Body Funds

1. Three of the ten respondents recommended that bidding be excluded from the manual, however, during the interview, one respondent agreed that it should be included. Two principals recommended that bids should be required on items costing more than \$300.
2. All respondents were unanimous in their responses to include all other items in the manual. Two respondents suggested, however, that procedures for payment be covered under disbursement of funds to avoid duplication.
3. No additional items were recommended for inclusion.

Section VI. Responsibilities of
Personnel in Student Activity
Fund Accounting

1. The respondents were unanimous in their responses to include all items in this section in the manual.
2. Two principals recommended that the duties and responsibilities of the activity director be included in the list of items to be included in the manual.

Section VII. Approved
Forms and Instructions

1. Two of the ten respondents recommended that the Petty Cash Voucher and receipt be excluded from the manual.
2. Six respondents recommended that the employee individual ledger sheet be excluded from the manual.
3. The respondents were unanimous in their responses to include all other items.

Section VIII. Glossary of Terms

All respondents were unanimous in their responses to include this section as a part of the manual.

Round #4--Further Review and
Analysis by CPAs

Fifteen CPAs, identified by local school divisions as having experience in the auditing of school accounts, were asked to respond to the questionnaire. Nine of those

contacted responded to the questionnaire. In addition, personal interviews were conducted with three of these CPAs.

Section I. Virginia State Laws and Regulations

1. Recommended that this section be as brief as possible and still contain basic information.

2. Three CPAs recommended that Powers and Duties of the State Board, Assessment of Fees, and State Board Regulations not be included. Two of these respondents were selected for interviews and during the interview were asked the reasons for deleting these items. It was found that they were not aware of the existence of these laws and regulations. Upon being made aware of their availability these CPAs agreed that they should be included in the manual.

3. No additional items were recommended for inclusion.

Section II. Classification of Receipts and Expenditures

1. Four CPAs recommended a detailed breakdown in athletics.

2. One CPA recommended that fund raising drives for charitable institutions not be allowed. However, if

they are permitted in local board policy, procedures for handling them should be developed at the local level.

3. Two CPAs recommended that petty cash account not be used, however, the three CPAs interviewed felt strongly that a closely controlled petty cash fund should be permissible as a matter of efficiency.

Section III. Accounting Procedures

1. All respondents recommended the inclusion of all items.

2. No additional items were recommended for inclusion.

Section IV. Internal Control

1. Seven of the nine respondents felt that all items should be included in a manual for accounting for student activity funds.

2. One respondent felt that the Audit Program Guide, Auditors Financial Reporting Check List, and Auditors Report should be the auditor's choice and, therefore, should not be included in the manual.

3. One respondent felt that Principles of Internal Control should be excluded from the manual.

Section V. Management of
Student Body Funds

1. All items received unanimous approval for inclusion in the manual with the exception of bidding. One respondent felt that provisions for bidding should not be included in the manual.

2. No additional items were recommended for inclusion.

Section VI. Responsibilities
of Personnel in Student
Activity Fund Accounting

1. All items received unanimous approval for inclusion with the exception of the Finance Committee. One respondent recommended that the duties of the Finance Committee not be included since it was so rarely used.

2. No additional items were recommended for inclusion.

Section VII. Approved
Forms and Instructions

1. All items were approved unanimously for inclusion in the manual.

2. No additional items were recommended for inclusion.

Section VIII. Glossary of Terms

All respondents were in agreement that a glossary of terms would be a beneficial item to be included in a manual for student activity fund accounting.

Round #5--Review of the First Complete Draft of the Manual

The first complete draft of the manual was prepared and submitted for review to six CPAs and the five high school principals and five high school bookkeepers who had responded to the questionnaire.

They were asked to review the entire manual, and make any suggestions or recommendations. Also, they were asked to pay particular attention to pages thirty-four through thirty-six which contained the recommended coding of accounts and Section VII which contains approved forms and instructions.

The comments and recommendations are as follows:

1. All of the reviewers commented to the effect that the manual was complete and should be of great assistance to those who use it.

2. Three of the respondents commented specifically that the coding of accounts was complete and easily understood.

3. One principal recommended that Form 9, Request for Services, Equipment or Supplies, be prepared in triplicate, one copy should remain on file with the bookkeeper and two returned to the sponsor. The sponsor should submit one copy to the vendor and retain one copy for his or her file.

4. One CPA recommended that the heading of Form 9 be changed from:

Request for Services, Equipment or Supplies
(Purchase Order)

to:

Purchase Order
(Request for Services, Equipment or Supplies)

Analysis of the Findings

The recommendations of the CPAs, principals, and bookkeepers regarding items to be included in a manual for student activity fund accounting were studied carefully and in detail. They were analyzed and included in or excluded from the outline on the basis of majority opinion, relevance (bearing upon or relative to student activity fund accounting), importance (significant to student activity accounting), desirability (of value to the intended audience), and adequacy (meeting the requirements of student activity fund accounting and operational feasibility).

After each round the recommendations were analyzed in terms of meeting either one or more of the above requirements. They were either excluded from or included in the list of items deemed necessary for inclusion in a manual for student activity fund accounting in accord with the above criteria. Following the next review of the questionnaire, the items recommended for inclusion were either included or excluded from the list of items on the basis of majority opinion. Also, during the interviews conducted as a part of Rounds 1 through 4, the respondents were questioned specifically regarding the additional items recommended for inclusion or exclusion. The analyses of these recommendations are shown as follows:

Section I. Virginia State Laws and Regulations

It was pointed out by each of the three CPAs who initially reviewed the questionnaire that there was no provision in Virginia law requiring bids to be taken for items purchased from school activity funds; therefore, this item was deleted.

Section II. Classification of Receipts and Expenditures

1. In the initial review of the questionnaire two of the three CPAs recommended that trust accounts and Photograph Sales be moved from regular student activity accounts

Clearing Accounts and that Charitable Accounts be included under Trust Accounts. These recommendations met the criteria of operational feasibility and were accepted. These changes were incorporated into the questionnaire and submitted to principals and bookkeepers who approved them unanimously.

2. Two of the ten respondents in Round Three recommended that Petty Cash be excluded from the list of items to be included in the manual. Based on majority opinion this recommendation was not accepted.

3. It was recommended in Round Three that a general fund be included under regular accounts and that Student Insurance be included under Clearing Accounts. These recommendations were accepted on the basis of meeting all of the criteria for inclusion in the manual. They were included in the questionnaire and approved unanimously in the next review.

4. Four of the nine responding CPAs recommended a detailed breakdown in athletics. Provisions for this had been previously made in the coding of accounts.

5. Two of the nine responding CPAs in Round Four recommended that a petty cash account not be used; however, based on majority opinion this recommendation was rejected. Also, the three CPAs interviewed during this round were emphatic in stating that as a matter of efficiency, a closely controlled petty cash fund should be permissible.

Section III. Accounting Procedures

1. It was recommended by one CPA in the first round of reviews that for clarity the word refund be substituted for abatements. For clarification purposes the word refund was placed in parenthesis.

2. Two of ten respondents in Round Three from the principal-bookkeeper group felt provisions for petty cash account should be excluded from the manual. Based on majority opinion this recommendation was rejected.

3. The following items were recommended in Round Three for inclusion in the manual as a result of the review of the questionnaire by high school principals and high school bookkeepers.

- a. Reimbursement for Expenditure of Personal Funds
- b. Stop Payment Action on a Check
- c. Loss of Cash
- d. Guidelines for Protection of Funds Within a School
- e. Provision for Advancing Money to an Activity Sponsor when Cash Monies are Needed to Meet Incidental Expenses

These items were analyzed on the basis of the pre-determined criteria of relevance, importance, desirability,

adequacy, and operational feasibility. Each item was found to meet all of the criteria and thus was included in the questionnaire. These items received unanimous approval in the next round of reviews.

Section IV. Internal Control

1. Two of the CPAs in the first review suggested that a "list of items to be included in the auditors report" be included. This recommendation was accepted on the basis of desirability and operational feasibility. This item was included in the questionnaire and received unanimous approval in the next review.

2. One responding CPA in Round Four felt that the Audit Program Guide, Auditors Financial Reporting Check List, and Auditors Report should be the auditor's choice and, therefore, should not be included in the manual. Another CPA felt Principles of Internal Control should be excluded from the manual. These recommendations were not accepted on the basis of majority opinion.

Section V. Management of Student Body Funds

1. It was recommended in the initial review by two CPAs that guidelines be developed for the entering into of contracts regarding such items as photography sales, year-book publishing, purchase of class rings, and purchases for which payment was to extend over a period of years. This

item met the criteria for being included in the manual and was placed in the questionnaire for the next review where it received unanimous approval of all respondents.

2. Three of the ten respondents from high school principal-school bookkeeper groups in Round Three and one of the nine responding CPAs in Round Four recommended that bidding be excluded from the manual. This recommendation was rejected on the basis of majority opinion. The recommendation made by two principals that bids be required on items costing more than \$300 was accepted on the basis of operational feasibility (practicality).

3. Two respondents in Round Three suggested that procedures for payment be covered under disbursement of funds to avoid duplication. This recommendation was accepted on the basis of operational feasibility (practicality).

Section VI. Responsibilities of Personnel in Student Activity Fund Accounting

1. It was recommended in Round Three that the word bookkeeper be substituted for central treasurer. This recommendation was accepted as being important for clarification purposes.

2. Two principals recommended that the duties and responsibilities of the activity director be included in the

manual. This recommendation was accepted on the basis of being desirable because many schools are now employing full time activity directors or delegating this responsibility to an assistant principal.

3. The recommendations in Round Four from one respondent that the duties of the finance committee not be included in a manual for student activity fund accounting was rejected on the basis of majority opinion.

Section VII. Approved Forms and Instructions

1. Two of the ten respondents in Round Three from the high school principal-high school bookkeeper group recommended that the Form 6 Petty Cash Voucher (Receipt) be excluded from the manual. This recommendation was rejected based on majority opinion.

2. Six respondents from the same group recommended that the Employees Individual Ledger Sheet not be included in the manual. This recommendation was accepted on the basis of majority opinion.

3. In the review of the first draft of the manual (Round Five) there were two recommendations, both relative to Form 9 Request for Services, Equipment or Supplies.

a. It was recommended by one principal that Form 9 be prepared in triplicate with one copy to be kept by the bookkeeper and the other two copies returned to the sponsor--

one of which was to be sent to the vendor and the remaining one attached to the check requisition (Form 1) when the invoice is submitted for payment.

b. It was recommended by one CPA that the heading of Form 9 be changed to read as follows:

Purchase Order

(Request for Services, Equipment or Supplies)

These recommendations were accepted as a matter of operational feasibility and clarity.

Summary

The reviews of the CPAs, principals, and bookkeepers were summarized following each round of reviews. Their recommendations were either included in or excluded from the manual based on majority opinion and/or a judgment of relevance, importance, desirability, adequacy, and operational feasibility into a comprehensive list of items to be included in a manual for student activity fund accounting.

From a study of the literature in the area of student activity fund accounting, an examination of case and statutory law from across the United States, a review of Virginia School Law, Regulations of the State Board of Education, Virginia Attorney General Opinions, the expertise provided by certified public accountants, principals, and school bookkeepers, a manual for accounting for student activity funds

was developed. This manual reflects the best judgment of a user audience concerning activity funds, and contains explanations and instructions essential to the administration of and accounting for student activity funds.

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INTRODUCTION TO THE MANUAL

As school activity programs have expanded in recent years, the supporting funds necessary to finance these programs has increased dramatically. Those charged with the handling of these large, essentially public, funds must have a clear and uniform system of receiving, disbursing, and reporting upon school activity funds.

School activities as referred to in this manual are those activities that are financed in whole or in part by the operation of the school activity program. In general, student activity funds are those funds which are operated and managed generally by the student body under the guidance and direction of a staff member for educational, recreational, and cultural purposes. These funds come under two classifications:

1. Regular accounts--money received and expended for the operation of the student activity program.
2. Clearing accounts--includes money collected which is not available for the operation of the student activity program.

This manual includes many of the recommendations found in Bulletin No. 17, A Manual of Accounting Principles and Procedures for Student Activity Funds, published by the Association of School Business Officials of the United

States and Canada, and in Bulletin No. 21, Financial Accounting for School Activities, published by the Office of Education, U.S. Department of Health, Education and Welfare.

Other sources used in the development of this manual include: the present Virginia manual on System of Accounting for School Activity Funds published by the Virginia State Board of Education; School Funds Manual published by the Fairfax County Public Schools; and State Department Publications on Student Activity Fund Accounting primarily from, but not limited to, the states of Kentucky, New York, California, Indiana, Illinois, and Florida.

To assure both the feasibility and the desirability of the procedures of the present manual, the experience of principals, school bookkeepers, and certified public accountants was drawn upon. Representatives of this group assisted in the development of a list of items which was deemed necessary for inclusion in the manual for student activity accounting. They also reviewed, analyzed, and generally commented upon the drafts in order to bring the manual to its present form.

The manual contains recommended principles and procedures for the financial accounting for all funds received by the individual school for student activities with the exception of school lunch funds. The standard accounts and terminology may be used with either a cash or accrual basis

of accounting and with either a single-entry or double-entry method of bookkeeping. It is not the intent of this guide to recommend a system of bookkeeping.

The guide contains eight sections. The contents of Section I contain Virginia Law and Regulations of the State Board of Education as they apply to the governing and handling of internal accounts.

Section II classifies and defines the minimum accounts which make up the component parts of student activity funds. Further breakdowns of the minimum of accounts may be made as needed by the individual school.

Section III presents a suggested accounting system utilizing the recommended minimum regular accounts. This system is based on generally accepted school business procedures. This system may be modified to meet the needs of the individual school.

Section IV describes procedures which can be used by school personnel for safeguarding and protecting internal accounts. In addition, forms, procedures, and guidelines are described which can be utilized by both external and internal auditors as they examine school accounts.

Section V describes procedures to be used in managing student funds, with primary focus on investment of funds, budget preparation and control, obligation and expenditure of funds, and purchase and property control.

Section VI outlines the functions and specific duties of persons involved in the administration of activity funds, descending from the State Board of Education to the student activity treasurer.

Section VII includes accounting forms and instructions for use which are considered to be the minimum required for the proper recording and accounting of internal funds.

Section VIII defines the terms used in the manual and such additional terms as seem necessary to achieve common understandings concerning financial accounting procedures for school activities.

The use of standard accounts and terminology as outlined in this guide will (1) help to insure the proper initial recording of financial transactions; (2) improve accounting for school activity money; (3) improve school budget-making; (4) provide information for policy determination; (5) facilitate comparisons of financial information among communities and states; (6) facilitate the reliable reporting to the board of education and the public concerning the financial conditions of school activities; (7) improve the accuracy of local and state summaries; and (8) serve as a protection for those individuals responsible for the money.

Section I

VIRGINIA STATE LAWS AND STATE REGULATIONS

This section deals with Virginia Law and Regulations of the State Board of Education as they apply to the governing and handling of internal accounts.

Powers and Responsibilities of the State Board of Education

§4. Board of Education. The general supervision of the public school system shall be vested in a Board of Education of nine members to be appointed by the Governor, subject to confirmation by the General Assembly.

§§22-19. Bylaws and Regulations. The Board of Education may adopt bylaws for its own government, and make rules and regulations not inconsistent with law for the management and conduct of schools. Except as provided in §§22-19.1, such rules and regulations when published and distributed shall have the force and effect of law until revised, amended or repealed by the General Assembly, or until such regulations are revised, amended or rescinded by the Board of Education.

Powers and Responsibilities of the Local Board

§22-72 to 22-78, 22-144 and 22-147 County School Board. The county school board is vested with the use and control of all school funds, whether derived from state appropriations, local taxation or other sources, and has exclusive authority to expend funds set apart by law for school purposes.

§§22-97(12) more specifically vests in the local school board the authority to manage and control funds made available for the operation of public schools.

§§22-97(13) places on the local school board the responsibility for examining all claims against the school board and when approved to order or authorize payment thereof.

State Board Regulations Covering School
Activity Funds (Internal Accounts)

Classification: responsibility for
Administration of Regulations;
Exclusion of Specific Funds

All funds derived from extracurricular school activities, such as entertainments, athletic contests, cafeterias, club dues, etc., and from any and all activities of the school involving school personnel, students, or property, are hereby classified as school activity funds (internal accounts). The local school boards shall be responsible for the administration of these regulations in the schools under their control, and may determine which specific funds in any school may be excluded from those subject to these regulations. (Funds defined by law as public funds are not subject to these regulations and are to be handled as provided by law.)

Records, School Finance Officer, Bonds

Each school shall keep an accurate record of all receipts and disbursements so that a clear and concise statement of the condition of each fund may be determined at all times. It shall be the duty of each principal to

see that such records are maintained in accordance with these regulations, and rules promulgated by the local school board. The principal or person designated by him shall perform the duties of school finance officer or bookkeeper. The school finance officer shall be bonded and the local school board shall prescribe rules governing such bonds for employees who are responsible for these funds.

Forms Generally

The use of the specific forms prescribed by the State Board of Education is not mandatory, however, the basic information required must be incorporated into a system which may be substituted for the system designed by the State Board of Education.

Audits: Monthly and Annual Reports

School activity funds (internal accounts) must be audited at least once a year by the duly qualified accountant or accounting firm approved by the local school board and a copy of the audit report filed in the office of the division superintendent; monthly reports of such funds shall be prepared and filed in the principal's office, and annual reports shall be filed in the office of the principal and

division superintendent. The cost of such an audit is a proper charge against the school operating fund or school activity funds.

Interpretation of Regulations and Forms

Nothing in these regulations or suggested forms shall be construed as superseding or modifying the federal-state plan for operation of cafeterias under the National School Lunch Act.

Financial Record Retention Schedule

The following retention schedule specifies minimum periods but local school boards may, at their discretion, retain such records for longer periods.

Disposal of records in keeping with the following retention schedule should be recorded in the official minutes of the school board.

Group I

The following records, as provided by §22-53.1 of the Code of Virginia must be retained permanently in the original form:

Books of original entry

Cash receipts and disbursements ledgers
(including textbooks)
Voucher registers and check registers
General ledgers

Journal entry vouchers

Group II

The following records must be retained permanently (ten years in original form, after which they may be micro-filmed):

Annual reports and summaries (including transportation reports)

Audit reports

Census summary records

Deeds

F.I.C.A. reports

Minute books (including tapes)

Personnel records (individual employees)

Group III

The following records should be held for a minimum of ten years from the end of the fiscal year in which last entry is made, or until audited (state and/or federal), after which they may be destroyed:

Cancelled checks and bank statements

Duplicate deposit slips

Employee earnings records

Investment records

Payrolls (including retirement payrolls)

Reports to federal government

Group IV

The following records should be kept for a period of five years from the end of the fiscal year in which last entry is made or until audited (state and/or federal), after which they may be destroyed:

Batch sheets

Budgets, summaries and working papers

Daily cash reports

Inventory records and reports (including textbooks)

Leave requests and personnel forms

Official receipts issued by school board and other authorized personnel

Purchase orders

Receiving reports

Requisitions for state and/or federal fund reimbursement

Subsidiary ledgers:

Accounts payable ledgers (closed accounts only)
Accounts receivable ledgers (closed accounts only)
Appropriation and expenditure ledger
Revenue ledgers

Time books and time cards

Vouchers

Group V

The following records should be kept for a period of three years from the end of the fiscal year in which last

entry is made, or until audited (state and/or federal), after which they may be destroyed:

Census enumerator records

Daily internal reports (other than cash)

Monthly internal reports

Group VI

The following records should be kept while in force, or during pending litigation, plus three years:

Bonds

Contracts

Insurance policies

Assessment of Fees

§22-197. Laboratory and other special fees. Except in the special town school districts preserved under the provisions of §22-42 no laboratory or other special fees, or charges of any kind, for school supplies or materials, other than library fees and examination paper, pens, pencils and ink, shall be levied or collected from resident pupils entitled to attend either primary, grade or high school of the public school system, by any city, county or town school board, city or town council or board of supervisors, or the State Board or any person employed in such school. (1938, p. 357; 1940, p. 647; 1942, p. 39; Michie Code 1943, §672.)

