



Guidelines for School Activity Funds



INTERNAL ACCOUNTING CONTROL RECOMMENDATIONS

All moneys collected should be substantiated by pre-numbered receipts, cash register receipts which show cumulative readings, pre-numbered tickets, or other auditable, checkable records. The following suggestions should be considered:

- 1) Generally, all forms, receipts, and tickets should be pre-numbered.
- 2) A perpetual inventory should be maintained on pre-numbered forms, receipts, and tickets.
- 3) Where tickets are used, ticket reports and unsold tickets should be available for audit.
- 4) The person who collects cash for an event should be changed frequently. For example, you should rotate persons used as cash collection agents for sporting events, concessions, and vending machines. To the extent possible, **DO NOT ALLOW** the same person to collect cash for the same event or purpose continuously.
- 5) Generally for gate receipts, such as cash collected at sporting events, the cashier should sell tickets which are then collected by a second person. This two-person arrangement may not be feasible for low-attendance events.
- 6) For concession stands, it is preferable to use one cashier. This procedure will normally speed up concession operations and reduce cash handling problems. This arrangement may not be feasible depending on the volume of activity and physical arrangement of the stand.
- 7) No collections should be turned over to a cashier, such as the activity fund bookkeeper, without receiving a pre-numbered receipt.
- 8) The bookkeeper should use pre-numbered, bound receipts for all currency or checks received. One copy of each receipt should be retained in the receipt book.
- 9) The bookkeeper should deposit all receipts intact. This means that all receipts should be deposited in the form they are collected. They should not be used for making change or disbursements.

SEGREGATION OF DUTIES

Proper segregation of duties should be implemented whenever possible. There are three critical duties that should be separated for internal control purposes:

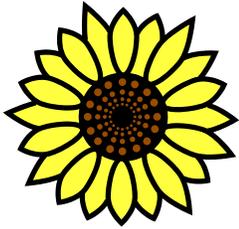
- 1) signing checks
- 2) maintaining fund accounting records
- 3) reconciling the bank statement

The bookkeeper normally will have the most time-consuming tasks related to activity funds. These tasks likely will include collection of moneys, preparation of the deposit slip and deposit of the moneys,

maintenance of the fund accounting records, and preparation of the checks for disbursement.

It is best to **require two signatures** on the checks. The principal of the attendance center should normally be the primary check signer. The second check signer preferably should be someone other than the bookkeeper.

If possible, someone other than the bookkeeper should reconcile the bank statement to the fund accounting records.



Guidelines for School Activity Funds

Much of this document is based on the Association of School Business Officials International (Reston, VA), *Guidelines to Student Activity Fund Accounting*. We express our gratitude to the Association for allowing us to use its material.

The nature of activity funds makes them particularly vulnerable to misuse and fraud. For this reason, this document focuses on policies and procedures a school district can adopt to improve controls over these funds. Except for certain disbursement procedures and reporting these funds in the district's financial statements, these guidelines are not mandated, but are suggested procedures with two objectives in mind:

- 1) safeguard activity fund moneys, and
- 2) provide the USD with an efficient and effective means to administer activity funds.

Many USDs will find that these guidelines constitute *minimum* controls they want to adopt. To adopt anything less would likely increase the risk of misuse or fraud. Therefore, before discounting any of these suggested policies and procedures, you should consult your auditor. Your auditor cannot only explain the importance of these internal controls, but can also assist you in implementing them.

Application and Effective Date

These guidelines apply to all unified school districts in Kansas and are effective beginning July 1, 1995.

Exemption from Guidelines

K.S.A. 72-8208a, includes the following provisions:

- 1) School district boards may authorize, by resolution, school activity funds to account for "activities" (athletics, music, forensics, dramatics, one-time special projects, etc.), and school district employees shall account for these school activity funds. The uniform payment of claims requirements of K.S.A. 12-105b shall not apply to school activity funds established by such resolutions.
- 2) Moneys from receipts for "activities" (athletics, music, forensics, dramatics, one-time special projects, etc.), shall be credited to activity funds following policies and procedures of the school district board, but these moneys are not subject to K.S.A. 72-8202d.

Thus, a USD which uses its discretionary authority to create such activity funds under the provisions of K.S.A. 72-8208a appears to be exempt from the provisions of these guidelines for such funds. Instead, such activity funds are to be handled, as noted above, in accordance with policies and procedures of the school district board. All other activity funds should follow these guidelines.

