

INSTRUCTIONS FOR OPERATION OF STUDENT ACTIVITY ACCOUNTS

**September 2006
Maine School Administrative District No. 1000**

RHR Smith & Company

SAMPLE

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OF STUDENT ACTIVITY ACCOUNTS**

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***INSTRUCTIONS FOR OPERATION
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INTRODUCTION

Student Activity Funds are agency funds. The School District acts only as a custodian for these funds and is responsible for receiving and disbursing monies at the request of authorized activity representatives who may include an activity president or treasurer, a faculty advisor or school principal depending on the nature of the fund. The importance of sound accounting procedures for these funds is to document that the District acted within its authority as agent with regard to any transactions involving these funds. All accounting functions are designed to achieve maximum control over the safeguarding of assets and the accurate reporting of these funds.

The following schools maintain an interest bearing checking account at the district:

- 1) Smith Elementary School
- 2) Smith Middle School
- 3) Smith High School
- 4) Anywhere Middle School
- 5) Anywhere High School

It is important that the various class, club, and activity accounts be maintained with the highest degree of accuracy and reliability. During a school year, many thousands of dollars can be received and paid through its Student Activity Funds, all of which are public monies.

The procedures outlined in this booklet are designed to provide a simple yet accurate accounting of these funds and to protect the integrity of the bookkeeper and advisor.

Responsibility of Activity Representative, Advisors, Bookkeeper, and Principal

Each activity representative, under the guidance of the school principal, shall deposit funds and request payments from the activity custodian in the prescribed fashion. It is the responsibility of the activity custodian (principal's secretary) to maintain the books and records of the Student Activity Funds. Finally, it is the school principal's responsibility to insure that these regulations are followed.

In the case where dues are paid by each member of an activity (such as class dues), the activity treasurer must keep a year-to-year record of all students eligible to pay dues, with a cumulative record of such dues payments. Receipts for any dues collected must be issued to the payee (see Appendix I) and a copy of each receipt shall be kept on file by the bookkeeper in the activity file by year.

Each class or club which engages in any financial transactions must have its accounts maintained by the activity bookkeeper of the school. No “private” accounts should be authorized or permitted. Likewise, any funds which do not belong to student groups (such as sunshine or coffee funds) and are for faculty purposes shall not be handled through the Student Activity Funds.

General Requirements for Accounting for Activity Funds

The following general principles are required in accounting for activity funds:

1. The school board shall be responsible for all activity funds in the LEA.
2. The finance committee, acting as representatives from the board, shall sign off monthly on each school's itemized receipt and disbursement report.
3. All activity funds shall be audited.

Cash Receipts

A cash receipt log with a two part receipt is used to document each receipt transaction. As illustrated below, it documents all pertinent information which is necessary for record keeping of the event, such as, date, fund, amount, authority, etc. One part is maintained in the log for a complete history of cash receipts. A second is affixed to the bank deposit receipts and filed chronologically. These will be kept in a loose-leaf binder and used later for making journal entries to the activity fund records. After insuring that funds have been accurately counted, all money and deposit slips are to be inserted into the deposit bag and given to the custodian. When the bag is turned over to the custodian, the 2-part voucher can then be signed as proof as receipt of the deposit. Then one part is returned to the activity representative as mentioned above. The custodian need only verify that all information is complete before accepting the receipt. It is the responsibility of the activity representative to provide all data in writing. Upon deposit with the custodian, all monies collected are then entered onto a bank deposit slip for deposit into the activity's checking account. A copy of the deposit slip, along with the bank's deposit slip and a copy of the corresponding receipt vouchers, should be attached together and maintained in a loose-leaf binder so that the amount of the deposit can be entered into the activity account book/ledger/file.

All monies must be kept in a secure location (a safe, a locked desk, or a similar location) at all times until deposited. Deposits must be made at least weekly, so that no cash remains in the school office over a weekend. All funds become the responsibility of the District at the time a receipted copy of the voucher is returned to the activity

representative. A single, interest-bearing checking account is used for all activities. Separation is achieved through accounting methods.

Disbursements

A similar voucher form is used to document requests for cash payments. (to achieve maximum documentation, all original invoices should be obtained, attached to and filed with payment vouchers in the activity folders.) The district prohibits disbursing any money without an invoice.