§22-198. Fees for entrance to classes. No special fees shall be charged for entrance, admission or attendance upon the class of any subject taught in such schools. (1938, p. 538; 1940, p. 647; 1943, p. 39; Michie Code 1942, §672.)

§22-199. Permitted fees and charges. Nothing in the preceding sections shall be construed to prevent the collection of class dues or assessments charged for voluntary student activities, tuition and fees incident

to attendance at night schools, postgraduate classes, classes in vocational or manual training, summer schools, or to any city or county having a system of the rental of school books to pupils of such schools, or any class or course outside of, or additional to, the regular course of study required for a high school certificate, but no pupil's scholastic report card or diploma shall be withheld because of nonpayment of any such voluntary dues or assessments, or any fee or charge herein permitted.

The preceding sections as to special fees and charges shall not apply to any city or county furnishing free textbooks to other than indigent pupils. Nothing in this chapter shall be construed to prohibit the school board of any county, city or town from renting books, supplies and materials to the pupils of any school within the jurisdiction of the board. Nothing herein contained shall be construed to prevent school boards from purchasing textbooks or bookkeeping, art, manual training, and other consumable supplies at wholesale rates and selling such books and supplies to pupils at cost. (1938, p. 358; 1940, p. 647, 1942, p. 39; Michie Code 1942, §672.)

School boards may charge fees to student for use of lockers. 1964-65 Op. Att'y. Gen. 294.

§22-200. Liability of Pupils for Destruction of property. Each pupil shall be required to reimburse the school for any actual breakage or destruction of property done by such pupil in pursuit of his studies. (1938, p. 358; 1940, p. 647; 1942, p. 39; Michie Code 1942, §672.)

§22-201. Deposit required of pupils using laboratory or library equipment or supplies. A deposit of such sum of money as may be reasonably necessary for such purpose

may be required of any pupil using laboratory or library material, equipment or supplies, which deposit, after deducting therefrom any loss of or damages to such material, equipment or supplies, caused by such pupil or pupils, shall be returned to the pupils at the completion of the year or term as the case may be. (1938, p. 358; 1940, p. 647; 1942, p. 39; Michie Code 1942, §672.)

Attorney's General Opinions

Purchases from Councilman for School Athletic Fund

If a school athletic fund was operated independently of the school board and the school board assumed no direct responsibility for the fund and was not financially obligated to pay for supplies purchased from the school athletic fund, purchases for such fund by the principal of a school from a city councilman would not fall within the prohibition of former §15.1-73. On the other hand, if the school athletic fund was maintained by the school board and the school board was directly responsible for its operation and financially obligated for its contracts, the purchases would appear to be prohibited by former §15.1-73. 1967-68 Op. Att'y. Gen. 234.

Sale of School Photographs and Other Goods to Students

On September 22, 1976 the Attorney General stated an opinion regarding the sale of photographs and other goods to students. The opinion assumed a factual situation in which

the schools would be receiving payments from the photography firms and other vendors involved in the sale of products to students, with no disclosures that the sales were part of a school fund raising activity. In that context, the opinion addressed the question whether the payments to the school by the businesses constitute an illegal rebate for purposes of Virginia Code §§59.1-9.7(c) or 18.2-447. Unless the payment represented bona fide compensation to the school for services rendered by the school in connection with sales, the opinion concluded that a violation of the referenced statutes may result.

In a letter to Dr. Walter E. Campbell, dated December 27, 1976, the Assistant Attorney General clarified the situation by stating a different conclusion is reached under different factual situations. For example, where an affirmative and complete disclosure is made by the school to pupils and parents that the project is a fund raising activity, and where pupils and parents are told affirmatively that they may purchase the goods elsewhere if they desire, neither statute is violated.

The first disclosure noted above should inform purchasers that part of the price paid for goods will be retained by the school as part of its fund raising activities and will be used for school purposes. With respect to the second disclosure, the school may specify aspects of the

product which need to be uniform, such as background or dress in the case of photographs to be used in yearbooks, but the school also should make it clear that the goods may be purchased from sources other than that chosen by the school if the student wishes. No vendor should be designated as the "official" supplier.

Problems with respect to the two referenced statutes can also be averted if the school purchases the good from the vendor and then resells the product to the student or parent after placing its own markup thereon. In such a case, the school becomes an independent retailer, rather than simply an agent or broker acting on behalf of the ultimate purchaser.

Section II

CLASSIFICATION OF RECEIPTS AND EXPENDITURES

This section classifies and defines standard accounts which make up the component parts of a school activity accounting fund. This includes only the general categories. No attempt is made to list all activity accounts.

Regular Student Activities

Regular student activity funds are monies received for use by the regular student activities program. These are accounts for use when an activity is financed wholly or in part by revenue received directly from the operation of a school activity.

Athletics

Monies collected in connection with athletic events and activities are generally derived from one or more of these sources: (1) sale of tickets; (2) game guarantees or contracts in accordance with mutual agreements; (3) television and radio rights; (4) program sales; (5) concession sales at athletic events; and (6) donations.

Concessions

Concession sales at all student activities should be approved by the principal, and should be operated by a

student body association, faculty group, or by such outside agency as may be authorized by the local board of education upon request of principal of the school involved. Concession sales should not be operated in competition with the school lunch program.

School Store

Merchandise that is needed by pupils to facilitate classroom instruction and to accommodate pupils may be sold in school stores where permission to operate such stores has been granted by the county school board. The principal should establish an approved list of merchandise. Profits from the store may be transferred to the general fund or other designated accounts.

Club and Class Accounts

These are accounts which contain funds dedicated to the beneficial use of a distinct group of students. They include activities at class club or departmental level.

Examples of revenues that may be credited to classes and club accounts are: (1) dues, assessments, and donations from members; (2) income from entertainments, dances, parties, etc.; (3) sale of club or class sweaters, emblems, insignias, cards, announcements, etc. Authorization for expenditures should carry approval of class or club officer, sponsor, and the principal. No class or club account may be

overdrawn at the end of the school year. No off-campus clubs may be permitted to carry accounts on school activity accounts books. Any remaining balance in the account of a graduated class after graduation of that class, and after the class has had an opportunity to determine the disposition of the balance, should be considered as belonging to the general fund and should be closed out to the general fund following a year in which there are no receipts or expenditures.

Fund Raising by the Student Body or
Within the Student Body

Each plan for the raising of student body organization funds must be approved by the finance committee and the school principal. The plan must include a recommended method of establishing financial accountability. The raising of funds should have but one basic end in view: to promote the general welfare and morale of the pupils as a whole. Income for special groups should be raised from either dues, sale of tickets, or other approved activities limited to active members of the general group enrolled at the school. At athletic and other events, no group should sell to the general student body any items such as ice cream or candy and retain the profits unless such is the established policy of the school. Fund-raising drives by student organizations for student body benefits should be conducted in accordance with school board policies.

Instructional Materials

In situations where sufficient money is not otherwise provided, funds to meet instructional needs of the pupils may be collected insofar as possible on a semester or school-year basis. The collection and expenditures of all such funds should be made through the internal accounting system, and it is the principal's responsibility to see that such monies are spent for instructional materials. Monies collected for the purchase of expendable instructional materials should be used for the purchase of expendable materials normally required during the semester or school year. They should not be expended for equipment.

Such funds for instructional materials should be collected soon after the beginning of each semester or school term in order that students transferring will therefore not be charged again for the same materials. Charges for these materials should be as near actual cost as is feasible. A maximum instructional materials charge for schools should be set by the board of public instruction in consultation with principals and teachers.

Paid Admission to Entertainment

Entertainments to which admission is charged should be kept to a minimum number. Admission charges should be low enough, consistent with sound business practices, to permit the maximum number of pupils to attend.

Publications

The publications sponsor and the principal should contract for school newspapers, yearbooks, and other publications.

Care should be exercised in negotiating contracts for school newspapers, yearbooks, publications, and the like. The selling price of these items should be set so that the maximum number of pupils may benefit from them.

The type of advertising in school publications should be approved by the school principal or his designated representative, contracts should be entered into when appropriate, and a billing system should be developed.

Student Activity Fees (Books/Cards)

Student body cards or books, which may include admission to all athletic events, admission to all entertainments, purchase of the school yearbook, etc., may be sold for amounts as approved by the principal.

Photography Sales

Commissions earned from photography sales and other transactions should be credited to the general fund or other designated accounts. There are two basic procedures which can be followed in order to comply with the Attorney Generals ruling, either of which is acceptable. The principal can inform the students and parents that part of the

purchase price of the pictures will be retained by the school as a fund raising activity and will be used for school purposes, or the school may purchase the pictures directly from the vendor and then resell the products to the students after placing its own markup thereon.

The school may specify aspects which need to be uniform, such as background orders in the case of photographs to be used in yearbooks, however the school should make it clear that goods may be purchased from sources other than that chosen by the school if the student so desires.

Clearing Accounts

The purpose of a clearing account is to set aside certain financial transactions from regular student activity accounts in order not to present a distorted view of the financial condition of the student body organization. All transactions which involve merely the collection and payment of funds should be accounted for under this classification.

The type of transaction to be placed in this special account is that which must be remitted in the exact amount collected. Such accounts, for example, would include money collected and disbursed to individuals or groups for charity drives, or fees for contracted transportation services. Since this type of account is essentially a "wash account,"

there is normally little or no balance at the end of the fiscal year.

Interfund Transfers

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a payment order. The treasurer of the activity making the donation will, upon proper authorization, draw a payment order stating all essential facts. The bookkeeper will then effect the necessary transfer in his accounts, and no money will actually change hands. Thus an interfund transfer is a receipt of the fund to which the money is transferred. This type of transaction is never considered a receipt or expenditure of the total activity fund of the school.

Collections for the Board of Education

These collections include payments received for textbook rental, lost or damaged textbooks, summer school tuition, night school tuition, library fines, losses, damages, and non-returnable deposits on lockers. Receipts and disbursements from these activities should be credited to the proper sub-account. At the end of each year, and more often if necessary, balances in these accounts should be transferred to the Board of Education.

Transfer of instructional aids money from one school to another school in the county should not be made upon the transfer of a student unless the board of public instruction transfers a group of students due to lack of facilities. If this should occur, the receiving school should receive from the transferring school money and/or materials as near as possible to the amount collected to cover instructional aids of the students transferred. A second amount should not be collected for the same materials from the students within the county.

Refunds (Abatements)

Refunds to students should be made in the same manner as all disbursements; namely a properly executed check requisition, or if it is a small refund, the refund may be made from the petty cash account, documented by a proper petty cash voucher.

Sales Tax

The state sales tax does not apply to purchases made by the public schools when the items purchased are for use or consumption by the school. A school district is not exempt from the provisions of the sales tax law however when it becomes the vendor of services or property ordinarily sold by private persons.

Vendors are required to collect tax unless they receive a tax exemption certificate (St.13) from the buyer. When items are not to be resold and tax exemption certificates are not already on file with the vendor a tax exemption certificate should accompany the purchase order. Sales tax collections on sale of items should be properly designated on receipts.

Returnable Deposits

A deposit of such sum of money as may be reasonably necessary can be required of any student using laboratory or library material, locker, equipment or supplies. After deducting any loss or damages or, as in the case of locker rental, any necessary cost of maintenance, the remainder will be returned to the student at the close of the school term.

Trust Accounts

Trust accounts are used for money contributed by or held for the sole use of specific groups and not owned by the student body as a whole. In general, a trust account should not be overdrawn, nor may trust funds be expended for general student body activities. Examples of trust accounts are faculty association funds and professional dues, student body trust accounts for class and club activities, collections for Community Chest, Red Cross, March of Dimes, and

student insurance. Fund raising drives for charitable organizations by the student body or groups within the student body should be conducted in accordance with board of education policy.

Petty Cash Account

This account may be established to have cash available for making change or for making immediate cash payments of comparatively small amounts. These expenditures should have the same documentation as other disbursements.

Scholarship and Trust Funds

Scholarship grants and trusts may be accepted by the student council with the approval of the school division governing board or its authorized delegate, usually the school principal. The acceptance, to be made in writing, must include all conditions prescribed by the donor. A statement must also be included regarding the disposition of any balance remaining at the close of the period for which the fund is established. Each scholarship and trust fund is to be established separately.

Gifts and Grants

Money, material, or equipment may be accepted by the student body organization on approval of the local school board or its authorized delegate, usually the school principal. The items received must have a legitimate use

in the school program and must not in any way conflict with it.

Consideration should be given to installation and maintenance costs before acceptance of equipment items. Receipt, use, and disbursement of gifts or grants are subject to the same accountability as other receipts and disbursements.

Outside Groups

Certain activities which contribute to the general welfare of students do not easily lend themselves to classification solely as student body activities. Other activities by their nature involve cooperative effort with groups outside the student body. It is desirable that the benefits of such activities to students should be preserved if procedures can be established to provide proper accounting for funds involved and to insure adherence to the principles governing internal accounting for School Activity Funds.

A cooperative activity is one in which the school officially participates with an outside group, usually the PTA, service clubs, etc., through planning, staging, conducting, or attending. Membership of these groups is usually composed of patrons and/or parents of students in school. Such activities may be held on or off school grounds and will usually take the form of money-raising events such as salvage drives, paid admissions to entertainments, or food sales.

Cooperative activities with alumni associations and other groups whose members are not patrons or parents of students in the school should require special approval of the county superintendent and should be handled as individual cases.

Prior to the commencement of a cooperative activity, there should be an official agreement on the part of the principal, the student representatives, and the outside group on the division of expenses and profits as between the student body and the outside group. There is no prescribed percentage for the division of such profits.

Pupil Accident Insurance

Participation in pupil and faculty accident insurance is a system-wide policy negotiated through the school board. The contracts are normally in effect from the opening of the school year to the closing of the year. There should be a specified enrollment period usually limited to one week in which students are allowed to enroll. Provision should be made with the insurance company holding the contract providing for late enrollment of transfer students and late enrollees. It is of extreme importance that those responsible for the enrollment of students in the insurance program write a receipt, issue a student insurance card and record the student's name on the enrollment sheet provided by the insurance company.

General Fund

The General Fund is a sum of money used to finance activities not accounted for in other funds. This fund is often used for purchases for which school board funds are available. The individual school makes the original purchase and is later reimbursed by the local school board. Office supplies, telephone bills, and small items used in maintenance when the job is performed by the school custodian fall in this category.

Sources of funds in these accounts usually come from photography sales, profits from vending machines, and school board reimbursements.

Coding of Accounts

The accounting codes are designed primarily for identification purposes. They may be used with either machine tabulation of accounts or with handwritten ledgers. They should prove to be useful in both centralized or decentralized accounting systems.

A. Digit 1 would identify the transaction.

1. Code No. 1: Receipt
2. Code No. 2: Expenditure
3. Code No. 3: Interfund transfer

B. Digits 2 and 3: identify accounts.

Codes (01-50): regular activities accounts

Codes (51-99): clearing accounts

- C. Digits 4 and 5: ninety-nine sub-accounts may be coded under each account. Codes (01-99)
- D. Digits 6 and 7: ninety-nine categories of receipts and expenditures may be coded under each account. Codes (01-99)

The following examples of the coding of accounts are set up using the basic minimum accounts. Provisions are made for additional accounts, sub-accounts, and categories to be added as needed.

Regular Account Code No. 01-49

Receipts Code No. 1, Expenditure Code No. 2, Inter-fund Transfer Code No. 3

Athletics Code No. 01 Sub-account (01-99)	Categories of Receipts and Expenditures under each sub-fund (01-99)
01 Basketball	01 Officiating
02 Football	02 Uniforms
03 Baseball	03 Equipment
Publications Code No. 02 Sub-accounts (01-99)	Categories of Receipts and Expenditures under each sub-fund (01-99)
01 Newspaper	01 Advertising
02 Yearbook	02 Subscriptions
03 Literary Magazine	03 Printing

Club Accounts No. 03
Sub-accounts (01-99)

Categories of Receipts and Ex-
penditures under each sub-
fund (01-99)

01 Art Guild

01 Dues

02 Beta Club

02 Salvage Drives

03 French Club

03 Candy Sales

Class Accounts No. 04
Sub-accounts (01-99)

Categories of Receipts and Ex-
penditures under each sub-
fund (01-99)

01 Class of 80

Class dues

02 Class of 79

Salvage Drive

03 Class of 78

Candy Sales

04 Class of 77

A. Using this system of coding it is possible to have 50 regular activities accounts coded (01-50).

B. Ninety-nine different sub-accounts may be set up under each regular activity account.

C. Ninety-nine categories of receipts and expenditures may be established under each sub-account coded (01-99). It is recommended that extensive planning be done in order that these may be consistent throughout the entire accounting system.

Example Code: 2 01 02 03

2

01

02

03

Expenditure

Athletic

Football

Officiating

Clearing Accounts Code No. 51-99

Collections for Board of Education Code No. 51:

Sub-accounts (01-99)	Categories of Receipts and Expenditures under each sub-fund (01-99)
01 Textbook Rental	01 Rental Fee
02 Summer School Tuition	02 Lost Textbook
03 Damages to Facilities	03 Damaged Textbook

Returnable Deposits Code No. 02:

Sub-accounts	Categories of Receipts and Expenditures under each sub-fund (01-99)
01 Locker	01 Rental Fee
02 Laboratory	02 Damaged or Lost Equipment
03 Industrial Arts	03 Refund

Trust Accounts Code No. 52:

Sub-accounts	Categories of Receipts and Expenditures under each sub-fund (01-99)
01 Faculty Fund	01 Dues
02 Red Cross	02 Donations
03 Student Insurance	03 Fund Drives

A. Using this system of coding it is possible to have 49 clearing accounts coded 51-99.

B. Ninety-nine different sub-accounts may be set up under each account coded (01-99).

C. Ninety-nine categories of receipts and expenditures under each sub-account coded (01-99).

Section III

ACCOUNTING PROCEDURES

This section will present a suggested system of accounting utilizing the recommended minimum number of accounts. This system is intended for use by the persons responsible for handling the activity money and keeping the books in order to provide a basic framework upon which schools may develop their own system as needed.

