Extracurricular activity fund accounting at Park County High School

Victor Godtfred Davidson

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EXTRACURRICULAR ACTIVITY FUND ACCOUNTING

AT

PARK COUNTY HIGH SCHOOL

by

Victor G. Davidson
B.A., State Teachers College,
Valley City, North Dakota, 1930

A Professional Paper
Presented in partial fulfillment of the requirement for the degree of Master of Education

Montana State University
1949

Approved:

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Chairman of Board of Examiners

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Dean, Graduate School

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CHAPTER I

INTRODUCTION

I. THE PROBLEM AND ITS IMPORTANCE

To place the accounting of extracurricular activities funds on a sound business basis is an administrative responsibility which can no longer be ignored. A definite system of accounting is imperative. The administrator must assume this responsibility.

The extracurricular program has been more or less like Topsy - it has just grown resulting in slip-shod and unbusiness-like methods of bookkeeping and banking. To permit a "laissez faire" policy in this area of school finance to continue is to court disaster.

Many irregularities of minor importance in this twilight zone of public school finance develop into proportions that go beyond the control of school officials.

McKown\textsuperscript{1} says that the present demand for efficiency in educational affairs and the necessity for a closer and more effective organization of extracurricular activities has brought with it the demand that "these activities and their finances be handled in accordance with sound business principles."

\textsuperscript{1} Harry C. McKown, Extracurricular Activities (New York: The Macmillan Company, 1927), p. 547.
In speaking of this problem Stout\textsuperscript{2} feels that in the management of the activity program there is no greater problem confronting the principal than that pertaining to the financing of activities. He says, "It is one of the most neglected areas in the whole field of secondary school administration, for in no other does practice lag so far behind theory."

The purpose of this paper is to design an extracurricular activity fund accounting system for use in the Park County High School at Livingston, Montana.

For the reason pointed out by Lasser\textsuperscript{3}, namely, that a system of accounting should be designed to fit a particular business or situation, the plan will be limited to its use in Park County High School. However, with some modification it may well be used in schools operating under similar conditions.

\section{II. DELIMITATION OF THE PROBLEM}

This discussion deals only with the funds of the extracurricular activities and not with such other funds in an internal accounting system, as the income from bookstore, hot lunches, and rentals.

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The problem is concerned with the process of accounting for extracurricular activity funds and not with the process of taking in the money as from ticket sales. The problem does not deal with the administration of extracurricular activities from the standpoint of control and supervision, except as they determine the framework of the accounting system. The solution is not dependent upon the means of acquiring money or the permission to spend it - the problem is concerned only with accounting for what is taken in and spent after receiving proper authority to do so - however, provision is made for forms to show such permission.

III. SOME BASIC ASSUMPTIONS

In working on this problem it is assumed that there are significant amounts of money existing in student organizations at Park County High School that need to be accounted for in some manner, and that the school board and the administrator of the school have the right to provide regulations and controls in the securing and spending of such money. Reeder4 insists that, "school officials are always responsible for the general administration and supervision of the program." Some states including Pennsylvania, according to Thompson5,


have handed down decisions that all monies in activity funds that involved the use and wear of district property, school buildings and grounds, or that involved the money spent by the district for heat, light, maintenance, and janitor charges, "are public funds and must be administered by boards of school directors exactly as tax monies." This action requires that school boards be able to produce accounts and records of the activity funds, and that they be subject to official audit even though no tax monies are involved. While a definite accounting system is necessary to satisfy these conditions it is assumed many educational values may be derived by the students from application of that system.

IV. PRACTICAL VALUES TO BE DERIVED FROM A SOLUTION OF THE PROBLEM

Practical values to be derived from a solution of the problem are briefly classified as (1) furnishing accurate and current financial information, (2) offering educational values through student participation, (3) providing accessible tax information, (4) protecting personnel, (5) safeguarding money, and (6) maintaining healthy public relations.

A simple, efficient, and adequate system of handling extracurricular activity funds should provide the administrator at all times with a definite accounting of all income, expenditures, and balances of such monies. In stressing the simplicity of the system Lasser⁶ says that it is desirable

Lasser, op. cit., p. 5.
to retain simplicity as a keynote principle.

Lasser\(^7\) adds that: "The system should provide: (1) the means for recording transactions, (2) adequate provisions for safeguarding assets, and (3) the information for intelligent control and guidance of the business, by furnishing accurate and current financial information."

Harold E. Stassen\(^8\) in speaking before the Thirty Third Annual Convention of the National Association of Secondary School Principals said: "Of course, one of the very finest programs in that preparation for participation in citizenship is the citizenship programs in the schools themselves, the participation in various forms of student government, and the development of both leadership and participation on that basis." The actual experience in the handling of money, the feeling of responsibility to a group in accounting for its funds, and the accounting training afforded the students who participate in this phase of student activities is an educational value not to be passed over lightly.

Hanson\(^9\) emphasized the fact that the area of finance is especially appropriate for student participation, while Koos, Hughes, Hutson, and Reavis\(^10\) insist that good methods

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be used in extracurricular finance since it is in extracurricular affairs that most pupils secure their first experience in dealing with public finance.

A point in public relations frequently overlooked by many administrators is the attitude of the local merchants in regard to setting up an account for small purchases by a number of different organizations. A satisfactory solution to the problem at hand would make it unnecessary to run more than one account for the student organizations. A favorable attitude of merchants in this regard is mentioned by Christy\(^\text{11}\) in listing the reasons for a centralized system of accounting.

