Internal accounting practices in Montana class "C" schools

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The University of Montana

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INTERNAL ACCOUNTING PRACTICES IN
MONTANA CLASS "C" SCHOOLS

by

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B.S. MONTANA STATE COLLEGE, 1949

Presented in partial fulfillment of the
requirements for the degree of
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MONTANA STATE UNIVERSITY
1954

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July 27, 1954

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CHAPTER I

INTRODUCTION

The schools of Eastern and Central Montana lack a uniform system of accounting for extracurricular funds. Practices vary from district to district.

Internal accounting in the state codes of Montana was non-existent until 1953 when the legislature of Montana passed a law which made the audit of accounts necessary. The extracurricular accounting system was also devised by the State Bank Examiners for use in the small enrollment schools. This was the first attempt in the state of Montana to establish a uniform accounting system.

Internal accounting is important to all administrators, regardless of the size or the enrollment of the school. The public school administrator should, at a moment's notice, be able to give adequate information as to expenditures of all monies handled by the school. Many irregularities of major importance grow out of improperly handled public school internal accounts.

II. IMPORTANCE OF THE PROBLEM

This study endeavors to review the accounting procedures of the small enrollment schools--their methods of banking, collecting, and disbursement of the extracurricular funds. The uniformity that exists will be of utmost
importance and will serve as the basis for this study.

III. PROBLEM

What system of internal accounting should be used in the Class "C" schools in Montana? (1) How elaborate a system is needed to fit the needs of the small enrollment school? (2) What literature has been published in the area of internal school accounting? (3) What procedures should be followed in administering the internal accounting system? (4) What principles should be followed in assigning the duties of the people who are keeping the accounts? (5) What forms need to be developed for the internal accounting system? (6) What legal provisions need to be made in the school laws of the State of Montana to insure good practices in the internal accounting in Class "C" schools? (7) What check list could be developed for evaluating the practices of a Class "C" school?

These are a few of the questions which this study will endeavor to answer.

IV. DEFINITION OF TERMS USED

For purpose of clarification, terms used in this study will hereby be defined and will, whenever used, mean exactly as defined here.

Small Enrollment. A small enrollment school of
Montana is defined as a third-class school with an annual enrollment of less than one hundred students.

Class "C" School. This is taken from the Montana Athletic Association classification, whereby a school with less than one hundred enrollment will be classified as a Class "C" school.

V. DELIMITATIONS OF THE PROBLEM

The area to be covered by this study will include Montana Class "C" schools east of the Missouri River.

VI. METHODS OF RESEARCH

All possible sources of data at the Montana State University libraries were utilized, as well as personal interviews, letters, and a questionnaire. The following list indicates the sources of data: (1) professional paper by Victor G. Davidson, "Extracurricular Activity Funds Accounting at Park County High School"; (2) professional paper by Ray G. Baker, "Student Association Accounting System"; (3) the superintendents or principals of all small enrollment schools in southeastern Montana were contacted; (4) Mr. C. R. Anderson, an expert on state schools and their finance by law, of the State Department of Public Instruction; (5) professional people in Fergus County, the County Superintendent, and the school boards; (6) the professional
book companies, which included the American Educator Ency-
clopedia.

The questionnaire used included questions on the
following topics: (1) forms used, (2) reporting procedures,
(3) banking procedures, (4) collections of money, (5) re-
ceipts of money, (6) auditing of accounts. A letter, asking
for samples of forms used and the explanation of this
request, accompanied the questionnaire.

A letter was sent to the professional book company
asking their research division for complete information on
what had been done in other states. The forms and details
of the system were requested.

VII. TREATMENT OF THE DATA

In the treatment of the data, a presentation of what
has been done in other states with regard to internal
accounting will be given. An attempt to present a few laws
from other states, including those that govern procedures
in Montana, will be made. Using this information, a com-
parison will be drawn. In the classification of this mater-
ial for Montana schools, a criteria of uniformity, flexibil-
ity, and simplicity will be suggested. Interpretation of the
data will include the methods used and their uniformity.
Are methods sufficient to undergo an audit? Are they simple
enough for the students to understand? Are the methods used
in reporting sufficient to clarify all transactions to the student, the board, and the community?

VIII. EXPECTED OUTCOME OF STUDY

In the light of all available information to date, recommended internal accounting procedures for superintendents of the small enrollment schools will be suggested.
CHAPTER II

REVIEW OF RELATED LITERATURE

Very little has been written on internal accounting because student accounts are separate from other accounting procedures in that they handle only credits and disbursements. Profit is not the end result of this type of accounting; however, all accounting must be carried on under sound business principles. Prestige for an administrator can be won or lost, depending upon the business principles that are followed. Davidson\(^1\), in his paper, claims accounting has had three periods of development. First, it was ignored; next, opposed; and now, it is sponsored and supervised. McKown\(^2\) says that the present demand for efficiency in educational affairs and the necessity for a closer and more effective organization of extracurricular activities indicate that their finance should be handled in accordance with sound business principles.

The State of Montana has long recognized a need for a uniform accounting system. This was evidenced in many write-ups in local newspapers. Many administrators have


lost their positions due to suspected mishandling of extra-curricular funds.

In 1953, in an attempt to alleviate this situation, the legislature of Montana passed a law requiring that an audit of school funds be made. The law, which justifies this study that suggests a uniform accounting system for the small enrollment schools of Montana, reads as follows:

To provide for a system of bookkeeping and annual auditing of extra-curricular funds; such bookkeeping system to be recommended by the State Bank Examiners and such audit to be made by a qualified accountant or by the State Bank Examiners if so requested. If the audit is made by the State Bank Examiners then there shall upon the completion of the audit, be paid from the extra-curricular funds a fee of thirty dollars ($30.00) per day per man, together with actual transportation expenses, into the State Treasury, and the State Treasurer shall accredit such payment to the special examiner's fund. A certified copy of such audit will be filed with the County Superintendent of Schools, and shall be published by said Superintendent in the publication of a newspaper published within the district, or in case there is no paper published within the district, in a paper published within the county, if any, and if none in the county, then in the nearest newspaper published in an adjoining county, and payment of such publication shall be made from the extra-curricular funds.

Many other states have long recognized the need for internal accounting procedures. The Kansas State Legislature had before it a bill defining the duties of the school


boards in regard to student accounts. Illinois\(^5\) has made great strides in the control of internal accounting of extracurricular funds.

Meyers, the author of *Financing Extra-curricular Activities*, suggests four plans for the accounting of money in the extracurricular funds. He also stated that "It is impossible, then, as some have tried to do, to set up a type or system of accounting for a "small" or an "average" or a "large" high school. Every school must choose that system which best fits its needs."\(^6\) Following along with this theory, Baker\(^7\) thinks if any of the suggested plans work out satisfactorily in a community, one should not hesitate to use them. For the sake of the school, use only the system that fits in with the community. A good administrative policy takes into consideration the likes and dislikes of the taxpayers. This theory sounds very promising and may work advantageously in our small enrollment schools. Reeder\(^8\)


thinks that every school system should have rules and regulations governing the finances of the activities. Although the funds are not strictly of a public nature, the public has an interest in how the funds are raised and spent. Unless systematic accounting for the funds is provided, a legitimate expenditure of the funds cannot always be assured; the reputation of the individuals handling the accounts are apt to be smirched; and the policies for the administration of the activities are not likely to be properly made or efficiently executed. For its own protection, and for the protection of those who have charge of any school funds, it would be wise to have a definite set of rules and regulations to follow.