Basic Principles Governing Activity Funds

1. School Activity Funds are to be used to finance a program supplementing the activities provided by the local board of education.
2. The local board of education shall prescribe policies for the supervision and administration of activity accounts. These policies must not conflict with those of the State Board of Education. Principals should participate in the formulation of these policies, regulations, and procedures at the district level.
3. All fund-raising projects and activities by the school, by any group within, connected with, or in the name of the school should contribute to the educational experiences of pupils and should not be in conflict with the overall

instructional program administered by the local district superintendent and his appointed staff.

4. Generally, funds collected are to be expended to benefit those pupils currently in school for whom the funds were accumulated.

5. In general, funds derived from the student body as a whole should be expended to benefit the student body as a whole.

6. All monies should be expended for the purpose for which they were collected.

7. The collecting and expending of School Activity Funds must be in accordance with existing laws, State Board of Education Regulations, and local board of education policies.

8. Student body business functions should be conducted in such a manner as to offer a minimum of competition to commercial firms; at the same time they should benefit the student body.

9. Purchases for any school should not exceed the cash resources of that school during any fiscal year.

Collections and Deposit of Cash

All money received should be substantiated by official prenumbered receipts, auxiliary receipts, class receipt records, tickets, or other auditable records. In all cases

where tickets are used, ticket reports and unsold tickets should be available for audit. Insofar as it is practicable, the cash should be collected in the central office. When it is not practicable to collect the cash in the central office, collections from various classes by teachers should be turned in daily to the central office. Teachers who fail to turn in cash collected each day should be held personally liable for loss.

Deposit Procedures for Activity Treasurers

Each activity treasurer shall issue a receipt for all monies received by him to be deposited in the activity account. These receipts shall be prenumbered and must be used in consecutive order. If a mistake is made, the receipt should be voided but not destroyed.

When an organization has a dance or activity involving admissions, a statement of admissions must be prepared. Upon receiving money, the activity treasurer will take the following steps:

A. Count the money received and reconcile with the statement of admissions or activity treasurer receipts which are involved in the transaction. The money should be deposited with the school bookkeeper on the date received if possible. In the event that this is not possible, the money should be placed in a bank deposit bag and placed in the

bank night depository to be picked up and deposited with the school bookkeeper on the next school day.

B. The activity treasurer should prepare the deposit slip, obtain the signature of the faculty adviser on the deposit slip following his review, and deposit the funds with the bookkeeper.

C. Return all funds used for making change.

D. Receive the duplicate deposit slip signed by the bookkeeper together with a receipt for the money deposited.

E. Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received.

F. File chronologically the supporting data consisting of the duplicate deposit slip, bookkeepers receipt and, if applicable, the statement of admissions. These forms provide the evidence for the entries made in the activity treasurer's books.

Bank Deposits

After the money has been turned in to the activity treasurer and properly checked by him and the faculty adviser, the money should be turned over to the bookkeeper who should issue a prenumbered receipt.

Receipts should be deposited intact in the bank. If a deposit of one day's receipts is made, the total of the

deposit must equal the total amount of money taken in and recorded on the receipts issued for that day. If deposits are not made daily, indicate on the last receipt the date of the deposit. The deposit must equal the total of all money collected and recorded on receipts from the date of the previous deposit. All checks should be marked for deposit only.

For purposes of a record of deposits, a duplicate deposit slip should be made showing the first and last receipt numbers covering the total of the deposit.

Disbursements

Disbursements should be made by check, except petty cash items. No check should be made payable to "Cash," but should indicate the person, institution, or fund to which money is to be paid.

The financial agent should make disbursements only after receiving a properly executed request for the check requisition with proper accounting support attached. The request for check should originate with the activity sponsor who shall fill out the form, attach the proper accounting support papers, and forward them to the principal for his approval. The principal, in turn, will forward all approved requests for checks to the bookkeeper in order that a check may be prepared.

The proper accounting support should be attached to the request for check by the activity sponsor. This will usually be a vendor's invoice. When an activity sponsor has forwarded a vendor's invoice with his (the sponsor's) signature of approval together with the request for a check to be issued through the principal for payment, then, in all cases, the bookkeeper should assume that the goods or services have been received and that the prices and specifications appearing on the vendor's invoice are correct.

Basic Records

Prenumbered duplicate or triplicate receipts should be used as the means of recording cash received. These provide the basis for entries in the receipts journal. By the same token, prenumbered checks should be used in disbursing funds and providing the basis for entries to the disbursement journal. Both the receipts and checks should be designed to show, in addition to the usual information, the funds to which the charge or credit should be made.

Vouchers to support cash disbursements may be in the form of printed check requisitions to be attached to the supporting documents such as invoices. The check requisition should show to whom payment is made, the amount, a brief explanation, and the fund to which it is to be charged. This information is, of course, in addition to the invoice or statement showing the goods or services to be paid.

Illustrations of these forms and others that may be of help in maintaining proper records will be found in Section VII of this manual.

Transfer Between Accounts

To transfer between accounts, a request for a check should be executed and forwarded to the bookkeeper as any regular disbursement. The bookkeeper will handle the disbursements by journal entries, indicating the correct debits and credits in the accounts affected. The sponsor or treasurer of the activities concerned should be notified of the transfer. Transfer between accounts should be considered as a clearing account.

Refunds

Refunds to students should be made in the same manner as all disbursements; namely, a properly executed check requisition, or if it is a small refund, the refund may be made from the petty cash account, documented by a proper petty cash voucher.

Filing

There are two methods of filing the papers connected with school activity accounts. The decision as to the method to be used should be left up to the principal or bookkeeper

of each school. Regardless of the particular method used, papers relative to the following must be kept in order.

Method #1

Keep in numerical order by month:

1. Report of monies collected
2. Check Requisitions (supporting papers to these forms must be firmly attached with a staple)
3. Deposit slips

Method #2

File folder for each account

1. Prepare and file all reports of monies collected forms and check requisition forms together in the folder.
2. File in numerical order according to date and number (supporting documents must be firmly attached with a staple)
3. File deposit slips by month

Bank Statement

All School Activity Funds shall be kept in a properly designated bank account or accounts. The bank account shall designate the name and address of the school and the signature of the principal, as well as persons otherwise named by the

principal. The information and multiple signatures as necessary should be required on all checks written.

Until examined by the auditor, all paid checks and other items returned by the bank should be filed with the bank statement on which they appear. The importance of reconciling the bank balance cannot be overemphasized. The procedure is shown in section VII.

Bank Service Charges

If the banks require a service charge on Student Activity Funds, the amount of the service charge should be charged to the general account. Most banks, however, have a policy of not charging the school accounts for services. Occasionally, a service charge will be made to a school account through error. The bookkeeping department of the bank should be notified immediately. The bank will issue a credit to the school account, offsetting the erroneous charge. Neither the charge nor the credit need be shown in the books of record.

Cancelling Outstanding Checks

If a school activity fund check has been issued and is then reported lost or stolen, stop payment action may be taken. The circumstances surrounding this situation should be carefully evaluated. If the check is for a small sum and

made payable to a vendor who has consistently dealt with the school, it would not appear feasible to incur the stop payment charge of the bank. If the check is for a large sum of money, worthy of an expenditure of three to four dollars to protect school activity funds, then stop payment action may be appropriate.

If it becomes necessary to stop action on a check the drawer should telephone his bank immediately giving the information and the reason for stopping payment. The drawer must then give the bank a written order or a letter with his handwritten signature authorizing the bank not to pay the check if it is presented for payment.

If the check is cancelled before the end of the month in which it was issued, it is necessary to VOID the entries in all places that the transaction was entered. Tear the treasurer's signature from the void check, write the word VOID on it, and file it with the cancelled checks. If the check is to be cancelled after the month in which it was issued, it should be cancelled in the same manner as above except the amount of the check is added back to the balances on the ledger sheets and it is taken off the list of outstanding checks. Care should be taken to give a complete explanation of the transaction in each case.

"Bad" Checks

Some checks deposited by the school may be returned by the bank for various reasons. The most common reason is insufficient funds in the account of the person who drew the check. The proper procedures for handling checks of this type are as follows:

A. If the check is made good immediately, the money should be marked as a re-deposit and not considered as an additional receipt or expenditure. This re-deposit should be deposited as a separate item and marked as a re-deposit of check # (number). The charge back of the initial deposit and the credit of the re-deposit by the bank on the bank statement should be clearly identified and noted on the statement by the school bookkeeper. It is not necessary to enter the charges or re-deposit in the books of record.

B. If it is found that the check will never be made good, the amount of the bad check should be entered in red in the "Received" column on the Depository Ledger and the appropriate column of the Distribution of Receipts. The amount of the bad check should be deducted from the available balance in the checkbook with complete explanation. The bad check should be filed with the bank statement for substantiation of the above entry.

Lost Checks

Checks which are lost may be replaced by issuing new checks. A stop payment order is issued to the bank on the original check. The check is marked DUPLICATE and the number is recorded in the ledgers, but not the amount. Explain in the ledgers that this check is a replacement for lost check # (number).

Loss of Cash

Any loss of cash, including checks, will be promptly reported by telephone to the Division Superintendent or his designated representative, and to appropriate law enforcement authorities if theft is involved or suspected. The telephone report will be followed up within 48 hours by a written report directed to the division superintendent. The written report will include a recitation of the facts and circumstances, steps taken to prevent recurrence, and steps taken to fix responsibility, if any. If necessary to establish the amount of the loss, assistance should be requested from the auditor of accounts.

Dormant Accounts

These accounts are usually inactive due to the lack of student interest or because a graduating class leaves an

unused balance. Prior to the termination of a student organization all funds in the treasury may be disposed of in one of the following ways:

- A. Expended by vote of the organization.
- B. Transferred to another student organization.
- C. Transferred to a trust account for a specific and designated purpose.
- D. Provided none of the above steps are possible, the board of education should mandate the closing of dormant accounts after a specified time period and the unused balance transferred to the general fund. (The specified time period is usually one year in which there are no receipts or disbursements.)

Closing the Books

Books of all schools should be closed promptly after the end of the school year. Books may be held open until July 15 of each year for the purpose of recording and paying obligations incurred within the preceding fiscal year. All unpaid obligations should be listed and attached to the financial report.

Financial Report

A monthly financial report is to be filed with the superintendent at the end of each month. Included in the

report should be a financial statement of the income and expenditures of each activity. The financial statement should show the previous month's balance, total receipts for the month, total expenditures for the month, and the balance in the fund at the end of the month.

Membership Dues

The preaudit of membership dues should be relatively easy if plans are carefully worked out in advance. A few simple rules are suggested:

- A. Provide prenumbered receipts or membership cards.
- B. Charge each solicitor with a definite number of receipts or membership cards. (Make a record of the numbers issued to each solicitor.)
- C. Require each solicitor to return all unused receipts or cards and the exact amount of money due for each membership sold.
- D. Designate some one adult to supervise the membership campaign and to insist upon a complete and accurate report at the close of the campaign.
- E. Do not permit solicitors to issue receipts or cards on credit. Require pupils wishing credit to make arrangements with the designated adult officer.
- F. If memberships are given free or on credit to any pupils, have these issued by the designated adult

officer after all the solicitors have turned in their reports, cash, and unsold cards.

Receipts from Sales, Campaigns, Etc.

Pupils collecting monies should, whenever possible, issue prenumbered receipts in duplicate, the original to be given to the purchaser and the carbon to the student treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example, a candy sale, the activity treasurer with the assistance of the adviser should devise a method whereby the exact amount to be realized by the sale is determined in advance. Each salesman should be given a statement showing the amount he is to receive. After the sale, each salesman should then turn in that amount in cash and unsold goods.

Admissions

Ticket Sales

Various methods may be employed to insure accurate preaudit (check) of admissions. Usually prenumbered tickets should be used so that the auditor may by reference to the beginning and ending numbers determine the amount which should be collected. In some cases, as an added precaution, the ticket collector should be required to deposit the tickets in a locked receptacle so that they may be counted

and later destroyed. In other cases where tickets are purchased in a variety of colors, a different color should be used for each occasion, thus making it difficult for anyone to use old tickets. Still another device used to avoid the reuse of tickets is to require the ticket collector to destroy each ticket by tearing it, giving one part to the customer and retaining one. Any of these procedures, or any combination, properly supervised, will insure reasonably honest and accurate results. None of them will guarantee accuracy, especially when adult supervision is lacking. In summary:

A. Use prenumbered tickets, and take steps to prevent fraudulent reuse.

B. Charge each ticket seller with a definite number of tickets and a definite amount of change.

C. Provide a sufficient number of ticket sellers to avoid undue haste.

D. Do not ask the ticket seller to watch the gate.

E. Provide a responsible adult ticket taker.

F. Require each ticket seller to return all unused tickets, the full amount of change, and the exact amount of receipts promptly.

G. Do not aid and abet temptation with careless supervision.

H. Carefully analyze procedures, particularly from the standpoint of accurate accounting.

I. Thoroughly explain each device used to safeguard money so that those who have anything to do with it are thoroughly familiar with each process and understand its purpose. Consider these devices not merely as means of preventing fraud, but as instruments which have been set up so that each agent may clearly demonstrate the accuracy of his work and the fulfillment of his responsibility.

Exception to Use of Serial Numbered Tickets

Some school activity events are conducted where the admission charge would be an item of value other than cash. Such events need not be controlled by serial numbered tickets if that is the desire of the principal. Additionally, some events are conducted on a casual basis and revenue is of a minor nature, e.g., sock hops after basketball games. In such cases, the control via a serial numbered ticket need not be established if the principal is satisfied that the cash receipts system used exhibits acceptable fidelity controls, e.g., lock cash boxes, adult supervision at hand. The exception does not apply to events for which an admission fee is the normal practice, such as athletic events, band concerts, plays, etc.

Petty Cash Funds

To assist in the efficient and economical day-to-day management and to alleviate the necessity for writing checks

for small sums of cash, a petty cash fund may be established.

A. A petty cash fund should not exceed \$25 in value at any time.

B. Petty cash funds may be replenished at any time with charges being posted to the accounts concerned.

C. Petty cash disbursements should be limited to transactions in which it may be advantageous to avoid writing checks for small amounts. A petty cash receipt should be signed by the recipient and placed on file to justify any expenditure from the petty cash fund.

Reimbursement for Expenditure of Personal Funds

Reimbursements for expenditure of personal funds must be supported by receipted billings or cash register tapes. Cancelled checks are not an acceptable form of documentation in support of reimbursements. Reimbursements for expenses not supported by documentation will be made only with the written approval of the principal.

Advances

To provide ways and means for financing certain types of activities which do not lend themselves to the usual procedures, it is suggested provision be made for "advances." For example, to provide the necessary cash for student

organization activity trips, the activity treasurer of the group will draw a payment order in the same manner as when paying for a purchase except that in explaining the payment he will state that the check is to be drawn to the activity sponsor, giving essential facts regarding the trip. This order should be accompanied by a detailed statement of estimated expenditures and the like. Such a payment order should be preaudited and approved the same as any other payment order. After audit and approval, the bookkeeper will draw the necessary voucher check. The activity sponsor shall thus secure the requested cash.

After the trip, the activity sponsor shall file with the bookkeeper a detailed statement of the actual expenditures and turn over any balance not accounted for. The statement should, of course, be audited and approved by the principal.

The use of the "advance" procedure should be very carefully limited and closely supervised. The device should be used only in case of real need, and not merely for convenience.

In order to avoid confusion in the case of advances for making change for admission tickets sold and to avoid inflation of accounts, a "service account" may be set up with the general fund. This account is charged with the advance and credited with the return of the money.

Section IV

INTERNAL CONTROL

This section describes principles and procedures which can be used by school personnel for safeguarding the protecting internal accounts. In addition, forms, procedures, and guidelines are described which can be utilized by both internal and external auditors as they examine school accounts.

Principles of Internal Control

1. Official receipts should be issued for all money received. Receipts should be written when money is received so its arrival is established. Do not delay recording or banking money in order to reconcile supporting documents. Record and bank the money received and reconcile to the amount deposited.

2. All money received should be deposited in a bank. Deposits should be made daily if possible.

3. All money expended should be expended by check, except for small cash purchases paid from the petty cash fund.

4. The authority to expend monies shall be distinct and separate from the custody of these monies whenever possible.

5. The principal of each school should designate one or more persons in addition to himself who shall be authorized to sign checks withdrawing funds from the bank account. Two signatures should be required for all withdrawals: one should be an administrative employee, preferably the principal, and the other the financial agent of the school whenever possible. Persons signing checks should require that proper supporting evidence such as sales slips or invoices substantiate each check. At least two individuals shall take part in each act of disbursing money.

6. Supporting documents should be kept for all expenditures made.

7. Two separate and independent sets of records of receipts and expenditures shall be maintained.

8. Bank reconciliation statements should be made each month.

9. Monthly and yearly financial statements should be prepared.

10. An audit should be made each year, and copies of the audit should be filed with persons having administrative authority for the school.

11. Maintain all ledgers and journals in ink.

12. Reconcile each bank statement with the check stub and Depository Ledger.

13. All employees responsible for handling money should be bonded.

14. An accounting system should be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

Prohibited Procedures

1. Erasing figures found in error. (Draw a line through the incorrect figure and write in the correct figure above.)
2. Paying sales taxes on school purchases.
3. Preparing a Principal's Monthly Financial Report on Internal Accounts without first reconciling the monthly bank statement.
4. Issuing a check without first securing an itemized invoice or receipt.
5. Using a statement as the basis for payment.
6. Signing bank checks in advance.
7. Making obligations for which funds are not available.
8. Making personal loans from School Activity Funds.

Test Checks

Confusion and sometimes loss of funds can be traced more often to a lax checkup and recording of money taken in

than to any other single cause. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording, and depositing of receipts.

At some convenient time during the month the individual receipt books of those responsible for collecting and receipting of money should be checked against deposits made with the bookkeeper. The amounts which should be collected can often be predetermined. In conducting test checks some of the methods of predetermining the amounts to be collected are shown as follows:

A. A homeroom teacher has 30 students, 5 of whom are indigent and receive free books. The teacher would then have been expected to collect textbook rental from the other 25 students.

B. The Beta Club has a membership of 35 students. Therefore, the student treasurer would be expected to collect dues from 35 students.

It should be pointed out in the student handbook and posted throughout the building (particularly at the opening of school) that receipts should be received for all collections.

Auditing of Accounts

The auditing of accounts is a standard procedure followed by business and industry as well as government. Audits are necessary to assure the public that school funds are being properly administered. The Association of School Business Officials has developed the following objectives of a school audit program.

Objectives

1. To safeguard money, property and employees.
2. To determine the adequacy of the methods of internal check.
3. To maintain adherence to the established standards, policies, and procedures--financial, accounting, and operating.
4. To check condition and use of property and equipment, particularly from the standpoint of adequate return.
5. To maintain and coordinate internal auditing procedure with those of the public accountant.
6. To present accurate, complete, and unbiased statistics with respect to the operation of the educational system.

State Board of Education Regulations require that internal accounts be audited annually. This audit may be conducted by members of the school staff or by an outside

auditing firm. It is advisable that internal accounts be audited by district employees in order that on the spot corrections may be made prior to the annual audit by an outside auditing firm. The following sample questionnaire can be used by both internal and external auditors.

