

## CHAPTER 14 – STUDENT ACTIVITY ACCOUNTING

### INTRODUCTION

Minnesota public schools are supported primarily by state and local taxes, with some programs completely or partially financed by federal funds. Individual schools may also generate revenues from athletic and academic events, concessions, donations, and other school activities. During 1987-1988, districts spent nearly \$29 million and maintained balances of more than \$6 million in student activity funds, only some of which was reported to the Minnesota Department of Education (*Legislative Auditor's Report of 1990, State of Minnesota, p.73*). It was estimated that those same funds could exceed \$60 million today. See Table One below for the Uniform Financial Accounting and Reporting Standards (UFARS)-based data over time. Caution should be used in the review of this data, since several districts each year could move some student activity expenditures into the General Fund and under UFARS reporting or vice versa. Therefore, an increase of \$10 million in expenditures from FY 2002 to FY 2003 could be a function of movement of funds as contrasted with increased spending. Calculations for the last column, *Separate Student Activity Funds*, were begun in FY 2003 to clarify the spending increase issue.

**TABLE ONE: HISTORICAL STUDENT ACTIVITY EXPENDITURES**

Fiscal Years	Program 298 Extra-Curr Activities	Program 291 Co-Curr Activities	Program 292 Boys/Girls Athletics	Program 294 Boy Athletics	Program 296 Girls Athletics	Total UFARS Reported	Separate Student Activity Funds
FY 1999	\$15,513,279	\$21,735,282	\$35,525,696	\$39,863,413	\$31,413,783	\$144,051,453	not calculated
FY 2000	\$16,588,868	\$24,250,754	\$37,549,405	\$42,656,903	\$33,734,993	\$154,780,923	not calculated
FY 2001	\$17,630,112	\$25,347,844	\$40,740,327	\$43,166,669	\$34,721,095	\$161,606,047	not calculated
FY 2002	\$23,137,147	\$24,698,841	\$41,576,651	\$44,277,310	\$35,803,335	\$169,492,284	not calculated
FY 2003	\$28,754,021	\$23,447,062	\$43,408,172	\$45,966,604	\$37,502,585	\$179,078,444	\$26,905,617
FY 2004	\$27,496,541	\$27,941,203	\$47,633,500	\$48,015,693	\$38,679,975	\$190,766,915	\$83,900,934
FY 2005	\$29,862,943	\$27,079,634	\$47,772,442	\$49,783,996	\$40,849,744	\$195,348,760	\$79,162,017
FY 2006	\$28,059,824	\$25,046,122	\$50,656,564	\$52,249,964	\$42,598,314	\$198,610,791	\$75,022,022
FY 2007	\$27,786,619	\$25,566,126	\$53,534,132	\$54,990,068	\$44,724,058	\$206,601,306	not available

Above each category is the UFARS program code used to segregate data reported by schools.

An appeal to the public trust demands an efficient system of accounting for all the money received and expended through the school systems, including student activity funds. The system of safeguarding and accounting for funds is dependent upon the soundness and effectiveness of board of education policies and practices as they fulfill their obligation to provide for staff support and student activities. The student activities programs should be attractive, meaningful, worthwhile, and consistent with the educational and organizational policies of the board. A well-designed activity program will enrich the quality of the curriculum, provide new learning experiences, encourage interest in classroom work, and strengthen morale and discipline. The opportunity for students to participate in the planning and execution of activities is a life-preparation experience. The accounting of funds that support these activities should be beyond reproach and should be governed by a set of legally consistent and financially sound principles.

Financial accounting and reporting in Minnesota public schools is governed by statutes and required practices. *The Manual for the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools* contains the legal authority and the financial accounting system for **all** educational programs and activities under the direction and control of each school board. However, a school board may designate school administrators to direct and control certain activity funds, if they meet specific criteria. If this occurs, an equally legal and fiscally defensible set of practices must be in place.

## OPERATIONS OF THE ACTIVITY MANUAL

The manual contains foundations and practices necessary for establishing, maintaining, and auditing activity accounts. The foundations are drawn from a variety of sources.

### A. FOUNDATIONS FOR THE USE OF THIS MANUAL

The 1987 manual contained a reference to a statute on extracurricular activities that guided the development of that manual. The clarification of that statute that was contained in a Minnesota Rule, however, never found its place into that manual. This manual (MAFA) references updated statutes on activity funding, extracurricular activities, and pupil fees. This manual also goes beyond the typical reference points to the use of Minnesota Rule.

This section contains definitions critical to the establishment of a student activity fund and its maintenance. Some of the definitions are a departure from the past manual due to legal clarifications. Other definitions and examples are offered in this section to distinguish between a student activity account and a non-student or convenience account.

#### 1. Under Board Control Defines the Use of UFARS

UFARS is required to be used by all reporting entities in the state when transactions of an activity are under board control. An activity or some of its transactions are under board control if one of the following conditions is met:

- a. The board of education mandates that the activity fund be under its control.
- b. The activity is related to a requirement or partial requirement for graduation.
- c. The activity is related to a board-ratified contract.

There are at least two other circumstances that could bring certain activities under board control, i.e. sales tax issues and fees issues, if the local board makes that choice.

#### Under Board Control as a Legal Issue

Some may argue that everything that occurs in the school or school district is under board control. However, in this context (use of UFARS), *under board control* takes on a meaning directly related to the approval process of budgets and transactions, not the traditional management concept of power and decision-making. That is, the concept of control intends to convey that a board approves a budget and receives, reviews, and approves revenue and expenditure reports. If an activity is outside the board control, it may still be directed by board action, but its fiscal transactions may only be presented to the board for review and receipt, not approval.

*Under board control* also conveys legal sanctions on the district. All school districts must adopt uniform standards as per [Minnesota Statutes, section 123B.77](#).

123B.77 Accounting, budgeting, and reporting requirement. Subdivision 1. Uniform financial accounting and reporting standards. Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.

Further, all district expenditures must be recorded through the use of these standards.

123B.76 Expenditures; reporting. Subdivision 1. Recognition. District expenditures must be recognized and reported on the district books of account in accordance with this section. Fiscal year-end recognition of expenditures and the related offsetting liabilities must be recorded in each fund in accordance with the uniform financial accounting and reporting standards for Minnesota school districts...

Deviations from the principles set forth in this subdivision must be evaluated and explained in footnotes to audited financial statements. Subdivision 2 – Accounting. Expenditures for any legal purpose of the district not accounted for elsewhere must be accounted for in the general fund.

Therefore, if the board mandates control, UFARS must be used, not MAFA.

### **An Activity is Related to a Requirement or Partial Requirement for Graduation**

When an activity is related to a requirement or partial requirement for graduation, it meets the second condition for 'under board control.' [Minnesota Statutes, section 123B.76 to 123B.77](#) appear to suggest that all financial activity in a school or district must use UFARS where it says, "district expenditures must..." That is to say, all expenditures that a district makes must be reported in UFARS. Further, [Minnesota Statutes, section 123B.49](#) (Extra-curricular activities) establishes the basic authority of districts to create sports and educational activities. It establishes distinctions between cocurricular activities and extracurricular activities, and establishes that local boards MUST take charge and exert direct control over cocurricular activities and MAY take charge and exert direct control over extracurricular activities.

In the case of cocurricular activity accounting, and in the case of extracurricular activity accounting that is under the direct control of the board, all transactions must be recorded with the district treasurer. All revenues collected and expenditures disbursed must be done with board approval and controlled through the use of the UFARS system.

In those districts where extracurricular activities are not under the direct control of the board of education, those districts must use this manual as they establish policies and procedures for activity accounting. However, since cocurricular activities must be under board control, a clear distinction needs to be established. Since there was an absence of a clear distinction in [Minnesota Statutes, section 123B.49](#), when work on this manual began, an appeal was made to a Minnesota Rule.

[Minnesota Rule 3500.1050](#) (Definitions for Pupil Fees) establishes a clear distinction between cocurricular and extracurricular activities in the Minnesota schools. The most fundamental distinction is that cocurricular activities are for credit or required for graduation; extracurricular activities are not for credit nor are they required for graduation. This distinction would also hold in the face of legislation that speaks to a standards-based education program for all Minnesota students in public schools. That is, cocurricular activities would be those activities that are for credit, required for graduation, or that have embedded standards embedded that could be applied to graduation requirements in a standards-based system.

The following statute provides the foundation for a "free and public education" and the basis for charging certain fees.

[Minnesota Statutes, section 123B.35](#) (General Policy) states:

"It is the policy of the state of Minnesota that public school education shall be free and no pupil shall be denied an education because of economic inability to furnish educational books and supplies...It is recognized that school boards do have the right to accept voluntary contributions and to make certain charges and to establish fees in areas considered extracurricular, noncurricular or supplementary to the requirements for the successful completion of a credit..."

Authorization to require or charge fees is contained in [Minnesota Statutes, section 123B.36 to 123B.38](#). In these sections as well as the above sections and in the rule, it is clear that a distinction must be made (and is made) between cocurricular as being for credit, required for graduation or providing movement toward graduation, and extracurricular which is not. This distinction is a fundamental departure from the previous activity manual and from previous distinctions in the UFARS Manual and establishes the foundation for most activities coming under the control of the board and monitored through UFARS. If an activity is for credit or partial credit

or is directed toward a graduation requirement (or part of one), the transaction associated with that activity must be under the board control and, therefore, must be guided by UFARS.

The meaning of *directed toward a graduation requirement* is a local decision. A student activity may have a standard embedded in it and many students use the activity to fulfill a whole or partial graduation requirement. On the other hand, there may be only one or two students in a thousand that use an activity to fulfill a requirement and the activity was never intended to be used in a cocurricular fashion. In those cases, districts may not consider those activities “under board control.”

### **An Activity has a Relationship to a Contract**

Another way to determine whether an activity and/or its related transactions **must be placed** under board control and, therefore, guided by UFARS, is to discern the existence of a contract. According to [Minnesota Statutes, section 123B.09](#), Subdivision 6. (Meetings)... "No contract shall be made or authorized, except at a regular meeting of the board or at a special meeting." If a contract exists to purchase items for a fundraising event, that contract must be ratified by the board.

An alternative to bringing every contract to the board for ratification would be to appeal to [Minnesota Statutes, section 123B.52](#), Subdivision 2. (Contract within budgeted amounts): "The board may authorize its superintendent or business manager to lease, purchase, and contract for goods and services within the budget as approved by the board." Principals and other administrators have no power to enter into a contract binding a school district. Also, the activity associated with the purchase of goods is under board control with a line item in a prior approved budget ([Minn. Stat. § 123B.77](#), Subd. 4 (Budget approval)).

"Prior to July 1 of each year, the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document that authorizes that expenditure, or prior to an amendment to the budget document by the board to authorize the expenditure. "

However, this delegation cannot be done with contracts for vending machines. According to an opinion from the Office of the State Auditor (OSA), a vending machine contract is not for goods and services but rather a license (often exclusive) to operate machines on school property. That is, the license is to place a machine on the property. Vending machine contracts would therefore require direct and separate board action. See *Item 10* in the Appendix for a clarification. See *Appendix, Item 14* for new codes.

In conclusion, all contracts for vending machines and all fundraisers that have a contract base for selling items such as fruit, candy and magazines would be approved by the board. Those activities would become “under board control.”

### **SUMMARY on Mandated “Under Board Control”**

There are three conditions that require district personnel to use UFARS to record transactions with the district treasurer, rather than in an activity fund:

- When mandated by the board.
- When an activity is related to a requirement for graduation.
- When an activity is related to a contract ratified by the board.

