

# ACCOUNTING FOR SCHOOL INTERNAL FUNDS

## A. Basic Principles Governing School Internal Funds

School internal funds are defined as all monies collected and disbursed by school personnel within a school, for the benefit of the school, or a school sponsored activity. School internal funds shall be used to supplement activities approved by the school board when the District budgetary funds are not available or have been exhausted. All internal funds designated for general purposes shall be used to benefit the student body. The following provisions shall apply to school internal funds:

- a. All funds collected or handled by District employees during normal working hours or in connection with school sponsored activities shall be included in the internal funds of the school, unless accounted for at the District level.
- b. All organizations of the school, or organizations operating in the name of the school, which obtain monies from the public shall be accountable to the board for receipt and expenditure of those funds.
- c. Funds which are collected each school year shall be expended to benefit those students who are currently in school unless the funds have been collected for a specific documented purpose.
- d. The objectives of fundraising activities by the school, by any group within, or in the name of the school shall not conflict with programs as administered by the school board.
- e. The collecting and expending of school internal funds shall be in accordance with the Florida Statutes, State Board of Education Administrative Rules, and the School Board Policy. Sound business practices shall be observed for all transactions.
- f. Purchases from internal funds shall not exceed the resources of the applicable student activity/project account.
- g. An adequate system of internal controls shall be maintained in order to safeguard the assets of the school's internal funds.
- h. In the event of violations of any rules established herein, the superintendent shall be responsible for disciplinary action as may be deemed necessary.

## B. Responsibility

The principal is responsible for internal funds accounting. Although the principal may designate a person to maintain internal funds records, the principal will be held accountable for all phases of accounting for internal funds in accordance with Florida law and the rules and procedures of the District.

The principal's and preparer's signatures attest to the accuracy of all reports.

## GENERAL PRACTICES

The efficient and accurate accounting of school internal funds requires that sound practices be followed in handling school monies received and expended.

### A. Depositories for School Internal Funds

School internal funds may only be deposited in banks or financial institutions listed as a Qualified Public Depository, as established by the State of Florida, Division of Treasury, Public Deposits Program Administration. The banks are required to furnish the same type of security for internal funds deposits as is required for other District funds. Generally, most banks with branch offices in Florida have qualified as a public depository. Credit unions do not qualify and cannot be used.

### B. Check and Deposit Slips

When changing banks or if your bank merges it will be necessary to order new checks and deposit slips. Any unused supply of old checks should be documented and destroyed (shredded) once your new checks arrive. For proper documentation, prepare a memo for your file indicating which check numbers are being destroyed and the reason. This memo should be signed by the bookkeeper and the Principal. Old deposit slips should also be destroyed.

### C. Monies Collected From Students

Money may only be collected from students on the school premises with the principal's approval. The teacher, class or group sponsor must receive written approval for money to be collected prior to the initiation of any fundraising activity.

### D. Authorized Signatures on Checks

1. The principal of each school must designate one or more person(s) in addition to himself who shall be authorized to sign checks and withdraw funds from the checking and/or savings account(s). These names shall be kept on file for audit.
2. Two signatures are required for all withdrawals, one of which shall be that of the principal, or his/her designee.
3. District employees shall not be signatories on any account for booster clubs or PTA's.

### E. Loans and Accommodations from Internal Funds

1. School internal funds may not be used to cash checks to accommodate individuals, make any kind of loans, pay any form of compensation directly to employees, or extend credit to District employees, school board members, outside support organizations or others.
2. Individuals are prohibited from making purchases through a school's internal funds for personal gain or use.
3. The use of a school's purchasing privileges, such as sales tax exemption, special school discounts, and other such benefits by individuals, except as directly related to a school purchase, is prohibited.

## F. Audit

1. An annual audit of internal funds shall be provided by the school board.
2. The Auditor has the responsibility of submitting a signed written report to the school board covering internal funds which must include notations of failure to comply with requirements of Florida Statutes, School Board Policies, Florida Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001) and the State Board of Education Administrative Rules. This audit report must be presented to the school board while in session and filed as a part of the public record.