Sample Questionnaire on Internal Control of Accounting

	Yes	No
Cash Receipts		
1. Are records maintained of all receipt books and other numbered forms used in acknowledging receipt of cash?	_____	_____
2. Are issuances of receipt books to individuals and activities properly recorded?	_____	_____
3. Is cash turned in by individuals or activities identified with the numbered receipts acknowledging initial receipt of monies and recorded accordingly?	_____	_____
4. Are all cash receipts recorded promptly when received?	_____	_____
5. Are cash deposits made promptly and intact?	_____	_____
6. Are cash receipts from student fundraising activities turned in promptly?	_____	_____
7. Are commissions from vending machine sales received promptly when due?	_____	_____
8. Is the cash over/short account properly used, and are the controls imposed by the school district observed?	_____	_____

	Yes	No
Cash Disbursements		
9. Are cash balances reconciled with bank balances regularly, and are detailed items listed on bank statements recorded on the books?	_____	_____
10. Are cash expenditures for purchases approved by the duly authorized person?	_____	_____
11. Are cash expenditures supported by authenticated purchase orders, a vendor's invoice, and a notation indicating receipt of the materials or services?	_____	_____
12. Are disbursements by check properly signed, and are they in agreement with the information recorded in the disbursements journal?	_____	_____
13. Are authorized expenditures for which no disbursement has been made reviewed for current status?	_____	_____
14. Are disbursements from petty cash properly supported by vouchers or receipts?	_____	_____
15. Is the distribution of cash expenditures being correctly charged to the proper accounts?	_____	_____
Sales and Activities		
16. Are revenue-producing activities in accordance with those approved by the school district?	_____	_____
17. Is adequate control exercised by supervisory personnel over student fund-raising activities to ensure that such activities are in keeping with the intent of the program?	_____	_____

	Yes	No
18. Are all activities properly approved by the school principal or his designated representative, and are they endorsed by the student council?	_____	_____
19. Are all records of sales, such as receipt books and register tapes, reconciled to the cashier's receipt for monies received?	_____	_____
20. Are student store inventories reviewed periodically to determine propriety as to character and quantities?	_____	_____
21. Are student store profit and loss statements reviewed periodically?	_____	_____
22. Are all billings by the student body collected within a reasonable time?	_____	_____

Purchases

23. Are items of purchase in accordance with the intentions of the student program?	_____	_____
24. Are organization monies spent to enhance the welfare of the general student body and not a particular group?	_____	_____
25. Are approved purchase orders for all expenditures, whether voided or not, maintained numerically in a file?	_____	_____
26. Are all contractual obligations properly authorized, and are they kept within the established limits?	_____	_____
27. Are proper controls exercised to prevent expenditures in excess of funds available to any particular activity?	_____	_____
28. Are timely payments made on all purchases on account?	_____	_____

Audit Program Guide

The following audit program is a guide and is presented to remind the auditor of the nature and type of testing which might be performed.

The coding used in the "suggested timing of procedure" column is as follows:

P Preliminary to year end
 Y At year end
 F During final field work

STUDENT ADTIVITY FUNDS

Procedures	Suggested timing of procedure	Procedure completed Initials	Procedure Date	Procedure not applicable
1. Complete the related section of the internal control questionnaire and confirm compliance with the system by testing transactions.	P & F			
2. Review the rules and regulations and fiscal procedures for student activity funds and trust and agency funds	P			
3. Review adequacy of coverage of activity fund personnel by school blanket surety bond.	F			
4. Obtain copies of schools monthly and annual activity fund statements.	F			

Procedures	Suggested timing of Procedure	Procedure completed Initials Date	Procedure Not ap- plicable
5. Compare beginning cash balances per schools statements with ending figures per audit last year	F		
6. Scan monthly schools statements to determine whether any organization reflected a deficit balance at the end of any month during the year.	F		
7. Reconcile activity per cash journal with activity per statements on a test basis. Foot and cross-foot cash journals on a test basis. Trace posting to monthly statements on a test basis.	F		
8. Examine monthly bank reconciliations. Determine whether they appear to be in good order and executed in a timely manner. Trace cancelled checks returned with monthly bank statement to cash disbursements journal or to the previous month's outstanding list on a test basis. Examine cancelled checks so traced for payees, amounts and appropriate signatures. Note the next unissued check in numerical sequence during the year on a test basis.	F		

Procedures	Suggested timing of procedure	Procedure completed Initials	Date	Procedure not applicable
9. Reconcile book receipts and bank deposits on a test basis.	F			
10. Compare book dates of cash receipts postings with bank dates of deposits on a test basis and note whether client is depositing cash receipts in a timely manner.	F			
11. List check number, date, payee, amount and organization charged, for any checks still outstanding at June 30. Consider recommending writing off old outstanding checks.	F			
12. Trace deposits in transit and outstanding checks into the cut-off bank statement.	Y & F			
13. Confirm all activity fund bank account balances and authorized signatures as of June 30 directly with banks.	F			
14. Count any cash on hand and undeposited.	Y			
15. Isolate interfund transfers from transactions with outside sources. List any				

Procedures	Suggested timing of procedure	Procedure completed Initials Date	Procedure not applicable
interfund loans still outstanding and unpaid at June 30.	F		
16. Reconcile records kept by treasurer of the activity on a test basis. Not any organization which did not submit records.	F		
17. If appropriate, examine formal resolutions signed by student officers directing disposition of ending balances for graduating classes.	F		
18. Test sample organizations sales reported for sales tax purposes for reasonableness.	F		
19. Consider recommending closing these inactive organizations.	D		
20. Submit a copy of the activity fund audit report to the district superintendent and school principal.	F		

Audit Report

The report of the auditing firm responsible for auditing the internal accounts to the school district should contain the following:

1. Letter of transmittal
2. Statements of cash receipts and disbursements
3. Notes and recommendations

Section V

MANAGEMENT OF SCHOOL ACTIVITY FUNDS

The efficient and accurate management of school activity funds requires that sound procedures be followed in handling school monies received and expended. This section will describe practices and procedures to be used in managing student funds. The primary concern is with the investment of funds, budget preparation and control, obligation and expenditure of funds, and purchase and property control.

Investment of Funds

A study should be made of the student activity accounts to determine if it would be advisable to invest a portion of the funds in some type of savings account. If it is determined that the balance in a school fund will not be needed for six months or more it should be placed on a time deposit or passbook savings because normally demand deposits draw no interest. If placed on time deposit, the maturity date should correspond closely with when the money will be needed.

Obligation of Funds

No obligations should be incurred which cannot be met during the school term. If, however, it becomes

necessary for a student organization to enter into a contract which allows payment over a number of school terms the approval of the division superintendent should be secured.

Budget Preparation

The principles governing any school activity budget are the same as the family budget, the school budget, or any other budget. A good school activity budget, then, is defined as a complete financial forecast of both expenditures and receipts, based on the philosophy of the school activity program. Each activity group shall make a tentative budget in the spring, except when specifically exempted by regulations of the local board of education, for the school term beginning the following September.

By using an activities budget students learn to estimate their income, make plans as to how they will earn the money and then plan their expenditures according to the expected income.

A well planned student activity budget has many advantages. Among these are: (1) estimated revenues and expenditures will be balanced; (2) a more intelligent distribution of income will result; (3) departments will plan activities more intelligently; and (4) income producing events will be scheduled in advance.

A tentative budget would insure the cooperation between grades and the continuity of any program that has been started. For example, the freshmen will make a budget in the spring of the year that they plan to use when they are sophomores. They will be able to carry on any program that the sophomores who will be juniors have started.

As soon as possible after school begins, each group shall rework and adopt the working budget that they will use during the year. This budget should be the work of the members of the group with the counsel of the sponsor. Each activity sponsor shall prepare three copies of his budget on specified forms. He shall keep one and submit two copies to the principal. The principal shall make two compilations of the various activity budgets and submit one of them bearing his cover letter to the superintendent of the local school district. The principal shall keep the other copy in his files.

The criteria for a well organized student activity budget can be summarized as follows: (1) the amount of money taken in during each year should be spent during the year; (2) the balance carried over during the summer should be large enough to allow the organization to function when school opens; (3) each budget should contain a contingency fund; (4) goals for the year should be developed prior to budget preparation; (5) if income is dependent on ticket sales

to entertainment events, consideration should be given to ticket price and crowd control; (6) the budget should be created by the students with the advice and help of faculty sponsors.

Budget Control

The many claims for budgetary control and efficient handling of school finances can be summarized as follows:

(1) it requires all extracurricular activities to organize on a business-like basis and follow established business procedures; (2) all activities are required to live within their income; (3) a better balanced extracurricular program will result; (4) it encourages worthy but non-revenue producing activities by providing for them; (5) it conserves time and energy of teachers and students and prevents poorly planned fund raising activities; and (6) provides for financial resources to be balanced among various student activities.

It is the responsibility of the activity sponsor, principal and finance committee to oversee the operations of each student activity to insure that they operate within their prepared budget. The monthly financial report and activity ledgers should be reviewed monthly and compared to the prepared budget.

Financial Reports

Financial statements of income and expenditures should be sent monthly by the financial agent to sponsors and treasurers of organizations or activities, as well as to the principal of the school. This should be done soon after the close of the month. Included in the financial statement for each activity should be the previous month's balance, total receipts for the month, total expenditures for the month, and the balance in the fund at the end of the month. Each sponsor and treasurer of an activity should check the statements and any discrepancy with the organization records should be reported immediately to the financial agent. Copies of all financial statements should be sent to the business office of the school system and kept on file as a record of the accounting of student activity funds.

The financial agent for each school should prepare a monthly balance sheet showing a statement of income and expenditures for all funds. Copies of these statements should be submitted to the principal of the school, to the finance committee and to the superintendent of schools.

Bidding

An item in which the expenditure is greater than \$300 bids should be secured from at least three vendors. These vendors may be selected or advertisement for bids may be run

in the local newspaper. It is neither impossible nor impractical to advertise for bids in a newspaper for purchases made from school activity funds.

The following are samples of items on which it would be necessary to secure bids because their total expenditures exceed the sum of \$300 for any fiscal year: :

- (1) Yearbooks or annuals
- (2) Class rings
- (3) Senior announcements
- (4) Caps and gowns
- (5) Band or athletic uniforms
- (6) School store supplies

The advertising for bids on purchases is not limited to the minimum sum of \$300.00 . Bids may be taken on purchases, regardless of the amount. It is recommended that bids be secured on all purchases when it is reasonable to believe that a better price can be secured by the taking of bids. Experience has shown that substantial savings can be effected through the practice of taking bids.

General Provisions for Expenditures

School Activity Funds should be expended for the purpose for which they were collected. Policies governing expenditures apply regardless of the method of making payment, whether by check or from petty cash fund. Evidence

supporting all expenditures must be kept on file. These must be in the form of signed receipts or invoices. Cancelled checks are only a part of the supporting evidence for any given expenditure transaction.

No student body should be held responsible for an expenditure made by a pupil or teacher or by any other employee who has not first received an approval from the principal or his duly appointed representative.

Where expenditures require prior authorization, schools should anticipate needs in time to permit processing and proper clearance of written authorization requests. Expenditures should not be made until authorization has been cleared by the principal. Oral requests for authorization should not be granted. All authorizations for expenditures should expire one year after date of approval.

Expenditures which Require Prior Authorization

It is recommended that these types of expenditures be required to have prior authorization by the division superintendent.

1. All equipment costing \$300 and over. (A series of similar purchases does not obviate this limit.)
2. All equipment, whether purchased, rented, or borrowed, which is to be attached to the building or major equipment which requires use of public utilities.

3. Buildings, permanent attachments to buildings, or other structures.
4. Risers and bleachers or equipment involving risks.
5. Purchases made from any employee of the school system.
6. Salaries to student body employees (does not include work done on job basis).
7. Membership in and contribution to any out-of-school organizations.

Expenditures Without Prior Authorization

It is recommended that principals or their duly authorized representatives be permitted to make these types of expenditures from School Activity Funds without prior authorization by the county superintendent:

1. Equipment costing less than \$300 (except that which is to be attached to the building or major equipment which requires the use of public utilities, other than electric office equipment or fans) such as supplies, forms, and postage.
2. Repair, moving, and maintenance of equipment purchased by student groups.
3. Purchasing of merchandise sold in school stores.
4. Dues of student organizations.

5. Entertainments.
6. Publications.
7. Incidental instructional materials which are expendable within the school year.
8. Athletic supplies and services.
9. Materials for sale to pupils enrolled in shop, arts, and craft classes.
10. Laundry.
11. Towels.
12. Sanitary service.
13. General student body expenses not otherwise restricted.
14. Gifts or honoraria to individuals from class or club funds (should not exceed \$20).

Prohibited Expenditures

Expenditures for the following items should not be made from Student Activity Funds unless from trust funds collected for that purpose:

1. Equipment, supplies, forms, and postage for curricular or classroom use for which school board funds are available.
2. Repair or maintenance of school board equipment for which budgeted funds are available.

3. Professional books and magazines, except for school professional libraries, and personal memberships in professional organizations (except for teachers' organizations when collected from teachers and deposited in trust funds for this purpose).

4. Custodians' supplies and equipment.

5. Articles for the personal use of school board employees or other persons.

6. Equipment, supplies, and service for rooms and areas not used primarily for student body benefits.

7. Contributions to fund-raising drives (except those contributions collected for the specific purpose).

Purchasing

Money may be spent by student organizations to purchase materials and supplies, professional service, for transportation, for rent, for guarantees, and for services such as printing, advertising, postage, telephone and telegraph.

It is recommended that a formal purchase order originating within an activity be issued for all purchases. Each activity sponsor should study the financial situation and make requests only when funds are available. The principal or his designated representative must approve all purchases in excess of \$10.

Purchase orders should be prenumbered and printed in triplicate for the following uses:

- (1) Copy for the vendor
- (2) Copy for attachment to the invoice
- (3) Copy for the person initiating the request

When the goods are received and the bill arrives, the person initiating the request checks the goods, bill, and a copy of the purchase order to see that there are no discrepancies. The purchase order and supporting invoice are then attached to the request for payment form and forwarded to the bookkeeper for payment.

Student Store

The transactions of the student store should be recorded in the journals and ledgers of the study body organization and should be subjected to the same accounting used for other transactions. Before payment is made, a purchase order should be prepared, an invoice received from the vendor, and a receiving report executed.

Receipts of money should be recorded on a cash register or on a hand receipt. The cash register tape must be machine-totaled. Daily cash register tapes and hand receipts are to be turned over to the bookkeeper together with the cash from sales. The bookkeeper for the student body organization counts the cash in the presence of the student

store representative and renders a receipt. The total of the cash register tapes plus hand receipts for sales are credited to student store sales. Any difference between the amount of cash received and the total of the cash register tapes should be noted. If the amount over or short is excessive or if a trend develops regarding overages or shortages, the school principal should be advised of this matter by the bookkeeper. The cash register tapes and hand receipts should be retained by the bookkeeper and shall be made by the student store advisor, who should explain the correction.

Inventories of the student store should be taken under the supervision of the student store advisor on the dates prescribed by the district business office. The inventory must contain a description of each item, the unit of issue, the quantity, the unit price, and the inventory value. The total inventory value must be shown on the last page of the inventory.

It is recommended that the school store be operated as a distributive education club or class project under the sponsorship and guidance of the teacher-coordinator, and from an accounting standpoint be treated as an extracurricular activity of the school.

Vending Machines

Vending machines are rapidly becoming an integral part of the operations of the student body organization. The following directions serve as a guide for vending machine operations:

(a) Vending machines should be governed by a contract between the vendor and the student body organization, subject to the approval of the district administration. The contract should spell out details regarding installation, maintenance, quality, quantity, commission rates, and types of food and drink. In addition, the contract should give the sponsoring organization the right to audit the records of the vending machine company.

(b) An adequate system of inventory control should be established. Machines should contain sealed counters where feasible, as minimum protection. Records capable of being audited should be kept by the party servicing the machines.

Property Control (Inventories and Protection of Equipment)

It is just as essential to control the property purchased from School Activity Funds and property donated to school groups or organizations as it is to control the money. Adequate control involves:

1. Maintaining a complete record of the property owned.
2. Designating a custodian who is to be accountable for specific items.
3. Marking each piece of movable equipment.
4. Conducting periodic inventories.
5. Checking the inventory against the property record.
6. Enforcing accountability of custodian.

In the event the school incurs a loss of equipment, this should be communicated to the superintendent and the police immediately. Insurance coverage should be provided in order to protect the equipment purchased from School Activity Funds and the gifts from other sources. If these items are not covered by school board insurance policies, it should be permissible for the school to purchase insurance from the School Activity Funds to cover same.

Contracts

Serious legal questions arise when a student body organization enters into a contract. The principal question is whether a student body organization composed of minors is a competent party. Another question concerns the personal liability of an adult who becomes involved in the negotiations leading to the contract. The law of contract is complex

and difficult to administer. It is suggested, therefore, that careful and prudent consideration be given to every transaction when the monetary obligation may be beyond the financial ability of the organization to pay. The school board attorney should approve all contracts as to form.

The following recommendations are offered regarding entering into contracts:

1. The recommendation of the school principal and the approval of the division superintendent should be required for all contracts. When the contract expenditure is to exceed an established dollar amount, the approval of the school district governing board should be required.

2. Availability of funds should be ascertained, and sufficient funds should be encumbered to guarantee payment.

School Activity Fund Employees

When compensation for personal services is paid to school activity fund employees, withholding for income taxes or Social Security deductions cannot be accomplished by the local school. To assure compliance with applicable laws, the following procedures should be followed:

- (1) Athletic Officials: Officials for major athletic events are not to be paid directly from school activity funds. Generally, bills which list the names of the officials

and the dates of games served are presented to the school for payment. Such bills are paid directly to the billing organization.

(2) Police Security: Off duty police may be contracted to police athletic or other events by the principal or designee making direct contact with the local law enforcement agency. The local government agency should bill the school for services rendered. Payment should not be made directly to individual police officers.

3. School Board Employees: Custodial, instructional personnel, bus drivers, and others who are school board employees, who are also employed by school activity funds must be paid through the regular school board payroll. The school board should bill the appropriate school activity for services rendered.

4. Others: Employment of persons other than those discussed above should require advance approval by the division superintendent or his designee.

Section VI

RESPONSIBILITIES OF PERSONNEL IN STUDENT ACTIVITY FUND ACCOUNTING

The effective functioning of a school activities financial plan is dependent upon the fulfillment of certain basic responsibilities by key personnel. This will outline the functions and specific duties of persons involved in the administration of activity funds, from the board of education to the student activity treasurer.

Board of Education

1. The board of education shall approve all class organizations, clubs, and associations, and the purposes of each.
2. The board shall cause such records to be kept so as to furnish, at any time, amounts received and disbursed, and amount of cash on hand.
3. The board shall set forth the general policies and educational values for student participation in such classes, clubs, or associations under proper faculty guidance.
4. The board shall see that proper persons are appointed and bonded to guarantee safe handling of funds.
5. The board shall cause such reports, including an annual audit, to be made to the board that will give an

accurate accounting and reflection of the condition of each fund.

6. The board shall furnish, upon demand, such information as the Superintendent of Public Instruction may request regarding each class, club, and association fund.