All checks are prepared and signed by the custodian. However, they must be co-signed by the principal or assistant principal. While any further separation of duties may not be practical in a small office, all bookkeeping and cash custodian functions must be separated whenever possible. This means that bank accounts should not be opened in the name of the custodian and, if possible, should not be reconciled by that individual.

Payments are to be made as follows:

1. Make out a "Request for Payment of Funds."
2. The original and all copies with bills, are to be submitted for payment. After a check has been issued, the copy with date of payment and check number inserted on the invoice is to be filed in the loose-leaf binder.
3. Payments to students or faculty members for reimbursement of personal funds expended for activity purposes are discouraged. Business should be conducted with accounts that deliver materials and issue a bill. Plan far enough in advance so that personal funds need not be used. The student should also adhere to the District wide policy of employee reimbursement. Checks made out to cash are prohibited.
4. Payments to referees, umpires, and officials for sporting events shall be paid through the District's regular payroll process or warrant process.

Once a month, all activity account balances must be reconciled. Account books should be kept up to date and available on request for examination by the principal, business administrator or auditors.

All cash is to be kept in the school vault.

Bookkeeping Procedures

The custodian function for these accounts is critical, and must be in compliance with the District's recommendations. Furthermore, the process should be consistent throughout all schools. The following will detail the required procedure:

- A. A Journal sheet must be kept for each club/activity/organization using the checking account. This Journal sheet will provide receipt and disbursement information for that activity.
- B. A Journal must be kept for Cash. Each transaction will require two (2) entries: one entry will appear for the club/activity/organization, and the other entry to cash. The following information should guide the entries:

Cash Account

Debit - An *increase* in cash

Credit - A *decrease* in cash

Club/Activity/Organization Accounts

Debit - Money *disbursed* from the Account

Credit - Money *received* in the Account

- C. A separate account should be maintained for interest earned on the checking account. The interest amount will appear on your bank statement.
- D. Each activity should be reconciled at the end of each month. One line on each Journal should be used to indicate the monthly totals.

The end-of-the-month totals are then transcriber onto the Monthly Activity Account Report form and sent to the Business Office (for approval from the finance committee).

The cash balance should equal the sum of the individual Journal balances, added together. This total can be reconciled to your bank statement by adjusting for the monthly interest added to your checking account.

- E. Void checks (if entries have been made) are to be mutilated in the signature area and retained for custodial purposes. All voided checks shall be kept in one envelope for the year.
- F. A listing of each student activity and a brief description of the purpose and major source of revenue should be established and maintained by the custodian. This listing should also describe the nature of which money will be disbursed.
- G. For each activity, you must maintain a folder which contains the following:

- All Cash Disbursement request forms with an invoice
- All Cash Deposit forms

When your account is audited, the folders, canceled and voided checks, and the monthly reports must accompany the Journals (Journals should be kept in some type of binder). All materials will be returned after the audit.

Record Keeping For Student Activities

The bookkeeping function begins with a transaction as illustrated above. Amounts are recorded first in the receipts or disbursements journal and then are distributed to the appropriate activity

columns. On a monthly basis, these records are footed and cross footed for accuracy and are reconciled to bank balances. Both month-to-date and year-to-date balances must be maintained in order to provide a basis for preparing financial statements.

Financial reports like the one below must be prepared each month for the principal and business administrator. A similar report encompassing the entire year's activity must be prepared at year-end. They are prepared by the bookkeeper and must be submitted by the fifteenth day following the close of a given month.

As illustrated in the annual "Report of Student Activities" below, student accounts and budgetary accounts (District monies) are separated for reporting purposes. Budgetary accounts include revenues and expenditures. For example, monies collected for lost or damaged books or instrument rental are revenues. These are recorded in the District's General Fund when they are turned into the business office. This is done on a quarterly basis, unless amounts over \$500 are collected, in which case, it would be done weekly.