Good business principles in managing the extracurricular activity funds are necessary in order to meet the requirements of recent acts of the Federal government. This is explained well by Trytten\(^\text{12}\) when he says:

"Accounting for income will be enforced upon all schools now that the Federal government has removed the exemption from payment of amusement taxes which has heretofore been enjoyed by all schools. The new act, 1941, calls for the payment by schools of a tax on admissions, which will require satisfactory records of incomes from athletic contests, concerts, dramatic entertainments, school parties, carnivals, dances -- all revenue-producing activities in the nature of admissions. The practices in large numbers of schools have heretofore been rather loose and vulnerable up to the moment of deposit with the school accountant or the general treasurer. The report with remittance covering taxes on all performances in any calendar month which must be filed with the collector of internal revenue of the district in which the school is located on or before the last


day of the succeeding month will demand strict and efficient handling of all funds from the moment the first dollar is received."

In discussing the value of the particular objective of efficient and accurate accounting, Stout\(^\text{13}\) observes that the fate of men who have made false reports to the Collector of Internal Revenue is impressed rather deeply on the minds of citizens. Of course, there are not many, if any, school men who would deliberately give an inaccurate report to the Federal government. However, the school administrator may be unable to make an accurate report because the school's system of accounting make it impossible for him to do so. The resulting investigation by the Federal government might cause considerable embarrassment and loss of prestige even though there were no penalty. An adequate accounting system will provide a quick and accurate check for tax purposes.

When the extracurricular activity funds are organized on a sound accounting basis, such benefits result as protection for the principal, protection of monies, protection of all the parties in each transaction, and provision against extravagance or unwarranted expenditures. It is a means of inspiring both professional and public confidence. Moehlman\(^\text{14}\) believes from his experiences with the Detroit system that

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\item\hspace{1cm} Arthur B. Moehlman, Public School Finance, (Rand McNally & Company), Chicago, Illinois., 1927, p. 443.
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these objectives can be attained.

Often the community judges the effectiveness of its schools by the extracurricular activities. In discussing this relationship between community and school, Stout wonders about the kind of answers one would receive should he ask the gasoline station operator, the waitress, or a merchant whether there is a good high school in their town. Most of the answers, he says, "will reflect an interest in and knowledge of the activity program. Seldom," he adds, "will these people volunteer information about what is going on in the academic classroom or laboratories."

While noteworthy praise may be given the prowess of the football team or the achievements of the music department in the state contest, a disgruntled merchant who is having difficulty with a half dozen different activity accounts and unpaid bills, will express in no uncertain terms and to anyone who cares to listen, what he thinks of the school and its administration.

Clear cut records of all transactions and prompt payment of bills will serve as a means to refute insinuations. It will see that the policy of the board of trustees in the matter of finance is enforced, resulting in a healthier state of community relations.

The solution of this problem should bring with it the means of providing for a regular audit and the bonding of

the parties responsible for the safekeeping of the funds. While the practice of a regular audit of books and the bonding of the person responsible for the funds is growing, the situation according to Ames\textsuperscript{16} "is still far from desirable."

V. ORGANIZATION OF THE REMAINDER OF THIS PAPER

A brief history of the growth of extracurricular activity fund accounting will be presented along with a discussion of trends and some of the solutions that have been given in periodicals and books by accepted authorities on the subject. After a review of the system now used at the Park County High School, its inherent weaknesses and the difficulties encountered will be pointed out.

An analysis of the above factors should provide a sound basis for the solution of the problem. This solution should include the following:

1. The type of control organization.
2. The process of collecting money from ticket sales and other sources of income.
3. The importance of auditing the books.
4. The bonding of persons handling the funds.
5. The general plan of accounting, banking, and disbursing monies.
6. Functions and duties of personnel.

7. The mechanics of the accounting system.
8. Appropriate forms of record keeping to fit this particular situation.
9. Provisions for overdrafts, and disposal of funds left by an organization which no longer exists.

Following the solution of the problem there will be a summary and some suggestions for further work in the area of public school finance pertaining to extracurricular activity funds.
CHAPTER II

REVIEW OF LITERATURE AND PRESENT STATUS

I. HISTORY AND PREVIOUS INVESTIGATIONS

Paralleling the rapid growth and development of the public high school has been the increase in number and complexity of the extracurricular opportunities, organizations, and activities. In the past, and in fact in many schools now, there has not been sufficient provision for conducting these activities along reasonable and businesslike lines. They just "grow up" and "exist", "some better, some worse," as McKown\(^1\) states. A sort of "laissez-faire" policy has been followed. In many cases the result is loose business practices which Reeder\(^2\) refers to as "boondoggling".

From the standpoint of the attitude of school administrators there have been three periods in the development of these activities. First they were ignored, next opposed, and now they are sponsored and supervised until often it is difficult to distinguish them from regular curricular work. Credit toward graduation for participation in them is allowed in many schools, and in some instances required. Because these

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activities have grown up with little or no direction, each organization with its own peculiar method of raising, spending and accounting for its finances, it is little wonder that irregularities and loss of funds have occurred. Actually students have been trained in lax and irresponsible methods of handling public funds. To make matters worse, students have sometimes yielded to the temptations presented by a makeshift, unsupervised system and have misappropriated funds.

Stamper,\(^3\) as early as 1911 was pointing out the dangers of permitting pupil organizations to go unsupervised in the handling of their finances. He said at that time that there was a demand for a system of accounting and provision for an audit by a committee.

In 1921, Moehlman,\(^4\) presented a detailed account of a plan used by Detroit in handling the internal accounts of the high schools in accordance with the regulations of the Board of Education. He warned that unless a similar plan were adopted by schools, it would call forth criticism by the public.