A board of education has the legal right to postulate its control over an activity fund. Any activity that goes to a credit or requirement for graduation or contains a standard (whole or part) that could be used for graduation is also under board control and, therefore, has its transactions guided by UFARS, not the activity manual. Any activity that is related to, part of, or the result of a contract is under board control.

There are other transactions that also involve student activities. Some of those activities could come under the aegis of MAFA, if the board does not mandate control. The next sections explore some of those activities and their related conditions.

## 2. Student Activity Funds Vs. Other Activity Funds

A distinction is offered that compares a student activity fund with other funds that are found in many districts. Student activity funds are used to account for dollars raised **by** the students **for** the students. A student activity fund contain dollars which are owned, operated, and managed by organizations, clubs, or associations (groups) within the student body under the guidance and direction of faculty or staff members for educational, recreational, or cultural purposes. Examples of student activities could be: yearbook, a class account, choral and band group, class projects, student clubs, student council, and student-sponsored bookstores.

However, there were many instances over the years, as described by auditors, where other dollars or accounts existed, with or without proper accounting procedures. Those other funds were typically called *convenience funds* and were maintained at the request of and for the convenience of staff members of a district. Examples of those funds may include: a flower fund, a sunshine, a faculty fund or an employee coffee fund. **MAFA does not permit any inclusion of non-student accounts or convenience accounts in a student activity fund.**

There is statutory authority for school districts to maintain extracurricular student accounts. MDE and OSA are not aware of any statutory authority for a school district to maintain accounts for the convenience of its employees. In addition, maintaining those accounts may constitute an 'in kind' benefit provided to school district employees and the Minnesota Attorney General has consistently held that 'in kind' benefits cannot be provided to public employees absent explicit statutory authority to do so (Ops. Atty Gen. 359b (October 24, 1989) and 161-b-12 (January 24, 1989)). Further, managing the funds of private groups or individuals exposes public entities to liability for loss of those private funds. Therefore, all non-student accounts *cannot* be in the student activity fund. And, those non-student accounts or convenience accounts *must not* be maintained by a school district.

There are also funds that are sometimes mistaken as **internal** activity funds but which **must** be maintained through methods not associated with the school or school district such as a booster club activity account or a parent-teacher (student) organization or association account. These types of funds, **which cannot use the tax identification number of a school or district**, must be maintained outside the jurisdiction of the school or district.

Booster clubs are a valuable source of support for school activities. They may, with board approval, operate concessions at special events and supervise other projects on school property involving students. However, they **must** maintain external, separate bank accounts and have their own tax identification number. Mechanisms of disbursement and accounting are external to the operations of the school or district.

Guidelines that could aid these organizations include:

- a. The names of the officers should be submitted to the school district office at the beginning of each school year for the purpose of necessary contact with the organization to discuss the administration of funds donated to the school or school district.
- b. Information regarding financial activities of these external groups should be requested by the school district at the end of each school year. Information would include receipts, source of receipts, expenditures by payee and beginning and ending balances. This information may be valuable to the school administration to help in the decisions made regarding the monitoring of school district fund raising.

- a. When these organizations raise money for the purchase of equipment, supplies or financial support for student activities, the funds for the designated activity or piece of equipment or supply must be received by the school district PRIOR TO a purchase order being issued or a student activity being scheduled.
- b. When there is a donation of dollars or equipment, the dollars and equipment become the property of the district.
- c. All district procedures regarding equipment procurement, including laws and practices for securing bids and quotes, must be adhered to by the external organization. The external organization cannot solicit bids or quotes on behalf of the school or district. It cannot obligate the district to a fiscal responsibility.
- d. A final type of money that looks like activity money or student activity money, but is not, is that money given by an outside donor or company or agency to a school to redistribute to children or families based upon some criteria established by the outside group. For example, the Good Group of People may give the district \$5,000 each year to distribute to needy families during winter break. That is not taxpayer money to be accounted for in the general fund. It is not an unrestricted gift. It also cannot go to the activity fund.

### 3. Cocurricular vs. Extracurricular Activities

The distinction between a cocurricular and extracurricular activity is an expansion of that offered in the previous section on "*An Activity Related to a Requirement or Partial Requirement for Graduation.*" [Minnesota Rule 3500.1050](#) contains the difference between the two activities. The critical difference is that a cocurricular activity is offered for credit, has credit or partial credit attached, or can be used toward a graduation requirement. An extracurricular activity cannot be used for graduation. And, by implication, fees can be charged within extracurricular activities as long as the charging of fees is consistent with [Minnesota Statutes, section 123B.36](#).

Subd. 3. **Cocurricular.** "Cocurricular" means those portions of the school-sponsored and directed activities designed to provide opportunities for pupils to participate in such experiences on an individual basis or in groups, at school and at public events, for improvement of skills. Cocurricular activities have one or more of the following characteristics:

- a. are for credit or required for graduation;
- b. are conducted at regular and uniform times during school hours, or if at times other than school hours, are established by school authorities;
- c. are directed or supervised by an instructional staff in a learning environment similar to that found in courses offered for credit; and
- d. are primarily or totally funded by public tax dollars for general instructional purposes under direction and control of the local board of education. Any deficits resulting from these activities are always subsidized by general school funds.

Subd. 4. **Extracurricular.** "Extracurricular" activities means those activities that include all direct and personal services for public school pupils for their enjoyment that are managed and generally operated under the guidance of an adult or staff member and have all of the following characteristics:

- a. are not for credit or required for graduation;
- b. are conducted for the most part during other than school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities;
- c. the content of the activities is determined primarily by the interests of the student participants and their parents with only the guidance of the staff member or other adult; and

- d. with the possible exception of direct costs of any salaries and indirect costs of the use of school facilities, the activity is self-sustaining as all other expenses are met by dues, admissions or other pupil fundraising events ([Minn. R. 3500.1050](#)).

The companion statute to the aforementioned rule is [Minnesota Statutes, section 123B.49](#), which states that cocurricular activity accounts must come under the control of the Board as previously stated.

Subd. 2. **Cocurricular activities authorization.** The board must take charge of and control all cocurricular school activities of the teachers and children of the public schools in that district held in the school building or school grounds or under the supervision or direction of the school board. The board must adopt rules and regulations for the conduct of cocurricular activities in which the schools of the district or any class or pupils therein may participate. All money received on account of such activities must be turned over to the district treasurer, who shall keep the same in the general fund, to be disbursed for expenses and salaries connected with the activities, or otherwise, by the board upon properly allowed itemized claims.

It is noteworthy to understand how the current statute and the current rule are not in conflict. The statute states that cocurricular activities are not for credit, but under board control. The statute is distinguishing between curricular and cocurricular. A course or curriculum is for credit in the traditional sense of the word. A cocurricular activity would be a part of a course, not the whole course. It is associated with a credit-granting mechanism, i.e. curriculum, but cannot in and of itself be the granting mechanism. The rule states that cocurricular activities are for credit. The rule is clarifying the part-to-whole relationship. That is, to the extent that a cocurricular activity is associated with a credit course or curriculum, to that extent it could be said to be part of the credit.

The issue and the distinction are more complicated when thinking about standards or partial standards or tasks associated with cocurricular activities. It could be possible to earn a part of a standard or an entire standard through a cocurricular activity, but never through an extra curricular activity. Therefore, because there is an influence on credits, standards and/or graduation requirements, the board **MUST** take control of the cocurricular activity. Beginning with the *UFARS Manual FY 2003*, definitions consistent with the Rule in **Chapter 3: Program Dimension** in Codes 291-Cocurricular activities (non-athletic) and 298-Extracurricular activities were contained.

#### 4. Revenue as a Determining Factor

The *UFARS Manual* contains references regarding activities and activity accounts in its Finance and Source Chapters, which are related to revenue sources. In **Source Dimension Chapter 5**, for example, there are codes for Fees from Patrons (050) and Admission and Student Activity Revenue (060). There are also references to Sales of Materials For Resale (621) and Sale of Materials (622), each of which are Net of Tax. This section will explore briefly the issues of fees and sales tax as indicators of board control and the opportunity, **not mandate**, to use UFARS codes and its system as contrasted with this manual as a stand-alone system.

##### Collection of Fees and Admissions

The *UFARS Manual* contains specific codes to record revenue from the collection of certain fees and admissions. To the extent that the collection of fees and admissions is board authorized as per statute, to that extent the UFARS system could be used since the recording of those fees is under the auspices of the board treasurer.

[Minnesota Statutes, section 123B.36](#), Subdivision 1 (Authorized fees) states

- “(b) A school board is authorized to require payment of fees in the following areas:
- (1) in any program where the resultant product, in excess of minimum requirements and at the pupil's option, becomes the personal property of the pupil;
  - (2) admission fees or charges for extracurricular activities, where attendance is optional and where the admission fees or charges a student must pay to attend or participate in an extracurricular activity is the same for all students, regardless of whether the student is enrolled in a public or a home school;
  - (3) a security deposit for the return of materials, supplies, or equipment;
  - (4) personal physical education and athletic equipment and apparel, although any pupil may personally provide it if it meets reasonable requirements and standards relating to health and safety established by the board;
  - (5) items of personal use or products that a student has an option to purchase such as student publications, class rings, annuals, and graduation announcements;
  - (6) fees specifically permitted by any other statute, including but not limited to section 171.05, Subdivision 2; provided (i) driver education fees do not exceed the actual cost to the school and school district of providing driver education, and (ii) the driver education courses are open to enrollment to persons between the ages of 15 and 18 who reside or attend school in the school district;
  - (7) field trips considered supplementary to a district educational program;
  - (8) any authorized voluntary student health and accident benefit plan;
  - (9) for the use of musical instruments owned or rented by the district, a reasonable rental fee not to exceed either the rental cost to the district or the annual depreciation plus the actual annual maintenance cost for each instrument;
  - (10) transportation of pupils to and from extra curricular activities conducted at locations other than school, where attendance is optional; ...”

When this statute is applied and the UFARS codes are considered, there are several additional activities or transactions that could come under board control and, therefore, may not have transactions recorded and accounted for through this manual.

### **Collection of Sales Tax**

If sales tax is collected on an item or service, e.g. post-season game or parking fee, then the activity related to that item or service could be under the control of the board and, therefore, must have its transactions recorded through UFARS. When the transactions are a revenue transaction, there would be at least two manipulations: (1) use of a source code to record the revenue, and (2) the use of another code or process to record payment to Other Governmental Units. A simple way to determine the appropriate application of the sales tax indicator is to review literature from the Department of Revenue. According to the Department of Revenue's *Schools - Sales and Purchases Sales Tax Fact Sheet 111*, some of the above items are already considered taxable, such as: locker rentals, certain supplies used to create a product in a class, and consumable school supplies. Most of these items are listed as authorized fees in [Minnesota Statutes, section 123B.36](#), cited above.

However, even though locker rental is an authorized fee and is taxable, towel fees are not authorized and not taxable. Therefore, users of this manual should review the fact sheet on sales tax in the Appendix to determine whether or not a particular item is taxable. It should also be noted that in the case of class ring purchases, the rings are taxable, but not under board control. Since it is a relationship between a company and an individual student and not the local school, there is no issue of board control and no actual transaction to record.

Please note that [Minnesota Statutes, section 297A.67](#), Subdivision 5. re: vending machines was amended, effective July 1, 2002, to provide that all food and drinks sold from vending machines is taxable at all schools, including K-12 schools. However, if a vending machine contract was entered into before May 30, 2002, food and drink sales from the machines at those schools would be exempt until July 1, 2003.



## SUMMARY

Numerous criteria are employed to determine whether or not MAFA could be used for activity fund transactions. Simply put, all activities that could be placed into one or more of the following categories could be placed under board control and accounted for using UFARS. Only the first three items are mandated under UFARS.