Procedures for administering accounts will, in many cases, be made to fit the school concerned. Some have a commercial department where a knowledge of accounting is taught; others have none. In all cases, however, the rules that govern major policies are the same. The final responsible officer must be the principal or the superintendent. Educators will find it in good practice to delegate much of the detailed work to other individuals within the system.

A definite and easily understood financial system should have, basically, these points: (1) preparation of a budget, (2) a uniform system of financial procedure, (3) a uniform system of record keeping, and (4) a periodic audit. This, with a delegated authority to class officers, will
help the administrator in keeping a closer and more reliable check on his accounts. Most authorities stress the need of furthering the educational prospects of the school. This method does give the student an opportunity to deal in sound business principles and their practical application to extracurricular accounting.

Moehlman⁹ sets down a system of regulations as follows: (1) For all the extra-curricular and non-academic activities conducted by schools of the city, there shall be a complete permanent and uniform system of financial records. (2) The responsibility for the conduct of all non-academic activities is vested in the principal of the school concerned. He shall be responsible for the maintenance of a system of records to control all the financial transactions that occur in connection with each activity. (3) This accounting record shall include a control over all cash receipts and disbursements, the incurrence of debts, the making of contracts, the purchase and disposition of non-academic supplies and equipment, and the custodianship of cash and other assets. (4) The accounting system shall show the net profit and loss resulting from the conduct of each activity for the entire school year, or oftener. (5) The accounts shall be kept by a bookkeeper, under the supervision

of the principal. (6) The entire system of records shall be subject at all times to inspection and audit of the school auditor, who is responsible to the Superintendent. (7) The system shall be conducted by means of the following books and record forms.

1. Cash Receipts
2. Cash Book
3. Ledger
4. Bank Pass Book
5. Requisitions
6. Purchase Orders
7. Voucher-Checks

At first glance, Montana Class "C" schools have had a hit-and-miss internal accounting system. The new law, as previously stated, has attempted to change many of these slip-shod practices.

Audit of books is now required. Before the law was passed, money seemed to be handled by any method desired by the supervisor. The delegation of authority for collecting and payment of money was a procedure unheard of by the responsible officer. Receipts in many cases were not given; and if they were issued, they were of the singular type.

Meyers\textsuperscript{10} gives this check list for the auditing of

internal accounts.

I. The cash book balance will equal:
   1. the pass book or check book balance.
   2. the sum of the balances of all ledger accounts.
   3. the sum of the balances of all activity treasurers' books.

II. The cash deposits will equal:
   1. the sum of the central treasurer's receipts given to the activity treasurer.

III. The cash disbursements will equal:
   1. the sum of the paid invoices with purchasing requisitions attached held by the central treasurer.
   2. the sum of the paid purchasing requisitions held by the activity treasurers.

IV. The balance of the activities treasurers' books will equal:
   1. the balance of the activity account in the ledger.

   (The total income is equal to the total central treasurer's receipts. The total disbursements are equal to the paid purchasing requisitions.)

V. Every journal entry is accounted for by the memorandum slips held by the central treasurer.

VI. The ledger:
   1. the balance of each individual account is equal to the balance of the corresponding activity treasurer's book.
   2. the balance of all the ledger accounts is equal to the total of all activity treasurer's book balance.
   3. the balance of all ledger accounts is equal to the cash book balance.
The internal accounting records should be kept with diligence and precision. When this is done, the practice of good business principles will be followed. Little chance for mistake will creep in. Administrators will then have a constant check on the situation; and with the elimination of possible error, will gain the respect of all concerned.
CHAPTER III

DELIMITATIONS OF THE PROBLEM

AREA

The area covered in this study will include all Class "C" schools east and south of the Missouri River in Montana. A western boundary was set up by drawing a line north and south on a map of Montana, directly through Great Falls. This was done to limit the study to a specific group of schools in a specified area—not to include the whole of Montana. Montana is large, and many different cultural and economic conditions exist, which are impossible to show here.

II. PROBLEM INCLUDES

Methods of collection, banking, disbursement, and recording of monies from extracurricular activities are included in this problem. Methods employed by schools to acquire money to operate the various clubs and projects are: (1) special grants from the board of education, (2) weekly or annual fees pupils vote upon themselves, (3) dances, (4) operettas, (5) motion pictures, (6) band concerts, (7) lectures (national assemblies), (8) taking magazine subscriptions, (9) sales by home economics department, (10) rummage sales, (11) carnivals, (12) ice cream suppers, (13) oyster suppers, (14) plays, (15) sales of peanuts, candy, and soft
drinks at athletic events, (16) fees charged by library club for repairing of books, (17) festivals, (18) community Christmas tree, (19) field days, (20) picnics, (21) popular girl contests, and (22) exhibits of all kinds. This study will also include forms that may be used in controlling all monies, and will assume that it is legal to collect for these activities.

III. PROBLEM DOES NOT INCLUDE

This study does not include any items of the school budget other than those pertaining to internal accounting. Money from Future Farmers of America projects, school lunch, and others of a similar nature, handled by a more elaborate system to show profit, will not be included. Cost accounting with inventory and depreciation are outside the realm of internal accounting.
CHAPTER IV

METHODS OF RESEARCH

POSSIBLE SOURCES OF DATA

All reference materials found in this study have as their source the libraries at the University of Montana. Two professional papers, which were a great help in writing this study, are on file in the Education Library of Montana University. One of these studies was made by Victor Davidson on "Park County High School Extracurricular Accounting." The other was made by Ray G. Baker on "Student Activity Accounts." There are also numerous books on the administration of extracurricular funds which were used to a great advantage in gathering background for this study.

The area selected for study was the small enrollment schools of Southeastern Montana. Personal interviews were obtained with many of these superintendents, principals, and school board members. Board members were not helpful; they knew little of what actually went on within the school-activity program. They stated that one of the reasons they hired an administrator was to take care of details of this kind.

Mr. C. R. Anderson of the State Department of Public Instruction was contacted by making a special trip to Helena, Montana. During the course of the interview, a
group of forms were brought from the files. These forms were drawn up by the State Bank Examiners for use in the small schools of Montana. A set of these forms will appear later in this study.

A letter was also obtained from Mr. Anderson, stating that this survey is definitely pertinent at this particular time. "The State Department of Public Instruction is interested since the law, making it mandatory for the auditing of these funds, is just going into effect; and it will be helpful to have this information two years from now in order to evaluate the program."¹ This quotation was inserted in the letter that accompanied the questionnaire which was sent to all administrators of small enrollment schools in South-eastern Montana.

In this study will appear a system of accounting procedures set up by a Certified Public Accountant of Billings, Montana. The cost of this procedure makes it prohibitive.

A letter was sent to General Research, Incorporated, in Chicago; but no help was received.

II. COLLECTION OF DATA

The procedure used for collecting data for this study was the questionnaire method. Personal interviews

were tried, but they did not prove effective. Letters of explanation were sent with each questionnaire to forty-three (43) schools in Southeastern Montana. Forty-three schools responded to the questionnaire without a follow-up letter. The check-list type of questionnaire was used and can be seen in the sample that follows.