The following is an example of a monthly Activity report:

<i>MAINE SCHOOL ADMINISTRATIVE DISTRICT NO.1000</i>				
<i>SCHOOL STUDENT ACTIVITIES FUND</i>				
REPORT OF STUDENT ACTIVITIES				
FOR THE FISCAL YEAR ENDED JUNE 30, 2006				
	Activity Balance			Activity Balance
Activity	July 1, 2005	Receipts	Disbursements	June 30, 2006
District Accounts				
Athletics	\$ -	\$199,752.00	\$199,752.00	\$ -
Student Accounts				
Band	3,099.994	2,99999.00	3,858.91	1,909.73
Baseball	2,9999.05	17,0199.999	17,018.27	2,9997.74
Class of 1999	-	1,272.999	923.07	349.89
Class of 1997	1,1399.27	833.199	1,305.34	99994.09
FBLA	275.79	1,7899.52	1,909.44	152.87
Field Hockey	1990.94	298.499	459.40	0.00
Field Trips	-	2,939.25	2,939.25	0.00
Industrial Arts	172.50	439.00	295.90	315.990
Student Council	99499.42	8,308.59	7,847.83	1,107.18
Yearbook	5,510.19	21,9950.90	24,335.85	2,825.24
Interest	-	150.33	150.33	-
Totals	\$ 13,970.80	\$74,117.13	\$77,795.59	\$10,292.30

Bank Reconciliations

All bank accounts shall be reconciled fifteen days after the end off the month. The purpose of a bank reconciliation is to compare the bank balance with the student activity's book balance and

to resolve/explain any differences. Errors are often identified during this process, so timely reconciliations shall be performed.

After all cash transactions (i.e., deposits and disbursements) for the period have been posted to the activity ledger, a bank reconciliation can be performed. Because of the need for an adequate segregation of duties for internal control purposes, employees directly responsible for cash collections or disbursements should not do the bank reconciliation. The use of computers has greatly simplified the reconciliation process. Also, there are many simple computer programs available, even for use on personal computers, that can be purchased for reconciliations. If the reconciliation is still being performed manually, the following basic steps should be followed:

1. Obtain the monthly bank statement for each account.
2. Identify all checks that have been written to date. (This can easily be done assuming that all checks are disbursed in numerical order.) Also, identify outstanding checks from the previous month's reconciliation.
3. Using the bank statement as a guide, identify the checks that have "cleared" the bank and eliminate them from the master list of checks written to date (identified in Item 2 above). After this has been done, those checks that have not cleared are considered to be the "outstanding checks." The total of these outstanding checks should be obtained.
4. Total all deposits made by the activities and recorded in the activity ledger during the current period. Compare the deposits made to those reported on the bank statement. Most often, if there is a discrepancy, it is due to deposits that have not yet been recognized by the bank. These are known as "deposits in transit." Identify the total "deposits in transit" for each account.
5. Review all journal entries that have either increased or decreased cash to determine whether the transaction is, or should be, reflected on the bank statement. If not, the journal entry or entries will be a reconciling item.
99. Review the bank statement to ascertain whether any charges have been made to the bank account (e.g., service charges) that require journal entries in the activity ledger.
7. A copy of monthly bank reconciliation will be sent to the business office accompanying the monthly cash receipt and disbursement report.

Overall, a typical bank reconciliation would be prepared in a format similar to the following:

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 1000

SCHOOL STUDENT ACTIVITIES FUND

REPORT OF STUDENT ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cash Balance - July 1, 1998		\$13,970.80	
Add: Receipts for Month		73,99999.80	
Total Amount Available		87,937.990	
Less: Disbursements for Month		77,9945.299	
Cash Balance - June 30, 1999			\$ 10,292.34
<u>Proof</u>			
Balance in the District, Savings Account (if Applicable)			
Per the Passbook date 99/30/99		\$3,2499.11	
Add: Deposits in Transit		345.00	
Balance in the District, Checking Account			3,591.11
Per the Bank Statement date 99/30/99		8,112.34	
Add: Deposits in Transit		225.00	
Less: Outstanding Checks		(1,99399.11)	
			99,701.23
Cash Balance - June 30, 1999			\$ 10,292.34

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 1000					
HIGH SCHOOL STUDENT ACTIVITIES FUND					
REPORT OF STUDENT ACTIVITIES					
FOR THE FISCAL YEAR ENDED JUNE 30, 2006					
Listing of Deposits in Transit					
Date of Deposit	Date Cleared	Bank	Description		Amount
99/29/99	7/1/99		Cookie Sale - Class of '00		\$ 100.00
99/30/99	7/1/99		Glee Club/Candy Sales		350.00
99/30/99	7/2/99		Yearbook/Sale of Yearbooks		9975.00
			Total Deposits in Transit		\$1,125.00
Listing of Outstanding Checks					
Date of Check	Check No.		Vendor/Payee		Check Amount
99/12/99	9917		Ron Smith		\$ 50.00
99/299/99	9934		Sportsline Trophy Shop		75.00
99/30/99	9941		Lavallee Coast Lumber		100.00
99/30/99	9942		MSAD#1000		200.00
99/30/99	9944		Lowes's Variety Store		75.00
			Total Outstanding Checks		\$ 500.00

Any material differences that are identified during the monthly bank reconciliation should be researched and resolved.