Superintendent

The division superintendent in charge of the district shall have responsibility and authority to implement all policies and rules pertaining to the supervision and administration of student activity funds in schools under his jurisdiction in accordance with established policies and rules of the Board of Education.

The superintendent will also:

- a. Provide supervision and guidance to principals regarding school activity fund operations.
- b. Provide assistance, training and guidance as necessary to assure compliance with the provisions of this manual.
- c. Review and follow-up the principals' responses to audit reports to determine the adequacy of response.
- d. Determine the disposition of assets held by schools which close.

School Business Manager

The school business manager will assist the principal in establishing rules, regulations, and procedures for the management and operations of school activity funds in accordance with generally accepted accounting principles and sound business practices. In furtherance of these duties, the school business managers will:

a. Prescribe accounting and operating procedures through the medium of this manual and related notices and regulations.

b. Assist the principal in recruitment and selection of finance officers by reviewing and evaluating applicant qualifications when requested or required.

c. Assist the principal in the training of personnel concerned with school activity funds. This will be accomplished through periodic inservice training sessions, as well as special training assistance when requested or required.

The Director of Audit Services

The director of audit services will:

a. Assure annual audit of school activity funds in compliance with state laws.

b. Provide interim audit assistance as appropriate.

c. Assist the principals in evaluation of bookkeepers by rendering an opinion regarding the performance of school activity fund duties by those individuals.

d. Provide an audit opinion on the propriety and legality of proposed school activity fund transactions upon request.

e. Provide advice and assistance to the area superintendent, school business managers, or others as requested.

Principal

The responsibility for safeguarding, accounting, and managing the school activity funds rests solely with the principal. The duties which must be performed in providing proper management and security may be delegated to the degree desired by the principal, but the responsibility remains with the principal.

It shall be the duty of the principal to:

1. Coordinate the financial planning of all projects of the various pupil organizations in his building.
2. Appoint a faculty adviser for each activity in his building on a year-to-year basis.
3. Consult with faculty advisers.
4. Appoint the school bookkeeper with the assistance of the school business manager.

5. Submit to the school board all new activity organizations initiated by students.

6. Appoint a faculty auditor or auditing committee.

7. Countersign all checks.

8. Be familiar with and enforce the provisions of this manual.

9. Insure that the bookkeeper is properly instructed as to duties to be performed, instructed in proper methods and procedures, and given adequate supervision and guidance.

10. Obtain accurate and timely reports from the finance officer covering the results of operations and status of school activity funds.

11. Review and analyze the status and operations of the school activity funds at least monthly. The review process should involve the finance officer, department heads, fund sponsors, and the budget planning group to the extent considered appropriate. The review should include but not necessarily be limited to areas such as:

a. Questioning of inactive accounts and minimal or deficit account balances.

b. Noting the cash position, considering reserve funds and outstanding obligations.

c. Assessing the reasonableness of reported receipts and disbursements, by account and in total, to include

comparison with prior periods.

d. Assessing the adequacy of and compliance with cash control.

e. Verifying bank statement reconciliation.

12. Review purchase orders and checks presented for signature to assure that purchases and expenditures are properly authorized and supported.

13. Assure that adequate facilities and physical controls are available and are used for protection of cash and other assets.

14. Monitor the operation of revenue-producing activities with a view to avoiding unanticipated losses.

15. Monitor progress in implementation of approved audit recommendations and management decisions of the principal or higher authority.

16. Review, resolve conflicts in and approve all annual school activity budgets and changes as recommended by the budget planning group.

School Activities Director

Every large school should have a full-time person at the assistant principal level designated as the Director of Student Activities. The director, with the assistance of the finance committee and faculty sponsors should:

1. Coordinate the total student activities program.
2. Recommend policies to the principal.
3. Recommend to the principal the names of persons to be appointed as student activity sponsors.
4. Supervise the maintenance of records pertaining to student activities.
5. Perform additional duties as delegated by the principal.

Bookkeeper

Under the supervision of the principal the school bookkeeper is charged with the following responsibilities:

1. Keeping the cash book or journal.
2. Keeping individual account ledgers.
3. Receiving and depositing all monies daily.
4. Drawing checks for all disbursements when possible.
5. Conducting all bank transactions.
6. Providing all necessary financial supplies and forms.
7. Recording of bank statements monthly, rendering statements of each student activity account.
8. Instructing sponsors and student treasurers in their duties.

9. Conducting test checks on organization accounts and receipt books at periodic intervals.

10. Checking for compliance with the accounting system.

11. Keeping the principal informed of problems or potential problems.

Faculty Auditor

The function of the auditor shall be distinct and separate from the duties of the other officers. The person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms.

In order to establish the responsibility of the auditor and to make available to his office adequate evidence of all financial transactions, the auditor shall receive once each month, on a regular date designated by the principal, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the auditor will call in the ledgers kept by the activity treasurers at least twice a year and on a rotating basis in order to compare the balance as shown on the bookkeeper's report with the balance recorded in the ledger of the activity treasurer. He should also examine various transactions and paperwork to determine if correct procedures are

being used. He shall certify on these pages as to the accuracy of the entries posted and the available balances listed.

It shall be the duty of the auditor to verify the accuracy of the reports prepared by the bookkeeper and so certify to the chief school officer for transmittal to the board of education. In the event that the ledgers of the activity treasurer do not agree with the ledger kept by the bookkeeper, the auditor shall base his investigation on the supporting evidence kept by the activity treasurer and the bookkeeper in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, cancelled checks, and bank statements.

Faculty Adviser

1. It shall be the duty of these officers to guide and advise the pupil officers in planning extraclassroom activities and the planning of financial budgets.
2. The advisers shall assist the activity treasurer in the preparation of statements of income. He shall audit these statements and sign them as acknowledgement of verification of the income statement to be attached to deposit slips.
3. The adviser shall guide the student treasurer in posting his account ledger and from time to time shall check

the balancing of the activity treasurer's accounts and the completeness of their supporting evidence.

4. The faculty adviser shall supervise expenditures by insuring that funds are available before approving each proposed purchase and by signing all pay orders drawn on the bookkeeper for disbursement of funds.

5. The faculty adviser is responsible for determining which of the activities of his organization are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the central treasurer.

6. The faculty adviser shall constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

7. Collecting and receipting from the students routine fees required by the board of education, returnable deposits, student insurance, and so forth.

Finance Committee

The finance committee is an advisory committee to aid in the establishment of in-house financial policies and procedures.

The finance committee should be appointed by the principal rather than by virtue of holding some particular office. The appointees should be faculty and students who

are interested in the school as a whole rather than some particular activity. The finance committee should assist the principal by:

1. Obtaining and reviewing annual budget programs for the appropriate school activity accounts. A budget program will be provided by each fund sponsor concerned and will set forth the current balance in the account, the anticipated revenue, to include source, as well as anticipated expenditures.

2. Assisting in the resolution of anticipated deficits in the fund accounts by proposing allocation of funds from other fund accounts in agreement with the category limitations established by this manual.

3. Developing an overall school activity fund annual budget.

4. Proposing alternatives to the principal and fund sponsor where activities may involve conflicts or which may have an adverse effect on revenue.

5. Proposing to the principal and fund sponsor concerned alternative purchase or payment methods relative to high value equipment, particularly if disbursements for payments are to be made over a period of two or more years (see contracts).

6. Reviewing the current status of available funds and current liabilities and recommending to the principal a

sum that could readily be placed in savings to increase interest earnings.

7. Reviewing the operation of revenue-producing activities and making recommendations, as appropriate.
8. Assuming the responsibility for the orientation of students entrusted with funds.
9. Performing internal audits when no faculty auditor has been appointed.
10. Keeping necessary records for committee operation.
11. Reporting (with the assistance of the bookkeeper) to the students on the status of their finances.

Activity Treasurer

1. The activity treasurer shall receive all monies raised by his activity and shall immediately deposit such funds with the bookkeeper. Duplicate deposit slips shall be made out and signed by both the adviser and activity treasurer. One of these is to be retained by bookkeeper and one, after being signed by the bookkeeper, is to be returned to the activity treasurer together with a bookkeeper's receipt.

2. The activity treasurer shall pay all bills by issuing pay orders signed by himself and the faculty adviser. This form is to be made in duplicate and is an order on the bookkeeper to issue a check for payment of the invoice which shall be attached to the check requisition. The bookkeeper

will keep one copy of the check requisition and return the other copy to the activity treasurer. The activity treasurer will then use the completed pay requisition to post the activity ledger sheet.

3. The activity treasurer shall keep a ledger showing all receipts and expenditures and indicating a daily running balance which shall be on a form prescribed by the board of education. He shall file all supporting data, chronologically, as evidence for the entries made in the ledger.

Section VII

APPROVED FORMS AND INSTRUCTIONS

Certain forms are necessary for maintaining internal accounting records. These forms are considered as the minimum required for the proper recording and accounting of internal funds and are in most instances considered adequate for this purpose. Additional and supplementary forms may be used if necessary.

A sample of each of these forms, with a discussion on their use and application, is included in this section of the manual.

	Name of Form	Form Number	Page Number
1.	Check Requisition	1	183
2.	Official Receipt	2	186
3.	Departmental Receipt	3	188
4.	Deposit Slip	4	191
5.	Report of Monies Collected	5	192
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	Form Number	Page Number
11. School Activity Budget	11, 12, 13	205, 206, 207
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18. Dealers Work Sheet for Completing State and Local Sales and Use Tax	20	221

Check Requisition--Form 1

Before any checks are written, it is necessary that they be authorized by properly executed Check Requisitions, Form 1 (Figure 1). Check requisitions may be prepared by classes, clubs, or departments and submitted to the principal or bookkeeper.

A properly executed check requisition should show the following information:

1. Date (month, day, and year)
2. Name of school
3. Account to be charged
4. Exact name and address of payee

CHECK REQUISITION	
	_____, 19__
Verification of Available Balance by Faculty Adviser	
Amount of this Payment Order _____	You are authorized to issue a check
Unencumbered Balance _____	PAY TO THE ORDER OF _____
New Available Balance _____	IN THE AMOUNT OF _____
	DOLLARS \$ _____
	FOR _____ AS PER ATTACHED INVOICE
	AND CHARGE SAME TO _____ ACCOUNT
<p>Purchase Order No. _____</p> <p>Issued Check No. _____</p>	
	_____ Date of Approval
	_____ Student Treasurer
	_____ Faculty Adviser
(Form 1)	_____ Principal

Figure 1. Check Requisition--Form 1.

5. Unencumbered balance
6. Amount to be paid
7. New available balance
8. Purpose of payment (description of purchase or services received)
9. Signatures--(rubber-stamp signatures are not acceptable)
 - a. Teacher Sponsor
 - b. Student Treasurer (covering expenditures of classes and clubs)
 - c. Principal
10. Purchase order number
11. Issued--check number

Follow these instructions carefully in processing each requisition:

1. Fill out one original and one copy.
2. Give both copies to bookkeeper. One will be returned to you after payment is made.
3. Attach original invoice, ticket, sales slip, etc. In the event no invoice is available, a full explanation and list of materials or services purchased shall be shown in detail on the form.
4. Sponsor must sign request. It will not be processed without sponsor's signature.

5. Upon return of the carbon copy, verify payment has been made. Record the transaction in your LEDGER SHEET.

Check # _____

Date Paid _____

Official Receipt (for money received)--Form 2

Official Receipt, Form 2 (Figure 2), shall be issued for all monies received by the school office from any and all sources. Official Receipts shall be made in duplicate, the original issued to persons transmitting monies for deposit and the duplicate remaining in the book. Should it be necessary to void a receipt, the original copy shall be affixed to the duplicate and not destroyed. Erasures and other mutilations of the amount of the receipt should not be made.

Each Form 2 receipt shall show:

1. Date of collection
2. Name of the school
3. Individual's name in every instance (even though the form is printed "NAME OR ORGANIZATION")
4. Amount of money
5. Origin of collection
6. Classification of Account Credit
7. Signature of the principal or other responsible employee whom he may designate

OFFICIAL RECEIPT		
School _____	Prenumbered _____	
Received From _____		
Source of Income _____		
Organization or Account Name	Account No.	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total		_____
Date _____	Signed _____	
(Form 2)		

Figure 2. Official Receipt--Form 2.

The total of Form 2's should always equal the sum of monies received for deposit. In other words, the school office shall deposit intact all monies collected as represented by Official Receipts. Cash receipts on hand to be deposited can be verified at any time by summarizing the Form 2's since the date of the last deposit. Deposits should be noted in the lower right hand corner of the final receipt included in a deposit. The total amount of deposit and the date of deposit should be included in this notation.

The duplicate of the Official Receipt form is the basic source for recording cash receipts in the Distribution of Receipts Journal.

Departmental or Activity Treasurer Receipt--Form 3

This receipt, Form 3 (Figure 3) is to be used by teachers or student collectors when money is collected. This form should be prepared each time money is collected. This receipt should be prenumbered prior to being issued to teachers or students authorized to make collections.

The principal, or person whom he may designate, shall be fully responsible for maintaining an accurate record of Departmental Receipt books. This record is to be maintained for audit purposes and should show the name of the individual to whom the book was issued, number of the receipts contained therein, date the book of receipts was issued, and

DEPARTMENTAL OR ACTIVITY TREASURER'S RECEIPT NO. 0000

NAME OF SCHOOL _____ Date _____

Received from _____ \$ _____

_____ DOLLARS

For _____

Activity _____

Activity Treasurer or
Faculty Member

1--Original to purchaser or
depositor

1--Copy to activity treasurer

(Form 3)

Figure 3. Departmental Receipt--Form 3.

the date it was returned to the principal's office for safe-keeping. As soon as a collector has completed a Departmental Receipt book or has no further use for it, the book should be returned to the office and retained for audit purposes.

When depositing monies with the bookkeeper, the collector shall submit the Departmental Receipt book together with the funds being deposited. The bookkeeper should count the money in the presence of the collector, if possible, add the Departmental Receipts (Form 3) issued since the collector's previous deposit and, if the cash and receipts are in agreement, the bookkeeper should issue the collector an Official Receipt (Form 2), acknowledging the deposit. The final receipt of a deposit should be marked as a final receipt and dated.

In order to save time in writing the name of the school in longhand on the Departmental Receipts, it is suggested that this be done by means of a rubber stamp. When showing the name from whom monies were collected, always show the name of the individual transmitting the money, regardless if the funds were paid in by a class, club, or organization.

The source of income should be specifically stated. Persons acknowledging collections should sign his name to receipts, and not just his initials.

Deposit Slip--Form 4

The deposit receipt, Form 4 (Figure 4), shall be prepared in duplicate by the activity treasurer. A copy of the detailed statement of the source of the receipts being deposited, signed by the faculty adviser, shall accompany the deposit receipt and be filed with the bookkeeper. The bookkeeper shall acknowledge the receipt of these funds by signing and dating the receipt and entering the consecutive register number on the receipt. The original copy shall be filed with the bookkeeper, along with the detailed statement or report of the income. The carbon copy shall be retained by the activity treasurer. The Receipt Book or Report of Money collected should be turned into the bookkeeper with the Deposit Slip.

Report of Monies Collected--Form 5

The Report of Monies Collected, Form 5 (Figure 5), may be used for small collections (if the payer does not demand a receipt) such as small fees from students, physical education items, or band supplies. In such cases the collector may list the student's name and the amount of money received on the Report of Monies Collected and write one receipt for the total amount. The original and one copy of the Report of Monies Collected should be attached

DEPOSIT SLIP

School _____

Deposit No. _____ Date _____, 19__

Covering Receipt No. _____ through _____

Account Name	Account No.	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Total	=====

Currency _____

Coins _____

Change _____

(Form 4)

Figure 4. Deposit Slip--Form 4.

to the Deposit Slip, Form 4. The duplicate should be attached to the duplicate receipt when returned by the bookkeeper.

Collections should be deposited with the bookkeeper at least once a week if the amount is small, or more frequently if the amount of collections warrant more frequent deposits. All monies are to be deposited as of the last day of the month.

Petty Cash Voucher (and Receipt)--Form 6

School administrators may establish petty cash funds using Form 6 (Figure 6) from School Activity Funds; however, the practice of making petty cash disbursements should be kept to a minimum, and the total of all petty cash funds should not exceed \$25. Reimbursement of this fund is to be made by check (supported by invoices, sales tickets, etc.) and charged to the appropriate internal fund account.

If it is essential to establish a petty cash fund, the following procedure should be followed:

1. Upon authority of an approved check requisition (Form 1), issue a check made payable to an individual and show the words "Petty Cash Fund" immediately following the person's name. The check should be drawn on the general fund.

PETTY CASH VOUCHER	
No. _____	Date _____, 19____
_____ (School)	
Paid to _____	\$ _____
_____	Dollars
For _____	_____
Charge to _____	Fund(s)
	_____ (Money received by)
(Form 6)	

Figure 6. Petty Cash Voucher--Form 6.

2. At the end of the school year or before (if no longer necessary) when the petty cash fund is returned to the general fund, the office should issue Official Receipt (Form 2) to the individual returning the fund. The words "Petty Cash Fund" should also be shown on the receipt following the person's name.

Each Form 6 should show:

1. Number of petty cash vouchers issued during the current year
2. Date payment was received
3. Name of the school
4. Name of the person to whom payment is made
5. Amount of payment
6. Description of articles or services purchased
7. Classification of account to be charged
8. Signature of person actually receiving the cash

Principal's Monthly Financial Report on
Internal Accounts--Form 7

This report, Form 7 (Figure 7), is to be filed at the end of each month and is cumulative so the last report will constitute the annual report.

Following are instructions for preparation:

1. The amounts for the "receipts" side of the

report may be obtained from the Distribution of Receipts. (Receipts column)

- a. The amounts for the "this month" column will be the totals from the month for which the report is being prepared.
 - b. The amount for the "year to date" column may be obtained by combining the totals of all the months from the beginning of the year through the month for which the report is being prepared.
2. The amounts for the "PAYMENTS: (By Accounts)" side of the report may be obtained from the Distribution of Expenditures. (Expenditures column)
- a. The amounts for the "this month" column will be the totals from the month for which the report is being prepared.
 - b. The amounts for the "year to date" column may be obtained by combining the totals of all the months from the beginning of the year through the month for which the report is being prepared.
3. The "accounts payable" amount should be the total of all unpaid bills as of the time of the

report and should be entered on the report in the appropriate space.

4. The report is to be prepared in duplicate.
 - a. One copy must be submitted to the office of the division superintendent.
 - b. One copy is to be retained in the school records.

Bank Reconciliation--Form 8

1. When the bank statement has been received, arrange cancelled checks in numerical sequence.
2. Check off, in the distribution of expenditures journal, each check that has been paid and returned by the bank.
3. Prepare a list of the outstanding checks (checks which have been written and entered in the record book but which have not cleared the bank) on the Form 8 (Figure 8). Deduct the total of the outstanding checks from the balance shown on the bank statement.
4. List deposits in transit (receipts entered in the record book but not shown on the bank statement as of the date of reconciliation) on Form 8, add the total of these to the balance referred to in Item 3 above (Item #1, Form 8). If there are no deposits in transit, disregard this step.