QUESTIONNAIRE

I. GENERAL POLICY GROUP

1. Have you an adult central treasurer? ___ Supt.? ___ Faculty? ___ Others? ___

2. Do you require written authorization to cover all purchases? Yes ___ No ___

3. Do you require written authorization to cover all payments? Yes ___ No ___

4. Are payments made by check? ___ Signed by one? ___ Signed by two? ___

5. Have you a planned budget in each organization? Yes ___ No ___

6. Do you require a statement from the central treasurer each month? ___ three times a year? ___ at the end of the school year? ___

7. Do you have a central organization to direct the financial affairs of the extracurricular activities? Yes ___ No ___

8. Does your central organization consist of students? ___ faculty? ___ others? ___

9. Do you encourage chairmen to "pay as they go"? Yes ___ No ___

10. Do you encourage purchases to be charged and paid when billed? Yes ___ No ___

11. Are your books open for inspection at all times? Yes ___ No ___
12. Do you encourage each organization to be a complete economic unit? Yes___ No___

13. Does each organization have a complete set of officers? Yes___ No___

14. Do your officers work with a central organization? Yes___ No___

15. Do the commercial students do the banking?____ keep the journal?____ keep the ledger?____ contact the merchants regarding the purchases for the different organizations?___

16. Do you favor a uniform system of accounting for the extracurricular funds in all third-class high school districts? Yes___ No___

17. Do you favor uniform forms of receipts for all third-class high schools in Montana? Yes___ No___

18. Do you favor uniform forms for all the authorized receipts and disbursements____ purchases____ for all high schools? Class 1___ Class 2___ Class 3___

19. Do you favor these forms to be serially numbered? Yes___ No___

II. FORMS

1. Is a columnar journal used? Yes___ No___

2. Is a ledger used? Yes___ No___

3. Is a classified journal used? Yes___ No___

4. Have you a set of forms used for ticket sales, purchases, and expense reports? Yes___ No___

5. Do you require receipts to be in duplicate?____ triplicate?____

6. Do you require receipts to be serially numbered? Yes___ No___

III. MECHANICS

1. Do you have an audit of books by a public accountant?___ CPA?____
2. Do you have a bond for persons responsible for the handling of funds? Yes___ No___

3. Do you carry more than one bank account? Yes___ No___ How many?___

4. Are requests for withdrawals filed? Yes___ No___

5. What forms are used for requests for withdrawals?

All letters used in this study ensured the administrators that the material revealed by them was of a confidential nature and would be treated as such. Forms used were few in number and will not appear in this study.
CHAPTER V

TREATMENT OF DATA

PRESENTATION

What has been done in other states? Through a recent study by W. H. Ivins and H. I. Wilson, it has been learned that the accounting practices of the forty-eight states fall into three definite patterns: (1) The school or the school board has the privilege of accounting for the funds in his own way. There are no state laws or regulations by the state department to be followed. In some cases the department may make certain recommendations as to procedure. (2) The school or school board must conform to the laws of the state regarding the accounting procedures. (3) The school or school board is required to follow the rules set down by the state department of education. In this case, while there are no directly applicable state laws, the fact that the state department of education has been established by law gives them a certain amount of authority in matters of this sort.

It was also found that some states have both state and departmental laws. Many recognized the need for such laws; but, because of problems they felt were more important, the accounting of extracurricular funds had been set aside.

One can readily see by an inspection of Tables I and II that the policy involving no specific control is followed.

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by the majority of the states. It is true, however, that the states following this policy agree that it would be good to have a uniform set of accounting procedures to be followed and that they are considering either state laws or departmental laws to remedy the situation. There seems to be a possibility of some relationship between accreditation and the policies of the school, especially in the larger school systems. This was noticed particularly in states belonging to the Northwest Association of Secondary Schools and Colleges.

Further, it can be seen by Tables I and II that there is very little difference between the policies set up by the states that have laws regulating internal accounting and those which come under the control of the state departments of public instruction. This would seem to indicate that the same sort of general policies are followed with regard to accounting. One can see that there must be an awareness of the need and desirability of good, sound accounting practices to take the place of the lackadaisical manner in which records were formerly kept.

There are eleven states in which extracurricular funds are regulated by law: Arizona, California, Connecticut, Illinois, Indiana, Ohio, Massachusetts, Montana, North Carolina, and Pennsylvania. As one notes the years in which the laws were passed, the newness of the interest in legislation of this type will become apparent. Although West
Virginia has passed regulations regarding accounts, they are so brief that she cannot be included in this pattern. It is also true that the legislation of both Massachusetts and Connecticut is very brief; however, it does definitely touch on expenditures and accounting for extracurricular funds.

There is quite a variation in the laws governing school funds in the various states. For example, Indiana provides that if any part of the funds are received from public funds, those funds are subject to the laws regarding the handling of public funds. Iowa states definitely that the school lunch program does not come under the laws governing extracurricular funds, unless the school board desires that it be treated in this way. Arizona extracurricular accounting laws apply not only to high schools, but also to common schools and junior colleges. North Carolina says the schools may set up a petty-cash fund to take care of small expenditures; but further states that this fund should have a detailed report of all receipts and expenditures relative to it. Pennsylvania definitely states that any organization that raises funds has the privilege of carrying the balance over in its own name to the next school year. By law in Illinois, the school board must give its sanction to an organization and its purposes before it is allowed to earn money to support itself.

Perhaps the outstanding difference between the states that have passed laws regarding extracurricular funds and
those states whose school accounts are regulated by the state
deptartment of public instruction is the fact that the latter
is more detailed and does specify special forms to be used
by the schools. There are ten states that have definite
regulatory laws prescribed by the state department regarding
extracurricular funds. They are Delaware, Florida, Kansas,
Kentucky, Maine, Maryland, Minnesota, New Hampshire, New
York, and South Dakota. Kentucky and New York are the most
specific in their policies. Alabama, South Dakota, and
Oregon have some state department regulations, but they are
not sufficient to place them in a definite policy pattern.

Whether or not a definite pattern is followed by the
remaining states is another question. It can be assumed
that the handling of extracurricular funds is left up to the
discretion of the superintendent or principal with the school
board acting in an advisory capacity as well as auditor of
the accounts.

With the increased sums handled by the schools, they
are coming more into the public eye. Their handling is
being recognized as a means of teaching students management
of funds, ethics in accounting procedures, in addition to
the moral aspects created by the large sums that pass through
the hands of those responsible for the extracurricular funds.
It seems likely that more states will be falling into either
one or the other of the patterns given in Tables I and II.

Laws that govern procedures in Montana in the light
of other states. By checking the table that shows what has been, and is the law in other states, one can see that Montana ranks well up at the top of the scale when compared with other states having laws governing extracurricular accounting. The method of appointing the treasurer is left to the discretion of the superintendent or principal. Withdrawal of funds is in accordance with other states, requiring two signatures on each check. In the keeping of records, Montana is adequately provided for by the existing law which closely parallels those of other states. Montana differs from other states in one aspect of the auditing procedure: Each school is required to file one copy of the audit with the county superintendent, and the audit must be published in a newspaper.