Jones\(^5\) in 1922 said that while some emphasis was placed on the cultural values of extracurricular activities, we were

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permitting financial errors to occur. In that same year Bacon\textsuperscript{6} showed how closely business education and the handling of extracurricular finances could work together. A year later Jolley\textsuperscript{7}, who set up a centralized system in Elgin, Illinois, said, "An accounting system should be set up so that all of the various organization funds will be handled by one high school treasurer using a special system of accounting." The idea of paying attention to finances of the extracurricular organizations had gained such momentum that, in 1926, Meyer\textsuperscript{8} prepared a handbook of extracurricular activities.

In general there are two types of financial organization of extracurricular activities on the basis of control. These are (1) the decentralized, in which each club or activity handles its activities as it chooses, and (2) the centralized organization, which provides for a central treasurer, who handles all of the monies coming in from all of the activities and a central control which administers this fund. In using a central treasurer the need was felt for bonding the persons responsible for funds and auditing the books at stated intervals.

Surveys have contributed definite knowledge of current

\textsuperscript{6} Francis L. Bacon, "The Correlation of Extracurricular Activities With the Department of Business Education," \textit{School Review} 30:671, Nov., 1922.


practices and in some cases have pointed the way to constructive educational procedures. The studies of individual schools too, have been helpful. For example in a report of the plan used in the Detroit Lakes High School at Detroit Lakes, Minnesota, Chase⁹, discusses their plan and the advantages and disadvantages of the "Activities Ticket Plan."

During the depression following 1929, the difficulty of financing extracurricular activities gave impetus to the use of activity tickets which entitled the student to a subscription for the school paper, admission to class plays, athletic events, and most of the regular extracurricular activities. The ticket was purchased at the beginning of the school year and, while it represented something of a cash outlay at one time, it did mean a considerable savings to the individual student over the school year. Bumgardner and Barber¹⁰ give an account of this development in discussing "Financing Student Activities" in 1936.

The advent of the activity ticket brought with it the possibilities of a budget. A budget offers an opportunity for student participation in carefully evaluating activities and in balancing expenditures against receipts in order to function within their income.


A more recent development in the history of extracurricular activity financing is found in the Senior High School in Rochester, Minnesota, known generally as Rochester's Plan. This plan introduces the free activity program. Students are admitted free of charge to all school events. The board of education in Rochester subsidized the activity program. Along with other advantages, it eliminates much of the financing difficulty encountered in the extracurricular program. A favorable report was made on the progress of this plan by Gaumnitz who maintains that the community likes the plan, larger crowds attend school functions and more money is taken in from the sale of tickets to people not enrolled in school.

Crapson goes further by raising the question of whether the schools had the authority to charge admission fees to public school events; it may be illegal. He questions what would happen if the Supreme Court should say, "the only right and proper way to raise money for school purposes is through taxation." After reviewing lower court opinions, he feels the general conclusion is that until some local or federal court rules to the contrary the collecting of fees for school activities is legal.


An interesting development was brought out by Cleland\textsuperscript{14} in discussing the results of the report presented by the State High School Activities Association in response to a request by the 1941 session of the Kansas Legislature. The evidence submitted showed that the activities had developed pretty much without conscious direction. As a result there seemed to be no definite idea about what funds ought to be handled in the Activities Account and the proper methods of handling them. A committee of Kansas high school principals was appointed "for the purpose of developing policies and specific methods of procedure." The committee's recommendations were accepted by the State Board of Education and copies were sent to all principals in the state. The report consisted of seven recommended standards for activity fund accounting, together with numerous exhibits of forms selected as among the best in use in various Kansas high schools.

That state legislatures are taking an interest in assuring efficient administration of activity funds is evidenced in a report by Thompson\textsuperscript{15} of the fact that the 1949 session of the Pennsylvania Legislature has before it a bill defining the powers of the school boards in this regard.

The innovation of the free activities program by the


Rochester schools, the action of the Kansas Legislature, and the progress made in Pennsylvania indicate the strides that have been made since the extracurricular activities were ignored completely in the high schools. Not only is there legislation for the control and administration of the funds but the extracurricular activities are fast becoming, and in some cases are, an integral part of the curriculum. At least they are becoming what Reeder\textsuperscript{16} calls, "co-curricular".

II. PRESENT ORGANIZATION

AT PARK COUNTY HIGH SCHOOL

At Park County High School the income from extracurricular activities during the past year was equal in amount to almost one third the amount of the total school budget raised through taxation.

There are upwards of twenty organizations with funds to be accounted for. Besides freshmen, sophomore, junior, and senior class funds, there are accounts for athletic groups, music clubs, science clubs, vocational class organizations, faculty flower fund, photography club, a special fund for federal tax on ticket sales, and others of minor importance.

All of these are lumped together under one heading called "Associated Students". While there is no central control other than the principal's office, all of the funds from these individual groups are handled by a faculty member

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designated as the central treasurer of the Associated Students Fund. The central treasurer is a teacher appointed by the principal.

Each organization of students has a faculty advisor or sponsor and the regular organization officers including a treasurer. Funds are raised by dues and activities such as dances, plays, and other methods approved by the sponsor and principal. The money is collected by the organization treasurer and turned over to the Associated Students treasurer for banking, accounting, and disbursement. All payments are made by check. While the central treasurer is responsible for the banking and bookkeeping, the matter of writing checks and filing bills is left to another faculty member, who pays only the bills that have been approved by the sponsor or principal. Arrangements are made so the principal may write checks in case the faculty member in charge of disbursements is not available.

Because of the large volume of money handled for the ticket sales at athletic events, school plays, and dances, a faculty member has been designated to assist the central treasurer. This person is the "collector" and has charge of all ticket sales, money collected for the school annual, and other cash receipts. He is responsible for the safekeeping of the cash and its deposit. In receiving money from students and ticket sellers, the collector makes out an itemized statement which is initialed by the person checking in the cash. A receipt is then issued to cover the amount turned in. A duplicate deposit slip is given to the central
treasurer with an itemized account of its source and the name of the organization or fund to receive credit.

