



FINANCE PROCEDURES FOR TRUST AND AGENCY - STUDENT ACTIVITY FUNDS

INTRODUCTION

The main function of public schools is instruction. Many other responsibilities have been added to the work of teachers, secretaries, and administrators. Among them is the need to keep accurate records of funds received and expended by the individual schools/departments. It is noteworthy to realize that more than \$400,000 in student activity funds is handled within the Lakeview School buildings and departments each year. This is “public” money nearly to the extent as is tax money.

A well-rounded educational program extends beyond the confines of the classroom to extra-curricular activities such as the school yearbook, student council, school newspapers, clubs, etc. These activities present special accountability problems because of their decentralized nature and because they involve numerous persons other than Lakeview employees.

There are more than dollars involved. Student activities are often the primary contact with many Lakeview employees, students and outside third parties have with the overall District financial management system. Their impressions of, and attitudes toward, the importance and effectiveness of overall District internal accounting controls may, therefore, be affected by their perception of Student Activity Fund controls.

Student activities are defined by the United States Office of Education as ...direct personal services for public school pupils, such as interscholastic athletics, entertainment, publications, clubs, band 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 activities are activities that are financed in whole or part by the operation of the school activity program and have money accounted for in the individual school. **The courts of the State of Michigan have determined that student activity monies are quasi-public funds and are subject to the control and direction of the Board of Education in the same manner as all other funds of the school district.** Student activity funds shall be accounted for at the school level. Reporting and auditing procedures are designed to provide assurance to the Board of Education that proper accountability and administration of funds does exist.

The principal is responsible to the Board of Education for the management of school and student activity funds. He/she authorizes all payments, signs all checks and provides for



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an adequate set of receipts and disbursement records. Transactions are recorded at Elementary and 5/6 Academy on a shared spreadsheet with finance or the High School and 7/8 Academy into Skyward. Even though his/her secretary may take care of the bookkeeping, it is the principal's responsibility to check the accuracy of such record keeping.

Basic Requirements

Below are a few basic requirements that must be met when administering student activity funds:

1. A written receipt will be made for all money received in the office. The original receipt will be given to the individual or vendor presenting the money. A copy of the receipt will be retained with the records.
2. All expenditures will be handled through the principal's office and will be paid by check.
3. P.T.A., Band Boosters, or Athletic Booster Club funds must not be mixed with the funds of the school.
4. Any supplemental pay to employees of the Lakeview School District must be made through the District Payroll Department.
5. Any fees or payments for services rendered by individuals who are not employees of the Lakeview School District must be made through the District Accounts Payable Department following the procedures as all other funds are required to follow.

There are substantial differences in the makeup and complexity of accounts in the elementary and secondary schools. Distinct accounting records and procedures have been established for each. However, the basic forms and books required for a minimum accounting system are:

1. Consecutively numbered receipt books
2. Receipt and expenditure journals
3. Individual ledgers for the different activities
4. Checkbook – prenumbered checks imprinted with the name of the school and the school address
5. Deposit slips

Cash Handling and Bank Deposits

Monies collected by school employees and by student treasurers shall be handled with good and prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the bank for deposit. Staff is required to turn in funds daily to the principal's office rather than taking funds home or putting them in a



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file cabinet or desk drawer. All schools shall arrange for making bank deposits after regular banking hours in order to avoid leaving money in school overnight.

At no time shall monies be left overnight in schools, except in safes provided for safekeeping of valuables, and even then the money left should not exceed more than \$300.00 in cash. Funds should be kept in locked safes when not in use. Safes should be re-keyed and the combination changed periodically and whenever there is turnover in key personnel. Access to the safes should be limited to key personnel only.

Bank deposits should be made as frequently as possible, preferably daily. No money should ever be left out or in a desk or file drawer accessible to anyone. All checks received should immediately be endorsed with a stamp or signature that includes the name of the school, the account number, and "For Deposit Only".

Receipts

A duplicate receipt book must be used. The original receipt will be issued to the staff or other person(s) transmitting money. The duplicate receipt will remain in the receipt book as part of the school record. Receipts will be numbered serially and will show the amounts and the funds and/or accounts to which the money is allocated. The total of these receipts will equal the total of the monies received and also, the total deposited in the school bank account.

The original receipt is given to the payer and the duplicate must be retained in the receipt book. Receipts are to be consecutively numbered and consecutively used. "Void" should be written on any receipts that are made out in error.

Every receipt written must include:

1. Receipt Number
2. Date
3. Name of the person or vendor turning in the money
4. Amount received
5. Reason for the receipt (fund to be credited)
6. Signature of the person receiving the money

Give or mail the original receipt to the person or vendor who turned in the money. Retain the duplicate copy in the receipt book.