Summary

Activity funds are accounting funds, similar to the general fund and special revenue funds. They are created for the purpose of accounting for moneys related to co-curricular activities such as student organizations and athletics. Activity funds can be divided into two categories based on who the money belongs to:

- 1) student activity funds (money belongs to the students), or
- 2) district activity funds (money belongs to the school district)

The collection, disbursement, and accounting for activity fund moneys are usually centralized at the building level, with the building principal designated as the *activity fund supervisor*. The principal's secretary normally acts as *activity fund bookkeeper*.

In addition to handling activity fund moneys, the activity fund supervisor and bookkeeper may also account for non-activity fund moneys such as fee collections, sales tax, and petty cash. These non-activity fund moneys can be accounted for along with activity fund moneys in the same checking account.

Thus, the activity fund supervisor may be responsible for several different types of funds at the building level:

- 1) student activity funds which belong to the students,
- 2) district activity funds which belong to the district, and
- 3) non-activity funds which normally belong to the district.

Student activity funds are usually collected and disbursed at the building level.

District funds, on the other hand, must be disbursed at the district level.

District moneys collected at the building level must be transferred to the district treasurer.

Petty cash at the building level can be treated much like an activity fund in the same checking account. However, a separate checking account for petty cash may be necessary if different check signers are used.



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INTRODUCTION

1) What are activity funds?

Activity funds are accounting funds just like a general fund or a special revenue fund. Each activity fund is an independent accounting entity, its purpose being to segregate its financial activity from that of other funds because of special restrictions or limitations on how its money can be spent.

Activity funds are unique to school districts. They are created to account for moneys related to *co-curricular* activities. Co-curricular activities are those activities outside the classroom which complement the curriculum. Co-curricular activities include those of student clubs and organizations as well as district-administered activities such as sports events, drama productions, and music concerts.

2) Two types of activity funds

There are two types of activity funds: 1) student activity funds, and
2) district activity funds.

The distinction between these two funds is *who the money belongs to*. To put it another way, *who controls how the money is spent?* As the name implies, student activity fund moneys belong to the students. Similarly, district activity fund moneys belong to the school district.

2(a) Student Activity Funds

Student activity funds consist of those student activities that revolve around a student organization. The students in the organization not only participate in the activities of the organization, but also are involved in the management of the organization's activities. Further, disbursement of the organization's moneys is subject to the approval of the student organization (and its sponsor), and not the school's board of education. *If it isn't a student organization, it should not be classified as a student activity fund!* A listing of typical student activity funds is shown in Exhibit 1.

2(b) District Activity Funds

District activity funds consist of co-curricular activities that have student participation in the activity, but are administered by the district. The most important factor which distinguishes this type of activity fund from student activity funds is that approval for disbursement of district activity fund moneys rests with the school's board of education, not the students. In other words, the district controls how district activity fund moneys are spent. Except for those district activity funds created under K.S.A. 72-8208a, these funds must be treated like any other district fund. That is, they should be deposited in the district's bank account by the district treasurer and expended in accordance with the Uniform Payment of Claims Act. A listing of typical district activity funds is shown in Exhibit 2.

3) All activity funds must be reported in the school district's financial statements

All activity funds must be reported in the school district's financial statements. This includes student activity funds, even though such funds do not "belong" to the district.

Student activity funds should be reported in the district's financial statements as agency type funds. District activity funds, on the other hand, should be reported in one or more special revenue funds.

Controls for Establishing and Maintaining Activity Funds

To establish and maintain proper control over activity funds, one should first recognize the general lines of authority over such funds. Then, the local board of education should formally adopt activity fund policies. From these policies, more specific internal controls should be created at both the district and building levels.

4) Lines of Authority for Activity Funds

Most school districts should follow these lines of authority for activity funds:

- **Board of Education** - The board of education should adopt policies to govern the establishment and operations of all activity funds.
- **Superintendent** - The superintendent is responsible for administering all board policies.
- **District Treasurer** - The district treasurer, being the fiscal officer of the school district, has overall responsibility for the accounting and reporting of all activity funds to the board. The district treasurer is also responsible for implementation and enforcement of required internal control procedures. The district treasurer may delegate custodial and other functions to other district employees.
- **Principal** - The principal is normally designated as the activity fund “supervisor” for that building. As supervisor of the activity fund for the building, the principal has overall responsibility for the operation of the activity funds, which includes:
 - a. collection and deposit of activity fund moneys,
 - b. approving disbursements of activity fund moneys, and
 - c. bookkeeping responsibilities.