## G. Financial Reports

1. All original reports should be signed and dated by the principal, kept in the school files and be available for audit.
2. Copies of the following reports must be submitted monthly to the District office, before the last day of the following month as applicable.

General Ledger Report

Principal's Monthly Report

Transfer History Report

Adjustment History Report

Bank Reconciliation Report

Bank statement

At the end of the school year, June 30<sup>th</sup>, a final GL Account Report, Bank Reconciliation Report and the bank statement must be submitted to the District office no later than July 20<sup>th</sup>.

## H. Retention of Records for Internal Funds

Records which are maintained as part of school internal funds are public records under Florida Statutes and may not be destroyed or otherwise disposed of without specific authorization. All requests for disposition of school internal funds records after completion of an audit must be referred to the Internal Funds Department at the District office. Records cannot be destroyed without written authorization.

## I. Forms Inventory

1. All checks and tickets must be pre-numbered and perpetual inventories of each must be maintained.
2. Inventories must show the beginning and ending numbers of all pre-numbered documents acquired and issued.
3. In all cases where tickets are used, ticket reports and unsold tickets must be available for audit.

## **J. Class, Club and Departments**

1. Class and club accounts are those which support a group of students within a community of interest with a roster of members, officers, and a sponsor. Approval for the existence of all club and class activities is the responsibility of the principal.
2. Examples of revenues that may be credited to class and club accounts are:
  - a) Dues, assessments, and donations from members
  - b) Income from entertainment events, dances, parties, etc
  - c) Sale of club or class shirts, jackets, emblems, cards, announcements, etc
3. All collections received by any club or school organization must be deposited into the school internal funds. All extra-curricular activities must be self-supporting and require the principal's approval.
4. All disbursements by any club or school organization must be made by check. Authorization for expenditures must have prior approval of the sponsor and the principal.
5. Club and class accounts must be expended for the benefit of the students that participated in the generation of revenue. No class or club account may be overdrawn.
6. Any remaining balance in the account of a class that has graduated shall be transferred to the General account.
7. Any club which becomes inactive and has a balance in its account at the close of the current school year must have its funds transferred to the General account, and the account should be closed eighteen months later.
8. No student will be excluded from participating in a curricular activity due to a lack of money for dues, materials, or uniforms. This however does not apply to the charge for admissions to a school event as a spectator.

## **K. Gifts to Student Body by Classes or Clubs**

1. Gifts from particular student groups must be financed entirely by those groups. This should not prevent a class or club from contributing toward a project undertaken by several classes or clubs or by the student body. All gifts to the school must receive prior approval from the principal.
2. Gifts presented in the form of cash are prohibited. However, a class or club may award gifts in the form of gift certificates, checks and savings bonds.

## **L. Facilities Rental Income**

1. Facilities which are owned, operated, or maintained by the school District may be leased to outside organizations.
2. Facility rental income should be remitted to the District Business office for deposit.

## CASH COLLECTIONS AND DEPOSITS

### Procedures for Cash Collection

1. All checks received where the student's last name is different from the last name of the person signing the check, must have the student's name written on the check.
2. All money received by the school must be substantiated by using a Monies Collected Form (MCF) and an Official Receipt.
3. When tickets are sold, money received must also be accompanied by the Ticket Sales and Reconciliation Report.
4. Collections from teachers must be turned in daily to the bookkeeper. Teachers who fail to turn in cash collected each day may be held personally liable for loss or theft.
5. Funds should be counted by the bookkeeper in the presence of the person submitting them, and the MCF should be signed and dated by the bookkeeper at that time.
6. The bookkeeper must give a copy (yellow) to the person who turned in the money.
7. Each day's collections must be deposited intact in the bank.

### Monies Collected Form (MCF)

The MCF is the supporting documentation for each Official Receipt written. This form must be used whenever funds are turned over to the bookkeeper.