If you receive numerous small amounts of money, for example, a teacher collects \$.50 for a special project from each student, a receipt need not be written to each student. However, a receipt for the entire collection should be written to the teacher. The teacher's records should balance with the amount on the receipt. In cases such as collecting for yearbooks at the secondary schools, the yearbook staff should have a



receipt book and a receipt written by the sales person selling each book. This receipt book should then total the amount deposited with the office for the total amount of yearbook sales.

A receipt must be written for all money received in the office. Remember, your receipts must equal your bank deposits and your journal.

An entry is made in the journal for each receipt written and allocated to the proper fund. When a series of consecutive receipts have been written on the same day, they can be posted in a single total by indicating inclusive receipt numbers in the "Receipt Number" column.

Journals

Transactions are entered by the date of occurrence from the receipt book and checkbook. At the end of each month, the receipts and expenditures in each activity are totaled and balanced.

Transfers between funds of an account should be made through journal entries with supporting documentation as to the purpose of the transfer.

Disbursements

All disbursements from student activity funds will be written by check only, please fill out a check request form for payment (available from building secretary). **Do not disburse cash that has been received during the course of the day.** All money shall be turned into the school office and bills paid and accounted for by the office. Do not sign checks in advance of their being written. No checks will be made out to cash. All monies will be disbursed by check and no check will be issued without itemized supporting papers (invoices, sales receipts, etc.)

Checks should be prenumbered and imprinted with the name of the school. No check is to be destroyed. Voided checks will be clearly marked on their face, and will be entered in the check register and listed as "void". Lost checks will have a stop payment order issued at the appropriate financial institution handling the checking account. A check register must be kept for all checks written. The check register is to include:

1. Date
2. Payee
3. Amount
4. The reason for the check
5. The balance in the account.



All checks will be signed or countersigned by the principal. Under provisions of Michigan Law, the ultimate responsibility of the handling of all school district monies lies with the School Board, with the option that individual boards may place responsibility for the administration of all school district monies with the school district business administrator, as is the situation here in Lakeview. In the absence of a principal, the Director of Finance may sign the checks. Please make sure the Director of Finance's signature is always on file with your bank.

Payments should be made on original invoice only – never on a monthly statement. To use a monthly statement as a basis for writing a check often leads to a duplicate payment, which in turn complicates your bookkeeping. The file copies of a group of invoices covered by one check should be stapled together.

Before paying an invoice (1) verify that all materials listed on the invoice have been received (attach packing slips if they are available), (2) check the math on the invoice, (3) take advantage of cash discounts which may be offered, and (4) subtract any tax which is listed on the invoice from the invoice total (mark your payment: "Tax Exempt") and enclose a copy of the Tax Exemption Certificate that is attached.

On the face of the invoice write the check number and the date of the check.

The student activity account should not be used to pay for items that are directly related to teaching and learning. If there is something, i.e. an assembly that you want to pay for out of the funds accumulated in the account, please write a check to Lakeview School District for the amount of the activity, and submit it with a Check Request or PO Requisition to pay the expense from General Fund. The Business Office will then deposit the check in the building's donation revenue account and pay for the activity through the appropriate donation expense account. **Under no circumstances should the building pay for services provided by an employee through the activity account.** Please transfer the money to the General Fund and authorize the payment through payroll.

If an outside contractor is hired to provide a service for the building that is not related to teaching and learning, i.e. sports shop for t-shirts, please keep track of how much is paid to that individual throughout the calendar year and report that to the Business Office along with a signed W-9 form for the individual. The District may be responsible to report those earnings to the IRS. This must be done by January 10 in order to give the Business Office appropriate time to compile and report the data.



Bank Statement Reconciliation

It is imperative to reconcile each bank statement and match it with the balanced journal. This is the best time to detect an error that may have been made in the previous month. The business office will reconcile the account with the bank statement, if there are any differences you will be contacted to make any necessary changes to your ledgers.

Summary

The purpose of the principles and procedures outline above are to:

1. Provide adequate accounting safeguards for all Student Activity Funds.
2. Protect those persons involved in the handling of such funds by making available procedures and guidelines for the safeguarding of physical assets of the District.
3. Promote uniformity for reporting, auditing, and budgeting purposes.
4. Insure proper use of student activity funds

These principles and procedures are intended to be as simple as possible, yet consistent with desirable accounting practices. The three main steps involved in the system are:

1. Write a receipt for all money that comes into the office and deposited into the account.
2. Write a check for each expenditure and file the invoice the check covers.
3. Post the receipts and checks in the journal in consecutive order.

Each step is complete in itself, which is very necessary in the hectic atmosphere of a school office. If money is received – write a receipt. When a bill is presented for payment – write a check. In either case, nothing further has to be recorded at that time. When the time is available, preferably on a daily basis, post the receipt or the check to the journal directly from the receipt book and/or checkbook. These entries need to be made consecutively.

All records shall be available for audit at all times. Procedural deviations and/or audit findings will be compiled in a report to the Board of Education.