Depending on the circumstances, the principal may delegate all or some of their supervisory responsibilities. For example, the bookkeeping function may be delegated to an office worker such as the principal’s secretary. And the approval of disbursements and signing of checks may be delegated to an assistant principal.

- **Sponsor (Advisor)** - The sponsor or advisor is responsible for supervising the activities of the student organization or program and any other duties assigned by the proper administrative authority. The sponsor or advisor may be a teacher or an administrative employee of the district.

Suggested School Board Policies

5) Establishment and Operation of Activity Funds

The following are suggested policies for the establishment and operation of activity funds. These policies are in no way intended to be all-inclusive.

- 1) All activity funds should be approved by the board of education or its designee. Application for creation of a student organization should be accompanied by a statement of the organization’s purpose and proposed fund-raising activities. The name of the student organization should, insofar as possible, indicate its purpose. Acronyms should be avoided as much as possible in naming the organization.
- 2) All activity funds should be operated in accordance with sound internal control procedures and forms prescribed by the district treasurer.
- 3) All fund-raising activities for activity funds should be approved in advance by the superintendent or designee.

Suggested School Board Policies

5) Establishment and Operation of Activity Funds ... continued

- 4) Activity fund moneys should, insofar as possible, be expended in such a way as to benefit those students who have contributed to the accumulation of such moneys.
- 5) Each activity fund must comply with the cash-basis law. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund.
- 6) All activity funds must be audited along with other funds of the district.
- 7) The superintendent should designate one or more activity fund supervisors. Generally, there should be no more than one activity fund supervisor at each building or attendance center. More or less supervisors can be designated, depending on the needs of the district.
- 8) Each activity fund supervisor should maintain a checking account and/or petty cash account at the attendance center, depending on the needs of the center. Using more than one checking account per attendance center should be discouraged.
- 9) Activity fund moneys should not be used for any purpose that represents an accommodation, loan, or credit to school employees or other persons.

6) Segregation of Duties Related to Activity Funds

Proper segregation of duties should be implemented whenever possible. There are three critical duties that should be separated for internal control purposes:

- 1) signing checks,
- 2) maintaining fund accounting records, and
- 3) reconciling the bank statement.

Usually the activity fund bookkeeper will have the most time-consuming tasks related to activity funds. These tasks likely will include collection of activity fund moneys, preparation of the deposit slip and deposit of the moneys, maintenance of the fund accounting records, and preparation of the checks for disbursement. *It is best to require two signatures on the checks.* The principal of the attendance center should normally be the primary check signer. The second check signer preferably should be someone other than the activity fund bookkeeper. If possible, someone other than the bookkeeper should reconcile the bank statement to the fund accounting records. At a minimum, however, the principal should review the bank reconciliation.

7) Emphasis of Internal Accounting Controls Over the Activity Fund Cash Collections

Because substantial amounts of activity fund cash receipts are collected in the form of currency, as opposed to checks, particular emphasis should be placed on internal control procedures designed to safeguard moneys collected. Particularly important is providing an audit trail that creates documentary (physical) evidence for each step in the flow of transactions.

For example, all moneys collected should be substantiated by pre-numbered receipts, cash register receipts that show cumulative readings, pre-numbered tickets, or other auditable, checkable records. These suggestions should be considered.

- a. Procedures should be in writing and distributed to all activity fund supervisors and sponsors.
- b. Generally, all forms, receipts, and tickets should be pre-numbered.

Suggested School Board Policies

7) Emphasis of Internal Accounting Controls Over the Activity Fund Cash Collections ...continued

- c. A perpetual inventory should be maintained on pre-numbered forms, receipts, and tickets.
- d. Where tickets are used, ticket reports and unsold tickets should be available for audit.
- e. A perpetual inventory should be maintained on pre-numbered forms, receipts, and tickets.
- f. Where tickets are used, ticket reports and unsold tickets should be available for audit.
- g. Pre-numbered forms should not be printed in the school printing office.
- h. The student organization's sponsor should keep records of cash collections by source.
- i. The person who collects cash for an event should be changed frequently. For example, you should rotate persons used as cash collection agents for sporting events, concessions, and vending machines. To the extent possible, DO NOT ALLOW the same person to collect cash for the same event or purpose continuously.
- j. Generally for gate receipts, such as cash collected at sporting events, the cashier should sell tickets, which are then collected by a second person. This two-person arrangement may not be feasible for low-attendance events.
- k. For concession stands, it is preferable to use one cashier. This procedure will normally speed up concession operations and reduce cash handling problems. This arrangement may not be feasible depending on the volume of activity and physical arrangement of the stand.
- l. No collections should be turned over to a cashier, such as the activity fund bookkeeper, without receiving a pre-numbered receipt.
- m. The activity fund bookkeeper should use pre-numbered, bound receipts for all currency or checks received. One copy of each receipt should be retained in the receipt book.
- n. The activity fund bookkeeper should deposit all receipts intact. This means that all receipts should be deposited in the form they are collected. They should not be used for making change or disbursements.
- o. The activity fund bookkeeper should deposit all receipts as often as possible, preferably on a daily basis. Undeposited receipts should be kept under lock with limited access.