BANK RECONCILIATION					
Name of School: _____					
Period: _____					
Outstanding checks as of: _____					
Check Number	Amount	Check Number	Amount	Check Number	Amount
Total		Total		Total	
Comments:					
					Grand Total
Deposits in Transit as of _____					
Date of deposit	Amount	Comment			
Total					
(Form 8)					

Figure 8. Bank Reconciliation--Form 8.

5. After following the steps on Items 3 and 4; the figure should be the same as that shown on the Depository Ledger account. If the amounts do not agree, a mistake has been made (either in the records or in the reconciliation procedure) and should be traced to source immediately.
6. Corrections should be made for any mistakes discovered. Sometimes it is necessary to check each cancelled check and each deposit against the bank statement and/or ledgers to find the error. If an error is found on the bank statement, notify the bank and get a corrected bank statement. Explain any correction in the remarks section.

Sample Reconciliation

Cash Balance per Bank Statement	1. _____
Add: Deposits in Transit	2. _____
Deduct: Checks issued, but not charged on bank statement (include prior month's checks)	3. _____
Available Checking Account	
Balance 1 + 2 - 3*	4. _____

*Should be the same as bank balance.

Any differences should be explained
below.

Remarks or Explanation: _____

Report of Unpaid Obligations--Form 9

At the close of the month each activity sponsor should attach a Report of Unpaid Obligations, Form 9 (Figure 9), to their activity ledger and turn it in to the school bookkeeper for audit. These unpaid obligations should be consolidated and one copy attached to the Principal's Final Monthly Report on Internal Accounts and submitted to the division superintendent. One copy should be attached to the Receipt and Expenditure Ledger for review by the school auditor.

Purchase Order (Request for Services, Equipment,
or Supplies)--Form 10

Requests for Services, Equipment, or Supplies must use Purchase Order, Form 10 (Figure 10). This form shall be used by teacher sponsors and departments to secure approval from the principal before placing orders with suppliers for services, equipment, or supplies for amounts greater than \$10.00.

Inasmuch as the principal shall have full responsibility for all phases of the operation of Internal Account Funds, a teacher sponsor or school activity shall never incur any expense or liability in excess of \$10.00 without first obtaining written approval by the principal or his designated representative.

REPORT OF UNPAID OBLIGATIONS		
_____ (School)		
As of _____, 19 ____		
Company	School Account	Amount
_____ Date		_____ Principal's Signature (or sponsors)
(Form 9)		

Figure 9. Report of Unpaid Obligations--Form 9.

PURCHASE ORDER	
REQUEST FOR SERVICES, EQUIPMENT OR SUPPLIES	
Date _____	_____ (School)
It is requested that the _____	_____ (Teacher, sponsor or activity)
Be furnished _____	_____
<p>Note: Additional items may be listed on attached sheet.</p> <p>Approx. cost of above: _____</p> <p>To be used in or at _____</p> <p>Above can be secured at _____</p> <p>Signed _____ (Teacher, sponsor or activity)</p> <p>Approved _____ (Principal)</p>	
<p>To be filled out in triplicate. Send three copies to the principal who will return two approved copies. One copy to be sent to the vendor and one copy should be attached to the check requisition (Form 1) when the invoice is submitted for payment. The third copy goes to the school bookkeeper.</p>	
(Form 10)	

Figure 10. Purchase Order--Form 10

School Activity Budget--Forms 11, 12, 13

A preliminary budget should be prepared in the spring of each year giving in detail the estimated sources of revenue and anticipated expenditures for the ensuing school year. This budget should be the work of the members of the group with the counsel of the sponsor. Each activity sponsor shall prepare three copies of his budget on Form 11 (Figure 11) and Form 12 (Figure 12). He shall keep one and submit two copies to the Finance Committee.

After the budgets have been approved by the finance committee they shall be forwarded to the principal. The principal shall review the various activity budgets and compile them on Form 13 (Figure 13).

As soon as possible after the school year begins, each group shall rework and adopt the working budget they will use during the school year. The working budget will then be submitted to the finance committee for their approval. Following the approval by the finance committee the activity budgets will be submitted to the principal for his review and approval. The principal shall then compile the working budget in triplicate and submit one copy to the division superintendent, return one copy to the finance committee and keep one copy for his files.

SCHOOL ACTIVITY BUDGET

School _____

Activity _____

RECEIPTS

Source of Funds	Estimated for Year 19__	Received for Previous Year
A. Cash Balance at the Beginning of Year !	\$	\$
(Itemize Sources)	X X X X	X X X X
B. Total Receipts	\$	\$
C. Grand Total, (A + B)	\$	\$

(Form 11)

Figure 11. School Activity Budget (Receipts)--Form 11.

SCHOOL ACTIVITY BUDGET		
School _____		
Activity _____		
EXPENDITURES		
Items	Estimated for Year 19 ____	Expended for Previous Year
	\$	\$
Totals	\$	\$

Approved: _____ Date _____, 19__

Activity Sponsor _____

Activity Treasurer _____

Principal _____

(Form 12)

Figure 12. School Activity Budget (Expenditures)--Form 12.

Cash Journal--Form 14

Form 14 (Figure 14) is to be used to maintain a record on receipts and expenditures of each individual activity account, thus eliminating the need for the book-keeper keeping Form 16 (Activity Fund Ledger) on each individual account. Standardized journal pages which can be purchased from any office supply may be substituted for Form 14.

Form 14 should show detailed information concerning income and disbursements in a concise form. It shall reflect dates, receipts and check numbers, and individual fund or account distribution. The cash journal should present the beginning balance, receipts, and the total disbursements of each fund or account at the end of each month, at which time the books should be closed, balanced, and reconciled to the bank and cash accounts. If it is necessary to know the balance of any particular account during the month, it is a simple matter to add receipts to the previous month's balance and subtract the expenditures.

The cash journal reflects the disposition of money deposited to and expended from each student activity account. Money deposited in the bank is shown under the plus (+) column of each individual student activity account.

Checks drawn on the school bank account are posted under the minus (-) column of the activity columns. Amounts

CASH JOURNAL														
	Date	Description	Code	Rec. No.	Ck. No.	+		-		+		-		
						Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure	
1														1
2														2
3														3
4														4
5														5
6														6
7														7
8														8
9														9
10														10
11														11
12														12
13														13
14														14
15														15

(Form 14)

Figure 14. Cash Journal--Form 14.

received and expended each month in both the bank account and for individual activities are found by totaling the proper columns.

The codes column should reflect the following:

Digit 1	Receipt (1) (Expenditure (2) Inter-fund Transfer (3)
Digits 2 & 3	Account number 01-99: Regular activity accounts are coded 01-50. Clearing accounts are coded 51-99.
Digits 4 & 5	01-99 accounts may be coded under each fund
Digits 6 & 7	01-99 categories of receipts and expenditures may be coded under each account.

Example:

1	01	02	01
Receipt	Athletic	Football	Officiating

Voucher Check--Form 15

This Voucher Check, Form 15 (Figure 15), format should be used by all schools. This type of check does not have a check stub; instead, a carbon copy of the check is retained by the drawer as a record of the transaction. The voucher part of the document should be in sufficient detail

VOUCHER CHECK

Name of School No. 0000

Address of School _____, 19__

Pay to the order of: \$ _____

Name of Bank

Address of Bank

Signature

Signature

Name of School Detach and Retain this Statement

Address of School The attached check is in payment
of the clients described below.
If not correct, please notify us
promptly. No receipt desired

Invoice		Description	Fund	Amount
Date	No.			

(Form 15)

Figure 15. Voucher Check--Form 15.

to clearly identify and describe the payment. It should serve the receiver in crediting payments and be used by the bookkeeper for posting purposes. Voucher checks may be ordered through the bank.

Activity Fund Ledger--Form 16

A separate sheet should be set up for each activity fund. Each transaction of a particular fund should be detailed on this ledger. The form 16 (Figure 16) is to be used for both receipts and disbursements.

Recording of Receipts (Each receipt should be detailed regardless of the time of deposit.)

Column 1--Enter the date of the receipt.

Column 2--Enter the receipt number.

Column 3--Leave blank.

Column 4--Enter the name of the person from whom the money was received.

Column 5--Enter brief explanation of the receipt.

Column 6--To be used only where receipts and disbursements have been classified by code number.

Column 7--Enter the amount of the receipt.

Column 8--Leave blank.

Column 9--Add the amount of the receipt (Column 7) to the previous balance and enter the new balance in this column.

Recording of Disbursements

Column 1--Enter the date of the disbursement.

Column 2--Enter the check number. If payment is made in cash, simply write "cash."

Column 3--Enter the number of the expenditure voucher.

Column 4--Enter the name of the person or firm to whom payment is made.

Column 5--Write brief explanation of the disbursement.

Column 6--To be used only where receipts and disbursements have been classified by code numbers.

Column 7--Leave blank.

Column 8--Enter the amount of the disbursement.

Column 9--Deduct the amount of the disbursement (Column 8) from the previous balance and enter the new balance in this column.

Cash Receipts and Disbursements Record
Control Account--Form 17

This Form 17 (Figure 17) is the control account over all funds and the receipts and disbursements entered on the individual fund ledgers and the cash journal. The column headings are the same as the fund ledger with the exception of column 6. In this column should be entered the code

numbers for identifying the transaction. At any time the total of the balance on the individual fund ledger and the cash journal should agree with the balance on the cash receipts and disbursements record control account.

Report of Ticket Sales--Form 18

This Form 18 (Figure 18) can be used by each individual gate keeper and as a consolidated report by the box office manager.

The report of ticket sales should be prepared in duplicate by each ticket seller whenever tickets are sold for the various school functions. The first and last numbers of each type of ticket issued to each ticket seller should be noted in the columns provided on the respective reports. At the completion of the ticket sales for each event the ticket seller should list the first and last numbers of each type of ticket unsold (returned to box office manager). The number sold can be computed by subtracting the first number of the tickets issued from the first number of the tickets returned. The number sold multiplied by the price of each type of ticket equals the total amount. The sum of the "Total Amount" column plus the change fund, if any, equals the amount for which the ticket seller is accountable. Upon completion of the report, both copies should be certified by the ticket seller and the original

REPORT OF TICKET SALES

Name of School _____

ACTIVITY _____ Date _____

Ticket Accounting:

Gate No.	Number of First Ticket Sold	Number of Last Ticket Sold	Color of Ticket	Number Sold	Price Ticket	Total Amount
_____	S _____	_____	_____	_____	_____	_____
_____	A _____	_____	_____	_____	_____	_____
_____	S _____	_____	_____	_____	_____	_____
_____	A _____	_____	_____	_____	_____	_____
_____	S _____	_____	_____	_____	_____	_____
_____	A _____	_____	_____	_____	_____	_____

TOTAL STUDENT TICKETS _____ TOTAL VALUE OF TICKETS SOLD _____

TOTAL ADULT TICKETS _____

Received Deposit Bag # _____ Box Office Manager _____

Fund Accounting:

Receipts

Amount of Cash Returned

Gate #1 _____

Gate #2 _____

Gate #3 _____

Total _____

Change _____

Total Gate Receipts _____

Total Value of Tickets Sold _____

Amount Over or Under _____

Date _____

Signed: _____

Received: _____

(Form 18)

Figure 18. Report of Ticket Sales--Form 18.

should be turned over with the money to the box office manager. The box office manager should sign his name in the spaces provided on both the original and duplicate of the report to indicate receipt of the money. The ticket seller should retain the duplicate as his evidence of remittance.

When the box office manager has received a "Report of Ticket Sales" (Form 18) from each of the ticket sellers, he prepares a "Consolidated Box Office Report." On this report he should transcribe the names of each ticket seller and the total sales, change fund, accountability and remittances of each seller. The report should be totaled and certified by the box office manager and submitted to the school bookkeeper with the money and supporting "Reports of Ticket Sales" attached. The bookkeeper should sign the "Consolidated Box Office Report" to signify receipt of the money and should issue a receipt (Form 2) to the box office manager for the amount of the remittance.

In the event that it is impractical to complete this form immediately following the event the following steps may be taken:

1. Record the number of the last ticket sold on Form 15.

Place original Form 18, along with unused tickets and cash in a locked deposit bag. Retain key and duplicate Form 18).

3. Turn locked deposit bag over to box office manager.

4. The box office manager should sign Form 18 to indicate that he has received Deposit Bag # ____.

5. The box office manager should deposit bags in the banks night depository.

6. The deposit bags may be picked up at the bank on the next working day and fund accounting may be finalized.

Sales and Use Tax Certificate of Exemption--Form 19

Form 19 (Figure 19), Sales and Use Tax Certificate of Exemption, is for use by non-profit organizations when applying for exemptions from paying sales tax.

Form 19 is to be placed on file with each vendor from whom goods are to be purchased which will be used exclusively by such non-profit organizations. In the event purchases are to be made from a vendor with whom no Form 19 has been filed, a copy of the Form 19 should accompany the purchase order.

Dealers Work Sheet for Completing State and Local Sales and Use Tax -- Form 20

Form 20 (Figure 20) is a work sheet to be used for computing state and local retail sales and use tax for items sold for which sales tax must be collected and submitted to

Department of Taxation
Form ST-13

COMMONWEALTH OF VIRGINIA
SALES AND USE TAX CERTIFICATE OF EXEMPTION
(For use by a non-profit college or other institution of
learning (school) or by a non-profit hospital)

To: _____ Date _____, 19____
(Name of dealer)

(Number and street or rural route) (City, town, or post office) (State and ZIP Code)

The Virginia Retail Sales and Use Tax Act provides that the Virginia sales and use tax shall not apply to tangible personal property for use or consumption by a college or other institution of learning (school) or a hospital, provided such college or other institution of learning (school) or hospital is not conducted for profit.

The undersigned, for and on behalf of the non-profit college or other institution of learning (school) , or non-profit hospital (check which) named below, hereby certifies that all tangible personal property purchased or leased from the above named dealer on and after this date will be for use or consumption exclusively by such non-profit college or other institution of learning (school) or non-profit hospital, as the case may be, and that the same will be paid for out of its own funds.

(Name of non-profit college or other institution of learning or non-profit hospital)

(Number and street or rural route) (City, town, or post office) (State and ZIP Code)

(Certificate of Registration Number, if any)

I certify that I am authorized to sign this Certificate of Exemption and that, to the best of my knowledge and belief, it is true and correct, made in good faith, pursuant to the Virginia Retail Sales and Use Tax Act.

By _____ (Signature) _____ (Title)

Information for dealer.—A dealer is required to have on file only one Certificate of Exemption properly executed by the non-profit college or other institution of learning (school) or non-profit hospital, as the case may be, buying or leasing tax exempt tangible personal property under this Certificate.

(Form 19)

Figure 19. Sales and Use Tax Certificate of Exemption--
Form 19.

Form ST-9A (Rev. 7-75)

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF TAXATION
P. O. BOX 1103
RICHMOND, VIRGINIA 23208

Preserve this Work Sheet as part of your Sales Tax Records

Read Instructions on reverse side before preparing this Work Sheet

**DEALER'S WORK SHEET FOR COMPUTING
STATE AND LOCAL RETAIL SALES AND USE TAX**

DEALER'S NAME _____ REGISTRATION NO. _____
ADDRESS _____ PERIOD OF _____

A. Item	B. State	C. Local
1. Gross sales and/or rentals (Exclusive of amount in Items 2 and 3).	\$	\$
2. Cost price of tangible personal property purchased without payment of sales tax and withdrawn from inventory for use or consumption.		
3. Cost price of tangible personal property purchased either in or outside this State for dealer's own use or consumption on which no sales or use tax has been paid.		
4. Total of Items 1, 2, and 3.	\$	\$
5. Allowable deductions:		
a. Amount of exempt sales.		
b. Sales price of Items of tangible personal property sold during the period covered by this return, and returned by the purchaser during such period, if such sales are included in Item 1.		
c. Any part of sales price of Items of tangible personal property returned or repossessed during period on which State tax of 3% was paid to State for a prior period.		
d. Any part of sales price of Items of tangible personal property returned or repossessed during period on which local tax of 1% was paid to State for a prior period.		
e. That part of sales price of Items of tangible personal property charged off during period as bad debts for income tax purposes on which State tax of 3% was paid to State for a prior period.		
f. That part of sales price of Items of tangible personal property charged off during period as bad debts for income tax purposes on which local tax of 1% was paid to State for a prior period.		
g. Other deductions (Attach Schedule to Work Sheet).		
h. Total deductions (Sum of Items 5a through 5g).	\$	\$
6. Item 4 less Item 5h. (This is the amount on which the tax must be computed).	\$	\$
7. Tax (State—3% of Item 6, Col. B; Local—1% of Item 6, Col. C).	\$	\$
8. Dealer's Discount (3% of Item 7, Col. B). (Applicable to State tax only). (Allowable ONLY when return is not delinquent).		
9. Item 7 less Item 8.	\$	\$
10. Penalty for late filing and payment. (See Item 10 of Instructions.)		
11. Interest for late filing and payment (½ of 1% per month, or fraction thereof, ON TAX ONLY)		
12. Total tax, penalty and interest (Sum of Items 9, 10 and 11).	\$	\$
13. Combined State and local tax, penalty and interest due and payable (Item 12, Col. B plus Item 12, Col. C).	\$	

(Signature)

(Date)

COMPLETE THIS WORK SHEET AND TRANSFER ITEMS INDICATED BY RED ARROWS TO
(Form 20) CORRESPONDING ITEM NUMBERS ON RETAIL SALES TAX RETURN (FORM ST-9)

Figure 20. Dealers Work Sheet for Completing State and Local Sales and Use Tax--Form 20

the Virginia Department of Taxation. Such items would include, for example, those items sold in the school store.

These forms are available from:

Department of Taxation

P. O. Box 1103

Richmond, Virginia 23208

The instructions for preparing Form 20 are printed on the reverse side of the form.

Section VIII

GLOSSARY OF TERMS

This section contains definitions of terms used in the manual and such additional terms as seem necessary to achieve common understandings concerning financial accounting procedures for school activity funds. The glossary is arranged alphabetically with appropriate cross-referencing where necessary.

The definitions shown here were taken from the glossary of terms from Manuals for Student Activity Fund Accounting published by the State Departments of Education, Florida and Kentucky. They were originally adopted from the recommendations of the national committee on Governmental Accounting, and Handbooks I and II in the State Educational Records and Reports series.

abatement--A reduction of a previously recorded expenditure or receipt item by such things as refunds, rebates, and collections for loss or damage to school property.

See refund.

account--A descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference, such as purpose, object, or source.

accounting period--A period of time for which financial statements are prepared; for example, July 1 to June 30.

accounts payable--Unpaid balances or invoices against a school activity fund which are owing to private persons, firms, governmental units, or others.

accounts receivable--Amounts owed to the school activity fund by private persons, firms, governmental units, or others.

adjusted bank balance--See Reconciliation of Bank Statement.

assessment (Student Activity Fund)--A compulsory levy made by a student body organization against its members to defray all or part of a specific obligation.

assets--The entire property owned by a school activity organization.

audit--

Pre-audit--The examination of contracts, orders, and other original documents for the purpose of substantiating individual transactions before settlement.