The central treasurer keeps a record of all income, expenditures and balances from the deposit slips provided and the check stubs, and makes a monthly report of balances remaining in the various funds.

The accounting system itself consists of a columnar journal and a ledger. The receipts and expenditures are entered by date and credited to the proper fund in the journal. At the end of each month the total receipts and expenditures for each fund are transferred to the ledger and the balance indicated.

The operation of this system might be illustrated by following a typical money raising activity. A pop sale by the Letterman's Club during a basketball game involves most of the transactions. After permission for the sale has been granted by the principal, the pop is ordered and delivered; the faculty member, acting as collector, gets a check from the faculty member, acting as disbursing agent, for change. The pop and change are turned over to the manager of the Lettermans Club; the sale made and the money checked back to the collector with an appropriate statement. The collector then makes out the deposit slip, deposits the money in the Associated Students Fund at a local bank and gives the duplicate slip with a statement of the source of the income and the amount of returned change. The central treasurer records the item in the journal under cash receipts and Lettermans Club receipts. The bill from the bottling company
is approved by the treasurer of the Lettermans Club and their sponsor, after which it is presented to the disbursing agent and a check sent in payment of the bill. At regular intervals of not more than ten days the disbursing agent turns the check book and stubs over to the central treasurer who enters the items as indicated on the stubs. At the end of the month the receipts and expenditures of the pop sale are totalled with the other items for the Lettermans Club, checked with other funds against the bank statement and the total receipts and expenditures entered in the ledger under the heading of Lettermans Club. The balance at the end of the month is shown on the monthly report and posted on the bulletin board. The bottling company bill is marked paid, the number of the check and date issued is shown, and then is filed by the disbursing agent.

Student treasurers are encouraged to maintain a simple record showing receipts and expenditures and to check with the central treasurer at the close of each month or whenever any question of funds arises.

An activity ticket plan is now in effect in which the student purchases a ticket at the beginning of the school year. This ticket pays for his subscription to the school paper, and admits him to all athletic contests, school movies, plays, and music concerts. The funds from the ticket sale are distributed to the participating organizations on the basis of a system set up by a committee of students and faculty members appointed by the principal for that purpose when the plan was originated.
III. INHERENT DIFFICULTIES AND WEAKNESSES

While the general framework of the present organization seems to be satisfactory there are certain inherent difficulties and weaknesses that need to be corrected before the system can be called efficient.

Provision for a control organization such as a financial committee to recommend regulations and procedure is lacking except for the supervision by the sponsors and the principal.

Participation by students in the handling of funds is limited once the money has been turned over to the collector. "The purpose," says Trytten\(^1\) of the activity program is to provide pupils with experience in managing their own interests, -- to make policies, to plan, to make mistakes, to learn to make better plans, to avoid repeating mistakes."

There is no provision for the bonding of the collector and the central treasurer.

The matter of auditing the books has been omitted, leaving those who are responsible, including the principal, open targets for criticism.

No system of budgeting is used at present. Budgeting, by the individual organization, while not absolutely essential, would probably result in more economical use of funds and give excellent practice in financial planning by the students

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An outstanding weakness is noted in the lack of coordination between the central treasurer and the disbursing agent making the system unwieldy and sluggish from the standpoint of accounting.

Difficulty is experienced in tracing the payment of bills under the present system. A bill may be paid twice and the error go undetected. In event the error is noticed, the process of correcting it becomes a lengthy one.

With only oral authorization necessary to make purchases, there is great danger of excessive buying and the possibility of making totally unauthorized purchases. An example of this has been experienced in securing supplies for an annual picnic.

No provision is included for reports of money loaned to the collector for change, other than the check itself and a notation on the deposit slip. Another matter closely related to this is that of an expense memorandum to be used on trips connected with the athletic program, music meets, and other group trips paid for from activity funds. Full and proper accounting of this money is not only a proper procedure but it is a certain protection to the person responsible for the money.

Not only should all receipts be made in duplicate or triplicate, but all copies should be serially numbered.

Under the present system, only one signature is needed on checks, that of the central treasurer, the principal's signature not now being required. All checks drawn on the
activity fund should be countersigned by the principal or other administrator designated for that purpose.

Not least among the difficulties and weaknesses of the present system, is the confusion and excessive bookkeeping required by local merchants in handling the accounts of the many organizations associated with the high school. Only one Associated Students account should be needed. This would simplify the merchant's bookkeeping and assure him that purchases are valid and will be paid promptly. This is a matter of vital concern to good relationship between school and community.

No method of checking has been established for a scheduled money raising plan that has been canceled. Each authorized activity that would involve money should be reported by the organization to the central treasurer even though no money was actually received to prevent or at least discourage students from collecting funds and failing to make any report whatsoever. Through neglect the money may be mislaid and forgotten entirely.

Although a surplus of between five thousand and seven thousand dollars is usually carried as a balance through the school year and during the summer months, no provision has been made for investing any of the surplus or transferring it to a savings account. Interest earned could be placed in the general fund and used to help pay the cost of accounting.

These difficulties and weaknesses can be overcome through careful planning and providing the necessary safeguards.
CHAPTER III

DESCRIPTION OF THE ACCOUNTING SYSTEM AND PROCEDURE

I. GENERAL PLAN

The general accounting system is to be of the centralized type with one treasurer and a student-faculty control organization. Only one set of books will be employed and they shall be open for inspection at all times.