8) Disbursement Procedures for Student Activity Funds

The activity fund supervisor will be handling two types of funds at the building level:

1. funds which contain moneys belonging to the students (student activity funds)
2. funds which contain moneys belonging to the district

Moneys which belong to the students will normally stay at the building level, whereas moneys which belong to the district will be transferred to the district treasurer, usually by means of a check being written on the activity fund checking account.

Suggested School Board Policies

8) Disbursement Procedures ... continued

Disbursement of student activity fund moneys is controlled at the building level. In contrast, district moneys collected at the building level (i.e., moneys belonging to the district as opposed to the students) must by law be transferred to, and deposited by, the district treasurer (unless exempt under K.S.A. 72-8208a) and a policy approved by your local board of education).

Disbursement procedures for student activity fund moneys will differ somewhat from the procedures followed by the district treasurer for expending district moneys because of the strict laws that must be followed for disbursement of district funds. This approval process is the primary difference between student activity funds and district funds:

- Disbursement of student activity funds requires approval of the student organization's sponsor and activity fund supervisor (principal).
- Disbursement of district funds requires the approval of the governing body (local school board).

Generally speaking, the disbursement procedures for student activity funds at the building level should parallel the disbursement procedures at the district level as closely as possible. The following procedures are recommended specifically for student activity funds. You may wish to add additional procedures, or change these procedures, depending on your situation.

- a. Student activity fund cash disbursements should be first approved by the student organization and then by the organization's sponsor. It is a good idea to also require the approval of the activity fund supervisor (principal).
- b. The district may wish to establish a dollar limit for student activity fund disbursements, any disbursement in excess of the limit requiring approval at the district level by either the superintendent or the school board.
- c. Student activity fund disbursements should be substantiated by a voucher signed by the organization's sponsor and/or the principal. A voucher system similar to that used at the district level would be appropriate.
- d. All disbursements should be made by a pre-numbered check. The checks normally will be prepared by the activity fund bookkeeper and signed by the activity fund supervisor (principal).
- e. Certain "small-dollar" purchases may not require the formal use of a purchase order or voucher. However, this does not mean that approval of the disbursement and related documentation is eliminated. Assuming a formal purchase order/voucher form is in use, a form similar to the voucher should be completed at the time the activity fund bookkeeper writes the check for the disbursement. This documentation of the disbursement should then be filed in the same manner as the purchase order/voucher forms. This alternative voucher form should show:
 - 1) who requested the purchase
 - 2) what the purchase was for
 - 3) which activity fund is to be charged
 - 4) the amount
 - 5) the check number

Suggested School Board Policies

8) Disbursement Procedures ... continued

- f. The activity fund bookkeeper should prepare each month a report showing the financial activity for each fund the bookkeeper is responsible for. Title this report "Activity Fund Monthly Report of Cash Receipts and Disbursements" and use these column headings:
- 1) beginning cash balance (this figure should agree with the ending cash balance on the prior month's report),
 - 2) cash receipts,
 - 3) cash disbursements,
 - 4) ending cash balance,
 - 5) unpaid purchase orders, and
 - 6) unencumbered cash
- *If unpaid purchase orders exceed the ending cash balance for any fund, a cash basis law violation has occurred.* The activity fund supervisor (principal) should review this report and submit the report to the superintendent or designee on a timely basis.
- g. The activity fund bookkeeper should prepare a financial report for each student organization showing, at a minimum, the organization's cash receipts and disbursements. Preferably these reports should be prepared monthly. The reports should be reviewed by the activity fund supervisor (principal) and submitted to the student organization's sponsor.
- h. Each student organization sponsor should compare the report prepared by the activity fund bookkeeper with the sponsor's records. Any discrepancies should be resolved immediately.

Non-Activity Funds

9) What about Non-Activity Funds?