- An activity for which a board takes control because of its preemptive power
- An activity that goes to a graduation requirement (credit, partial or full standard)
- An activity (or some transactions) related to a contract
- Some activities (or transactions) that have an authorized fee attached
- Some activities (or transactions) that have taxable sales related to them

If the above foundations assist district personnel in determining when to use MAFA, then the next step is to articulate several tested guiding principles in preparation for the establishment, maintenance and auditing of activity accounts.

## B. GUIDING PRINCIPLES FOR THE ESTABLISHMENT, MANAGEMENT AND AUDIT OF ACTIVITY FUNDS

Seven principles are offered to guide the operations of an activity fund. All of the funds will be student-oriented and, therefore, all references will reflect that mandate.

### **Principle One: Activity fund development and fund management are grounded in board policy and written procedures.**

The policy should be comprehensive in its scope and precision. The procedures should provide direction in the areas of management, operational procedures, accounting procedures, and auditing expectations.

### **Principle Two: Student activity funds are used for student activity purposes and for those students currently in school.**

Activity funds should not supplant regular and general operations of the district. Activity funds must comply with the policies and standard operating procedures of the district.

Students should be the direct beneficiaries of their dollars, as contrasted with a method whereby other district overhead is reduced by these dollars. Further, the contributions to a student activity fund should be expended on activities for those students making the contributions in the year of the contributions whenever possible.

Since the activity fund should be spent for the general welfare of the student body and for purposes not currently fundable through the district's general fund, care should be taken to define the general welfare as contrasted with individual benefits. All students do not have to benefit directly; however, the majority should have the opportunity to benefit. Guidelines for acceptable general welfare purchases should be written out and evidence provided that the decision-makers have considered the guidelines when allowing disbursements.

Activity funds must not take on the image of a "slush fund." It may be wise to consider naming these funds in a manner that avoids the appearance of unilateral decision-making or the appearance of a fund established to circumvent general operating procedures.

### **Principle Three: There is an adult of record who is primarily responsible for the management of the fund.**

Student activity dollars should be collected and disbursed under the general direction of the site leader when the fund is related to a particular building-level activity. The site leader should involve those student leaders and faculty members who are responsible for generating revenue for approved projects in the decision making process. Decisions regarding disbursement of money from any type of

school-wide fundraising activity CANNOT be made unilaterally by a principal or faculty member. Participation by students must be supported by minutes, student signatures on purchase orders, requisitions, and check requests.

**Principle Four: All transactions are open to inspection.**

There must be open access to transactions with scheduled displays of transactions in student accounts. If the fund is not under the control of the board, the board should receive an accounting of those funds at least once a year. An effective practice would be to have quarterly reports received by the board. These reports are supplemented by the annual student activity fund audit that is received and approved by the board.

**Principle Five: Activity funds are managed in accordance with sound business practice.**

Activity funds should be maintained with the same high standards of accountability as those funds under the control of the board. The board should establish a policy requiring a thorough accounting of all monies which “belong” to the district. District employees cannot maintain a checking account or other cash funds for pupils without the knowledge and permission of the district leadership and sanctioned by the board of education nor can they operate an “off-campus” fund.

The board should develop a policy that prohibits deficit spending. Commitments cannot be made from a fund without sufficient revenue to cover the commitment. If a transfer within a fund is needed, it may be made if the advisors, treasurer, principal and student treasurer agree and the amount is paid back within a short period of time not to exceed three months.

**Principle Six: The size of an account is limited to a reasonable amount.**

Large accumulations of money over more than a year should be avoided. Revenue sources for the fund should be monitored carefully. District guidelines can determine an appropriate end-of-the-year size balance. If an account presently has a large amount in it, steps should be taken to reduce the fund to a reasonable amount. The purpose of the money can be the most effective guide to determining reasonable size.

**Principle Seven: Activity accounts within an activity fund are audited annually.**

An annual internal audit should be conducted to determine the appropriateness of individual activities or programs contained within the student activity fund. The use of an internal audit checklist to accommodate the task is an effective and recommended practice. The internal audit can be conducted on a periodic schedule adopted by the board.

**SUMMARY**

As self-evident as these principles may be, there are numerous reports from student activity audits and verified through interviews that the principles need to be revisited and/or established. Each of the principles can guide the development of specific operations in the school or district. Those operations are discussed in the next section, beginning with the *Operations of an Activity Fund*.

**C. OPERATIONS OF AN ACTIVITY FUND**

Several actions must be taken before the actual establishment of an activity fund.

- a) There is assurance that the fund is not under the control of the board and, therefore, must use MAFA as contrasted with the UFARS Manual.
- b) There is assurance that the fund is not an adult or staff-related (convenience) account nor an external account (e.g., booster club or PTSA) which cannot be included with student activity accounts or accounted for by the school district.
- c) An adult is designated as custodian of the fund. If it is a building-level fund, the site leader and the supervisor of the activity (if different) have a copy of this manual.

After leadership is assured that foundations are in place, including all appropriate district-wide policies and centralized procedures, there is a need to develop or review the purpose of a particular activity and its related accounting.

**1. Statement of Purpose**

A statement of purpose must exist for each activity within the fund. An *Activity Purpose Form* must be completed, signed by the advisor and principal, and placed on file at the district office. The form needs to include the name of the designated advisor, an acknowledgment of the receipt of a *Manual for Activity Fund Accounting (MAFA)*, and acknowledgment of responsibility for assuring that proper procedures are followed. Figure 1 contains a sample *Activity Purpose Form*.

**Figure 1: Activity Purpose Form**

<b>Activity Purpose Form</b>		
Date:	Name of Activity:	
Purpose of Activity:		
Age, grade and interest of students served:		
I, _____ (advisor) received a copy of the <i>Manual for Activity Fund Accounting</i> and acknowledge my responsibility for assuring that proper procedures are followed.		
_____	_____	_____
Advisors Name Printed	Advisor Signature	Date of Submission
_____	_____	_____
Building Leader Printed	Building Leader Signature	Date of Approval

Upon termination of the above-named activity, any unobligated funds that remain in the account will be disposed of in the following manner:

After approval of a student activity, each class, club, or organization should submit a list of officers to the school district office, since one or more of these individuals may be designated to assist in decision-making about the account. The first order of business for each club or activity each year is to develop goals and objectives which become the basis upon which to build a tentative budget for the upcoming academic year.

Officers and members of the group should become familiar with appropriate district policies and building procedures. Members should be made aware of specific administrative and accounting procedures as well as policies and procedures related to a variety of topics including sales tax, fundraising, and collection and disbursement of funds. Many of these topics are addressed in this manual and parts of the manual could be copied for use with students and staff.

**2. Account Code Structure**

Whether a district is setting up a UFARS-type tracking of accounts for activities or setting up a stand-alone system, the system must be established prior to the approval of transactions. It is suggested that the following features be incorporated into the account code structure:

- a) Use the same organizational unit (school identification) number as is used in the regular district (UFARS) finance system.
- b) Incorporate a two or three digit number to differentiate among student activities within the same organizational unit or school.

Figure 2 contains a sample account code structure, which distinguishes activities from organizational units.

**Figure 2: Sample Account Code Structure**

<p><b>District Activity Account Codes</b></p> <p><b>North Senior High</b>  232-095 A.F.S.  232-180 German Club  232-276 Class of 2005</p> <p><b>South Junior High</b>  334-035 Student Council  334-090 Yearbook  334-276 Class of 2009</p> <p><b>Elementary</b>  472-035 Student Council  472-130 Student Book Club</p>
--

In this example, 232 refers to all activities at North Senior High. The number 035 refers to all student council accounts, irrespective of site. Another sample is found in Item 10 in the **Appendix**.

### 3. Centralized vs. Decentralized System

The decision to have a centralized or decentralized system is made prior to the execution of transactions. The accounting system may be maintained centrally by business office personnel. With this type of system, one bank account is maintained; the receipts are recorded centrally; the checks are issued and recorded centrally; and the formal books of account are maintained centrally. The accounting system may, at the district's option, be maintained on a decentralized basis by having the principal's office maintain the system, for example. With this type of system, a separate bank account is maintained in each school; the checks are issued in each school or site; and the formal books of account are maintained in each school or site. In either mode, the chart of accounts and code structure must be defined and approved centrally.

There are advantages to having a centralized system, including:

- a) The administration can most effectively monitor the financial activity of student activities on a centralized basis.
- b) The accounting system is typically most compatible with the centralized district (UFARS) finance system.
- c) Standardized forms and procedures can be used throughout the district.
- d) A standard internal control system can be used throughout the district.
- e) The most consistent and effective financial management controls and classifications of revenues and expenditures can be centrally maintained.
- f) The least amount of resources is used to maintain the accounting system, since there is one central bank account and the detailed records are maintained by a small number of people.

Even though centralized accounting for student activities means that the bookkeeping functions are performed for a number of schools at one central location such as the business office, techniques for accomplishing this can vary among computer procedures and from computer procedures to manual procedures. For example, with computer procedures, all decisions can be made at the building level. All accounting transactions are entered on a computer terminal or on

computer input forms. This information is then transmitted to the central computer that performs accounting functions and generates reports monthly.

A manual procedure would have similar consequences. That is, all decisions are still made at the building level, but all reports and accounting would be centralized. Accounting transactions are recorded on standard forms prescribed by the district. Suggested forms include:

- a) Receipts Summary – This is a form which includes space for the school name and code number, date, activity name and account number, a brief explanation of the transaction and amount received for each account breakdown. The cash receipts are sent directly to the depository with duplicated deposit slips. After the central office receives and checks the receipts summary and compares it with the duplicate deposit slip received from the depository, the central office posts the transactions to necessary accounting books of entry.
- b) Disbursement Summary – This is a form which includes space for the school name and code, date, activity name and account number, name of payee and amount of check to be written for each account breakdown. District policy will determine whether supporting documents will be retained in individual schools or sent to the central office along with the disbursement summary. The central office makes necessary entries to accounting documents, prepares and issues checks and prepares monthly reports.
- c) Since decentralized accounting for student activities means that the bookkeeping functions are performed at the building level, it is imperative that each building has someone with an understanding of bookkeeping. Double entry accounting is required and is more complex than simply balancing a checkbook. Each school can use a microcomputer or a manual system. Some of the books of original entry include:
  - d) Cash Receipts Journal where receipts are recorded in detail by account numbers. Recorded receipts are compared with deposits and adjusted as needed. Credits are distributed to detail accounts by activities.
  - e) Cash Disbursements Journal where all disbursements of cash or checks are entered. Charges are distributed to detail accounts by activities.
  - f) General Journal where non-cash entries and adjustments are recorded. All entries must be made to both debit and credit accounts in the double entry bookkeeping system.
  - g) General Ledger. The general ledger is comprised of individual accounts on which debits and credits from the cash receipts journal, cash disbursements journal and general journal are recorded.

Schools which have a smaller number of transactions can utilize a single cash receipts and disbursements journal which combines the functions of the cash receipts journal, cash disbursements journal, general journal and general ledger. Sub-totals provide monthly totals.

In sum, during the establishment of a system, there are several items that have to be accomplished, including:

- formal determination that an account(s) are not under the control of the board and, therefore, are using this manual as contrasted with using the UFARS Manual;
- a custodian of the funds is designated;
- purpose statements exist for activities;
- the decision concerning a centralized vs. decentralized system is made; and,
- an account code structure is established.

Whether a centralized or decentralized system is used, local decisions must be made that are consistent with district policies and procedures. There must be assurances that irrespective of the type of system, the highest standards of accounting and accountability will be maintained.