Montana's law has discrepancies, however, in that the bonding of the individuals handling the funds is excluded; banking procedure prescribed is vague; reports to control officers are non-existent and not in accord with sound business principles; and an explanation of the number of exemptions to the record-keeping of extracurricular funds is lacking, which might be construed to mean that the school lunch programs do come under the system of internal accounting.¹

Classification of methods used in Montana Class "C" schools as to uniformity, flexibility, and simplicity. In classifying the material gathered from Montana Class "C" schools, it was necessary to break down the information into three general headings: (1) general policy, (2) forms, and (3) mechanics. This was done to simplify the reporting procedure.

By this study it was found that of the forty-three Montana schools reporting, all except two had a rather uniform general policy. In a majority of the cases, the superintendent or principal was the responsible officer. There were two cases cited where a secretary, under the guidance of the superintendent, was the responsible officer. The superintendent or principal, then, may be considered as the accountable officer. Written authorization was required in almost all of the cases for disbursements. Payments were made by check in thirty-five of the schools reporting; three made some payments by cash, but checks were used for end-of-the-month payments. In methods of reporting, uniformity existed to the extent that all except six schools required some method of reporting account standings to a central treasurer. The six schools cited did not have to report to the accountable officer in any manner or form. In all cases, books were open for inspection at all times. The organizational method of keeping accounts was used by all schools. Each organization had a full set of officers; and,
in schools where student councils existed, this body was often used as the central organization for the control of the financial affairs of extracurricular activities. In the cases of student body organizations or the commercial department, only in one school did they help with the ledger; in one, they helped with the banking; and three were allowed to contact merchants for purchases. Thirty-eight said it was not allowed. When the schools reporting were asked to state whether they favored a uniform accounting system for all schools, the answers were split with twenty-four reporting "Yes" and nineteen reporting "No." This can then be taken to mean that all schools were not satisfied with the law that will make accounting procedures mandatory.

In the matter of forms used, schools were very uniform in their methods. Many used other forms than those prescribed by the State Department of Public Instruction. They had, however, the necessary forms to carry on good accounting practices; forms bought from professional book companies for this purpose were common. The requirements for receipts measured up to good bookkeeping standards. Duplicate receipts were required in thirty-one cases; and triplicate forms, in eleven cases. Only one school reported that none were required.

With the problem of mechanics, bank accounts, bonding, filing, and auditing were considered. In most Class "C" schools contacted, one bank account was the desired and
practical procedure. In this matter, a serious problem arose which covered many of the cases. Having no bank within a reasonable distance was a real problem. Many administrators wrote that it was practically impossible to bank at regular intervals, which necessitated their keeping rather large sums of change on hand for expected events. Much planning was evidenced in these cases in an attempt to meet the banking needs. Bonding of personnel was one field in which we fell down nationally as well as locally. Eight schools reported bonding of responsible persons, and thirty-five schools reported that bonding was not practiced. Good filing procedures were used in twenty-six cases; and in seventeen, the filing procedure was inadequate. In seventeen cases, no withdrawal requests were filed; however, in these cases, checks on file might cover these withdrawals.

By studying forms and procedures practiced in the forty-three schools, simplicity was a practice followed almost to the point of poor accounting. The procedures were simple and easily understood; this makes them desirable for the purpose for which they were used. In all cases cited, the systems used were serving the boards of trustees and the community quite well. At the present time, all schools are following the law for the auditing of accounts.
## TABLE I

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

<table>
<thead>
<tr>
<th>State</th>
<th>Date</th>
<th>Terms Used to Describe Funds</th>
<th>Treasurer—How Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Arizona</td>
<td>1951</td>
<td>Student activity money for common schools, high schools, and jr. colleges</td>
<td>Appointed by school board</td>
</tr>
<tr>
<td>2. California</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Connecticut</td>
<td>1953</td>
<td>School activity funds</td>
<td>Appointed by town board of education—may be a member of the board</td>
</tr>
<tr>
<td>4. Illinois</td>
<td>1951</td>
<td>Activity funds—no such funds may be collected without consent of board of education</td>
<td>Appointed by board—no other official may handle funds</td>
</tr>
<tr>
<td>5. Indiana</td>
<td>1945</td>
<td>School extracurricular accounts—applies to collection, custody, and distribution of any funds in connection with activities not paid for from public funds</td>
<td>Superintendent, principal, or clerk of district or supt. or prin. may appoint a faculty member—at the opening of school</td>
</tr>
<tr>
<td>6. Iowa</td>
<td>1953</td>
<td>Special activity funds</td>
<td>Board secretary or some bonded employee selected by board</td>
</tr>
</tbody>
</table>

(Continued)
### TABLE I (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

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<tr>
<td>7. Massachusetts</td>
<td>1952</td>
<td></td>
<td>A treasurer shall be appointed—no statement about method of selection</td>
</tr>
<tr>
<td>(Amend.*)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Montana</td>
<td>1953</td>
<td>Extracurricular funds</td>
<td></td>
</tr>
<tr>
<td>9* New Jersey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. North Carolina</td>
<td>1948</td>
<td>Extracurricular or special school funds</td>
<td>Appointed by city or county board—one for each school</td>
</tr>
<tr>
<td></td>
<td>1950</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1951</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Pennsylvania</td>
<td>1949</td>
<td></td>
<td>Any school employee may be appointed by the board—treasurer must be appointed</td>
</tr>
</tbody>
</table>

(Continued)
TABLE I (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

<table>
<thead>
<tr>
<th></th>
<th>Bonding of Treasurer</th>
<th>Depository for Funds</th>
<th>Withdrawals from Funds</th>
<th>Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In amount to be determined by school board—cost borne by school district</td>
<td>Bank—unless facilities are not available—then an administrator of school may act as depository</td>
<td>By check signed by treasurer and one other person named by board</td>
<td>Accurate and detailed records of all deposits and expenditures in form prescribed by board. Accts. showing balances of each organization be kept open to inspection of officers concerned</td>
<td></td>
</tr>
</tbody>
</table>

A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES

2. | Bank—approved by local board of trustees |

3. Shall be bonded | Bank | As prescribed by board of trustees | Separate accounts are to be kept |

4. Shall be bonded | Bank | By treasurer's check made only on order signed by president and secretary of group, countersigned by faculty adviser | Accounts of receipts and disbursements to be kept—monthly reconciliation of accounts required |

(Continued)
## TABLE I (continued)

### SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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<tbody>
<tr>
<td>5. In amount fixed by superintendent or principal—equal to largest amount handled at any time—bond to be filed and recorded with county recorder.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank—all funds must be deposited in one account.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By check with approval of principal or teacher in charge—suggests countersignature.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Records showing source of receipts and purpose of all disbursements required—separate accounts of transactions for each organization—records filed with proper officials with last general financial report of yr.—records to be kept 5 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. All persons handling money or responsible for administration or accounting to be bonded.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank—funds can be deposited in name of school treasurer.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By check.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Records to be kept in duplicate by board secretary or bonded employee.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Deposit of funds with town treasurer—separate account.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spent by and on order of committee on travel.</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

(Continued)
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SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES

8. Bank is implied since funds withdrawn by check—no specific provision
   By check with signature of two persons—usually treasurer and school secretary
   Can be in form of control audits for schools having small accounts—larger schools keep separate accounts—all checks preserved for audits

9.