Even though reference is made to the "activity fund" supervisor and the "activity fund" bookkeeper, this is not to say that non-activity funds must be handled differently. More often than not, moneys will be collected at the building level, which does not fit into the "activity fund" category. Some of these moneys are more closely identified to curricular activities rather than co-curricular activities (remember that activity funds are related to co-curricular activities). Thus, by strict definition these would not be considered activity funds.

Like activity funds being collected at the building level, non-activity fund moneys must also be accounted for at the building level, even if only temporarily until the money can be transferred to the district treasurer. And because of the need to deposit all moneys collected intact and on a timely basis, it may be necessary for the activity fund bookkeeper to include non-activity fund moneys along with activity funds in the same checking account. There is no problem with doing this. Generally it will be easier to use the same checking account for all moneys collected at the building level, rather than creating separate checking accounts for specific types of moneys. But the same internal control procedures should be observed for all moneys collected.

Non-activity funds that may be encountered at the building level include fee funds, sales tax moneys, revolving funds, and petty cash. All of these can be treated as separate "accounting funds" by the activity fund bookkeeper. But because of their special nature, each is discussed separately below.

Non-Activity Funds

10) Fee Funds

School districts usually have numerous fee funds such as those shown in Exhibit 3. These funds are not presented in the district's financial statements like the general, special revenue, and other district funds. They are merely vehicles to accommodate the collection of fees and user charges.

Fees collected by teachers and administrative employees of the district must be credited to a specific district fund, such as the general or a special revenue fund. If the fees are collected and given directly to the district treasurer, the district treasurer will deposit the moneys into the district's checking account and credit the appropriate district fund immediately.

Often, however, it is not feasible on a daily basis to give the fees collected at the building level directly to the district treasurer. Therefore, the fees must be deposited temporarily in the activity fund checking account for safekeeping. Periodically (at least at the end of each month), the activity fund bookkeeper should write a check (to be signed by the activity fund supervisor) to the district treasurer and submit, along with the check, a statement that breaks down the check into the amounts to be credited to one or more district funds. The district treasurer then will deposit the check into the district checking account and credit the appropriate district funds, such as the textbook rental fund or the student material revolving fund.

These fee funds are "receipt only" funds. Disbursements should not be made from them except by the activity fund bookkeeper to transfer the money to the district treasurer, who will then deposit the money into the district's checking account.

It is not necessary for the activity fund bookkeeper to create a separate checking account for fee funds. Fee receipts can be deposited into the same checking account that is used for activity funds, but they should be transferred out on a regular basis and no later than the end of the school year. That is, a check for the total amount of fee receipts collected should be written to the district treasurer. This is especially important at year-end to ensure that the moneys are reflected in the appropriate district fund on the district's books at the end of the school year.

Non-activity funds
at the building level
may include:

- fee funds
- sales tax moneys
- revolving funds
- petty cash

11) Sales Tax

It is possible that sales tax moneys will be collected at the building level for co-curricular related activities. For districts, which have obtained multiple sales tax numbers, it may be more practical to report and remit sales tax to the Department of Revenue from the building level for some numbers and from the district level for other numbers. The Department of Revenue encourages entities to consolidate, to the extent possible, this reporting and remitting.

12) Revolving Funds

Some school districts currently use revolving funds to accommodate instruction in vocational education classes such as shop, automotive, and body classes. Use of such funds is especially common at vocational schools. These revolving funds should be abolished at school districts (but not vocational schools) and replaced with petty cash. If miscellaneous receipts cannot be deposited with the district treasurer on a timely basis, a fee fund should be created for such receipts.

13) Petty Cash

NOTE: Gate receipts funds established under the authority of K.S.A. 72-8208a are not subject to these activity fund guidelines. Therefore, the following discussion related to replacing gate receipts funds with petty cash accounts would not apply. But the discussion does apply to all gate receipts funds not established under the authority of K.S.A. 72-8208a.

Non-Activity Funds

14) Replacing Gate Receipts Funds with Petty Cash

Many school districts have been accustomed to spending gate receipts moneys at the building level. However, these moneys belong to the district, and they must be transferred to, and deposited by, the district treasurer. Principals/athletic directors who previously controlled such moneys at the building level may object to the perceived loss of:

- a. the control of these moneys, and
- b. flexibility for making disbursements

By not having the money under their direct control, the principal/athletic director is unsure about how much money is available to work with.