#### 4. Administrative and Accounting Procedures Used to Establish An Activity Fund

An activity fund must be accounted for separately from the General Fund. Activity funds cannot be co-mingled or intermingled with other district funds. A separate account name and code is designated for each activity within the activity fund. Other necessary procedures include:

- a) The school activity funds must be in a checking account at a school board approved bank. Use of interest-bearing accounts is encouraged.
- b) School personnel are not authorized to borrow money from any individual or agency, nor are they authorized to loan money to school employees or others.
- c) Deposits are made in a timely manner and in the form that funds were received. Checks cannot be cashed from activity money for anyone.
- d) Investment of excess cash is encouraged, especially over the periods that school is not in session. Investments must also be with a school board-approved bank, since it is a form of contract. Interest from investments can be allocated to each activity account based on ending monthly account balances.
- e) Certificates of Deposit shall be kept at the school district central site for safe-keeping. No school employee unilaterally controls these certificates.
- f) Monthly reports must include a statement of receipts and disbursements and current balances. These should be made available to the activity advisor and principal monthly and at least quarterly to the student group. These same statements should be available to the board for periodic review. The school district will designate a district employee to reconcile the checking account following standard reconciliation procedures. An example of a treasurer's report is contained in Figure 3.

**Figure 3: Sample Student Activity Treasurer's Report**

Independent School District # 000 Great Town, Minnesota					
Student Activity Treasurer's Report Our Own High School					
____-Month Period from ____, 20__ thru _____, 20__					
ACTIVITY ACCOUNT	BEGINNING BALANCE	RECEIPTS	DISBURSEMENTS	TRANSFERS	ENDING BALANCE
Chess Club	\$ 137.22			-\$20.00	\$ 117.22
F.H.A.	14.95		\$ 4.21		10.74
Stud. Council	177.27	\$ 277.47	260.94		193.80
Choral Music	49.62	152.35	89.70		112.27
Yearbook	1,426.51	11.25	1,316.60	20.00	141.16
German Club	310.93	440.75	330.77		420.91
Totals	\$2,116.50	\$ 881.82	\$2,002.22	\$00.00	\$ 996.10

At the end of each fiscal year, the treasurer of the activity or the advisor shall carry over to the next fiscal year the balance of each activity fund where appropriate. If it is an activity of a graduating class or a short-term activity, the advisor, principal and/or student treasurer must follow established procedures to discontinue the fund.

- a) No individual activity account will operate with a negative balance at the end of the fiscal year. Special exceptions may be made with written approval of the principal and superintendent to operate with a negative balance, but only to the extent that there are assurances that the fund has receivables (actual or projected) to offset the negative balance

or board-approved assurances that a General Fund transfer would take place. **Note: General fund transfers must use resources that are non-tax base generated. Residuals from closed activity accounts would be an example.**

- b) Activity fund money cannot be used to purchase personal items for staff members even with a reimbursement agreement. By implication, no item may be purchased of a personal nature for a staff person or student with the use of the school non-profit tax identification number.
- c) Amounts may be transferred between individual activity accounts only with the authorization of the activity advisors and student representatives from each activity account and approval of the building leader. No transfer can transpire without the existence of a transfer policy in place. Figure 4 contains a sample *Activity Account Fund Transfer Form*.

**Figure 4: Activity Account Fund Transfer Form Sample**

Student Activity Account Funds Transfer Form		
Date _____	School Name /Code _____	Transfer/Journal Entry No. _____
Transfer Amount _____		
Activity Names/Codes From _____ To _____		
Reason for transfer of funds: _____ _____		
1 <sup>st</sup> Advisor (from) Signature _____	Date _____	
Student Signature _____	Date _____	
2 <sup>nd</sup> Advisor (to) Signature _____	Date _____	
Student Signature _____	Date _____	
Building Leader Signature _____	Date _____	
Superintendent Signature _____	Date _____	
(when appropriate)		

**5. Uses of Activity Money**

Another issue to be addressed prior to the execution of transactions relates to the appropriate and inappropriate uses of activity money. There are also issues surrounding the use of earnings on investments and the accounting of that money which will be explored.

**a. Under Board Control**

Examples of **appropriate** expenditures for student activity accounts of a curricular or cocurricular nature under board-controlled UFARS include:

- |                         |                         |                       |
|-------------------------|-------------------------|-----------------------|
| Transportation          | Classroom supplies      | Office supplies       |
| Textbooks               | Library books           | Postage               |
| Telephone Charges       | Assemblies              | Reimbursements        |
| Police liaison officers | Educational field trips | Employee compensation |

Examples of **inappropriate** expenditures for student activity accounts of a curricular or cocurricular nature under board-controlled UFARS include:

- Employee or student holiday parties
- Entertainment expenditures
- Items of clothing that will be retained by the user
- Flowers for a funeral, retirement or any other personal event
- Donations

### b. Not Under Board Control

Examples of **appropriate** expenditures for student activity accounts of an extracurricular nature and not under board control include:

Supplies and materials	Transportation	Travel expenditures
Food	Lodging	Admission fees
Entertainment	T-shirts	Donations

Examples of **inappropriate** expenditures for student activity accounts of an extracurricular nature and not under board control include:

Office supplies	Textbooks
Library books	Assemblies for the entire school
Office or school furniture	Employee comp, gifts, or awards
Facility meetings or faculty events	

All expenses must directly benefit the students who raised the money. All expenses should be approved by a student treasurer in addition to obtaining the other necessary approvals.

Extracurricular trips are listed above as appropriate expenditures. However, if the trip encompasses unusual and/or irregular trip experiences, they should be subject to the following approval process:

- 1) The board should approve the trip if district-owned property is being used and/or if a district employee is supervising or chaperoning the trip and whose salary is being paid by the district while on the trip. The approval should encompass the expenditure of district monies and the use of district property that is being absorbed by the district.
- 2) Administrative approval is used in other cases when the trip involves students being absent from scheduled classes, but no district subsidy is involved or when there is no overnight.

The expenditures subsidized by the district are recorded in the appropriate district fund. The other expenditures financed by the group are recorded in the student activity fund, e.g., the annual band trip is board-approved to the extent that the district is paying the employee's salary who is supervising the trip. The salary is recorded in the General Fund, and the other travel expenses financed by fundraisers or other non-district monies are recorded in the student activity fund. Care must be taken, even in this example. If the band trip and its outcomes are typically viewed as part of a graduation requirement, the trip is under board control as a cocurricular activity and, therefore, must be recorded within UFARS.

A final distinction must be made regarding the funding of activities. Whether an extracurricular activity is under board control or not, the nature of the funds is critical. Taxpayer money (taxes), or public funds, cannot be used for personal gain as in a gift. Therefore, as long as public funds are not involved in the category above—appropriate expenditures for student activities—the expenditures are appropriate.

Typically, people refer to the public test and district obligation when writing about the public purpose use of funds. A discussion of public purpose is contained on the following page.

### The Public Test and District Powers

School districts can expend taxpayer money only for a public purpose. **An expenditure serves the public purpose if it benefits the community, is directly related to the functions of the school district, and does not have as its primary objective the benefit of private interest.** The mere fact that some private interest may derive an incidental benefit from this activity does not deprive the activity of its public nature if its primary purpose is public (*Visina v. Freeman*, 252 Minn. 177, 89N.W.2d 635(1958)).



School districts must have general control and management of all schools, school funds, and public school property. The administration of school activity funds must comply with state statutes and administrative regulations pertaining to school districts. Managers of activity funds have no inherent authority to assume school board powers and responsibilities by virtue of operating school activities or related funds. In addition, an individual high school or elementary school has no status as a legal entity. Only the school district meets that test, and therefore, individual sites cannot enter into a contract.

The general rule of the public purpose test is the method used to determine the validity of school expenditures. The rule requires one of two inquiries: (1) a search for specific statutory authority for an expenditure; (2) if none exists, then it must be determined that the expenditure is an implied necessity and is consistent with the exercise of some related express power.

Examples of specific powers of school districts include, but are not limited to:

- Employ superintendents and principals ([Minn. Stat. § 123B.14](#)).
- Take charge of the business of the district, furnish school facilities, provide textbooks, employ teachers and other staff, provide libraries, and provide health services to students ([Minn. Stat. § 123B.02](#)).
- Dispose of, lease, and maintain school buildings ([Minn. Stat. § 123B.51](#)).
- Contract for goods and labor ([Minn. Stat. § 123B.52](#)).
- Provide for cocurricular and extracurricular activities ([Minn. Stat. § 123B.49](#)).
- Provide various programs within the curriculum ([Minn. Stat. § 121A](#)).
- Procure insurance ([Minn. Stat. § 123B.23](#)).
- Enter into lease-purchase agreements and installment contracts ([Minn. Stat. § 465.71](#)).
- Set health standards for students ([Minn. Stat. § 121A.15](#)).
- Pay all just claims against the school district and accept bequests, donations and gifts ([Minn. Stat. § 123B.02](#)).
- Compromise legal claims ([Minn. Stat. § 466.08](#)).
- Enter into joint powers agreements ([Minn. Stat. § 471.59](#)).
- Borrow money ([Minn. Stat. Ch. 475](#)).

See **Item 11** in the **Appendix** for further clarification of the Public Purpose issue.

### **Earnings from Investment**

A final issue surrounding uses of student activity dollars is investment earnings. A suggested distribution procedure is:

- a) Earnings may be deposited in the school district's General Fund to offset specific overhead that resulted from the maintenance of the activity fund. However, earnings in excess of cost must be maintained in the activity fund.
- b) Earnings may be maintained in a separate activity account to be spent for a specific purpose or transferred to a student activity group which benefits the maximum number of students.
- c) Earnings from the investment of commingled activity funds may be periodically apportioned among all accounts that are part of the commingled cash management system based on the average deposit as determined by the balance at the beginning or end of a period of time.

A suggested effective practice is to maintain earnings in a separate activity account called the "General Account" with activity including cost of checks, deposit slip printing, cost of other bank charges, cost of activity account bookkeeping software, and the allocation of school district costs, e.g., telephone, copying, accounting expense, and audit costs.

## D. ISSUES RELATED TO ACTIVITY FUND ACCOUNTING

There are numerous issues that must be addressed in the establishment and maintenance of a student activity fund. In most instances, the issues have some type of basis for resolution in statute, rule or GAAP.

### 1. Fundraising

Student activity fundraising must adhere to the school district fundraising policy. However, there is no statutory obligation requiring a school board to have or approve fundraisers as a method of generating revenue. Fundraising projects encompass a wide range of activity from the sale of food items to the sponsorship of dances and entertainment to out-of-school sales of advertisement, gift items, candy, fruit, raffles, magazines, programs, and car washes. The district and school personnel must make several decisions, including:

- the extent to which the community will be inundated with sales;
- what sales are appropriate for which clubs and organizations;
- if projects must be established in advance of approvals for fundraisers (what are they raising money for?);
- what limits, if any, should be set for accumulation of funds;
- what purposes are appropriate for use of funds; and,
- what happens if a trip or other fundraising objective is canceled.

All school-sponsored fundraising activities should contribute to the educational experience of the students enrolled in school. These activities and projects should never be in conflict with the instructional program.

School activity fundraising must have the approval of the administration and/or board of education, either directly or through policy and procedures. In the case of a contract, it must be board-approved. Approval must be obtained for each fundraising event each time the fundraising occurs. The fundraising should be publicized in advance, with purpose and intended use of profits indicated. If a fundraiser is a form of donation to a scholarship fund, then the money should be accounted for in the UFARS Trust Fund.