Petty Cash

Petty cash is maintained to cover small transactions that require the immediate use of cash. Petty cash should be centrally controlled and stored in a secure area. No more than two employees should be responsible for the petty cash funds, which should be reconciled on a regular basis, (e.g., monthly). Receipts are collected from those that use petty cash funds. In a manner similar to the approval of invoices, the receipts should include the account number to which the expense/expenditure should be charged. The fund is replenished by a check made payable to the petty cash custodian from the District. The receipts are used to charge the appropriate accounts for the use of petty cash. The petty cash shall be kept separate and not commingled with the student activity funds since these funds are not student related.

Safeguarding of Cash

Proper management of cash requires solid internal controls and strict adherence to deposit and investment policies. To begin with, those individuals with the fiduciary responsibility of cash management should be properly bonded. Bonding is simply a type of insurance policy that the local government entity carries on those employees responsible for cash management to cover losses in the event of improper or illegal activities that result in cash losses of the District. Only employees who are bondable should be assigned any responsibility for cash management. Bonding coverage varies from entity to entity and should be established based upon individual circumstances. Bonding companies can assess the District's cash and investment exposure and recommend coverage accordingly.

Internal Controls for Cash

There are usually several employees involved with cash collections. Adequate segregation of duties between employees is imperative in an environment that routinely handles large amounts of cash. In most collection facilities, cash registers are used that not only control access to cash drawers, but generate various reports that recreate transactions and thus facilitate cash drawer reconciliations.

Ideally, one person should be responsible for preparing the bank deposit. At a minimum, deposits should be prepared and sent to the bank daily. Depending on the volume of transactions, it may be necessary to prepare more than one deposit daily. If so, a specific schedule should be established and followed.

Deficit Balances

No individual group should be allowed to have a negative balance in their account. Expenditures should not be paid for a group that does not have enough money in the account to cover the expenditures.

Disposition of Inactive Accounts

As classes graduate, balances are sometimes left in their accounts. These monies should be removed at the time class separates from the school. If a particular class votes to retain its treasury for future expenses such as reunions, custody of the funds should be transferred to the class treasurer or representative. The school principal should not hold these amounts.

The same is true for any other types of activities that become inactive. The faculty advisor should be asked what is to be done with the balance in the account. If nothing is to be done, the principal should decide what to do with the balance, such as disbursing it among the remaining activity accounts.

Scholarship Funds

The governing body of any such district or subdivision shall expend such district or subdivision trust funds, or the income thereof to be expended, consistently with the terms of the trust.”

Safeguarding of Cash

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APPENDIX I

SAMPLE RECEIPT

		No.
		20
RECEIVED FROM		
		DOLLARS
FOR		
Account Total \$		
Amount Paid	\$	
Balance Due	\$	
		Activity Representative/Faculty Advisor

A - I-----

APPENDIX II

*NAME OF SCHOOL
LOCAL DEPOSIT SLIP*

(To be made out in triplicate by activity depositing funds.)

Date: _____

Account#: _____

Class or Activity _____

	Bills:	
	Coins:	

Checks (List Separately):

Bank Number	Dollars	Cents

Total: _____

Activity Representative _____

Faculty Advisor _____

Received the above funds for deposit in
General Account at the _____ Bank.

Principal's Secretary _____

Date Deposited with _____ Bank

A - II-----

APPENDIX III

NAME OF SCHOOL

_____, *Maine*

Number		Vendor#	
Date		Account#	

REQUEST FOR PAYMENT OF FUNDS

(To be made out in triplicate by activity requesting payment)

Class or Activity_____

Pay to: Name_____

Address_____

	Check here if payment is not to be mailed from the office. Attach bill. If no bill is available, please give complete description of item or service covered by payment.

DATE	QUANTITY	DESCRIPTION	PRICE
		TOTAL	

Balance in this account after this payment has been made

Date Paid:_____

Activity Representative:

Check#_____

Faculty Advisor:

Principal's Secretary Initials:_____

Approved:

Principal