Clearly, by depositing these moneys with the district treasurer, the principal/athletic director is losing some control. By using petty cash, however, the principal/athletic director will have adequate flexibility to make disbursements. *The important point here is that the moneys belong to the school district. Therefore, it is the school district, not the principal/athletic director, who should establish the internal controls, which, in turn, establish the flexibility or inflexibility for handling these moneys. (Refer to page one for internal control recommendations.)*

Further, there is no reason why the principal or athletic director needs to be left in the dark about how much money they have to work with. An informal budgeting system can be used where the building principal or athletic director submits an annual budget of expenditures for approval by the superintendent. That approved budget then becomes the expenditure plan of the principal/athletic director for the coming year. Actual disbursements in accordance with the informal budget would be made through petty cash, and/or the related district gate receipts funds.

15) What is Petty Cash?

Petty cash is a source of cash used for making small disbursements. Depending on need, petty cash may consist of currency on hand (say, \$100), or moneys in a checking account (say, \$1,500). If the purpose of the petty cash is to avoid writing checks for small amounts, a small amount of currency on hand is sufficient. If, on the other hand, the purpose is to expedite certain disbursements, a larger amount in a checking account may be needed.

Both types of petty cash are commonly used by school districts. The use of petty cash is authorized by K.S.A. 72-8208 for the purpose of making emergency type disbursements. Depending on your needs, you may wish to establish petty cash accounts for some or all activity fund bookkeepers. In addition, you may find a need for the athletic director or certain student organization “sponsors” to have petty cash.

Petty cash is normally not needed for student activity funds. Because student activity funds are controlled at the building level, even emergency type disbursements can be made with relative ease. On the other hand, petty cash is often necessary for certain types of disbursements chargeable to district funds because it is not feasible to gain governing body approval in advance. For example, use of petty cash would be appropriate for paying referees who work at an athletic event.

16) How to Create a Petty Cash Account

K.S.A. 72-8208 specifies how petty cash accounts are established. *Each petty cash account must be approved by a resolution of the local school board, and cannot exceed \$1,500.* In authorizing the petty cash, the board should clearly state:

- a. the amount of petty cash authorized for this purpose,
- b. what types of disbursements can be made in advance, and
- c. a dollar limit of such disbursements, above which board approval is required.

Non-activity funds at the building level may include:

- fee funds
- sales tax moneys
- revolving funds
- petty cash

Non-Activity Funds

16) How to Create a Petty Cash Account ... *continued*

Usually petty cash will be approved for more than one type of disbursement. The petty cash account should normally be maintained by the activity fund bookkeeper, along with activity fund moneys.

To create the petty cash account, the district treasurer normally will write a check to the activity fund bookkeeper (i.e., the petty cash custodian), who will then deposit the check into the activity fund checking account along with activity fund moneys. The activity fund bookkeeper will track the receipts and disbursements of the petty cash account just as if it were an activity fund. Cash receipts posted to the petty cash account will always be checks written to the bookkeeper by the district treasurer to *replenish* the petty cash.

17) Creation of Petty Cash Account Does Not Change Cash Balance of General Fund!

Even though a check is written on the district treasurer's checking account to establish the petty cash account, this check is not a disbursement that reduces the cash balance of the general fund. Charges to the general, or any other fund, are not appropriate until the petty cash is *replenished*.

So if you don't reduce the cash balance of the general fund when you create the petty cash account, what do you do? You are simply moving a portion of the district's cash from one location (the district level checking account) to another location (the petty cash account). From an accounting, or book entry, standpoint, creating a petty cash account is no different than moving money from a checking account to a savings account, or writing a check to invest in a Certificate of Deposit.

These transactions have no impact on any book fund (general fund, bond and interest fund, etc.) balances.

So if you don't record a disbursement in the district's accounting records, how then do you reconcile the bank statement to the district's accounting records when the checks per the bank will not equal the disbursements recorded in the books? The answer is that you will have a reconciling item for the transaction. The bank's records and the district's records will almost always disagree because of legitimate reconciling items such as deposits in transit, outstanding checks, the bank's charging and redepositing of NSF checks, etc. Setting up a petty cash account will also set up a recurring reconciliation item for the amount of the petty cash account.

Non-activity funds at the building level may include:

- fee funds
- sales tax moneys
- revolving funds
- petty cash

18) Petty Cash Account Is Not Tied Into the General Fund

At the time a petty cash account is established, the initial "seed" money comes from idle funds. The creation of the petty cash account basically involves transferring the money from one checking account (i.e., the district treasurer's checking account) to another checking account (i.e., the activity fund bookkeeper's account).