An effective practice is to have all fundraisers published for board review at the beginning of each year. The review document would include:

- Name of school and activity.
- Description of fundraising activity.
- Explanation of why funds are needed and amount needed.
- Approximate date of fundraiser.
- Whether or not the fundraiser involves sales tax.
- Whether or not the fundraiser involves a contract that needs board approval.

A review document of this type permits a board and administration to make comprehensive decisions affecting fundraising as a whole.

### 2. Receipts and Deposit Procedures

Several procedures should be used by schools to properly receipt and deposit funds including:

- a) All money collected should be given a pre-numbered receipt.
- b) Upon receipt, all checks should be endorsed "For Deposit Only to the \_\_\_\_\_ School Activity Account."
- c) Two different people should count the deposit (e.g., activity advisor, school district accounting clerk and/or bank teller).

- d) Material discrepancies in the counting of receipts should be reported immediately to the chief accounting officer of the school district.
- e) Bank deposit slips should contain the issuer name and the amount of each check. For large collections, a separate spreadsheet may be used to record all checks and amounts and summarized on the deposit slip.
- f) Receipts should be deposited daily. Student activity money should not be left in a school over a weekend.
- g) Returned checks must be redeposited on a separate deposit slip indicating “not entered as a receipt.” If checks are deemed uncollectible, the amount of the check is entered as a negative receipt and the activity account that originated the revenue will have its revenue reduced by that entry. The returned check is filed with the bank statements for an audit trail. Bank fees for the returned check is charged to the activity account that originated the revenue.

As was previously mentioned, the integrity of dollars must be maintained. That is, at no time must payments be made from these monies prior to their deposit. At no time are checks to be cashed for individuals, nor any form of labor paid in cash. Receipted dollars must be deposited in the manner and form in which they were received and contain only those dollars from the particular activity or event.

### 3. Gifts

Monetary gifts or bequests to the activity fund or individual accounts within the fund should be handled in the same manner as a regular receipt. There is likely a school board policy to have each gift or bequest approved prior to acceptance. The provider of the gift may also request a receipt for income tax purposes. Only a designated school administrator or the chief accountant should sign such a receipt and only after assurance that district policy and procedures have been followed. **At no time should a school employee assign or ascribe a value to an in-kind donation that someone will use for tax purposes.** See Item 6 in Appendix for a legal reference on gifts.

### 4. Internal Control Over Receipts

Common sources of receipts are listed below. A board issuance of funds is a separate transaction from an internal transfer and must have the appropriate paper trail (see page 19). Precautions must be taken to protect all activity money from loss and to limit the liability of persons handling the money.

Common sources of receipts and related controls include:

#### Admissions/Ticket Sales

- Use prenumbered tickets.
- Change ticket colors at consecutive events.
- Store tickets in a safe or locked cabinet.
- Require the ticket taker to destroy each ticket by tearing it and returning half to customer and retaining the other half.
- Report ticket sales on a Report of Ticket Sales Document.

#### Membership Dues and Student Fees

- The advisor will supervise membership campaigns, turn in receipts daily, and complete an accurate report at the close of the campaign.
- A record of memberships issued should be maintained. If membership cards are issued, maintain a record of the number of membership cards given to each solicitor of membership.
- Solicitors will return unused membership cards along with money collected. Money should be turned in daily.

- Free or credit memberships must be approved by the advisor.
- Student fees for items such as wood for a woodworking project or special art supplies in a ceramics class shall be turned in daily and charged for in accordance with appropriate district policy and state statutes.

### **Fundraising**

- Follow prescribed procedures stated previously.
- Students who collect money shall issue prenumbered receipts in duplicate where practical. The purchaser is given the original and the copy is turned in to the administrative office (or advisor) along with the money collected.
- Cash from sales are turned in daily to the administrative office and NOT CONVERTED TO A CHECK FROM THE ADVISOR.
- A record of reconciling items taken, sold, returned, and money turned in are maintained with the advisor and duplicated for the building or central office.

### **Donations**

- Donations to a club or activity should be turned in to the administrative office where receipts will be issued.
- Board of Education action for acceptance of the donation must be enacted.
- Restricted gifts, such as a scholarship fund, shall be accounted for as a separate activity in the UFARS accounts with the restrictions noted.

## **5. Bidding and Purchasing**

All bidding and most purchasing activities are board of education responsibilities. Individual activity groups and their advisors do not have authority to advertise for bids and award them. Individual group members and school building personnel do not operate as a separate entity. They are part of the school district. Aggregate expenditures of the district are examined for adherence to bid laws.

No activity account is obligated for purchases made by students, faculty or others unless supported by a written district authorization such as a purchase order and/or requisition form. Other recommended guides include:

- a) Compensation for services or direct payment of salaries from student activity funds to either students or employees of the district is prohibited. If individuals need reimbursement for services provided, the activity fund must make payments to the school district. The district will make payments to the individuals through the use of appropriate payroll and finance protocols.
- b) Personal purchases cannot be made through a student activity account.

Capital and non-capital equipment purchases funded by a student activity group become the property of the school district. Capital purchases are made by the school district using the following method:

- a) Payment must be made to the district business office prior to a purchase being made.
- b) A requisition is submitted to the business office.
- c) The district must generate the purchase order as requested and subsequently record the expenditure.

## **6. Cash Disbursement and Checks**

Disbursements must be made from original vendor invoices. If the original invoice is unavailable, the reason shall be noted on the document supporting the payment. Check requests must be signed by the activity advisor and a student representing the activity, if appropriate. A disbursement request form should contain the following information:

- Name of organization.
- Explanation of disbursement.
- Name of vendor(s).
- Date requested.
- Date needed.
- Account code.
- Appropriate documentation such as an original invoice or sales slip.

Disbursements must be made by check only. All checks should be prenumbered and issued sequentially. No checks will be issued without completing the pay to the order of, date, amount and signature fields. Two signatures are required on all checks. Checks should be mailed the same day as they are signed. The building leader or designee must authorize all payments.

Checks are made void by printing VOID across the face of the check and tearing off the signature portion. If the check has been entered in the account ledgers, the entry is marked VOID. Amounts are recorded as negative expenditures, not as receipts. Void checks are filed with the monthly cancelled checks. Blank checks are kept in a locked location when not in use and are properly controlled and safeguarded at all times.

In addition to having proper approval for the payment, each payment must be made only after an affirmation on the availability of cash in the individual student activity account. Deficit spending is the drawing of checks against student activity accounts that have cash balances insufficient to cover the checks. That practice is not acceptable.

Items submitted for payment are subject to review for the purpose of confirming their propriety and their conformance with policy and statutory authority. Items must also have appropriate support such as invoices, check requests, approval signatures, evidence of receipt, or purchase order copies.

## **7. Bank Reconciliations**

The student activity funds and the bank statement must be reconciled monthly. The reconciliation is filed with the bank statement and cancelled checks for the month.

## **8. Advances and Reimbursements**

When it is necessary to advance cash to persons in charge of school groups making class trips or outings, a form must be completed with supporting documents attached to the form. The request for cash must be signed by the student advisor and one student representing the activity. Unused cash is returned immediately after the trip and deposited into the activity fund account.

Documentation supporting the use of the advance must address the return of unused cash. A prenumbered receipt will be given for the cash received.

## **9. Disposition of Cash Balance in Discontinued Activity Accounts**

An inactive activity account may be closed at any time. This termination may be made by the activity advisor upon written request. This written request should also state the planned disposition of any money or materials that remain in an account (as per the *Activity Purpose Form*).

Procedures are needed to dispose of balances in inactive accounts or accounts of graduated classes. The board of education should enact a policy whereby monies left unused or uncommitted for a maximum of one year shall be deemed to have been committed and transferred to the Student Activity Fund for any proper school related purpose. This does not include graduating class accounts that must be removed in a more timely manner.

Graduating class accounts cease to exist at graduation since the graduated students are no longer part of the student body and, therefore, cannot have an account in the student activity fund. Well in advance of graduation, plans should be submitted in writing by the class advisor

and a student representative to utilize the balance of funds or transfer the balance to another activity account. This should be approved by the principal and adequate documentation maintained.

Guidelines for the disposition of accounts include the following items:

- a) All liabilities and obligations made by the participants in the activity account must be paid.
- b) Any money that was received subject to special limitations should be returned to the donor. If any money was donated for a specific purpose, which could be fulfilled by donating the funds to another activity account, then that should be noted to the donor.
- c) At no time may any student activity dollars be used for any purpose that represents an accommodation, loan or credit to any individual.

### **10. Student Activity Petty Cash Fund**

Administrative authority is required for the establishment of a student activity petty cash fund. These funds should be maintained in the records separate from the bank account balance. Reimbursement of activity petty cash funds will be made by means of a check drawn to replenish the amount carried in the fund. A voucher must be on file to support expenditures that are reimbursed. Petty cash funds may be redeposited in the student activity bank account at the end of each school year, and a check request can be initiated to reestablish the petty cash funds at the start of the following year.

Payments of minor amounts, which cannot conveniently be made by the issuance of checks, may be made from the student activity petty cash fund. A petty cash ticket or an invoice must support every payment out of petty cash. At any time, the authorized total of the petty cash fund on hand must be represented by paid vouchers and receipts or by cash. The following guides are to be observed:

- a) There must be no commingling of petty cash and daily receipts. No disbursements in excess of the authorized total of the cash fund can be made.
- b) No labor payments of any kind can be made out of petty cash funds.
- c) No checks can be cashed out of petty cash funds or out of daily receipts. There is no provision in the authorized procedure for recovering any cash advanced in this manner out of petty cash funds.
- d) The business office should determine the balance to be maintained and the dollar limitations on individual transactions.

### **11. Disposition of Property**

If a particular activity account for a group has surplus material or property, it should be disposed of following the policy of the school district. Proceeds from the sale of the surplus material or property must be returned to the student activity fund, unless it was previously designated as district property by way of board action and donor request.

### **12. Change Funds**

Change funds may be obtained for use during the conduct of a sale of items such as yearbooks. A check request for a change fund showing the amount and purpose of the change fund should be submitted to the student activity treasurer. Change funds should be returned as soon as possible and no later than the end of the school year. To accomplish this return, the change fund should be deposited separately into the activity bank account with a receipt written to record the prepared return. Change funds shall not be used for any other purpose.

### 13. Personal Checks

Personal checks cannot be cashed from a student activity fund. Personal checks may be accepted when payment is for the student activity and is in the exact amount due as in the case of the purchase of a ticket to a play. Checks cannot be made out for CASH except for establishment and replenishment of the change boxes for events. All checks made payable to CASH (for change boxes) shall be fully documented.