Post-audit--An examination of records and documents by an auditor after the close of a fiscal period. The process of securing evidence for one or more of the following purposes: (1) determining the propriety of completed transactions; (2) ascertaining whether all transactions have been recorded; (3) determining whether

transactions are accurately recorded in the accounts and in the statements drawn from the accounts.

balance--The difference between the total debits and the total credits of an account; the total of an account containing only debits or only credits.

batch sheets--Listing of a group of invoices covering a period of time. Invoices should be attached to the batch sheet.

Board of Education, Public--The elected body which has been created according to state law and vested with responsibilities for educational activities in a county.

budget--A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

budget-working or close estimate--A financial plan of operation which lists in detail the estimated expenditures and the estimated receipts for a given period or purpose.

cash--Currency, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash; and bank deposits. Any restriction or limitation as to its availability should be indicated.

cash basis--The basis of accounting under which revenues are recorded only when actually received; only cash disbursements are recorded as expenditures.

cash discount--An allowance received or given if payment is completed within a stated period. The term is not to be confused with "trade discount."

check--A bill of exchange drawn on a bank payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his order, or to bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable; and it differs from a voucher in that the latter is not an order to pay. A voucher-check combines the distinguishing marks of a voucher and a check; it shows the propriety of a payment and is an order to pay. It is cancelled when it has been paid by the bank and thus "cleared" and returned to the writer.

classification--The grouping of transactions, entries, or accounts under a common head or heads; a list of such groupings; e.g., athletics, music, classes, clubs, or departments.

clearing accounts--Accounts used to accumulate total receipts or expenditures either for later distribution among the accounts to which such receipts or expenditures are properly allocable, or for recording the net differences under the proper account. Clearing accounts, as such, are not used in student activity fund accounting.

closed--The status of the books after closing has been completed; the termination of entries in the ledger for any month or fiscal period.

closing the books--The process of putting the account books in order at the close of a month, or a fiscal period, so that a trial balance and financial reports may be prepared.

commission--A share of sales or a donation from any company or individual given the school or school personnel in return for the sale, rental, or promotion of any items within the school.

concession--The act of granting to an individual or group the right to use portions of the school premises for some specific purpose. Usually, it is for the sale of confections, such as dairy products, sandwiches, peanuts, popcorn, and soft drinks sold at athletic games, plays, concerts, and similar events.

controlling account--An account usually kept in the general ledger in which the posting to a number of identical, similar, or related accounts are summarized so that the balance in the controlling account serves as a check on the accuracy of the detailed account postings and summarizes the expenditures and receipts for the purpose of comparison.

cost--The amount of money or money's worth given for property or services.

current--As used in this manual, the term has reference to the fiscal year in progress.

deficit--The excess of the obligations of a fund over the fund's resources.

deposit, returnable--Money collected from students and held in a school fund for future return at a designated period for the purpose of covering losses or damages to school-owned supply and equipment items while being used by the students.

disbursements--Payments by cash. See Cash.

double entry--A system of bookkeeping which requires for every entry made to the debit side of an account or accounts an entry for the corresponding amount or amounts to the credit side of another account or accounts.

dues--A regular fee or charge made to students for the privilege of being a member of a particular club or student-body organization.

encumbrances--Purchase orders, contracts, and salary or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when actual liability is set up.

equipment--A material item of a non-expendable nature, such as a built-in facility, a movable or fixed unit of furniture or furnishings, an instrument or apparatus, a machine (including attachments), instructional skill-training device, or a set of small articles whose parts are replaceable or repairable, the whole retaining its identity and utility over a period of time which is characteristic of, and definable for, items of its class.

expenditures--If accounts are kept on the accrual basis, this includes total charges incurred, whether paid or unpaid, for current expense, capital outlay, and debt service. If accounts are kept on the cash basis, this includes only actual disbursements for these purposes.

expense, travel--Expenses incurred by students and sponsors of a school activity in connection with travel related to the activity.

fidelity bond--A bond guaranteeing the local board of education against losses resulting from the dishonest actions of the treasurer, or other employees of the board of education.

financial statement--As used in this manual, a formal written presentation which sets forth information concerning the financial condition of a school activity fund.

fiscal period--Any period at the end of which a school determines its financial condition and the results of its operations, and closes its books.

fund--A sum of money or other resources set aside for specific activities of a school, usually containing several accounts. The fund accounts constitute a complete entity, and all of the financial transactions for the particular fund are recorded in them. For example:

Athletic--A sum of money used to finance the activities which are directly related to the interscholastic athletic program of a school and such intramural athletic activities as may be financed from school activity money.

Instructional Fees and Rentals--A sum of money used to finance the activities primarily of a classroom nature, such as instructional aids and laboratory fees.

General--A sum of money used to finance student-related activities not accounted for in the other funds.

fund accounts--All accounts necessary to set forth the financial operations and financial condition of a fund.

general ledger--A book, file, or other device in which accounts are kept to the degree of detail necessary; in it are summarized the financial transactions of the school. General ledger accounts may be kept for any group of items of receipts or expenditures on which an administrative officer wishes to maintain a close check.

gift--Money received from a philanthropic foundation, private individual, or private organization for which

no repayment or special service to the contributor is expected.

intact, or deposited intact--A bank deposit or money presented to a bank for the credit of the student activity fund or school lunch fund in the same form as received. This implies that any receipt of funds in the form of cash shall be deposited as cash. Receipts in the form of checks shall be deposited as checks to the accounts for which they were received. The cashing of a check from funds on hand would be a violation of this concept and would be the substitution of a check for cash. All funds from a given source would appear as such on a separate bank.

interfund transfers--Money which is taken from one school's activity fund and added to another school's activity fund. Interfund transfers are not receipts or expenditures of a school.

internal control--A plan of organization under which employees' duties are so arranged--and records and procedures so designated--as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. For example, under such a system, the employees' work is subdivided so that no one employee performs a complete cycle of operations. For instance, an employee handling cash would not post the

- accounts receivable records. Again, under such a system, the procedures to be followed are definitely laid down and such procedures call for proper authorizations by designated officials for all actions to be taken.
- inventory--A detailed list or record showing quantities, descriptions, values, units of measure, and unit prices of property on hand at a given time.
- invoice--An itemized statement of merchandise shipped or sent to a purchaser, consignee, etc., with the quantity, value or prices, and charges annexed.
- journal (Distribution of Receipts and Expenditures)--Any form in which the financial transactions of the school district are formally recorded for the first time, such as a cash receipts book, check register, and journal voucher.
- liabilities--Debt or other legal obligations arising out of transactions in the past which are payable but not necessarily due. Encumbrances are not liabilities; they become liabilities when the services or materials for which the encumbrance was established have been rendered or received.
- merchandising accommodation--A merchandising accommodation is defined as an accommodation provided by a school activity fund for individual members of the organization or student body members for merchandise not readily

available from another local source. Examples would include school rings, emblems, and similar specialty items made available and primarily without profit to the fund.

outstanding check--A check which has not been presented to the bank for payment prior to the issuance of the monthly bank statement.

outstanding deposit: deposit in transit--A deposit which has been transmitted to the bank and recorded in the depository ledger but record of which does not reflect on the monthly bank statement; usually a deposit made after banking hours on the last day of the month or on the day the bank statement is usually prepared by the bank.

overdrawn--A situation in which an obligation for a student-body organization is made beyond the financial resources of the organization; actual expenditures exceed actual receipts.

perpetual inventory--An inventory record which is initiated by a physical inventory and perpetuated by notations of receipts and withdrawals, thereby reflecting a balance on hand for each item so recorded.

petty cash--A sum of money, either in the form of currency or a special bank deposit, set aside for the purpose of making change or immediate payment of a comparatively small amount.

posting--The act of transferring to an account in a ledger the detailed or summarized data contained in the cash receipts book, check register, journal voucher, or similar books or documents of original entry.

pre-numbered--Documents, papers, tickets, or similar items which have been consecutively numbered by the printer before delivery to the school.

prior authorization--A written approval granting the authority to enter into a contract, to obligate funds for a purchase, or to receive a benefit before consummation of the act.

purchase order--A document which authorizes the delivery of specific merchandise or the rendering of services and the making of a charge for them.

reconciliation of bank statement--A statement of the details of the difference between the bank statement and the fund account record. Thus, an analysis of outstanding checks, deposits in transit, and bank charges not recorded in the school's fund record. Bank balances are usually adjusted by the amount of outstanding checks which have not been presented to the bank for payment and deposits not credited by the bank, so the bank balance agrees with the records.

refund--(a) An amount paid back or credit allowed because of an overcollection or on account of the return of an

object sold; (b) to pay back or allow credit for an amount because of an overcollection or because of the return of an object sold; (c) to provide for the payment of a loan through cash or credit secured by a new loan. See Abatement.

reimbursement--Cash or other assets received as a repayment of the cost of work or services performed, or of other expenditures made for or on behalf of another governmental unit or department, or for an individual, firm, or corporation.

repairs--The restoration of a given piece of equipment, of a given building, or of grounds to original condition of completeness or efficiency from a worn, damaged, or deteriorated condition.

replacement of equipment--A complete unit of equipment purchased to take the place of another complete unit of equipment which is to be sold, scrapped, or written off the record, and serving the same purpose as the replaced unit in the same way.

reports--Written statements of information which are made by a person, unit, or organization for the use of some other person, unit, or organization.

requisition--A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

school--A division of the school system consisting of a group of students composed of one or more grade groups, organized as one unit with one or more teachers to give instruction of a defined type, and housed in a school plant of one or more buildings. More than one school may be housed in one school plant, as is the case when the elementary and secondary programs are housed in the same school plant.

school publications--Newspapers, magazines, yearbooks, handbooks, or similar materials produced by students for circulation among students and the public.

student-body activities--Direct and personal services for public school students, such as interscholastic athletics, entertainments, publications, clubs, bank, and orchestra, that are managed or operated by the student body under the guidance and direction of adults, and are not part of the regular instructional program.

student organization--Any group of students organized into a single body for the purpose of pursuing common goals and objectives. This includes the various types of student clubs and class organizations which, with the proper approval by school authorities, are managed and operated by students under the direction of supervision of instructional personnel.

student organization, class or grade--An organized group of students who, by virtue of having completed a designated number of school years, pursue common goals, and objectives. Such organizations include the senior, junior, sophomore, and freshmen classes, and the elementary school grades. They are managed and operated by students under the direction and supervision of instructional personnel.

student organization, club--An organized group of students with basically the same interests whose main objective is the furtherance of these interests. Included are social, hobby, instructional, recreational, athletic, honor, dramatic, musical, and similar clubs or societies which are managed and operated by the students under the direction and supervision of adults. All clubs must be approved by the proper school authorities.

subsidiary activity ledger--As used in this manual, a record of the financial transactions of a given activity within a fund showing the receipts, expenditures, and balance for the activity.

supply--A material item of an expendable nature that is consumed, wornout, or deteriorated in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

surety bond--A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation; for example, a surety bond given by a contractor or by an official handling cash or securities.

trade discount--An allowance usually varying in percentage with volume of transactions, made to those engaged in certain businesses and allowable irrespective of the time when the account is paid. The term should not be confused with "cash discount."

transfer voucher--A voucher authorizing posting adjustments and transfers of cash or other resources between funds or accounts.

unit cost--Expenditures for a function, activity, or service divided by the total number of units for which the function, activity, or service was provided.

voided check--A check which has been declared void, usually a check blank on which is made an error in writing such as an incorrect amount, signature, or a discrepancy in the information included. The check is usually made void by mutilating the signature space. The check blank is retained.

voucher-- A document which authorizes the payment of money and usually indicates the accounts to be charged.

Chapter V

SUMMARY, CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS

Summary

Extracurricular activities have existed in the public schools since the early 1800's. At first they were opposed, later tolerated, and finally fostered as educators realized that extracurricular activities fulfilled many of the needs of high school students.

This change in philosophy eventually resulted in a rapid expansion of extracurricular programs in terms of number, diversity, and money expended. As school activity programs have increased in number and expanded in scope in recent years the amount of money necessary to finance these programs has increased dramatically.

The financial systems developed to accommodate early activity funds have merely been extended to support the wider system of student activities. This has placed a strain on the now obsolete financial systems with which the financial administrators of student activity programs have had to contend.

The manual of student activity fund accounting currently recommended for use in the public schools in Virginia was adopted in 1954 and does not adequately provide for the more comprehensive and complex needs of today. There was, therefore, a need to develop a manual which provides a sound and flexible system of accounting, which establishes standard terminology and uniform procedures, and principles which give guidance to school business managers, principals, faculty members, and bookkeepers in accounting for and the administration of school activity funds.

The problem of this study was to design a current, legally based and theoretically and operationally sound manual of accounting for school activity funds in the state of Virginia. More specifically, the problem was to synthesize empirically-based information into a user-adjudged feasible and desirable policy and procedure statement which provides the practicing school administrator with a comprehensive document for accounting for school activity funds.

A search of the literature was conducted to develop a list of accepted principles, practices, and procedures authorities deemed important and necessary in the administration of and accounting for student activity funds.

Information as to the regulation of student activity funds was obtained from examining case and statutory law from across the United States, a review of Virginia School Law Regulations of the State Board of Education, and Virginia Attorney Generals Opinions.

Letters were sent to Superintendents of Departments of Education in the fifty states and to fifteen Virginia school divisions requesting information relative to student activity fund accounting and management within the state or school division.

From the review of the normative literature and the analysis of various state manuals, a questionnaire was developed containing a list of items deemed necessary for inclusion in a manual for student activity fund accounting. This questionnaire was submitted to a series of reviews by certified public accountants, high school principals, and high school bookkeepers. After each review the recommendations of the reviewing group were incorporated into the questionnaire for each successive review.

Upon completion of these reviews the first complete draft of the manual was prepared and submitted to earlier participants in the study for their approval and further recommendations. These recommendations were then incorporated into a user-adjudged comprehensive guide for accounting for school activity funds.

Conclusions

Based on the finding of the literature and the user responses in this research, the following conclusions were drawn:

1. Student activities funds are public funds and must be accounted for in the same manner as other school division funds.
2. It is the responsibility of the board of education to set forth policies relative to the management of student activity funds.
3. The division superintendent has the responsibility for implementing all policies pertaining to the administration and supervision of student activity funds.
4. The school principal is directly responsible for the administration of school activity funds.
5. Administrative policies and procedures designed to operate student activity programs have not kept pace with the expanding program structure.
6. There is a legal and fiscal need for developing and practicing sound business principles relative to the handling of student activity funds.
7. Standardization of terminology and activities is essential to adequate monitoring of accounts and the

capability of dissemination of information to be used in decision making and future planning.

8. Accurate financial records should provide clear and concise information which can serve the public as a basis for evaluating the past, present and future operations of the student activity program.

9. A sound system of accounting for school activity funds should provide a basis whereby the governing board can place administrative responsibility and minimize the possibility of waste, carelessness, inefficiency, and possible fraud.

10. Each school should develop a plan which meets its individual requirements.

11. All school personnel having access to school money or negotiable merchandise should be bonded.

12. School activity funds should be audited annually.

13. Money not needed for immediate use should be invested in some type of security.

14. Virginia school law should require that bids be taken on items costing more than \$300 which are to be purchased from student activity funds.

15. There is a concern by administrators and CPAs relative to the use of petty cash funds.

16. Administrators are concerned regarding the entering into of contracts which involve the use of student activity funds.

17. Concern was exhibited by both principals and CPAs regarding the present procedure practiced by many schools of paying employees directly from student activity funds.

18. Many principals, school bookkeepers and CPAs (responsible for auditing school accounts) are not cognizant of Virginia State Laws and State Board of Education Regulations relative to the governing of student activity funds.

Implications

Though not conclusive from this research, several observations were made which may constitute insights of use to those concerned with student activities.

1. The present Manual on System of Accounting for School Activity Funds has not been distributed to all users. Most school bookkeepers (who actually maintain the records) and many CPAs responsible for auditing school accounts were not aware of its existence.

2. Principals and bookkeepers need in-service training in the management of and accounting for student activity funds.

3. Formal training should be provided for school secretaries and bookkeepers.

4. Skills and knowledge in the administration and supervision of student activities should be a requirement for certification as a secondary principal.

5. A sound, practical, and simple system of accounting for student activity funds will, in itself, make provision for student participation and will provide training for students in sound business practices.

Recommendations for Further Study

1. Assuming that the presently developed manual is adopted by the state of Virginia, in whole or in part, this study should be replicated after it has been in use for three years to ascertain its completeness and ease of use, as well as for updating.

2. The advantages and disadvantages of centralized accounting for student activity funds needs to be analyzed and compared to those of decentralized accounting for student activity funds.

3. Rules, regulations, and procedures for adding an activity to the student activities program needs to be established.

4. There is a need to determine the extent to which extracurricular activities should be subsidized through local tax efforts.

5. There is a need to establish guidelines for fund raising activities within the public schools of Virginia.

FOOTNOTES

¹Muruel S. Karlin and Regina Berger, The Effective Student Activities Program (West Nyack, New York: Parker Publishing Company, 1971), p. 19.

²V. E. Anderson, P. R. Grimm and W. T. Gruber, Principles and Practices of Secondary Education (The Ronald Press Co., 1951), p. 212.

³Leonard V. Koos, "Analysis of the General Literature on Extracurricular Activities," 25th Yearbook of the National Society for the Study of Education (1926), p. 19.

⁴Henry H. Robbins and Stirling B. Williams, Jr., Student Activities in the Innovative School (Minneapolis: Burgess Publishing Company, 1969), p. 11.

⁵Harry C. McKown, Extracurricular Activities (New York: Macmillan Co., 1937), p. VII.

⁶E. L. Bowden, "Current Trends in Administration of Student Activities," School Activities, 25 (September, 1953), 27-30.

⁷Wanda H. Walker, "A Study of Pupil Participation Costs in the Public Secondary Schools of Arkansas," (unpublished Ph.D. dissertation, University of Arkansas, Fayetteville, 1953), cited by Henry H. Robbins and Stirling B. Williams, Jr., Student Activities in the Innovative School (Minneapolis: Burgess Publishing Company, 1969), p. 11.

⁸F. T. Shipp, "Extra Class Activities in the California Secondary Schools," California Journal of Secondary Education, 26 (October, 1951), 346-348.

⁹Ellsworth P. Tompkins, "A Survey of Extra Class Activities," School Activities, 24 (December, 1952), 115-117.

¹⁰Stephen Romine, "Administering Pupil Activities in Secondary Schools," Journal of Educational Research, 45 (April 1952), 615-621.

¹¹Christian W. Jung and William H. Fox, "Extra-curricular Activities in Indiana High Schools: The General Program and Student Participation in School Government." Bulletin of the School of Education (Bloomington: Indiana University, 1952), cited by Henry H. Robbins and Stirling B. Williams, Jr., Student Activities in the Innovative School (Minneapolis: Burgess Publishing Company, 1969), p. 12.

¹²A. Z. Christopher and W. L. Howard, "Cocurricular Activities in 200 Indiana High Schools," School Activities, 25 (October, 1953), 43-45.

¹³Floyd A. Miller and Sam Dahl, "Survey of Student Activity Programs," School Activities, 23 (May, 1952), 275-277.

¹⁴Steven J. Knezvich and John Guy Fowlkes, Business Management of Local School Systems (New York: Harper & Row Publishers, Inc., 1960), p. 188.