The petty cash account is not an advance from the general fund, or any other fund. It is not tied to the general fund any more than a savings account is tied to the capital outlay fund, or a Certificate of Deposit is tied to the bond and interest fund.

19) Petty Cash Account Is Not an Accounting Fund!

A petty cash account is not an accounting fund, in the sense that the general fund is an accounting fund, even though it is often referred to as a petty cash fund. But it is not an accounting fund. Petty cash represents cash available to the petty cash custodian for making disbursements, very much like the district checking account is used by the district treasurer for making disbursements.

Non-Activity Funds

19) Petty Cash Account Is Not an Accounting Fund! ... *continued*

Petty cash is no more an accounting fund than is the district checking account. This may sound confusing because at the building level, petty cash is treated just like a student organization fund. From the viewpoint of the activity fund bookkeeper, petty cash is another “fund” that must be segregated for accounting purposes. However, from the viewpoint of the district, the petty cash “fund,” maintained by the bookkeeper is not a fund. Rather, it is a part of the district’s cash balance.

20) How to Report Petty Cash in the District’s Financial Statements

Petty cash is NEVER reported as an accounting fund anywhere on the district’s financial statements. Instead, it should be reported as a source of the district’s idle funds, or cash, along with other sources of cash like the district checking account, a savings account, and investments.

If the petty cash account is closed out at year-end, the related moneys will simply be deposited into the district’s checking account. Just as no fund balances were changed when the petty cash account was created, the same can be said when the petty cash account is closed out. No entries are needed in the accounting system which would change the balance of any accounting fund.

21) Petty Cash Policy Recommendations

If you decide to use one or more petty cash accounts, adhere to the following special rules:

- a. The petty cash account should be approved by the district’s board of education in an amount and for the purposes determined by the board. A limit should be placed on individual petty cash disbursements, above which the disbursement must be approved by the board.
- b. Any petty cash account should be financed by the district’s idle funds. The district treasurer should write a check for the amount of the petty cash account payable to the petty cash custodian. There is no change in the balance in any fund. Transferring cash from the district treasurer to a petty cash custodian does not represent an expenditure from any fund. It is simply moving cash from one source to another, much like moving cash from the checking account to a savings account.
- c. After the petty cash account has been established, all reimbursements to it are made from the respective funds that should be charged for the petty cash disbursement. That is, charges are made to the respective accounting funds, such as the general fund, when the petty cash is replenished.
- d. The petty cash should be in the sole custody of a single employee, the petty cash custodian. Generally, the activity fund bookkeeper should act as petty cash custodian. If the petty cash account requires a checking account, it should be incorporated into the activity fund bookkeeper’s checking account. That is, the petty cash should be deposited into the activity fund checking account along with activity fund moneys. There is no need for a separate checking account unless different check signers are needed for the petty cash disbursements.
- e. The petty cash custodian is responsible to see that all disbursements are properly accounted for, usually by means of receipts signed by the person receiving the cash. The receipt should document the appropriate fund at the time the petty cash is replenished.

Non-Activity Funds

21) Petty Cash Policy Recommendations ...continued

- f. Petty cash should be replenished to its original cash position, usually at the end of each month or more often if needed. To replenish the petty cash account, a check is issued to the petty cash custodian in the amount of the sum of the “receipts” presented by the petty cash custodian. That check will usually be issued by the district treasurer for charges to district funds. At the time the check is written to reimburse the petty cash custodian, the district treasurer will make entries to record the related disbursements similar to this:

	<u>Dr.</u>	<u>Cr.</u>
21600 - Gen Fund, Supp Serv, Supplies	47.45	
23530 - Gen Fund, Gen Adm, Commun	19.20	
24300 - Gen Fund, Sch Adm, Purch Prof Serv	125.00	
26400 - Gen Fund, Op & Maint, Repr Bldgs	32.15	
Cash Account		223.80*
<p>To replenish Lincoln Building Petty Cash Account to authorized \$1,200 level at month end.</p> <p>* Check made payable to “Lincoln Building Petty Cash Account”</p>		

Note:

The amount of the replenishing check should always be for the exact amount of the disbursements previously made from the petty cash account.

- g. You should close out the petty cash accounts at the end of the school year, and “physically” return the money to the district treasurer. The same petty cash accounts should be re-established at the beginning of the next school year without formal board approval.

IMPORTANT: This procedure is recommended for internal control purposes. If the general fund cash balance was reduced when the petty cash account was created, this procedure is critically important to ensure the general fund unencumbered cash balance is correctly reported at year-end.