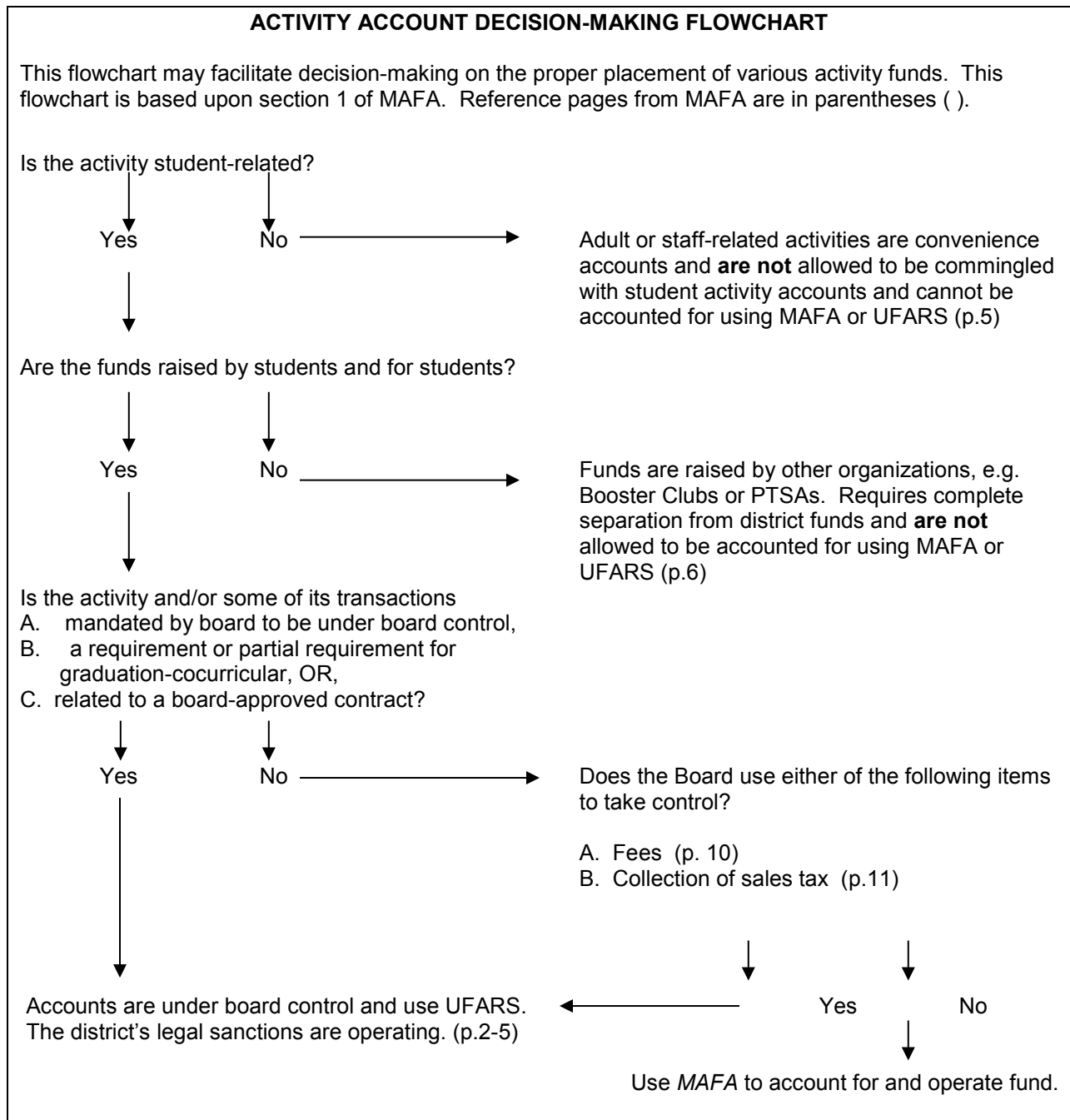
### 14. Labor Payments

**At no time and under no circumstances are labor payments made by cash or check from a student activity account.** Whether there is an explicit contract or an implicit contract, only checks from the board treasurer can cover the cost of labor. This practice encompasses numerous casual employees, including gatekeepers, referees (adult or student), DJs, and ticket-takers.

## E. AUDITING

Both external and internal audits are discussed in this section. Several examples of effective practices relating to audits and internal controls are found in *The Resource Guide to MAFA*. The flowchart in Figure 5 may be used as a simple review of decisions made concerning the inclusion or exclusion funds from the activity fund. That is, first there are decisions about which accounts to include in the activity fund. Second, the audits (external and internal) must reflect a compliance with those decisions, statutes and policies.

Figure 5: MAFA Flowchart





## The External Audit

Audits performed by individuals who are outside of the operation of the school district are called external audits. School districts should employ independent auditors who are certified public accountants to perform audits of school district fiscal records, including those of student activity funds. School audits are performed to determine compliance with state laws, rules and regulations, GAAP, and district policies.

Activity funds are audited annually by a certified public accountant. The fiscal year for annual audit reports will coincide with the school district fiscal year. The audit report shall be reviewed and approved by the school board. A copy of the audit report shall be filed with the Minnesota Department of Education. It must also be made available to the public upon request. If activity funds are under control of the board, then the activity fund audit is made as part of the annual school district audit.

The legal citation for audit requirements is contained in [Minnesota Statutes, section 123B.77](#), Subdivision 3.

**Statement for comparison and correction.** By November 30 of the calendar year of the submission of the unaudited financial data, the district must provide to the commissioner audited financial data for the preceding fiscal year. The audit must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, and the Minnesota legal compliance guide issued by the office of the state auditor. An audited financial statement prepared in a form which will allow comparison with and correction of material differences in the unaudited financial data shall be submitted to the commissioner and the state auditor by December 31. The audited financial statement must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards compliance and a copy of the management letter submitted to the district by the school district's auditor.

MDE requires financial statement audits to be conducted in accordance with United States Generally Accepted Government Auditing Standards (Yellow Book) and requires that the student activity audit be listed in the Table of Contents of the full district audit unless a separate report is issued. If all student activities are under board control, a statement to that fact must be contained in the financial notes. These steps will help verify that a student audit has been completed or that the student activities are all under board control and were audited with the General Fund.

## The Internal Audit

School district personnel perform internal audits. Internal audits can be as simple as day-to-day checking of receipts, invoices and procedures. Each school should have internal control procedures built into everyday fiscal routines. The school district may choose to have business personnel make periodic checks of building-level accounting practices to determine conformity with state laws, the contents of this manual, and district policies and procedures.

An internal audit should be completed on the student activity fund using a checklist similar to that contained in Figure 6. The checklist can be used during periodic internal audits as well as when a new activity group is proposed for addition to the student activity fund.

Figure 6. Internal Audit Sample

STANDARD	DISPOSITION
<b>Internal Audit Checklist – Student Activity Fund (SAF)</b>	
This list contains standards for evaluating components of the student activity fund and the fund itself. It is used to periodically audit the fund. The results of this audit should be given to the external auditor as a data source for his or her use during the external audit.	
Nature of the Fund	
1. Board policies and procedures governing the student activity fund are consistently applied.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. The Student Activity Fund accounts are not under board control.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<i>The board has designated through policy and action that the fund is guided by mandates and practices of the Manual for Activity Fund Accounting (MAFA). No SAF account is “under board control.” No SAF activity is for credit or aids in movement toward graduation. No transaction is related to or part of a contract or license agreement.</i>	
3. The Board receives periodic revenue and expenditure reports on the SAF, but does not approve the report and its transactions.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<i>This implies a technical understanding of “under board control.” If the board approves the report(s) and transactions, then the activity or fund must be removed from the SAF and be under UFARS. Document any removals and attach disposition including name, fund balance and UFARS code if applicable.</i>	
4. Each activity account in the fund is for student-only groups.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<i>There are no convenience accounts or external group accounts. Staff accounts, booster club accounts and other external group accounts are not contained in the student activity fund. If any non-student account existed at any time during the year, attach documentation that describes the action taken by the district to remove the account, including amounts, transactions, disposition of funds, and personnel involved. <b>No scholarship funds of a revolving nature exist in the SAF. These are Trust Funds.</b></i>	
Page 1: Checklist Sample	

## Nature of Individual Accounts

5. Each activity group has appropriate organizational documentation on file.  Yes  No

*Appropriate documentation includes, but is not limited to, the Activity Purpose Form, list of officers for the current year, approved signers of checks, and budget that contains approved fundraisers and revenue needed to cover listed expenditures.*

6. No account has a span of inactivity greater than one year.  Yes  No

*All inactive accounts have been removed from the SAF. The reason for removal, proper signatures for removal, and the disposition of any unused money is described.*

7. Graduated class accounts are removed from the SAF.  Yes  No

*The current year graduating class account, if it exists in the SAF, is removed no later than August 1 of the graduating year. The disposition of any unused money is described. No other previously graduated class maintains an account in the SAF. **Graduates are no longer students.***

8. All fundraisers associated with SAF accounts receive prior board approval.  Yes  No

*Attach the list of any fundraiser associated with any SAF group and note date of prior approval and/or approved contract attached to it. Note contract exceptions.*

9. Expenditures benefit students as a group.  Yes  No

*Expenditures are for student activity purposes. Expenditures do not circumvent general fund responsibilities.*

Page 2: Checklist Sample

## Findings

When an external audit is conducted, there may be several types of findings registered by the Certified Public Accountant (CPA). Some of those findings will be more serious than others. For example, if certain convenience accounts were discovered to exist in the student activity fund and were removed during the year, the auditor may report those instances as reportable findings. Beginning and ending balances may be displayed in the external student activity audit, even though a particular account no longer exists. No corrective action plan would be required, since the action taken by internal personnel was the corrective action that would have been recommended.

On the other hand, there may be instances where an auditor finds one or more convenience accounts that are still in operation after the close of the year. Those findings would be considered material and would require a corrective action plan on the part of the district. If the auditor finds one or more accounts that are linked to graduated classes, those too, would likely be material. These types of findings go to the nature of the accounts and not to the veracity of the financial statements within the audit. There would also be those findings that would be considered by GAAS as reportable conditions that may go to deficiencies in internal controls.

It is important for each person in charge of student activity funds to know what is expected of him or her in the discharge of duties. It is important to know what are generally accepted accounting practices (GAAP), statutory obligations and rules of procedure, and the explicit and implicit policies of the district governing student activity accounting and reporting.

## CONCLUSION

The intention of this document is to present guidelines and suggestions for the effective development, maintenance and auditing of activity accounting. The manual contains appropriate foundations for decision making as well as particular techniques within funds. Since the manual is a work in progress, annual updates will help to assure compliance with statute and effective practice.

## ITEM 1: UFARS

### 123B.76 Expenditures; reporting.

Subdivision 1. **Recognition.** District expenditures must be recognized and reported on the district books of account in accordance with this section. Fiscal year-end recognition of expenditures and the related offsetting liabilities must be recorded in each fund in accordance with the uniform financial accounting and reporting standards for Minnesota school districts. Encumbrances outstanding at the end of the fiscal year do not constitute expenditures or liabilities. Deviations from the principles set forth in this subdivision must be evaluated and explained in footnotes to audited financial statements.

Subd. 2. **Accounting.** Expenditures for any legal purpose of the district not accounted for elsewhere must be accounted for in the general fund.

HIST: 1976 c 271 s 29; 1980 c 609 art 7 s 4; 1981 c 358 art 7 s 8,9; 1993 c 224 art 12 s 12; 1996 c 412 art 1 s 2; 1998 c 397 art 6 s 17,124

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### 123B.77 Accounting, budgeting, and reporting requirement.

Subdivision 1. **Uniform financial accounting and reporting standards.** Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.

Subd. 2. **Audited financial statement.** Each district must submit to the commissioner by September 15 of each year unaudited financial data for the preceding fiscal year. These financial data must be submitted in the format prescribed by the commissioner.

Subd. 3. **Statement for comparison and correction.** By November 30 of the calendar year of the submission of the unaudited financial data, the district must provide to the commissioner audited financial data for the preceding fiscal year. The audit must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, and the Minnesota legal compliance guide issued by the office of the state auditor. An audited financial statement prepared in a form which will allow comparison with and correction of material differences in the unaudited financial data shall be submitted to the commissioner and the state auditor by December 31. The audited financial statement must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards compliance and a copy of the management letter submitted to the district by the school district's auditor.

Subd. 4. **Budget approval.** Prior to July 1 of each year, the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes that expenditure, or prior to an amendment to the budget document by the board to authorize the expenditure. Expenditures of funds in violation of this subdivision shall be considered unlawful expenditures. Prior to the appropriation of revenue for the next school year in the initial budget, the board shall calculate the general education revenue, basic skills revenue, and referendum revenue for that year that it estimates will be generated by the pupils in attendance at each site, and shall inform each site of that estimate and report this information to the Department of Education, State of Minnesota.

