

CHAPTER 1

SCHOOL EXTRACURRICULAR ACCOUNT - OVERVIEW

INTRODUCTION

The accounting system and procedures detailed herein are based on IC 20-41-1-1 et seq..

Activity or activities as used herein has reference to conducting any athletic, social, class, or other school function and the collection, custody and disbursement of any money in connection therewith, other than functions conducted solely by any organization of parents and teachers, which does not include public money. The collection, custody, and disbursement of the money for an activity are represented in the accounting records by a fund and the control account for all of the activity funds is designated as the "School Extracurricular Account."

The information contained herein is intended to assist you and does not represent legal advice, or a legal opinion, references to statutes or other authoritative materials may not be all inclusive.

RECORDING FINANCIAL TRANSACTIONS

Please note from the definition above, that the extracurricular account is to be used only for functions which are not educational in nature. Accounts for educational functions must be maintained in the school corporation records.

Separate funds are required for each class or activity.

IC 20-41-1-4 provides that forms and records used shall be prescribed or approved by the State Board of Accounts and that the State Board of Accounts may examine the records and affairs of the extracurricular activities when in the judgment of the State Examiner such examination is necessary.

IC 20-41-1-4 further provides that no money shall be transferred from the fund of any organization, class or activity except by a majority vote of its members, if any, and by the approval of the principal, sponsor and treasurer of the organization, class or activity; except that in the case of athletic funds, approval of the transfer shall be made by the athletic director, principal and treasurer. However, see Approval of Expenditures, Page 1-4. Payments should not be made to any member.

CUSTODY AND CONTROL

IC 20-41-1-5 provides that a treasurer shall be appointed for each public school, that such treasurer shall be the superintendent or principal or some clerk of the school corporation or member of the faculty appointed by the superintendent or principal. "Treasurer", as used in IC 20-41-1 includes an assistant or deputy treasurer. The designation of the treasurer must be made immediately upon the opening of the school term or upon the occurrence of a vacancy in the office. A school corporation may appoint one (1) or more assistant or deputy treasurers.

The cost of prescribed or approved records shall also be paid from the operation fund of the school corporation.

Bonds

IC 20-41-1-6 provides for the requirements of bonding the Treasurer. The treasurer of each extracurricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any

one time during the regular school year. The statute goes on to provide the option to bond individuals separately or use a single blanket position bond for all individuals required to obtain a bond. The blanket bond must cover all employees listed and include aggregate coverage for all amounts approved for each individual.

IC 20-41-2-6 provides additional bonding requirements if the school lunch or curricular materials rental program is accounted for in the extracurricular records. It provides in that situation the governing body of the school corporation shall approve the amount of the bond of the treasurer.

Premium on the official bond is payable from the Operations fund of the school corporation. The requirement for giving bond and requirement to deposit receipts in a separate bank account do not apply where the receipts, as estimated by the principal, will not exceed \$300.00 during the school year.

IC 20-26-4-5 provides additional bond requirements for individuals whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that will exceed \$5,000 in a single year.

SUBSIDIARY LEDGERS - RECONCILING

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger.

FUNDS, RECORDS, ACCOUNTS, REPORTS

The treasurer shall deposit without unreasonable delay, all receipts in one bank account to be known as the "**(name of school)** School Extracurricular Account." Accordingly, when funds are lawfully deposited, all disbursements must necessarily be made by check.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Payments may be made only upon approval by the principal or teacher in charge of the school. **However, see Approval of Expenditures, Page 1-5.** As a method of internal control, we recommended that the appointed treasurer be someone other than the principal of the school so that the principal may countersign all extracurricular checks as a means of showing approval of the expenditure.

The extracurricular treasurer is required to keep an accurate account of all money received and expended, showing the source of each receipt, the purpose of each disbursement and the overall balance on hand, which is the control account for all of the activity funds. A separate fund must be maintained in the ledger to record the transactions of each class, organization or activity so that the balance in each fund may be known at all times. The money in the "School Extracurricular Account" may be invested under the conditions specified in IC 5-13 for investment of school corporation money; however, investments under the section are at the discretion of the principal. The interest earned from any investment may be credited proportionately to each separate extracurricular fund or be credited to an "Investment Income Fund." The interest earned from such investments may be used for any school purpose upon approval by the principal in charge of the school. The interest earned from the investment may be used in addition to the appropriation under IC 20-26-5-4(3). **However, see Approval of Expenditures, Page 1-5.**

The ledger forms prescribed for use by school extracurricular account treasurers include a control account, "Extracurricular Account," in which to record all receipts, all disbursements and the balance of all activity funds combined. Posting to the control should be made each day from the receipt and check registers in individual amounts or accumulated by receipt and check number. There shall also be kept a record of the transactions of each activity, showing each receipt, each disbursement and the balance of each particular fund. Posting to the fund of each individual activity should be made from the receipt and check registers by recording each transaction separately or by grouping receipts with consecutive serial numbers and checks with consecutive serial numbers if such are issued for the same source or purpose respectively.