- h. Petty cash should never be reported in the financial statements either as a district fund or a student activity fund. It is nothing more than a source of cash, just like the moneys in the district’s checking or savings account.

Classification of Activity Funds in Financial Statements

22) Classification of Activity Funds in Financial Statements

All activity fund moneys, as well as non-activity fund moneys, should be reflected in the school district's financial statements. Just because such funds may be accounted for at the building level does not mean that they need not be shown in the district's statements. While these moneys are treated like individual funds by the activity fund bookkeeper at the building level, they are treated very differently for financial reporting at the district level.

a) Student Activity Funds

Student activity funds should be classified as agency funds in the school's financial statements. The school (i.e., the activity fund supervisor) acts as custodian for student organizations' moneys, but has no say in how the money is spent. The school acts as an agent for the various student organizations for which it holds money.

b) District Activity Funds

District activity funds generally are classified as special revenue funds in the school's financial statements. These funds are district funds, much like other special revenue funds, and require approval of the board of education to be spent.

c) Fee Funds

Fee funds should never be shown as funds in the district's financial statements. All fee fund moneys should be transferred to the district treasurer at year-end for the purpose of recording the amounts as revenues in the appropriate district fund. If this transfer is not made at year-end, the district's financial statements should be presented as if the transfer had been made.

d) Petty Cash

Petty cash should be replenished at year-end to make sure that the related disbursements are properly reflected in the district's financial statements. If, after being replenished, the petty cash funds are not transferred back to the district treasurer, the moneys should be shown on the financial statements as another *source of cash*, just like the district's checking account or savings account.

Exhibit 1

List of Authorized Student Activity Funds

(not intended to be all-inclusive)

Art Club	Electronics Club	Lettermen's Club
Auto Club	French Club	Marching Band
Camera Club	Future Farmers of America	Math Club
Cheerleaders Club	Future Homemakers of America	National Honor Society
Chorus Club	Home Economics Club	Pep Club
Class of 2006	Honor Piano Club	Pep Band
Class of 2007	Humanities Club	S.A.D.D.
Class of 2008	Industrial Arts Club	Singers Group Club
Class of 2009	International Club	Spanish Club
Computer Club	Journalism Club	Speech Club
Debate Club	Kayettes	Student Council
Drama Club	Key Club	Student Athletic Booster Club
Drill Team		

Exhibit 2

List of Authorized District Activity Funds

(not intended to be all-inclusive)

Athletic Events

Normally, one fund is sufficient for all athletic events. It is not necessary, nor recommended, to create a separate fund for each sport. However, a separate accounting for each sport or activity could be accomplished using line items within the fund for both receipts and expenditures.

Lyceums

Music Concerts

Plays

Band Uniforms

Book Fair

Special Field Trips

Exhibit 3

List of Authorized Fee Funds for Collection of Fees and User Charges

(not intended to be all-inclusive)

Class Materials Charges - Use for the collection of fees for materials and supplies used in the classroom. This fee fund should not be used for charges for workbooks and materials which are supplemental to textbooks (these charges should be included in the Textbook Rental Fee Fund). A separate student materials revolving fund is authorized at the district level and may be used for charges of this type.

Copier Fees

Enrollment Fees

Food Service Charges - Food service collections might have to be broken down between various “reimbursable” sources and “non-reimbursable” sources for federal reporting purposes. If this is necessary, you may wish to create the following four food service collection fee funds: 1) Food Service Charges - Student School Lunch, 2) Food Service Charges - Student School Breakfast, 3) Food Service - Student Special Milk, 4) Food Service - Non-Reimbursable

Home Economic Fees

Lab Fees

Musical Instrument Rental Fees - Use for rental fees only. Collections for materials and supplies should be accounted for in the “Class Materials Charges” fee fund.

Physical Education Fees

Shop Fees

Textbook Rental Fees - Use for textbook rental, fines, sales of workbooks and materials supplemental to textbooks, and payments for lost or destroyed textbooks.

Transportation Charges - Use for charges to students for transportation to special events.

Vending Machine Collections - Use to account for certain or all vending machine collections. If a particular student organization is in charge of one or more vending machines, the money should be accounted for through that organization’s activity fund.

Prepared Jointly by:

Municipal Services Section
Division of Accounts and Reports
Telephone (785) 296-2311

Division of Fiscal and Administrative Services
Kansas State Department of Education
School Finance
Telephone (785) 296-3871

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