10. All persons authorized to handle funds in any way to be bonded in amount determined by board
   Bank or trust company authorized to operate—one acct. for all funds
   By check—signed by principal and treasurer (Not required where less than $300 is handled or if board does not require
   Complete records to be kept of all money received and disbursed—one central account for all funds of school

(Continued)
TABLE I (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES

11. In amount and with Depository ap- Maintain accounting system ap- surety or suretiesproved by boardproved by board of trustees-approved by board of trustees—quar- determined by trustees—quarterly financial terly financial statement to board—often if required board if required

(Continued)
### TABLE I (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

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<tr>
<th>Reports</th>
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<tr>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

**A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES**

1. Copy of monthly deposits and expenditures to be presented to board monthly—copy of audit filed with board
   - At least once a year by state examiner or qualified accountant hired by board
   - Revolving fund may be established to meet current expenses of student activities—amount of revolving fund must be credited to school at end of fiscal year
   - Accounts are considered to be town accounts

2. By town auditor

3. 

4. Monthly to board—
   - to include statement of position and receipts and disbursements and report of audit
   - Annually by licensed accountant
   - Organizations, clubs, and associations and their purposes must be approved by board of trustees—revolving fund permitted—no overdrafts permitted

(Continued)
# TABLE I (continued)

## SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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### A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES

5. Within 2 weeks after close of school—to show source of receipts and purpose of disbursements in each account—file with board—also at end of each semester

   - Audits as prescribed by state board of accounts
   - If any portion of any function, paid by public funds, that portion to be accounted for as provided by general school law concerning public funds—if function provided by agency outside school, that agency to account for funds
   - No bond or separate accounting required if receipts are estimated at less than $300 per year informational pamphlets available—partial list of activities suggested

6. Monthly report of fund accounts to board of trustees

   - Audit with regular school audit
   - School-lunch program accounting included only when board of trustees specifies
   - Deficits can be made up from gen. funds and then repaid—accounting system established by law to be in use by July '54. No district required to abandon any system now in use if in at least as much
### TABLE I (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

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A. **STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES**

<table>
<thead>
<tr>
<th>A.</th>
<th>Direct references</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>detail as new legal system-- accounts have been coded--revolving fund is permitted</td>
</tr>
<tr>
<td>8.</td>
<td>Annually by state bank examiner or qualified accountant--if by former cost comes from extracurricular funds</td>
</tr>
<tr>
<td>9.</td>
<td>Copy of audit to be filed with supt. and audit must be published in newspaper</td>
</tr>
<tr>
<td>10.</td>
<td>Monthly report to supt. showing status of each fund-- any other reports required by law-- monthly bank statement and reconciliation</td>
</tr>
<tr>
<td></td>
<td>Annually--at time of regular city or county funds audit--as near close of school year as practical--by CPA</td>
</tr>
<tr>
<td></td>
<td>Copy of audit to be filed with secretary of administrative unit and state board of education not later than Oct. 1, after year closing</td>
</tr>
</tbody>
</table>
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A. STATES IN WHICH REGULATORY LAWS DESCRIBE ACCOUNTING PROCEDURES

11. Quarterly financial statement

<table>
<thead>
<tr>
<th>Audit in same manner as regular accounts of school district</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30--cost of bond to be budgeted (can be prorated among funds to be protected--petty-cash fund permitted)</td>
</tr>
<tr>
<td>School board may authorize and assign any school employee to serve in any capacity in extracurricular program--any organization can raise funds and hold over balance from year to year in its own name and under own supervised management as provided by board</td>
</tr>
</tbody>
</table>
TABLE II  
SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

<table>
<thead>
<tr>
<th>State</th>
<th>Date</th>
<th>Term Used to Describe Funds</th>
<th>Treasurer--How Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Alabama</td>
<td>1948</td>
<td>Local school funds</td>
<td>Implies principal will serve</td>
</tr>
<tr>
<td>2. Delaware</td>
<td></td>
<td>Internal organization funds</td>
<td>Clerk or other person designated by principal</td>
</tr>
<tr>
<td>3. Florida</td>
<td>1948</td>
<td>Internal accounts</td>
<td>Responsibility placed on principal for accounting</td>
</tr>
<tr>
<td>4. Kansas</td>
<td>1952</td>
<td>Activity funds</td>
<td></td>
</tr>
<tr>
<td>5. Kentucky</td>
<td></td>
<td>Extracurricular funds</td>
<td>May be asst. principal, principal's clerk or secretary, or other person</td>
</tr>
<tr>
<td>6. Maine</td>
<td>1949</td>
<td>Pupil activity funds</td>
<td>Principal suggested as custodian</td>
</tr>
<tr>
<td>7. Maryland</td>
<td></td>
<td>Extracurricular funds</td>
<td>Treasurer selected by principal--implies could be pupil</td>
</tr>
</tbody>
</table>

(Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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<tr>
<td>8. Minnesota</td>
<td></td>
<td>School auxiliary funds</td>
<td>School district treasurer serves</td>
</tr>
<tr>
<td>9. New Hampshire</td>
<td></td>
<td>Special fund activities</td>
<td>A custodian is to be designated</td>
</tr>
<tr>
<td>10. New York</td>
<td></td>
<td>Extraclassroom activity funds (pupil funds)</td>
<td>Custodian to be appointed by board of education—student assistants may be used, but responsibility remains with custodian</td>
</tr>
<tr>
<td>11. Oregon</td>
<td></td>
<td>Pupil activity funds</td>
<td>A faculty member is appointed and held responsible for supervision of funds</td>
</tr>
<tr>
<td>12. South Dakota</td>
<td></td>
<td>(Policy defines funds only—accounting a sole responsibility of the local board of education.)</td>
<td></td>
</tr>
</tbody>
</table>

(Continued)
TABLE II (continued)

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**B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)**

1. Principal usually is bonded

2. Blanket bond to cover all persons who handle local district money (or extracurricular funds)
   - Bank—one account for all funds—bank daily
   - By check—organization submits form authorizing payment—check to include two signatures (clerk and principal usually)
   - Control sheet for daily totals and detail sheet for separate activities—each organization to keep own financial record

3. All persons who handle school money bonded—bond from any approved bonding agency
   - Bank—one account
   - By check—two signatures required
   - Adequate and accurate records—uniform accounting on forms prescribed or approved by state department

(Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

4. Amount equal to amount of money handled in a period—each person handling money to be bonded in amt. equal to largest amount anticipated at one time during school year

   Bank

   By check--supporting voucher required

   Each account should operate under a budget as much as possible

5. Amount and type of bond determined by board of education--blanket bond suggested

   Bank--through school treasury--one acct. only

   Disburse upon receipt of voucher approved by organization secretary or treasurer and faculty sponsor

   Complete set of financial records for all organizations (although each organization also responsible for own records)

(Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

6. Surety bond recommended

Bank

By check

Monthly reconciliation of bank account statement of condition of all organization accts. each month

7. Bonding required if "large" sums of money are handled

Bank—prompt deposits—daily if possible

By check—signed by two persons

Monthly reconciliation—system to show cash balance in each fund on any date

8. Bond—no qualifications relieving the surety

Depository designated by board of trustees

By check—upon receipt of proper authorization

Complete accounting system required showing receipts and disbursements—balance books monthly—monthly reconciliation of bank account

(Continued)
### TABLE II (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

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**B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)**

9. Bank—receipts to be deposited as soon as possible  
   By check  
   Records of receipts, disbursements, and cancelled checks to be kept 6 yrs.