¹⁵Robbins and Williams, op. cit., p. 5.

¹⁶California State Department of Education, Accounting Procedures for Student Organizations, School Business Administration, Publication No. 3.

¹⁷Wilson H. Ivins and Helen I. Anderson, Extra-curricular Funds Accounting in the Various States: A Preliminary Report, National Association of Secondary School Principals, March, 1954, p. 122.

¹⁸H. C. McKown et al., "Financial Administration of Extracurricular Activities," 25th Yearbook, Part II, National Society for the Study of Education (Chicago: The Universal Press, 1926), p. 116.

¹⁹Clifford M. Davis, "Supervision and Control of Student Body Finances," Proceedings of the Association of School Business Officials, 43rd Convention, October, 1957, pp. 210-215.

²⁰Fred F. Black and George Tankard, "Standard Accounting for School Activities," School Life, 42 (November, 1959), 26.

²¹Statement by Joe Simmons, Certified Public Accountant, in a personal interview, Christiansburg, Virginia, August 16, 1976.

²²K. Forbis Jordan, School Business Administration (New York: The Ronald Press, 1969), p. 137.

²³Sam B. Tidwell, Public School Fund Accounting, (New York: Harper and Brothers, Publishers, 1960), p. 219.

²⁴Sam B. Tidwell, Financial and Managerial Accounting for Elementary and Secondary School Systems (The Research Corporation Association of School Business Officials, 1974), p. 4.

²⁵Ibid.

²⁶Ibid., p. 5.

²⁷Ibid.

²⁸Franklin A. Miller, James H. Moyer, and Robert B. Patrick, Planning Student Activities (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1956), pp. 121-122.

²⁹Everett V. Samuelson, George G. Tankard, Jr., and Hoyt W. Pope, Financial Accounting for School Activities (Washington, D.C.: Government Printing Office, 1959), pp. 51-52.

³⁰Ibid., p. xii.

³¹Elmer Harrison Wilds, Extra Curricular Activities (New York: The Century Company, 1926), p. 189.

³²Marcella R. Kelly, "Managing Student Funds," American School Board Journal (August, 1946), p. 48.

³³Ward G. Reeder, The Fundamentals of Public School Administration, (3d ed.; New York: The Macmillan Company, 1951), p. 622.

³⁴Robbins and Williams, op. cit., p. 232.

³⁵California State, Accounting Procedures, op. cit., p. 21.

³⁶Kelly, op. cit., p. 48.

³⁷Ibid.

³⁸B. H. Voges, "Activity Funds: New Worry for the Business Head," The Nation's Schools (October, 1961), p. 76.

³⁹Raymond D. Meade, "Extracurricular--Their Stewardship and Control," American School Board Journal (November, 1946), p. 23.

⁴⁰Ibid., p. 24.

⁴¹Roe L. Johns and Edgar L. Morphet, Financing the Public Schools (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1960), p. 366.

⁴²Edgar L. Morphet, Roe L. Johns, and Theodore L. Reller, Educational Organization and Administration Concepts, Practices and Issues (2d ed; Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1967), p. 473.

⁴³Illinois State Board of Education, Rules and Regulations and Fiscal Procedures for the Operation of Local Education Agencies, Student Activity Funds, Convenience Accounts, and Trust and Agency Funds.

⁴⁴Reeder, op. cit., pp. 620-621.

⁴⁵Ibid.

⁴⁶Minard W. Stout, "Better Administration of Pupil Activity Funds," National Association of Secondary School Principals (1947), p. 65.

⁴⁷Dale S. Young, Control of Available Public School Income (New York: Bureau of Publication, Teachers College, Columbia University, 1928), p. 89.

⁴⁸Morphet, Johns, and Reller, op. cit., p. 487.

⁴⁹Frank Slobetz, "An Internal Accounting System," School Activities (November, 1939), p. 113.

⁵⁰Paul W. Terry, Supervising Extra-curricular Activities (New York: McGraw-Hill Book Company, Inc., 1930), p. 338.

⁵¹Ibid., p. 339.

⁵²Chris A. Deyoung, An Introduction to American Public Education (New York: McGraw-Hill Book Company, Inc., 1950), p. 407.

⁵³Cyril L. Elsdon, "Why No Student Activities Budget?" School Activities (September, 1945), pp. 14-15.

⁵⁴T. Scott Noble, Student Body Finances and Accounting (Cincinnati: The South-Western Publishing Company, 1931), p. V.

⁵⁵Elbert K. Fretwell, Extra-curricular Activities in Secondary Schools (Boston: Houghton Mifflin, 1931), p. 469.

⁵⁶Robert R. Halley, "Criteria of a Good Student Body Budget," The Clearing House, XXVI (September 1, 1951), 28-29.

⁵⁷H. G. Gillespie, "An Accounting System for Junior High Schools," School Activities (November, 1946), p. 170.

⁵⁸Karl R. Douglas, Modern Administration of Secondary Schools (Boston: Ginn and Company, 1954), pp. 409-410.

⁵⁹Chester W. Harris, ed., Encyclopedia of Educational Research (3d ed.; New York: The Macmillan Company, 1960), p. 165.

⁶⁰Robbins and Williams, op. cit., p. 236.

⁶¹H. V. Mason, "An Accounting of Extracurricular Funds," School Activities (September, 1939), p. 7.

⁶²Joseph W. Crenshaw, Student Administration of Activity Funds (New York: Bureau of Publication, Teachers College, Columbia University, 1954), p. 18.

⁶³Louis R. Kilzer, Harold H. Stevenson, and H. Orville Nordberg, Allied Activities in the Secondary School (New York: Harper and Brothers, Publishers, 1956), pp. 300-301.

⁶⁴Roe L. Johns and Edgar L. Morphet, The Economics and Financing of Education: A Systems Approach (2d ed.; Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1969), p. 517.

⁶⁵Tidwell, Public School Fund Accounting, op. cit., p. 225.

⁶⁶Johns and Morphet, The Economics and Financing of Education, op. cit., p. 518.

⁶⁷Ibid., p. 519.

⁶⁸Thor W. Bruce, "The Why and Where of Auditing," Proceedings, Association of School Business Officials (Kalamazoo, Mich.: Association of School Business Officials of U.S. and Canada, 1950), p. 236.

⁶⁹Johns and Morphet, The Economics and Financing of Education, op. cit., p. 533.

⁷⁰Jordan, op. cit.

⁷¹John C. Corbally, Jr., School Finance (Boston: Allyn and Bacon, Inc., 1962), p. 216.

⁷²Tidwell, Financial and Managerial Accounting, op. cit., p. 9.

⁷³Cyril L. Elsdon, "Are Your Internal School Accounts Audited?" The Nations Schools, 135, 4, p. 44.

⁷⁴Johns and Morphet, The Economics and Financing of Education, op. cit., p. 525.

⁷⁵H. David Mohler and Edward C. Bolmeier, Law of Extracurricular Activities in Secondary Schools (Cincinnati: The W. H. Anderson Company, 1968), p. 9.

⁷⁶Virginia State Board of Education, Regulations of the Board of Education of the Commonwealth of Virginia, April 1, 1975, pp. 87-88.

⁷⁷Jordan, op. cit., p. 155.

⁷⁸R. R. Hamilton, "The Legal Status, Control and Use of Athletic and Other Extra-curricular Funds," The Bi-weekly School Law Letter, II (September 18, 1952), 57.

⁷⁹Virginia School Laws, Reprinted from Code of Virginia 1950 and 1975 Cumulative Supplement, 1975.

⁸⁰In re German Township School Directors, 46 D&C 562 (Pa, 1942).

⁸¹Petition of Auditors of Hatfield Township School District, 161 PaSuper 388, 54 A(2d) 833 (1947).

⁸²Letter from Attorney General of Missouri, John M. Dalton, to the Prosecuting Attorney of St. Charles County, Missouri, H. K. Stumberg, dated September 29, 1954, cited by Richard B. Nye, "Administration of and Accounting for School Activity Funds at the Secondary School Level," (unpublished Doctoral dissertation, Ohio University, 1966), p. 30.

⁸³Voges, op. cit.

⁸⁴Board of Ed. of Anderson County v. Calvert, 321 SW(2d) 413 (Ky, 1959), cited by H. David Mohler and Edward C. Bolmeier, Law of Extracurricular Activities in Secondary Schools (Cincinnati: The W. H. Anderson Company, 1968), p. 31.

⁸⁵Commonwealth of Ky. ex rel. Breckinridge v. Collins, 379 SW(2d) 436 (Ky. 1964), cited by H. David Mohler and Edward C. Bolmeier, Law of Extracurricular Activities in Secondary Schools (Cincinnati: The W. H. Anderson Company, 1968), p. 33.

⁸⁶Betterson v. Stewart, 238 SC 574, 121 SE(2d) 102 (1961), cited by H. David Mohler and Edward C. Bolmeier, Law of Extracurricular Activities in Secondary Schools (Cincinnati: The W. H. Anderson Company, 1968), pp. 23-34.

⁸⁷Mohler and Bolmeier, op. cit., p. 34.

⁸⁸Ibid., pp. 61-62.

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APPENDIX A

LETTER TO STATE AND LOCAL SUPERINTENDENTS

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061

DIVISION OF ADMINISTRATIVE AND EDUCATIONAL SERVICES

Dear Sir:

I am presently a Doctoral student at Virginia Polytechnic Institute and State University, Blacksburg, Virginia.

As a Doctoral Dissertation I am planning to revise the Virginia State Handbook on school activity fund accounting. This is being done with the cooperation of the Virginia State Department of Education.

As this deals with an increasingly complex area of legal, financial, and practical considerations, I am requesting your aid in forwarding to me any available information as to laws, Board of Education policies, Attorney General opinions, and any operational procedures that you use in accounting for individual school or district activity fund accounts. In addition, any personal comments relative to this process would be most welcomed.

Yours truly,

Omar Ross

APPENDIX B
QUESTIONNAIRE

STUDENT ACTIVITY FUNDS

In cooperation with the Virginia Department of Education, I am attempting to design a manual for student activity fund accounting which will provide guidance for school business managers, principals, school bookkeepers, and teachers as they administer activity funds. This document should also prove useful to both internal and external auditors as they examine internal accounts. This is one of a series of reviews which would prove helpful in identifying accepted principles, policies, and procedures to be included in a manual for student activity fund accounting.

The following is an outline of tentative items which have been identified as being essential to student activity fund administration and accounting. Would you please respond to the statement by placing a check mark () in the appropriate column, indicating that the topic should be included in, or excluded from, a manual for student activity fund accounting.

Additional space is provided at the end and side of each section for remarks which you feel might be helpful in the development of the manual. Please add any items which you believe are essential and comment on items which you have recommended for deletion. Your comments and suggestions will then be incorporated into an outline which will then be sent to the next group of reviewers for their responses, comments, and suggestions.

Virginia State Laws and State Regulations

This section deals with Virginia Law and Regulations of the State Board of Education as they apply to the governing and handling of internal accounts.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Powers and Duties of State Board	_____	_____	_____
2. Bonding	_____	_____	_____
3. Auditing	_____	_____	_____
4. Assessment of Fees	_____	_____	_____
5. State Board Regulations	_____	_____	_____
Other Remarks (specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Classification of Receipts and Expenditures

This section classifies and defines standard accounts which make up the component parts of a school activity accounting fund. This includes only the general categories. No attempt is made to list all activity accounts.

Note: Regular student activities includes money received and expended for the operation of the regular student activity program.

Note: Clearing accounts includes flow-through money collected by the school which is not available for the operation of the student activity program.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Regular Student Activities			
a. Athletics	_____	_____	_____
b. Concessions	_____	_____	_____
c. School Store	_____	_____	_____
d. Clubs	_____	_____	_____
e. Instructional Materials	_____	_____	_____
f. Paid Admission to Entertainment Events	_____	_____	_____
g. Publications	_____	_____	_____
h. Activity Fees (Books/Cards)	_____	_____	_____

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
i. Assessments	_____	_____	_____
j. General Fund	_____	_____	_____
Other Remarks (specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. Clearing Accounts

a. Collection for Board of Education	_____	_____	_____
b. Inter Fund Transfers	_____	_____	_____
c. Returnable Deposits	_____	_____	_____
d. Abatement (Refunds)	_____	_____	_____
e. Sales Tax Collections	_____	_____	_____
f. Trust Accounts	_____	_____	_____
g. Charitable Organizations (Fund Raising Drives)	_____	_____	_____
h. Petty Cash	_____	_____	_____
i. Photograph Sales	_____	_____	_____
j. Student Insurance	_____	_____	_____
Other Remarks (Specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

3. Coding of Accounts

Other Remarks (Specify)

_____	_____	_____	_____
_____	_____	_____	_____

Accounting Procedures

This section will present a suggested system of accounts utilizing the recommended minimum regular accounts. The system will be based on generally accepted school business procedures.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Basic Principles	_____	_____	_____
2. Collections and Deposits of Monies	_____	_____	_____

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
3. Bank Deposits	_____	_____	_____
4. Disbursements	_____	_____	_____
5. Basic Records	_____	_____	_____
6. Transfer between Accounts	_____	_____	_____
7. Refunds	_____	_____	_____
8. Filing	_____	_____	_____
9. Bank Statements	_____	_____	_____
10. Bank Service Charges	_____	_____	_____
11. Bad Checks	_____	_____	_____
12. Canceling (Voiding) Outstanding Checks	_____	_____	_____
13. Lost Checks	_____	_____	_____
14. Dormant Accounts	_____	_____	_____
15. Closing the Books	_____	_____	_____
16. Financial Report	_____	_____	_____
17. Membership Dues	_____	_____	_____
18. Sales Campaigns	_____	_____	_____
19. Admissions (Ticket Sales)	_____	_____	_____
20. Reimbursement for Expenditure of Personal Funds	_____	_____	_____
21. Loss of Cash	_____	_____	_____
22. Protection of Funds within the School	_____	_____	_____
23. Advances	_____	_____	_____
Other Remarks (Specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Internal Control

This section will describe a set of principles and procedures which can be used by school personnel for safeguarding and protecting internal accounts. In addition, forms, procedures and guidelines will be described which can be utilized by both internal and external auditors as they examine school accounts.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Principles of Internal Control	_____	_____	_____
2. Test Checks	_____	_____	_____
3. Auditing of Accounts	_____	_____	_____
4. Sample Questionnaire on Internal Control Accounting	_____	_____	_____
5. Audit Program Guide	_____	_____	_____
6. Auditors Financial Reporting Checklist	_____	_____	_____
7. Auditors Report	_____	_____	_____
Other Remarks (Specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Management of Student Body Funds

This section will describe practices and procedures to be used in managing student body funds, concerned primarily with the investment of funds, budget preparation and control, obligation and expenditure of funds, and purchase and property control.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Investment of Funds	_____	_____	_____
2. Obligation of Funds	_____	_____	_____
3. Budget Preparation	_____	_____	_____
4. Budget Control	_____	_____	_____
5. Bidding	_____	_____	_____
6. Expenditures which Require Prior Authorization	_____	_____	_____
7. Expenditures without Prior Authorization	_____	_____	_____
8. Prohibited Expenditures	_____	_____	_____
9. Purchasing	_____	_____	_____
10. Operation of School Store	_____	_____	_____
11. Vending Machines	_____	_____	_____
12. Property Control (Inventories)	_____	_____	_____

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
13. Contracts	_____	_____	_____
14. Payment of School Activity Employees	_____	_____	_____
Other Remarks (Specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Responsibilities of Personnel in Student
Activity Fund Accounting

This section will outline the functions and specific duties of persons involved in the administration of activity funds, descending from the board of education to the student activity treasurer.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Board of Education	_____	_____	_____
2. Superintendent	_____	_____	_____
3. Business Manager	_____	_____	_____
4. Principal	_____	_____	_____
5. Central Treasurer (bookkeeper)	_____	_____	_____
6. Faculty Auditor	_____	_____	_____
7. Faculty Advisor	_____	_____	_____
8. Finance Committee	_____	_____	_____
9. Activity Treasurer (Student)	_____	_____	_____
10. Activity Director	_____	_____	_____
Other Remarks (Specify)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Approved Forms and Instructions

This section describes the accounting forms and instructions for use which are considered to be the minimum required for the proper recording and accounting of internal funds.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
1. Check Requisition			
2. Official Receipt for Money Collected			
3. Report of Money collected			
4. Report of Tickets Sold or Admissions			
5. Request for Services, Equipment or Supplies (Purchase Order)			
6. Petty Cash Voucher and Receipt			
7. Receipt and Expenditure Ledger			
8. Reconciliation w/Bank Statement			
9. Principl's Monthly Financial Report on Internal Accounts			
10. Departmental Receipts			
11. Sales Tax			
12. School Activity Budget			
13. Deposit Form or Slip			
14. Voucher Check			
15. Report of Unpaid Obligations			
16. Activity Fund Ledger			
Other Remarks (Specify)			

Glossary of Terms

This section will describe the terms used in the manual and such additional terms as seem necessary to achieve common understandings concerning financial accounting procedures for school activities.

	<u>Include</u>	<u>Exclude</u>	<u>Remarks</u>
Remarks (Specify)			
1. _____	_____	_____	_____
2. _____	_____	_____	_____

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A PROPOSED DESIGN OF A MANUAL OF ACCOUNTING
FOR STUDENT ACTIVITY FUNDS FOR USE IN THE
PUBLIC SCHOOLS OF VIRGINIA

by

Omar Garland Ross

(ABSTRACT)

Extracurricular programs have been a part of the public schools since the early 1800's. By the middle of the twentieth century the number and diversity of extracurricular activities increased appreciably. As school activities have increased the supportive funds necessary to finance these programs have increased proportionately. As often happens in areas of rapid growth, administrative policies and procedures designed to operate the programs have tended not to keep pace with the expanding program structure.

The rapid growth of extracurricular programs in recent years has placed strain on the now obsolete financial system with which the financial administrators have had to content. The Manual on System of Accounting for Student Activity Funds currently in use in Virginia Public Schools was adopted in 1954.

The problem of this study was to design a current, legally based, and theoretically and operationally sound

manual of accounting for school activity funds in the state of Virginia. More specifically, the problem of this study was to synthesize empirically-based information into a user-adjudged feasible and desirable policy and procedure statement which would provide the practicing school administrator with a comprehensive document for accounting for school activity funds.

From a study of the literature in the area of student activity fund accounting, an examination of case and statutory law from across the United States, a review of Virginia School Laws, Regulations of the State Board of Education, Virginia Attorney Generals Opinions, and the expertise provided by certified public accountants, high school principals and high school bookkeepers, a manual for accounting for student activity funds was developed. This manual reflects the best judgment of a user audience concerning the current state of the art of the management of student activity funds, and contains explanations and instructions essential to the administration of and accounting for student activity funds.

Section titles of the manual as developed were as follows:

- Section I: Virginia State Laws and State Board Regulations
- Section II: Classification of Receipts and Expenditures

- Section III: Accounting Procedures
- Section IV: Internal Control
- Section V: Management of Student Body Funds
- Section VI: Responsibilities of Personnel in Student Activity Fund Accounting
- Section VII: Approved Forms and Instructions
- Section VIII: Glossary of Terms