The recommended standards of practice set forth by the Kansas committee of high school principals, as reported by Cleland¹ might well be applied to any school accounting system. Those standards are reviewed here with the thought of selecting the parts which fit the solution of the problem discussed in this paper. A brief summary of the recommendations follows:

1. Persons responsible for final receipt of money and signing receipts or checks should be bonded.
2. Receipts should be in duplicate or triplicate with all copies serially numbered and accounted for.
3. All disbursements should be made by check signed

by at least the principal and sponsor of the activity.

4. Accounts should be kept in a columnar book showing a summary of the fund, distribution of assets, and individual activity accounts in such a manner as to present page by page balances.

5. Summary of statements of all accounts should be prepared with a bank reconciliation, and copies should be filed in the principal's office.

6. All activity accounts should be audited at regular periods by a public accountant.

7. Each separate account should be operated under a planned budget with the cooperation of the students of the school.

The accounting system must provide a record of transactions in such form as can be easily kept, and, at the same time, provide information that can be found without time consuming search, and can be easily understood.

Many sponsors are untrained and unpracticed in record keeping just as are the student officers with whom they work. Their term of office is usually short and turnover is experienced at frequent intervals; hence the process by which receipts and disbursements get into the records must be simple to explain and to understand.

At this point it might be well to recall the admonition given by Lasser\(^2\) when he said:

"Here, therefore is a cardinal rule to remember in any system design and installation—keep the system direct and understandable. Remember that intrinsically a system is merely a device to aid business. Only too often does the businessman complain, with some justification, that he works for a bookkeeping system, when he should be able to say that it works for him!"

In many instances an elaborate system will defeat its own purpose, while a more simple arrangement would more effectively provide the essential information required.

Perhaps the greatest difficulty in vouching for the amount of receipts will be in connection with the events to which admission is charged. The arrangements for these events cover the preparation of tickets which are numbered in sequence, each ticket showing the price of admission, the amount of tax, and the total charge. Whether they are commercially printed or made at school, the total number of tickets prepared must be established by evidence acceptable to the Internal Revenue agency of the U. S. Treasury. Ticket sales must be so planned that there will be no tickets unaccounted for.

While the accounting system described follows the general pattern of the present system in some degree, there are important alterations and additions designed to remedy the existing difficulties and weaknesses that prompted this study.

A centralized system of accounting is to be used with all extracurricular activities of the school organized under one classification, the Associated Students of Park County High School.

The claim that, since an organization earned its own
money, it should be permitted to spend it in any manner that it chooses, cannot be justified. According to Reeder\(^3\), "It is a good plan to have the financial affairs of the extracurricular activities of the school directed by a committee composed of both student and faculty members."

The composition of this Finance Board should be determined by the degree of democratic control that has developed in the school, the size of the school, the extent of the department of business education and the form of student council or student body organization.

In Park County High School, with its enrollment of approximately four hundred and fifty students, the control organization to be known as the Associated Students Finance Committee should consist of the treasurer and sponsor of each of the four class organizations, freshman, sophomore, junior and senior; the president of the student body; and a teacher, appointed by the principal. While the final responsibility for determining the policies with reference to the program rests with the principal, he will place the student activity fund under the general control of the finance committee, which should formulate policies and make decisions with reference to the activity fund, subject to the veto of the principal. The power to enter into contracts and to obligate the school will be left to the principal. The finance committee is to be largely an advisory committee on financial policy and should

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set up policies to control the methods used in raising funds as a precaution against impractical ideas, extravagant dreams, projects that may be disapproved for ethical reasons, or those that may become annoyingly burdensome. Money-making and money-disbursing activities should be in line with community ideas and good taste.

Budgets made out by each organization, listing the estimated expenditure anticipated for the coming year, and the approximate amounts expected as revenue from indicated sources, should be approved by the finance committee before being sent to the principal.

Budgeting by each club should tend to bring about group effort in planning and execution; it should get the organization off to an early start at the beginning of the school year.

The committee should also be responsible for an annual audit of the financial statement. It should provide a training course for treasurers of organizations which will teach fundamentals of record keeping and specific procedures of the system. It may provide regular intervals for these treasurers to reconcile their books with those of the central treasurer.

In case of a deficit on the part of any organization, the finance committee should decide whether the overdraft is to be allowed and from what account funds should be transferred to cover the deficit. At the close of the year the finance committee shall determine the disposal of funds left by an organization which no longer exists. These decisions must, of course, be approved by the principal before the central
treasurer can be authorized to make the transfer.

The suggestion made by Moran⁴, that a surplus balance should be invested to help pay the cost of the program seems to be very appropriate. Determining this investment and the amount to be invested is an added function of the finance committee. This should give an excellent opportunity for student planning and participation in the wise care and use of group money.

The funds shall be in the custody of the central treasurer and deposited in one bank account under the name of the Associated Students of Park County High School. The central treasurer is an adult in some official capacity in the school and is appointed by the principal. Assisting the central treasurer there will be an appointed faculty member, designated as the collector, and student assistants approved by the finance committee.

The treasurer of each individual organization is to keep a simple ledger showing a record of receipts and expenditures. He is to check with the central treasurer at regular intervals to reconcile such items and the balance.

Organizations or group funds, not commonly known as "extracurricular", such as shop classes or the faculty flower fund, may use the facilities offered by the central accounting system.

A separate account will be maintained for Federal tax money. A statement is to be prepared to cover each

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event for which admission is charged, and a summary statement forwarded with payments of the Federal tax.

Money received by the sale of activity tickets should be placed in a separate fund and transferred by the central treasurer to the participating activities in accordance with written instructions from the control organization.