10. Bond type and amount fixed by board
    Bank designated by board—deposit promptly  
    By pre-numbered check counter-signed by comptroller (Plan I) or chief faculty adviser (Plan II)  
    Two separate and independent records of receipts and disbursements to be kept—accounting system to be one that yields greatest educ. value to pupils without sacrificing safety of funds

11. Administrative head of school or faculty member shall be bonded

12. (Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

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B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

1. Use "latest and soundest" procedures

2. Monthly bank reconciliation—monthly report of balance to each pupil organization

3. Periodic reports as prescribed by county board of school trustees

At least one audit annually by person designated by board

Separate bank acct. may be established for school cafeteria funds if this will simplify accounting

Funds coming from projects originated by parent-teacher associations, except school-lunch funds

School-lunch funds under direct control of county board of school trustees—separate bank acct. for school-lunch funds

(Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

<table>
<thead>
<tr>
<th>Reports</th>
<th>Audits</th>
<th>Exemptions</th>
<th>Variations</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

4. Summary statements of all accounts at end of each calendar month
   - Annually—preferably by licensed municipal accountant under direction of board
   - Recommendations separate accounts be maintained for state and Federal taxes

5. Regular report to board of trustees (monthly suggested) monthly bank reconciliation
   - Regular audit
   - Student exchange, cafeteria, PTA funds, and school-lunch funds have separate accounts
   - State law allows board of education full authority to control expenditure of funds collected by pupil organizations. Board may delegate this authority—rules and regulations of local boards govern funds

(Continued)
### TABLE II (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

<table>
<thead>
<tr>
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</table>

#### B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

6. Monthly report to superintendent
   - Annually and whenever principalship is changed—public or state accountant or committee approved by board
   - Cafeteria operations
   - Petty cash fund permitted—pre-numbering of checks, receipts, and vouchers stressed—forms recommended

7. Annual report status of funds and analysis of disbursements to superintendent
   - Annually—by CPA in large schools; by faculty audit committee in small schools
   - Petty cash fund permitted—pre-numbering stressed—recommend budgets for pupil activity organizations

8. Monthly report to board showing bank reconciliation and all acct. balances
   - Board authorized to have accounts audited—suggest annual audit by professional auditors
   - Detailed code of activity accounts provided—this is comprehensive—petty cash acct. permitted—complete set of forms provided

(Continued)
### TABLE II (continued)

**SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES**

<table>
<thead>
<tr>
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<th>Audits</th>
<th>Exemptions</th>
<th>Variations</th>
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<tbody>
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<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

**B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)**

9. At time of school district audit
   - School lunch funds
   - General fund may cover part of expense of program; this expenditure may be repaid from activities income or remain in activities account

10. Verification of bank statements at stated intervals—yearly report required
   - At least annually
   - Cafeteria funds
   - Two plans: I, central treasurer and comptroller with independent accts.; II, central treasurer and bookkeeper with independent faculty committee audit—provision for advances and transfer of funds

(Continued)
TABLE II (continued)

SUMMARY OF PROCEDURES IN ACCOUNTING IN SCHOOLS OF THE VARIOUS STATES

<table>
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<td>12</td>
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</table>

B. STATES IN WHICH DEPARTMENT OF EDUCATION PRESCRIBES UNIFORM POLICY (ON BASIS OF SPECIFIC REQUIREMENTS OF SCHOOL CODE OR GENERAL LEGAL AUTHORITY AS STATE EDUCATIONAL AGENCY)

11. Annually as required by NWA

Is actually a policy developed in Northwest Association of Secondary Schools and Colleges but is strongly supported by Oregon Department of Education
CHAPTER VI

TWO SUGGESTED SYSTEMS FOR INTERNAL ACCOUNTING IN MONTANA SCHOOLS

In setting up an accounting system for the small enrollment school, this study will endeavor to give a system that is very flexible. For basic accounting, where funds do not run into large proportions, it will serve the needs of the administration, community, and school board. Forms for this system are designed to be made in triplicate: one copy for the sponsor of the organization; one for the office file; and one for the store or merchant, to be returned with the statement for payment. In the case of the journals, only one is kept; and the ledger, in singular form, is the main record book.

The system presented on page 52 as System Number I is self-explanatory. This is the system presented by the State Bank Examiners for use in all small enrollment schools.

The system that this study wishes to present, System Number II, page 65, is in simple form. Directions for making entries are easily understood and can be followed with no trouble by any person making the audit. This system includes the following among its major features.

1. A centralized type of control.

2. Superintendent or principal as adult central treasurer.

-50-
3. A written authorization to cover all purchases.
4. A receipt made to cover all income of money.
5. A check issued for all payments.
6. A columnar journal; and a ledger used for accounting.
7. A set of forms used for ticket sales, authorization of purchase and payment.
8. A financial statement prepared by the class treasurer and central treasurer (each month) at least twice a year, at the end of the first semester and at the end of the school year.
9. A control organization, consisting of students and faculty members, to direct the financial affairs of the extracurricular activities.
10. An annual audit of the books by a public accountant or bank examiner.
11. A bond for personnel responsible for the handling of funds.
To: School Officials

From: R. E. Towle
State Examiner
Ex Officio Superintendent of Banks
State Capitol, Helena, Montana

Re: Accounting System for Extra Curricular Funds

Helena, Montana
July 11, 1953

We are enclosing herewith an outline of procedure to be followed by school officials in setting up a bookkeeping system and handling extra curricular activity funds. The forms set forth therein are recommended by this office in accordance with Chapter 233, Laws of 1953, as follows:

75-1632 (24). To provide for a system of bookkeeping and annual auditing of extra curricular funds; such bookkeeping system to be recommended by the state bank examiner and such audit to be made by a qualified accountant or by the state bank examiner if so requested. If the audit is made by the state bank examiner, then, there shall upon completion of the audit be paid from the extra curricular funds a fee of thirty dollars ($30.00) per day per man, together with actual transportation expenses, into the state treasury, and the state treasurer shall accredit such payment to the special examiner's fund. A certified copy of such audit shall be filed with the county superintendent of schools, and shall be published by said county superintendent in the next publication of a newspaper published within the district, or, in case there be no paper published within the district, in a newspaper published within the county, if any, and if none within the county then in the nearest newspaper published in an adjoining county and payment of such publication shall be made from the extra curricular funds.

75-1632.1. TRUSTEES OF SCHOOL DISTRICTS ANNUALLY TO DECIDE BY WHOM AUDIT TO BE MADE. On or before the first day of January, 1954, and annually thereafter, the board of trustees of each school district coming under the provisions of this act, shall decide whether the aforesaid audit shall be made by the state examiner or by a certified public accountant, to be employed by the district, and shall cause notice of its decision to be given to the state examiner.
SYSTEM I

It is possible that your present system is satisfactory, in which case the procedure and the information available, should correspond closely to that prescribed herein.