A financial report must be made within two weeks after the close of the school year, of all activity funds. Bank statements should be dated as of the last day of school. Forms for making the report have been prescribed; they are Forms SA5-1, SA5-2, SA5-3 and SA5-4. The report shall be made in detail on the prescribed forms showing the source of all receipts, the purpose of all disbursements and the balance remaining in the fund of each activity. The SA forms shall be filed with the school board within two weeks after the close of each school year together with the records and files of the activities. Schools having two (2) or more semesters in any one school year are required to have the treasurer of such school file a copy of the financial report of receipts and disbursements within two (2) weeks after the close of each semester. The law also requires that a copy of the report shall be filed with the superintendent of schools.

These records shall be permanent records for five years, after which time they may be destroyed. [IC 20-41-1-8] See Preservation and Destruction of Public Records on Page 9-5.

OUTSIDE ORGANIZATION'S RECORDS – BOOSTER GROUPS

IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ." Therefore, activities and organizations which are not extracurricular in nature should be responsible for their own accounting and cash handling systems. The extracurricular account should not collect, receipt, remit, or disburse outside organization's monies.

OVERDRAWN FUNDS

Overdrafts may not be created or exist in any fund. The extracurricular treasurer should advise the activity sponsor and student treasurer periodically, preferably monthly, of the current balance in the fund of their activity. Therefore, comparisons can be made and differences reconciled before transactions become past due or particulars are difficult to recall.

RECORDING SCHOOL CORPORATION FINANCIAL TRANSACTIONS

All financial transactions related to the school corporation should be accounted for in the School Corporation Records.

EXTRACURRICULAR MILEAGE CLAIMS

Individuals requesting reimbursement for driving personal vehicles for extracurricular purposes should properly complete a Mileage Claim, General Form 101, prior to receiving reimbursement.

EQUIPMENT PURCHASES

IC 20-26-5-4 states in part: "In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the . . . specific powers . . . to acquire personal property or an interest in personal property as the governing body considers necessary for school purposes . . ." Therefore, extracurricular equipment purchases should be approved prior to purchase by the Board of School Trustees.

WITHHOLDING TAX, SOCIAL SECURITY AND RETIREMENT

When salaries are paid which are subject to withholding tax, social security, or retirement, the following procedure is suggested:

A check is written to the employee for the net amount (gross pay less tax, social security or retirement) and posted to the control account. The gross amount of the check is posted as a disbursement from the individual activity fund; and, the federal tax and state gross income tax deductions are posted as receipts to clearing accounts for these items. Likewise, social security deductions are posted as a receipt to a social security clearing account and, retirement deductions are posted as a receipt to a retirement clearing account. This method disburses the amounts of tax, social security and retirement as salary and transfer the deductions to a clearing account for each deduction.

Governmental funds generally are exempt for the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments.

Due to numerous and continuing changes in payroll withholding requirements and payment dates, we are unable to print dates that will be usable for any length of time. The following agencies and circulars should be consulted for the various regulations and due dates:

Indiana Department of Revenue

Indiana Public Retirement System

Federal Internal Revenue Service

For an Employees' Earnings Record, General Form 99B, should be used in connection with salaries and deductions. Form 99B and all forms for reporting deductions are the same as those used by the Treasurer of the School Corporation. The deductions in some instances, may be deposited with the school corporation for transmittal to the proper agency with deductions from the school corporation payrolls.

ACCOUNTING FOR GIFTS, DONATIONS

Cash donations that are extracurricular in nature may be accounted for in the Extracurricular Account. Any School Corporation donations shall be accounted for in the school corporation records. The acceptance of these donations shall have prior approval by the Board of School Trustees. Either the School Corporation Treasurer or Extracurricular Treasurer will be responsible for the accounting of these funds as applicable.

APPROVAL OF EXPENDITURES

Expenditures by the treasurer of the extracurricular account are limited to those approved by the principal of the school and they should be in accordance with the general administration policies of the school corporation since the law provides that all expenditures shall be subject to review by the local school board.

Distribution of extracurricular funds to students, teachers or others should not occur unless authorized by statute.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extracurricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extracurricular payroll is not maintained, the payments may be made a part of the school corporation payroll and charged to an applicable school corporation fund appropriation; however, the school corporation fund must be reimbursed for such payment by the activity which the employees served.