A receipt shall be issued for all money received by the central treasurer or collector. The receipts are to be made in duplicate or triplicate and serially numbered. All payments are to be made by check, issued by the central treasurer and countersigned by the principal.

Purchases and payments may be made only through a written authorization for purchase or payment signed by the organization treasurer and the sponsor or the principal. The authorizations are to be made in triplicate and numbered serially. One copy is to be retained by the person making the authorization, the second turned over to the central treasurer, and the third given to the merchant from whom the purchase is made, who forwards it with his statement at the end of the month.

All debts are to be charged to the Associated Students of Park County High School through the organization causing the indebtedness as indicated on the authorization. Thus merchants and business firms with whom the school deals through its extracurricular activities need have only one account on their books, covering all of the organizations of the high school. The authorizations attached will serve to clarify any one item.
All deposits are to be made by the collector or under his direct supervision and the duplicate slip turned over to the central treasurer. The deposit slip should indicate the organization to be credited and the source of the income. For deposits covering more than one source or for the sale of tickets, a statement should be attached showing a detailed account of the revenue.

The books used by the central treasurer are to be a columnar journal and a ledger. Posting in the journal is to be done from copies of deposit slips and carbon copies of checks. Space should be provided for the date, check or deposit number, description of the item, number of the receipts or authorizations covered, the amount, and a column for the receipts of expenditures of each organization.

The journal is to be totaled each month and then posted in the summarized form to the ledger. Each organization or fund shall have a separate page in the ledger which is to be used as a monthly record of income, expenditures, and balance.

Bills which have been paid shall be marked paid and filed with the merchants copy of authorizations attached. The central treasurer's copy of authorizations should be filed in a separate file according to number. In this way a cross reference may be made in tracing the payment of bills.

Money advanced to persons in charge of school groups making trips, change for a ticket sale, or any other purpose must be accounted for by a report showing the amount advanced, the expenses, and the amount returned. The report should be
accompanied by proper receipts or sales bills to be secured from those with whom the money is spent.

At the close of the fiscal year the books must be audited by a public accountant selected by the control organization.

"Regardless," says Fretwell, "of whether funds are kept in the principal's office, by a faculty or pupil treasurer, all accounts should be audited." Merely to say, however, that the books ought to be audited is not enough. The type of audit may vary all the way from a committee of students to an audit by a certified public accountant. It seems unnecessary to say that no officer should audit his own accounts.

An annual audit of the accounts of the Associated Students of Park County High School is to be made by a public accountant. One copy of the audit is to be placed on file with the account books in the principal's office and another copy filed with the clerk of the board of trustees.

The auditor's report should cover the following:
1. Verifying the bank balance at the close of the audit period.
2. Verifying of cash on hand.
3. Examining any investments and accounting for interest from investments.
4. Tracing all receipts of the central treasurer and collector to the bank deposits.

5. Verifying the posting and extension of fund balances.
6. Examining checks paid as to date, number, payee, signatures, endorsements, amount, and final classification.
7. Examining paid out receipts in event of no bank account.
8. Determining if disbursements have been supported by proper authorization.
9. Determining that all transfers were made upon proper authority.
10. Verifying the liability of the surety on the bonds furnished by the persons responsible for handling funds.
11. Determining if the Associated Students is in a solvent or satisfactory financial condition, with respect to cash on hand and unpaid obligations.
12. Making recommendations concerning handling of funds and records.

While the above audit will cover all transactions, it is of vital importance that an accurate check be made of an event or activity which is subject to federal tax. To simplify this work, a special form should be used by the collector accounting for all tickets with the unsold starting and finishing tickets attached to the form.

The central treasurer and the collector are to be bonded in an amount equal to the largest anticipated amount of money on hand at any one time during the year. The bond

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is to be a surety bond of the public official type and contain a faithful performance of duty clause. It is to be made in favor of the Board of Trustees of the Park County High School, Livingston, Montana.

Raymond S. Jewett, Past President of the New York State School Board Association, has this to say regarding bonding of school officials:

"Every official charged with care of school funds, and who may cause loss by an act of wrongdoing or carelessness should be bonded with a corporate surety bond of the public-official type, containing a 'faithful performance of duty' clause."

Since the persons responsible for the activity funds act for the board of trustees, the surety bonds should be made in their favor.

II. FUNCTIONS OF PERSONNEL

In discussing the personnel used in this system of accounting no mention will be made of the functions of student assistants other than the organization treasurer of each extracurricular activity group.

The functions of the Principal, Organization Treasurer, Central Treasurer and Collector will be listed for brevity; a more detailed description will accompany a discussion of the mechanics of the system.

Principal
1. Supervise entire program.
2. Work with finance committee.
3. Appoint sponsors, collector, and central treasurer.
4. Exercise power of veto when deemed necessary in the best interests of the school.

**Organization Treasurer**

1. Collect dues, fees, and assessments.
2. Keep simple ledger showing receipts, expenditures, and balance.
3. Check ledger with central treasurer as often as necessary but always at the close of the semester.
4. Issue receipts for all money received.
5. Deposit money received with collector or central treasurer daily.
6. Issue authorization of purchase or payment.
7. Secure signature of sponsor or principal for all authorizations.
8. Act as assistant to the collector and central treasurer in matters pertaining to his particular organization.

**Central Treasurer**

1. Act as depository for all funds of all extracurricular organizations.
2. Issue checks for all disbursements on order of written authorization.
3. Assist organization treasurer in keeping his individual organization books.
4. Provide instruction for organization treasurer in procedure.
5. Keep accurate account of all income and expenditures in journal.
Central Treasurer (continued)

6. Post sums from journal to ledger and show the balance for each organization at the close of each calendar month.

7. Prepare a summary statement of all accounts at the close of each calendar month and a final statement at the close of each school year.

