

HIGHLIGHTS OF THE REDBOOK

Objective: Participants will review the newest topics for managing activity funds; common audit findings concerning activity funds; and answers to the most frequently asked questions concerning activity funds.

Accounting Procedures for Kentucky School Activity Funds – this is the “Redbook” – most current dated February 2008.

UPDATED ISSUES IN THE NEWEST REDBOOK

- Charitable Gaming
- School Banks
- Student Fees & Charges
- Donations
- Fixed Assets

CHARITABLE GAMING

Gaming Activities (from October 2005 School Finance Newsletter)

- Raffles
- Bingo / Pull Tabs
- Split the Pot
- Monte Carlo Nights
- Certain activities at School Fairs
- Any Game of Chance

Activities Not Considered Gaming (from October 2005 School Finance Newsletter)

- Cakewalk / pumpkin walk / toy walk
- Fish / duck pond as long as everyone gets a prize worth at least as much as cost to participate
- Sale of goods – food, t-shirts, pictures, tattoos
- Beanbag toss / golf / ring toss / basketball – games of skill

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Charitable Gaming Basics

- Check to see if your schools are holding charitable gaming events
- Determine which licensing rules your schools fall under (licensed organizations, exempt organization, or no need to worry)
- Work with the Department of Charitable Gaming to get your schools in compliance with gaming regulations
- Any gaming receipts must be deposited into a separate bank account as required by the Department of Charitable Gaming
- www.dcg.ky.gov

SCHOOL BANKS

1. School Banks shall have a district employee as a sponsor.
2. Reconcile accounts and cash daily.
3. Never accept activity fund money as a receipt.
4. Sponsors cannot open accounts, meaning have an account of their own at this bank.

STUDENT FEES & CHARGES

All student fees and charges shall be adopted by the Board. The fee shall remain in place until modified or removed by Board resolution. All student fees adopted by the Board shall be used for the purposes set forth in the motion and shall not be spent for any other purpose.

DONATIONS

The local board of education is responsible to receive any gift, grant, or devise for the benefit of schools and hold and use it as requested. However, the local board may give that responsibility to the schools by establishing a written policy. If donations are received directly at the school, the principal and/or bookkeeper shall produce a listing of donations for submission to the school board at year-end, (KRS 160.580).

If the board did not adopt a policy addressing donations and/or scholarships, then all donated monies must be handled by the central office. Grants or scholarships should always be handled at the central office level.

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FIXED ASSETS

All items purchased over \$1,000 in value (or more if set by local board policy) shall be considered assets of the district and reported in MUNIS as fixed assets. The only exception shall be technology. All technology shall be reported as fixed assets, regardless of value. Schools wishing to purchase items that fall within the KETS Master Plan shall follow the normal purchasing policies of the district and use a MUNIS purchase order. The district shall then pay for the items with district funds and request reimbursement from the school activity fund. Contact the district finance officer for proper procedures.

COMMON AUDIT FINDINGS

Most common audit findings on activity funds

- Cash receipts/revenues
- Disbursements – non-payroll
- Reporting
- Purchasing & PO's
- Bank reconciliations & cash balances

Cash Receipts/revenues

- Multiple receipts forms not signed; amounts did not agree to receipts
- Fund raiser approval forms and/ or worksheets not completed
- Timely deposits of cash receipts not made to bank; teachers not turning cash receipts to treasurer in a timely manner
- Ticket sales form improperly completed

Disbursements – Non- payroll

- Two signatures not found on checks
- Supporting documentation not available for every disbursement
- Staff related events paid out of student generated funds
- Credit card procedures not being followed
- Checks made to “Cash” or bank

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Reporting

- No listing of A/R or A/P accompanied the annual financial report
- Submitting timely reports
- Budgets now turned in timely
- Support/booster organizations not submitting annual reports
- Inventory control worksheets are not prepared

Purchasing / PO's

- PO's not being used
- PO's dated after purchase

Bank Reconciliations & Cash Balances

- Negative account balances in an activity fund
- Investment accounts not reported on monthly financial reports
- Principal not initialing and dating the bank statement after review
- Bank reconciliations not completed timely

FREQUENTLY ASKED QUESTIONS

1. Can you pay a district employee out of the activity fund?

No. Any payment for services to a district employee must be processed through the central office payroll system. The activity fund can reimburse the central office for these expenses including all the appropriate benefits.

2. Is it okay for boosters or parent teacher organizations (PTOs) to use the school district's tax exempt number?

No. A support/booster organization using external accounts shall not use the state tax exempt or federal identification number of the school or district but

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shall obtain a state tax exempt number specifically and only for the use of the support/booster organization.

3. Can gift cards or cash cards be given as student incentives?

School activity money generated by students may be used to provide student incentives for scholarship, athletics, specialized area performance, school spirit, and similar achievements. However, school activity money shall not be used to provide attendance incentives, unless they are considered instructional in nature.

The Redbook does not prohibit their use. Although, KDE strongly suggest that gift and cash cards not be used because of the lack of control of usage. Additionally documentation should be maintained to document students' receipt of the cash or gift cards.

4. How can activity money be spent on staff functions?

Staff dinners, appreciation gifts etc. must be purchased from staff generated money.

5. How can fund raising money be spent?

There should be some type of stated purpose for the fund raising event on the Fund Raiser Approval form (F-SA-2A), and the money raised should be used only for that purpose.