HIST: 1976 c 271 s 30; 1977 c 447 art 7 s 7; 1980 c 609 art 7 s 5; 1982 c 548 art 4 s 5; 1983 c 314 art 7 s 7; 1984 c 463 art 7 s 3; 1989 c 329 art 6 s 3; 1990 c 562 art 8 s 6; 1993 c 224 art 12 s 13,14; art 14 s 5; 1994 c 647 art 13 s 1; 1Sp1995 c 3 art 16 s 13; 1996 c 305 art 1 s 138; 1998 c 397 art 6 s 18,124; art 11 s 3; 1998 c 398 art 1 s 2,3; 1999 c 241 art 9 s 20; 2000 c 489 art 6 s 9

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## ITEM 2: Cocurricular and Extracurricular Statutory Reference

### 123B.49 Extracurricular activities; insurance.

Subdivision 1. **Activities outside district limits.** Whenever it appears to be beneficial and for the best interest of the district and the pupils of the district to carry on any school sport activities or educational activities connected with their studies outside of the territorial limits of the district, the board may authorize such activities to be conducted under such rules and regulations as the board deems sufficient. The district may pay all necessary costs therefor including transportation from the district funds available.

Subd. 2. **Cocurricular activities authorization.** The board must take charge of and control all cocurricular school activities of the teachers and children of the public schools in that district held in the school building or school grounds or under the supervision or direction of the school board. The board must adopt rules and regulations for the conduct of cocurricular activities in which the schools of the district or any class or pupils therein may participate. All money received on account of such activities must be turned over to the district treasurer, who shall keep the same in the general fund, to be disbursed for expenses and salaries connected with the activities, or otherwise, by the board upon properly allowed itemized claims.

Teachers or pupils in the public schools of such district must not participate in cocurricular activities, nor shall the school name or any allied name be used in connection therewith, except by consent and direction of the board.

Subd. 3. **Cocurricular activities.** Cocurricular activities means school sponsored and directed activities designed to provide opportunities for pupils to participate, on an individual or group basis, in school and public events for the improvement of skills. Cocurricular activities are not offered for school credit, cannot be counted toward graduation and have one or more of the following characteristics:

(a) They are conducted at regular and uniform times during school hours, or at times established by school authorities;

(b) Although not offered for credit, they are directed or supervised by instructional staff in a learning environment similar to that found in courses offered for credit;

(c) They are partially funded by public moneys for general instructional purposes under direction and control of the board.

### Subd. 4. **Board control of extracurricular activities.**

(a) The board may take charge of and control all extracurricular activities of the teachers and children of the public schools in the district. Extracurricular activities means all direct and personal services for pupils for their enjoyment that are managed and operated under the guidance of an adult or staff member. The board shall allow all resident pupils receiving instruction in a home school as defined in section 123B.36, Subdivision 1, paragraph (a), to be eligible to fully participate in extracurricular activities on the same basis as public school students.

(b) Extracurricular activities have all of the following characteristics:

(1) they are not offered for school credit nor required for graduation;

(2) they are generally conducted outside school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities;

(3) the content of the activities is determined primarily by the pupil participants under the guidance of a staff member or other adult.

(c) If the board does not take charge of and control extracurricular activities, these activities shall be self-sustaining with all expenses, except direct salary costs and indirect costs of the use of school facilities, met by dues, admissions, or other student fundraising events. The general fund must reflect only those salaries directly related to and readily identified with the activity and paid by public funds. Other revenues and expenditures for extra curricular activities must be recorded according to the "Manual on Activity Fund Accounting." Extracurricular activities not under board control must have an annual financial audit and must also be audited annually for compliance with this section.

(d) If the board takes charge of and controls extracurricular activities, any or all costs of these activities may be provided from school revenues and all revenues and expenditures for these activities shall be recorded in the same manner as other revenues and expenditures of the district.

(e) If the board takes charge of and controls extracurricular activities, the teachers or pupils in the district must not participate in such activity, nor shall the school name or any allied name be used in connection therewith, except by consent and direction of the board.

Subd. 5. **Contract for insurance.** The board may enter into a contract providing for the payment of cash benefits or the rendering or payment of hospital and medical benefits, or both to school children injured while participating in activities of the school. The contract entered into by the board may make the payment of such benefits or the rendering thereof the direct and sole obligation of the association or company entering into such contract with the district.

If the board deems it advisable, it may authorize employees to collect fees from the pupils enrolled in said school who are to be or are covered by such contract, and to make payment of the premium or other charge for such contract or protection. The payment of such premium or other charge may be made from funds received from the federal government or from the state or any governmental subdivision thereof, or from funds derived by a tax levy or the issuance of bonds. The child's payment of any fees, premium or other charge shall not thereby make the district liable for any injuries incurred from such school activities.

The commissioner of Department of Education may purchase medical insurance coverage for the benefit of students of the Minnesota state academy for the deaf or the Minnesota state academy for the blind in the same manner and with the same effect as a school district board may do for its students under this subdivision.

Subd. 6. **Insurance laws.** The insurance laws of this state shall not apply to nonprofit benefit and relief associations formed by public schools or officers of public schools or the Minnesota state high school league, the privileges of which and applications for membership in which are confined to pupils of the schools, and the benefits and relief to be derived therefrom are limited to pupils injured or disabled from participation in school athletics or any supervised school activity.

HIST: Ex1959 c 71 art 4 s 20; 1971 c 254 s 1; 1976 c 212 s 1-5; 1979 c 335 s 14; 1987 c 258 s 12; 1987 c 384 art 1 s 55; 1989 c 246 s 2; 1990 c 562 art 8 s 25; 1991 c 265 art 9 s 40; 1996 c 412 art 13 s 14,15; 1998 c 397 art 6 s 78-82,124; 1998 c 398 art 5 s 55; 1999 c 241 art 5 s 6

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## ITEM 3: Co-extracurricular Rule

### 3500.1050 DEFINITIONS FOR PUPIL FEES.

Subpart 1. **Applicability.** For the purposes of [Minnesota Statutes, section 123B.35 to 123B.39](#) the following terms have the meanings given them.

Subp. 2. **Curricular.** "Curricular" means those portions of the school program for which credit is granted. This definition applies equally to required or elective curricular programs.

Subp. 3. **Cocurricular.** "Cocurricular" means those portions of the school sponsored and directed activities designed to provide opportunities for pupils to participate in such experiences on an individual basis or in groups, at school and at public events, for improvement of skills. Cocurricular activities have one or more of the following characteristics:

- A. are for credit or required for graduation;
- B. are conducted at regular and uniform times during school hours, or if at times other than school hours, are established by school authorities;
- C. are directed or supervised by instructional staff in a learning environment similar to that found in courses offered for credit; and
- D. are primarily or totally funded by public moneys for general instructional purposes under direction and control of the local board of education. Any deficits resulting from these activities are always subsidized by general school funds.

Subp. 4. **Noncurricular.** "Noncurricular" activities means those activities that include all direct and personal services for public school pupils for their enjoyment that are managed and generally operated under the guidance of an adult or staff member. Noncurricular activities have all of the following characteristics:

- A. are not for credit or required for graduation;
- B. are conducted for the most part during other than school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities;
- C. the content of the activities is determined primarily by the interests of the student participants and their parents with only the guidance of the staff member or other adult; and
- D. with the possible exception of direct costs of any salaries and indirect costs of the use of school facilities, the activity is self-sustaining as all other expenses are met by dues, admissions or other pupil fund raising events.

Subp. 5. **Extracurricular.** "Extracurricular" has the same meaning as noncurricular.

Subp. 6. **Supplementary.** "Supplementary" has the same meaning as noncurricular.

Subp. 7. **Regular school day.** "Regular school day" means that which is defined in part 3500.1500 for middle and secondary pupils and in part 3500.1200 for elementary pupils.

STAT AUTH: MS s 121.11

HIST: L 1998 c 397 art 11 s 3

*Current as of 10/07/07*

## ITEM 4: Pupil Fee Statutes

### 123B.35 General policy.

It is the policy of the state of Minnesota that public school education shall be free and no pupil shall be denied an education because of economic inability to furnish educational books and supplies necessary to complete educational requirements necessary for graduation. Any practice leading to suspension, coercion, exclusion, withholding of grades or diplomas, or discriminatory action based upon nonpayment of fees denies pupils their right to equal protection and entitled privileges. It is recognized that school boards do have the right to accept voluntary contributions and to make certain charges and to establish fees in areas considered extracurricular, noncurricular or supplementary to the requirements for the successful completion of a class or educational program. No public school board may require, except as authorized by section 123B.36 and 123B.38, the payment of fees.

HIST: 1974 c 561 s 2; 1998 c 397 art 1 s 58; art 11 s 3

### 123B.36 Authorized fees.

Subdivision 1. **School boards may require fees.** (a) For purposes of this subdivision, "home school" means a home school as defined in section 120A.22 and 120A.24 with five or fewer students receiving instruction.

(b) A school board is authorized to require payment of fees in the following areas:

(1) in any program where the resultant product, in excess of minimum requirements and at the pupil's option, becomes the personal property of the pupil;

(2) admission fees or charges for extra curricular activities, where attendance is optional and where the admission fees or charges a student must pay to attend or participate in an extracurricular activity is the same for all students, regardless of whether the student is enrolled in a public or a home school;

(3) a security deposit for the return of materials, supplies, or equipment;

(4) personal physical education and athletic equipment and apparel, although any pupil may personally provide it if it meets reasonable requirements and standards relating to health and safety established by the board;

(5) items of personal use or products that a student has an option to purchase such as student publications, class rings, annuals, and graduation announcements;

(6) fees specifically permitted by any other statute, including but not limited to section 171.05, Subdivision 2; provided (i) driver education fees do not exceed the actual cost to the school and school district of providing driver education, and (ii) the driver education courses are open to enrollment to persons between the ages of 15 and 18 who reside or attend school in the school district;

(7) field trips considered supplementary to a district educational program;

(8) any authorized voluntary student health and accident benefit plan;

(9) for the use of musical instruments owned or rented by the district, a reasonable rental fee not to exceed either the rental cost to the district or the annual depreciation plus the actual annual maintenance cost for each instrument;

(10) transportation of pupils to and from extra curricular activities conducted at locations other than school, where attendance is optional;

(11) transportation to and from school of pupils living within two miles from school and all other transportation services not required by law. If a district charges fees for transportation of pupils, it must



establish guidelines for that transportation to ensure that no pupil is denied transportation solely because of inability to pay;

(12) motorcycle classroom education courses conducted outside of regular school hours; provided the charge must not exceed the actual cost of these courses to the school district;

(13) transportation to and from postsecondary institutions for pupils enrolled under the postsecondary enrollment options program under section 123B.88, subdivision 22. Fees collected for this service must be reasonable and must be used to reduce the cost of operating the route. Families who qualify for mileage reimbursement under section 124D.09, Subdivision 22, may use their state mileage reimbursement to pay this fee. If no fee is charged, districts must allocate costs based on the number of pupils riding the route.

Subd. 2. **Boards may require students to furnish certain items.** Students may be required to furnish personal or consumable items including pencils, paper, pens, erasers and notebooks.

Subd. 3. **Boards may require students to provide for certain transportation.** Students may be required to furnish their own transportation to and from an instructional community-based employment station that is part of an approved occupational experience secondary vocational program. As an alternative, a board may require the payment of reasonable fees for transportation to and from these instructional community-based employment stations. This subdivision only applies to students who receive remuneration for their participation in these programs.