1. Money collected from more than one source should not be submitted on the same MCF.
2. Erroneous information may be invalidated by drawing a single line through it and entering the correct information above the error and initialing the correction.
3. If the source of collection is from a student, the student's name must be listed on the MCF.
4. When collecting funds from a group of students for a **field trip or book fair**, a class roster or list may be attached to the MCF indicating the students that have paid and the amount of each payment.
5. When checks are received, the check number should be referenced on the MCF. When a separate list of student names is attached to the MCF, the check numbers should be referenced.
6. Once all funds have been collected, or the MCF is full, the teacher/sponsor should verify that the amounts shown on each line agrees with the total amount of money turned in by running a tape of the form and accompanying funds.
7. The teacher/sponsor should then sign the MCF.
8. All money and accompanying MCFs should be remitted to the secretary/bookkeeper daily.

9. The secretary/bookkeeper will verify the total on the MCF agrees with the money remitted and acknowledge receipt by **signing and dating** the MCF.
10. A duplicate copy (yellow) should be returned to the individual turning in the MCF. The white copy of the form should be attached to the Official Receipt and kept for the bookkeeper's files.

### C. Procedures for Deposits

1. Funds collected shall be deposited as frequently as feasible, preferably daily. In any event, funds collected must be deposited within five (5) working days after receipt. Under no circumstances shall funds be left on the school premises except in a secure safe or vault. Any District employee who fails to remit funds each day shall be liable for any loss.
2. Total the actual amount of cash and checks on hand.
3. Prepare a bank deposit slip in duplicate; an original for the bank and the duplicate validated by the bank teller for the school's records. All currency and checks must be listed on the deposit slip. All checks received must be deposited with a restrictive endorsement of "for deposit only", specifying the account title and number.
4. When a large volume of checks is impractical to list, the bookkeeper may calculate the total number of checks and affix an adding machine tape to the deposit slip detailing each check.
5. Attach the MCF forms to their Official Receipts, along with the duplicate validated deposit slip once the funds are deposited in the bank.

### D. Pre-Numbered Tickets

1. Pre-numbered tickets must be used at all school sponsored events where an admission is charged.
2. All tickets produced must be controlled by a designated person(s), generally the bookkeeper.
3. An inventory must be maintained of tickets received, issued, sold, and returned.
4. Each ticket seller should be assigned a designated roll of tickets and be independently responsible for properly preparing a Ticket Sales and Reconciliation Report form.
5. All Ticket Sales and Reconciliation Report forms must be finalized and turned in to the bookkeeper by the next business day along with the unused tickets and money collected.
6. Completed Ticket Sales and Reconciliation Report forms and unsold tickets must be available for audit.

## RETURNED CHECKS

Returned checks or non-sufficient funds (NSF) checks are those checks that have been deposited into the internal funds checking account, but have been returned by the bank primarily due to non-sufficient funds or closed accounts. NSF checks should be recorded in the NSF Checks account as soon as they are returned from the bank. The principal is responsible for seeking reimbursement for any unpaid check returned by the bank.

It is the bookkeeper's responsibility to begin documenting collection efforts. According to Chapter 7 of the State of Florida's Financial & Program Cost Accounting for Florida Schools (Redbook 2001), a check can be declared uncollectible and written off only after every legal and reasonable effort of collection by the principal has been exhausted. It is important that the secretary/bookkeeper document all collection efforts.

Notify the check writer by phone and send a certified letter, return receipt requested, to request immediate restitution and payment of service fees. Your certified letter may include more than one check signed by the same maker. Include a copy of the bank notification and the NSF check, if available.