8. Show reconciliation between the bank and associated students accounts at the close of each calendar month.

9. File all paid bills with authorizations covered attached to the bill.

10. Keep file of all authorizations of purchase or payment by serial number.

11. Transfer funds as directed by the control organization.

12. Invest surplus funds as directed by the control organization.

13. Notify the control organization of any overdrafts.

14. Notify control organization when any activity group exceeds its budget.

15. Prepare Federal tax statements and issue checks to cover them.

Collector

1. Work in close harmony with the central treasurer and the principal.

2. Check all scheduled activities involving income.
3. Issue receipts for all money collected.
4. Provide tickets for all events requiring an admission fee.
5. Provide change for the sale of tickets.
6. Supervise the sale and collection of tickets.
7. Provide central treasurer with statement of ticket sales showing event, admissions, tax, and totals.
8. Make deposit of money received and return duplicate slip over to the central treasurer.
9. Keep accurate account of all tickets printed commercially or made in the school, whether they are sold or not, for tax audit.
10. Give training in handling money to students who act as assistants.

III. MECHANICS

In speaking of the mechanics of accounting and fundamental records, Lasser\(^7\) has this to say: "Elementary theory teaches that fundamental records are a daybook, a journal, and a ledger -- the basic bookkeeping tools in pristine form." The daybook was a sort of running business diary and has given way in its book form to less formal devices. The modern daybook consists of copies of receipts, credit memos, copies of purchase authorizations, and carbon copies of checks. All of these may be called original source records.

The system to be used here in accounting for the extracurricular activity funds will consist of these original source records, a columnar journal in which the items of the source records will be entered, and a ledger to which the sums of receipts and expenditures will be posted at the end of each calendar month.

Receiving. Except when payments or collections are evidenced by tickets, coupons, material cards and so forth, receipts should be issued in triplicate; the original for the person turning in the cash, one copy for the central treasurer, and the other copy to be retained for his records by the person issuing the receipt. The essential information on the receipt should include the serial number, the date, the name of the person to whom issued, the amount, the description or source, the account designation, and the signature. A receipt issued by the central treasurer or collector should include information covering serial numbering either of the tickets sold or of the receipts issued in the original collection of the money. A properly signed statement of a ticket sale record attached to the receipt may be used and a notation made on the receipt.

Standard triplicate receipt books, serially numbered may be purchased at an office supply store and will serve the purpose as well as those that might be printed for a particular school. One book will be necessary for the central treasurer, one for the collector, and one for each organization treasurer.

When the receipt is issued for money taken in at an
event subject to Federal tax, the tax money will be segregated and credited directly to the tax account. A form of statement or ticket sale record will be used to cover the receipts from each event. (See Figure 1.) The collector should make this record in duplicate, one for the central treasurer and the copy with original tickets attached should be kept with the unsold tickets.

Guarantee checks for athletic events or other such money received by check, will not require a receipt as the check will serve that purpose and posting will be done from the deposit slip.

Banking. Banking is to be done by the collector, central treasurer or an assistant under their direct supervision. Standard deposit slips will be used but they are to be serially numbered and made in duplicate. All deposits are made in the Associated Students account. Each slip should indicate the individual organization to be credited and the source of the money. The duplicate is to be returned to the central treasurer as soon as the deposit is made. The numbers of the receipts issued for money in any given deposit should be listed on the slip.

Disbursing. Purchases and payments are to be made only upon an authorization of purchase or payment. (See Figure 2.) The same authorization should be used for both the purchase and the payment. Such authorizations are to be issued in triplicate: the original is to be delivered by the purchaser to the merchant, who will return it with his bill at the end of the month; one copy to the central treasurer; and the remain-
**FIGURE I.**

**STATEMENT OF TICKET SALE RECORD**

<table>
<thead>
<tr>
<th>Date</th>
<th>PARK COUNTY HIGH SCHOOL</th>
<th>Livingston, Mont.</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TICKET SALE RECORD</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function</td>
<td>Organization</td>
<td></td>
<td></td>
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<tr>
<td>Start</td>
<td>Finish</td>
<td>No. Sold</td>
<td>Adm.</td>
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<tr>
<td>Adult</td>
<td></td>
<td></td>
<td></td>
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<td>Student</td>
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<tr>
<td>Grade</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Signatures of Responsible Parties</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cashiers</td>
<td>Error</td>
<td></td>
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<td></td>
<td>Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checked by</td>
<td>Change Return (if any)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Record any error under both Adm. and total. Fasten first and last tickets to this record.
FIGURE 2.

AUTHORIZATION OF PURCHASE AND PAYMENT

Associated Students P.C.H.S.

No.

Livingston, Mont. 19

To ____________________________

(Name of purchaser) is hereby authorized to

purchase the following items. Charge to the Associated

Students P.C.H.S. and return this authorization with

your statement at the end of the month.

Organization ________________ Treasurer ________________

I received the above items for Sponsor ________________

the school.

Bearer's signature ____________________________
ing copy is to be retained by the person issuing the authorization. Authorizations should be serially numbered.

All disbursements should be by check issued by the treasurer and countersigned by the principal. They should be serially numbered and made in duplicate, the treasurer retaining the carbon copy. Space should be provided on the check for the amount to be charged to each organization and the numbers of the authorizations covered. (See Figure 3.)

When it is desirable that expense money be advanced to teachers for out-of-town trips, change, or other purposes, a check should be issued. The teachers in making their report should present an expense statement with an itemized account of expenses and cash returned. Receipts for all money paid out should be attached to the statement. Space should be provided to indicate any money spent in excess of the money allowed. (See Figure 4.)