Following is an explanation of the forms being recommended:

Exhibit A—CONTROL ACCOUNT.

This form may be used satisfactorily by schools which do not have large amounts of funds to handle, and which will be found self-explanatory. All accounts are to be recorded on single sheets, front and back, but separate headings indicate the different accounts.

For schools having larger and more numerous funds to handle, the following explanations are given:

Exhibit B—CASH RECEIPTS.

All cash receipts should be entered thereon, showing date, source, purpose, and fund.

Exhibit C—CASH PAYMENTS.

All payments made should be shown thereon in accordance with date, recipient, purpose, and fund.

Exhibit D—

This form should be used in connection with each fund, showing thereon the source of moneys received for credit of that particular fund, and the amount and purpose of payments made against the fund. Therefore, a separate sheet is required for each fund.

With variations forms (E,F,G,H,I,J,) should be used by small schools as well as large ones, with their systems.
Exhibit E----

This is a receipt form in triplicate. The original should be given to a person turning in money for any student activity; the duplicate is used as a memorandum of deposits to the bank, and the triplicate remains in the book, from which posting should be made to the "Register of Receipts" and "Ledger Accounts."

Exhibit F----

This is to be used for filing expense accounts in connection with group trips, and should be filled out promptly upon return by the coach or person responsible for the trip.

Exhibit G----

These receipts should be in triplicate. The original is for the student when he makes the regular deposit fees listed with the teacher or registrar. The duplicate should accompany the money when it is turned over to the business office. The triplicate should remain in the book.

Exhibit H----

There will be many variations of this report, according to the size of the school and the turnover in tickets. The reconciliations provided for in this type of report should give a complete accounting of all gate receipts.

Exhibit I----

This is a request for the Secretary to the Treasurer for disbursement of money and must be approved before checks are issued. The original should be signed by the Secretary of the particular fund involved and should be approved by the sponsor and the superintendent or principal. The treasurer should countersign each request, insert the date of payment, and the check number. The Treasurer must retain these originals as his authority for issuing checks. Duplicates should remain in the book.
Exhibit J---

All checks used in either system should indicate the fund to be charged, the purpose for which issued, the folio or file number, where complete information on each charge can be found, and be signed by at least two persons.

THE FIRST NATIONAL BANK
of

Charge
For
Folio No.

Fund
STUDENTS ASSOCIATION

No.

(in duplicate)

Principal
Treasurer
FIGURE I
CONTROL ACCOUNT

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
<th>Fol.</th>
<th>Taken In</th>
<th>Paid Out</th>
<th>Bal.</th>
<th>Taken In</th>
<th>Paid Out</th>
<th>Bal.</th>
<th>Taken In</th>
<th>Paid Out</th>
<th>Bal.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### FIGURE II

**CASH RECEIPTS**

**Exhibit -B-**

<table>
<thead>
<tr>
<th>Date</th>
<th>Received From</th>
<th>Purpose</th>
<th>Fund</th>
<th>Receipt No.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 10, 1953</td>
<td>Ticket Booths</td>
<td>Butte Public B.B. Game</td>
<td>Athletic</td>
<td>5548</td>
<td>$500.00</td>
</tr>
</tbody>
</table>

Page No. 1
FIGURE III

CASH PAYMENTS

Exhibit -C-

CASH PAYMENTS HIGH SCHOOL STUDENTS' ASSOCIATION FUNDS MONTANA

<table>
<thead>
<tr>
<th>Date</th>
<th>To Whom Issued</th>
<th>Purpose</th>
<th>Fund</th>
<th>Check No.</th>
<th>Paid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 10, 1953</td>
<td>Butte Public H.S.</td>
<td>Guarantee B.B. Game</td>
<td>Athletic</td>
<td>6997</td>
<td></td>
<td>$150.00</td>
</tr>
</tbody>
</table>
## FIGURE IV

### CASH JOURNAL

**HIGH SCHOOL STUDENTS' ASSOCIATION, MONTANA**

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt No.</th>
<th>Check No.</th>
<th>Items</th>
<th>Debits</th>
<th>Credits</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 10, 1953</td>
<td>5548</td>
<td></td>
<td>Receipts Butte Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>B.B. Game 1/10/53</td>
<td>$500.00</td>
<td>$3016.00</td>
<td></td>
</tr>
<tr>
<td>Jan. 10, 1953</td>
<td>6997</td>
<td></td>
<td>Butte Public H.S. Guarantee</td>
<td>$150.00</td>
<td></td>
<td>$2866.00</td>
</tr>
</tbody>
</table>

Exhibit -D-
FIGURE V

RECEIPT
In Triplicate

Exhibit -E-

<table>
<thead>
<tr>
<th>RECEIPT (in triplicate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH SCHOOL STUDENTS' ASSOCIATION NO.__</td>
</tr>
<tr>
<td>__________________________<strong>, Montana, _________ 19</strong></td>
</tr>
<tr>
<td>Received of ____________________________ $ __________</td>
</tr>
<tr>
<td>Source ______________________________</td>
</tr>
<tr>
<td>Credit ______________________________ Fund.</td>
</tr>
<tr>
<td>Folio No. ___________________________</td>
</tr>
</tbody>
</table>

_________________________ Treasurer
FIGURE VI
EXPENSE ACCOUNT REPORT

Exhibit -F-

COUNTY
HIGH SCHOOL STUDENTS' ASSOCIATION

EXPENSE ACCOUNT REPORT

<table>
<thead>
<tr>
<th>Date</th>
<th>Trip to</th>
<th>For</th>
<th>Number of Persons making trip</th>
</tr>
</thead>
</table>

| Received from Treasurer | $ | |
| Received from | $ | |
| **Total** | $ | |

EXPENDED: (Attach vouchers to cover)

| Bus Fare | $ | |
| Railroad Fare | $ | |
| Auto Hire | $ | |
| Hotel | $ | |
| Meals | $ | |
| Other: | $ | |

| Total Expended | $ | |
| Balance- (Cash Returned) | $ | |
| **Total** | $ | |

(This report should be filed on the Monday following the trip)

Signed: ...........................................

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FIGURE VII

RECEIPT

Exhibit -G-

RECEIPT (in triplicate)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Text Books Deposit</td>
<td>$2.00</td>
</tr>
<tr>
<td>Konah</td>
<td>$1.50</td>
</tr>
<tr>
<td>Band</td>
<td>$0.25</td>
</tr>
<tr>
<td>Student Council</td>
<td>$0.10</td>
</tr>
<tr>
<td>Athletic</td>
<td>$2.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6.00</strong></td>
</tr>
<tr>
<td>Fines</td>
<td>$...</td>
</tr>
<tr>
<td>Other</td>
<td>$...</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$...</strong></td>
</tr>
</tbody>
</table>

**HIGH SCHOOL**

Date....................................
Signed....................................
Teacher...................................