## EXPENDITURES FROM SCHOOL INTERNAL FUNDS

Internal funds may not be used to cash checks to accommodate individuals, make any kind of loans, pay any form of compensation directly to employees or extend credit. Employees of the District who are compensated for additional services, such as game personnel to work at athletic events, must be paid through the District Payroll Department, unless the employee is serving as a game official. School District employees working as game officials are considered to be independent contractors; therefore, they can be paid through internal funds as other vendors, and payments made to them should be reported on Form 1099. **Internal funds must be expended for the purpose for which they were collected.**

### A. General Provisions

1. All disbursements require **prior written approval** of the Principal or his/her designated representative. "Prior written approval" may consist of a properly completed Purchase Requisition/Request for Purchase Order, or a properly prepared Internal Funds Purchase Order. This must be done **BEFORE** the item is ordered and funds are obligated.
2. All disbursements should be made by check. Supporting documentation for expenditures must be kept on file. All checks written must be signed with two signatures, preferably the principal and the bookkeeper or principal's designee. In the absence of the principal, the designee shall also sign checks and approve purchase orders.
3. Blank checks **should never be signed**. Such action makes the signer personally liable for anything recorded over his/her signature.
4. Checks cannot be made payable to "cash".
5. The principal has full responsibility for all expenditures from internal funds. No employee, class, club, teacher or school board member may incur any expense or liability without the authorization of the principal or his/her designee.
6. Do not pay a vendor if there is a dispute over a price or if the products received are unsatisfactory.
7. The student body will not be held responsible for an expenditure made by a student, teacher, or any employee who has not first received approval from the principal, or designee. Anyone making a purchase prior to approval will be liable. Reimbursements for unauthorized expenditures should not be granted.

### B. Required Vendor Information

Before a vendor payment can be processed, the vendor information must be set up accurately in the internal funds accounting software.

### C. Disbursements

No disbursement shall be made without the **prior written** approval of the Principal or his/her designated representative. "Prior approval" may consist of a properly completed Purchase Requisition/Request for Purchase Order form or a properly prepared Internal Funds Purchase Order. This must be done **BEFORE** the item is ordered and funds are obligated.

All internal fund expenditures must be supported by documentation including a detailed description of the items purchased such as vendor invoices, cash register receipts, or other receipts. A statement alone does not constitute adequate support for a payment.

All disbursements must be made by check. Pre-numbered, printed checks must be used.

**RUBBER STAMPED SIGNATURES ARE NOT ACCEPTABLE ON ANY OF THE FINANCIAL DOCUMENTS, INCLUDING CHECKS, OF INTERNAL FUNDS.**

## TRAVEL

1. District policy pertaining to travel will apply to internal funds.
2. All travel reimbursements must be authorized by the principal in advance.
3. All travel expenses should be substantiated by invoices or receipts. The appropriate travel reimbursement forms should be completed. Use of district travel reimbursement forms is recommended.
4. Mileage is only reimbursable for travel performed in a personal vehicle by a usually traveled route in the performance of duties for the District. There is absolutely no reimbursement for gas receipts only trip mileage.

## FLORIDA SALES AND USE TAX

.. In general, all purchases made by a school which are deemed to be for **educational purposes** are tax exempt. In order to make tax free purchases of materials and supplies for the school, the Consumer's Certificate of Exemption should be furnished to the vendor at the time of the purchase.

The sales tax exemption **cannot** be used by any other organization or individual including District school board members, employees and students, except as directly related to a school purchase. The intent of this section is to identify when schools should be paying sales tax on purchases and/or on revenues collected. A general rule in determining whether sales tax should be paid on a school internal funds purchase is determined by "ownership" of the tangible personal property purchased. If the ownership passes from the school to an individual, then sales tax should be paid on the purchase unless the item is specifically tax exempt. An exception to the general rule: Florida Statute 205.192 – Charitable, etc., organizations; occasional sales, fundraising; exemption—A business tax receipt is not required of any charitable, religious, fraternal, youth, civic, service, or other similar organization that makes occasional sales or engages in fundraising projects that are performed exclusively by the members, and the proceeds derived from the activities are used exclusively in the charitable, religious, fraternal, youth, civic, and service activities of the organization.

**B. Sales and Use Tax Return must be filed timely.**