Since a transfer of funds from one fund to another is seldom made, only once each year in the case of distributing activity ticket funds, no regular form is required. A simple statement from the control organization signed by the principal is sufficient.

Bookkeeping. The central treasurer should enter items received from the deposit slips and copies of checks in a columnar journal. (See Figure 5.) Receipts are to be entered from the deposit slip indicating the date, number, receipt numbers covered, description, and amount. The total amount should be posted in the cash account under "deposits", and distributions entered in the column of the accounts as indi-
FIGURE 3

CHECK

Livingston, Mont. 19 No

THE NATIONAL PARK BANK

Pay to the Order of $______

Dollars

ASSOCIATED STUDENTS P.C.H.S.

For Org. Amt

Org. Amt

Auth. Nos. Principal

Treasurer
FIGURE 4
EXPENSE MONEY REPORT

EXPENSE MONEY REPORT
No _____
to
ASSOCIATED STUDENTS
of
PARK COUNTY HIGH SCHOOL
Date _____

<table>
<thead>
<tr>
<th>Event</th>
<th>Place</th>
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<table>
<thead>
<tr>
<th>Amt. Advanced</th>
<th>Returned</th>
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<table>
<thead>
<tr>
<th>List of Expenses</th>
<th>$</th>
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Additional Exp. From Reverse side of sheet

<table>
<thead>
<tr>
<th>Amt. Advanced</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>$ ___________</td>
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</table>

Total Spent

Returned

Excess needed

Signature of Sponsor

(In event of excess needed, this report serves as a bill to be paid.)

Attach receipts or sales bills for expenses to this statement.
### COLUMNAR JOURNAL

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cated on the deposit slip. In entering disbursements the check copy should be used indicating the date, number, authorization numbers covered, description and amount. The total is to be posted in the cash account under "expenses", and distributions entered in the columns of the accounts as indicated on the check.

Since a part of this system corresponding to the daybook consists of the receipts, deposit slips, authorizations, and paid bills, it will be necessary to keep them for future reference. Receipts should be filed by organizations according to number. Authorizations should be filed in the same manner. Paid bills with the merchants copy of authorizations attached are to be filed by the name of the vendor. Deposit slips should be filed by number only.

In event it is anticipated that not enough columns are available for all accounts for both receipts and expenses, a single column may be used for one account and red ink used for the expenses, the amount may be encircled or preceded by the letter "E", when blue or black ink is used. In balancing the books, the balance of the cash receipts should equal the sum of the balances of all the "received" columns and the balance of cash expenditures should equal the sums of the balances of all the "expenses" columns.

The ledger will consist of a loose-leaf book made up of columnar sheets, one sheet for each organization, alphabetically arranged. Space should be provided for date, description, receipts, expenditures, and balance.

At the close of each calendar month, the totals only
of the receipts and expenditures of each organization and the cash accounts are to be posted to the ledger from the journal.

Financial statements showing the balance of each organization and the cash account should be made from the ledger at the close of each calendar month. One copy to be posted on the bulletin board and another filed in the principals office. A financial report should be prepared at the close of the school year by the central treasurer.

Inter-fund transfers should be made by the use of a summary at the bottom of the last page in the journal for a given month. Posting to the ledger should be made from this summary. Transfers may be made directly in the ledger with no entry in the journal.

Investments of surplus cash are treated in a column called "savings account" and should be treated as any other fund.
CHAPTER IV

SUMMARY AND RECOMMENDATIONS

SUMMARY

The purpose of this paper was to design an extracurricular activity fund accounting system for use at the Park County High School. Because of increasing amounts of money handled through these activities the present system is no longer adequate.

A review of the literature and investigations made of extracurricular activity fund accounting indicated that a "laissez faire" policy has been responsible for the development of inadequate accounting systems in many schools. This has resulted in loss of funds, embarrassing situations for administrators, and poor public relations.

While considerable progress has been made in establishing responsibility concerning the handling of activity funds, the use of a central type of control, the subsidizing of the extracurricular program by the school board, auditing of books, and bonding of personnel, there is still much that can be done to improve the accounting systems and provide greater opportunities for student participation in the accounting process.

Through an analysis of the present accounting system used at the Park County High School, a review of opinions of
authorities in the field of extracurricular activities, and a study of the accounting systems used in other schools, a number of basic principles were identified.

With these findings as a basis an accounting system was designed for use in the Park County High School. This system includes the following among its major features:

1. A centralized type of control.
2. An adult central treasurer.
3. A written authorization to cover all purchases and payments.
4. A receipt made to cover all income of monies.
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, and expense money reports.
8. A financial statement prepared by the central treasurer at the close of each month 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. A planned budget for each organization.
11. An annual audit of books by a public accountant.
12. A bond for personnel responsible for the handling of funds.

RECOMMENDATIONS

In reviewing previous work in the field of extracurricular-
ular activity fund accounting and seeking a solution to the problem as it is related to Park County High School, a need was felt for further study in two areas - laws pertaining to the use and handling of these funds and definite policies and methods of procedure to be observed in accounting for them.

It is recommended here that (1) a study be made of existing state and national laws affecting extracurricular activity funds, and (2) that a committee made up of representatives from such groups as the Montana School Administrators Association, the Montana School Board Association, the Montana State Department of Public Instruction, and others develop a set of recommended policies and methods of procedure for handling extracurricular activity funds in Montana. The analysis of existing laws, together with a recommended set of policies and methods of procedure, would be a valuable guide for an administrator in setting up an efficient extracurricular activity fund accounting system in his school which would be in keeping with the law and consistent with sound educational practice.
A. BOOKS


B. PERIODICAL ARTICLES


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