(Do not lose this receipt. Your teacher will ask to see it before issuing text books.)
FIGURE VIII

TICKET SALES REPORT

Exhibit -H-

HIGH SCHOOL STUDENTS' ASSOCIATION
Montana

TICKET SALES REPORT

<table>
<thead>
<tr>
<th>Event</th>
<th>Place</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of Ticket</th>
<th>First Number</th>
<th>Last Number</th>
<th>No. Tickets Sold</th>
<th>Est. Price</th>
<th>Fed. Tax</th>
<th>Sell Price</th>
<th>Total Receipts</th>
<th>Less Total Tax</th>
<th>Net Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult General Admission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary General Admission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Reserved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signed ________________________________
Ticket Salesman ________________________________

Total Receipts
Change
Cash Over or
Short
Amount Deposited
FIGURE IX

REQUEST FOR DISBURSEMENT

Exhibit -I-

HIGH SCHOOL

Request for Disbursement

To Treasurer:  Date
ACTIVITY FUND
Pay to the
order of $______________

Dollars

Out of Fund for
Approved

Sponsor

Supt. or Prin.  Secretary
SYSTEM II

SYSTEM OF CONTROLS AND RECORDS FOR SCHOOL ACTIVITY FUNDS

(Individual's record—Record kept by the treasurer of each fund—General record—Record kept by the superintendent)

Controls are, specifically:

1. That the superintendent be appointed and held accountable for funds of all school activities.

2. That each fund be directed by members of the student body, electing officers and performing such other functions as are necessary.

3. That collections of money during fund-raising projects be made by some student other than an officer of the group and that such person ask for and secure a receipt from this group's treasurer upon turning in the funds, delivering such receipts to the clerk of the school board, to be held for the auditor.

4. That as soon as practicable thereafter the treasurer deposit with the superintendent these funds, less any minor cash expenditures that are necessary, receive in return a receipt noting in the individual record of the fund the amount placed with the superintendent.

5. That it is not necessary for the superintendent to make separate deposits for each fund or to keep the money separate in the office but because of the danger of fire to arrange to deposit it promptly to the school account in a bank.

6. Withdrawals may be made only by the treasurer of each fund in a written request to the superintendent, attaching thereto, when possible, an invoice or statement supporting the withdrawal. The treasurer enters the amount of the withdrawal request in the individual fund record at the time of preparing it. The superintendent shall honor the request from cash on hand, securing a receipt therefor, or draw a check on the general bank account noting both on the check and stub the fund to be charged with the withdrawal.
7. Requests for withdrawal from fund treasurers should be filed in date order in a file provided for each fund in the superintendent's office, unless, because of the number of requests, it is found more convenient to file alphabetically under the name of the individual or company supplying the merchandise or service. The latter system facilitates finding the original invoices but is not practical where only a few transactions occur in a fund. However, it is understood that even while filing alphabetically each fund's transactions are kept separately for convenience in rechecking the records.

System of Records:

8. Entries in the general record are made from stubs of the receipts issued to the various fund treasurers, receipts from cash paid-outs, and the check stubs. This record has been designed so that the cash on hand and the cash in the bank totals the balances in all the various funds accounts. The columns may be sub-totaled at any time to prove a balance; however, they should be totalled monthly and the resulting totals proved by a count of the actual cash on hand, a reconciliation of the bank account and checked with the individual records of the funds treasurers to discover errors in posting.

9. In posting to the general record the left hand four columns are for control of the cash and bank accounts. As the various funds treasurers turn in money from their projects, the cash account is debited with the total of all moneys collected and that fund account credited in the proper space in the right hand columns with the same amount. If the fund treasurers found it necessary to pay out some of the receipts for expense before turning it in to the superintendent, the total of this disbursement is credited to the cash account and the fund account debited. Deposits are recorded by crediting the cash account and debiting the bank account. Cash paid out by the superintendent is credited to the cash account and debited to the proper fund account. Checks written are recorded by number, credited to the bank account and debited to the proper fund account.
10. Reconciling the bank account under this system is accomplished in this manner: Arrange the cancelled checks, returned with the bank statement, in numerical order. Take a colored pencil and mark opposite the amount of each check in the left hand side of the general record sheet the number of the month (1 for January, 6 for June, 10 for October, etc.) in which the check was cancelled by the bank. Check off the deposits in the same way. Prepare a list of the outstanding checks and a list of uncredited deposits, and total each one separately. To the ending ledger bank balance for the last month, add this month's deposits, subtract this month's checks written as shown by the general record and sub-total. This is the ledger balance. Add to this the outstanding checks and subtract the uncredited deposits. This should be the same balance as shown on the bank statement.

Reconciling the cash account is accomplished by adding this month's debits and subtracting this month's credits from the balance carried forward from last month and checking this against a count of the actual cash on hand.

11. In closing the columns in the general record at the end of a month or in forwarding to a new sheet use only the amount of the difference between the two columns in each account as the amount carried forward.
FIGURE X

STATEMENT OF TICKET SALE RECORD

DATE__________
CARTER HIGH SCHOOL
CARTER, MONTANA

TICKET SALE RECORD

<table>
<thead>
<tr>
<th>Function</th>
<th>Organization</th>
<th>Start</th>
<th>Finish</th>
<th>No. Sold</th>
<th>Admission</th>
<th>Tax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signatures of Responsible Parties:
Cashiers_____________________________ Error______
_____________________________________ Bank______
Checked by___________________________ Change Return (if any)____

Note: Record any error under both admission and total. Fasten first and last tickets to this record.
FIGURE XI

AUTHORIZATION OF PURCHASE AND PAYMENT

ASSOCIATED STUDENTS C.H.S.

No._________________

CARTER, MONT.______

To___________________

____________________ is hereby authorized to purchase
the following items. Charge to organization___________

____________________ (Name of organization)
and return this authorization with your statement at the
end of the month.

____________________

____________________

____________________

I received the above
items for the school.      Treasurer______________

____________________

____________________

Bearer's signature        Sponsor______________

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FIGURE XIII
CHECK

Carter, Mont. 19 No.

THE NATIONAL CARTER BANK

Pay to the Order of $__________________________

ASSOCIATED STUDENTS C.H.S.

For Org. ___________________________ Treasurer
Org. ___________________________
Auth. Nos. ___________________________ Superintendent
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
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<td></td>
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<td></td>
<td></td>
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</tr>
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# Figure XV

## Columnar Journal

### Carter High School

#### Carter, Montana

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FIGURE XVI
RECEIPT

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CHAPTER VII

SUMMARY

The purpose of this study has been to present a prac­tical, simple, and flexible accounting system that will meet the needs of any small enrollment school and its community.

The contents are a summary of the findings of research at the Montana State University library and questionnaires sent to forty-three Class "C" schools of Southern and Eastern Montana. A detailed study of the laws and practices followed by other states, along with a comparison of Montana's existing law and practices in relation to those of other states, is presented.

Montana's internal accounting law, passed in 1953 by the State Legislature, and its practices parallels closely those of other states that have made positive forward strides in this area. Progress has been made in establishing responsibility concerning the handling of extracurricular funds; and the forms used have reached a stage of uniformity, recognizing the need for student participation in the accounting process. However, bonding of responsible persons is ignored in the existing law of Montana, as well as in general school practice.

With these findings as a basis, two accounting sys­tems, which will meet the present needs of small enrollment
schools that require audits of accounts by competent individuals, have been presented.
BIBLIOGRAPHY

A. BOOKS


B. PERIODICAL LITERATURE


C. UNPUBLISHED MATERIALS


D. PUBLISHED THESES