Subd. 4. **School uniforms.** Notwithstanding section 123B.37, a board may require students to furnish or purchase clothing that constitutes a school uniform if the board has adopted a uniform requirement or program for the student's school. In adopting a uniform requirement, the board shall promote student, staff, parent, and community involvement in the program and account for the financial ability of students to purchase uniforms.

Subd. 5. **School store permitted.** Sections 123B.34 to 123B.39 may not preclude the operation of a school store where pupils may purchase school supplies and materials.

Subd. 6. **Waiver of student fees based on need.** A board may waive any deposit or fee if any pupil or the pupil's parent or guardian is unable to pay it.

HIST: 1974 c 561 s 3; 1976 c 271 s 19; 1978 c 764 s 7; 1986 c 444; 1988 c 718 art 2 s 1; 1990 c 562 art 2 s 1; 1991 c 130 s 37; 1992 c 499 art 12 s 29; 1993 c 224 art 2 s 2; 1995 c 226 art 3 s 5; 1996 c 412 art 2 s 4; 1998 c 388 s 1; 1998 c 397 art 1 s 46-50,58; art 11 s 3; 1998 c 398 art 5 s 5; 1999 c 241 art 5 s 5; 1Sp2001 c 6 art 1 s 6

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### **123B.37 Prohibited fees.**

Subdivision 1. **Boards shall not charge certain fees.** (a) A board is not authorized to charge fees in the following areas:

(1) textbooks, workbooks, art materials, laboratory supplies, towels;

(2) supplies necessary for participation in any instructional course except as authorized in section 123B.36 and 123B.38;

(3) field trips that are required as a part of a basic education program or course;

(4) graduation caps, gowns, any specific form of dress necessary for any educational program, and diplomas;

(5) instructional costs for necessary school personnel employed in any course or educational program required for graduation;

- (6) library books required to be utilized for any educational course or program;
- (7) admission fees, dues, or fees for any activity the pupil is required to attend;
- (8) any admission or examination cost for any required educational course or program;
- (9) locker rentals;
- (10) transportation to and from school of pupils living two miles or more from school. (b)

Notwithstanding paragraph (a), clauses (1) and (6), a board may charge fees for textbooks, workbooks, and library books, lost or destroyed by students. The board must annually notify parents or guardians and students about its policy to charge a fee under this paragraph.

Subd. 2. **Boards shall not withhold grades or diplomas for nonpayment of student fees.** No pupil's rights or privileges, including the receipt of grades or diplomas may be denied or abridged for nonpayment of fees; but this provision does not prohibit a district from maintaining any action provided by law for the collection of fees authorized by § s 123B.36 and 123B.38.

HIST: 1974 c 561 s 4; 1976 c 271 s 20; 1988 c 718 art 2 s 2; 1991 c 130 s 37; 1992 c 499 art 12 s 29; 1Sp1995 c 3 art 9 s 5; 1996 c 412 art 2 s 5; 1998 c 397 art 1 s 51,58; art 11 s 3; 1Sp2001 c 6 art 1 s 7

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#### **123B.38 Hearing.**

Before the initiation of any fee not authorized or prohibited by section 123B.36 and 123B.37, the local board must hold a public hearing within the district upon three weeks published notice in the district's official newspaper, or such notice as is otherwise required for a regular board meeting given three weeks before the hearing on the proposed adoption of the policy.

HIST: 1974 c 561 s 5; 1982 c 424 s 130; 1985 c 248 s 70; 1987 c 384 art 2 s 1; 1990 c 422 s 10; 1993 c 224 art 13 s 3; 1994 c 465 art 3 s 64; 1Sp1995 c 3 art 9 s 6; 1998 c 397 art 1 s 52,58; art 11 s 3

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## **ITEM 5: Contract References**

#### **123B.09 Boards of independent school districts.**

Subd. 6. **Meetings.** A majority of the voting members of the board shall constitute a quorum. No contract shall be made or authorized, except at a regular meeting of the board or at a special meeting at which all members are present or of which all members have had notice. Special meetings may be called by the chair or clerk or any three members upon notice mailed to each member at least three days prior thereto.

#### **123B.52 Contracts.**

Subd. 2. **Contract within budgeted amounts.** The board may authorize its superintendent or business manager to lease, purchase, and contract for goods and services within the budget as approved by the board. Any transaction in an amount exceeding the minimum amount for which bids are required must first be specifically authorized by the board and must fulfill all other applicable requirements in subdivision 1.

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## ITEM 6: Gifts

### 123B.02 General Powers of independent school districts

Subd. 6. **Bequests; donations; gifts.** The board may receive, for the benefit of a district, bequests, donations, or gifts for any proper purpose and apply the same to the purpose designated. In that behalf, the board may act as a trustee of any trust created for the benefit of the district, or for the benefit of pupils thereof, including trusts created to provide pupils of the district with advanced education after completion of high school, in the advancement of education.

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## ITEM 7: Sales Tax Reference (modified by Minnesota Legislature 2002)

### Purchases by schools

Purchases of items by public or non-profit private schools for their own use are generally exempt from sales tax. However, the exemption *does not* apply to purchases of meals, lodging, waste collection and disposal services, and motor vehicles.

**Private schools** and colleges must furnish to their suppliers either a Certificate of Exemption, Form ST-3, or a copy of their Certificate of Exempt Status, Form ST-17. Nonprofit private schools are encouraged to apply for a Certificate of Exempt Status, Form ST-17. Application Form ST-16 is available on request.

**Public schools** and universities, including the University of Minnesota, state universities, community colleges, and state academies, may furnish to their suppliers either a Certificate of Exemption, Form ST-3 or a purchase order or payment voucher that clearly indicates that the school is a government entity.

When a printed purchase order includes words to the effect that the school is exempt from tax, these words should be deleted when not applicable, such as in the purchase of meals and lodging. If bids are taken for the improvement, construction or repair of real property (for example, the sale and installation of carpeting), a statement should be included that the bidder is responsible for payment of any sales or use taxes.

Purchases are exempt from sales tax only when billed to and paid for by the school. Schools should not make exempt purchases for employees who will reimburse the school. Purchases made for a school by an employee who is later reimbursed by the school are not exempt.

Purchases of meals and hotel/motel lodging by schools or individuals traveling on school business are taxable, even if billed directly to the school.

Schools must pay the 6.5 percent tax when purchasing or leasing motor vehicles in Minnesota. The only exception is that a vehicle purchased as an instructional aid in a shop class is exempt from the tax.

### Sales by schools

Any school making retail sales of taxable items must have a sales and use tax permit, and collect and remit sales tax unless it qualifies for the exemption for fund-raising events described below. Sales tax collected on sales made by organizations that are part of the school, such as the band, choir, or science club, should be reported on the sales and use tax return filed by the school. Separate organizations, such as PTAs, should have their own numbers. To register for a sales tax permit, call (612) 282-5225 or 1-800-657-3605.

There is an exemption for the sale of tickets or admissions to regular season school games, events, and activities. For purposes of administering this exemption, "school" means a public or private school for grades 1 through 12. Tournaments, post-season games and other non-regular season games, events and activities are not included in this exemption.

**Fundraising events**

School fundraising sales may qualify for exemption from sales tax under either of the following two categories:

**Exemption one** - Gross receipts from sales of goods, admission charges, and sales of food, meals, or drinks at events sponsored by schools are exempt from sales tax if the gross annual sales receipts do not exceed \$10,000. Each student organization at elementary and secondary schools is considered to be a separate organization for the purpose of applying the \$10,000 tax-exempt fund-raising limit. Sales are exempt from tax if the total sales (both taxable and non taxable) of the organization do not exceed \$10,000.

**Public schools** - This exemption does not extend to sales or activities for which the money must be deposited with the school district treasurer or recorded with other revenues or expenditures of the school district as required by Minnesota Statutes, section 123B.49, Subdivision 2 and 4(b).

**Exemption two** - If the gross annual receipts of any school organization or of the school exceed the \$10,000 limit, the sales may still qualify for an exemption from sales tax. To qualify under this exemption, it is necessary to look at all of the activities of the school, including the activities of student organizations that exceed the \$10,000 limit.

The sales are exempt if they meet the following four requirements:

1. Profits must be used only for charitable, religious or educational purposes.
2. The exemption is limited to no more than 24 days of sales each calendar year. When counting the number of selling days each year, follow these guidelines:
  - a. All selling days for the school including selling days for organizations that exceed the \$10,000 must be counted.
  - b. If a group takes orders for goods with delivery to be made in the future, only the number of delivery days are counted as selling days. This is true even if goods are paid for at the time orders are taken.
  - c. Each day must be counted if a group sells and delivers goods at the same time.
  - d. If a group sells tickets for admissions, amusements, or meals for a fund-raising event, only the number of days on which the activity actually takes place are counted as selling days. Pre-sales of tickets are not included in the number of selling days for a fund-raising event.
  - e. Days when only exempt sales are made are included in the total number of selling days.
3. Separate accounting records must be well documented for each fund-raising event, including all receipts and disbursements.
4. Fund-raising events held on premises leased for more than four days but less than 30 days do not qualify for the exemption.

*If any of these four requirements are not met, and if total annual gross receipts exceed \$10,000, all sales of taxable items made during the year are taxable.*

**Examples of Taxable Sales**

- Admissions to swimming pools.
- Admissions to tournaments, post-season games, and other non-regular season games, events and activities.
- Athletic equipment, such as the sale or rental of football shoes or pads.
- Books (other than textbooks), encyclopedias, dictionaries, and yearbooks.
- Coin-operated amusement devices, such as jukeboxes or pinball machines owned or leased by the school.
- Cosmetic and toiletry items and school supplies, such as pencils, paper, and notebooks.
- Diploma fees.
- Fees charged for the use of personal computers.
- Graduation announcements, class rings, pictures.
- Locker rental (free standing or bolted to floor).
- Lodging, where rental agreement is for less than 30 days, except where lodging is included in the charge for an educational program sponsored by the school on the school's premises.

- Meals served off the school premises, such as at administrative offices or restaurants.
- Parking fees.
- Shop supplies, art materials, and sewing supplies, such as needles and patterns.

#### Examples of Exempt Sales

- Admission tickets sold for artistic performances, such as concerts and plays sponsored by the school.
- Auditorium programs for students for educational purposes.
- Breakage or loss of books or equipment (reimbursement for).
- Candy sold for fund-raising purposes (on or off school premises).
- Charges for lodging where the agreement is for more than 30 days.
- Feminine hygiene products, such as sanitary napkins and tampons.
- Graduation cap and gown rental.
- Gym clothes.
- Home economic supplies of food or sewing materials, such as fabric, zippers, and buttons.
- Locker rental (built-in lockers).
- Magazine subscriptions.
- Meals, lunches and sales of food through vending machines, including sales of candy and pop, when furnished, prepared or served on school premises.
- Membership dues to school organizations.
- Newspapers, if regularly published at least once every three months.
- Sales of tickets or admissions to regular season school games, events, and activities held on or off school premises.
- Textbooks required for use in a course of study and sold to regularly enrolled students.
- Towel fees.
- Tuition and all related instructional fees.

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*Revised 1/94 (Effective 7/01/02 [Minn. Stat. § 297A.67](#), Subd.5. food/drink from vending machines with a contract issued after May 30, 2002 are subject to sales tax within exemption limits) See Page 10 above.*

### ITEM 8: Excerpt from: UFARS, Chapter 3. Program p.8-9.

#### 291 Cocurricular Activities (Non-Athletics)

School-sponsored and directed activities designed to provide opportunities for pupils to participate in school and public events for the improvement of skills. An example is Student Council activities. Cocurricular activities are offered for school credit, meeting a standard(s), or counted toward graduation and have one or more of the following characteristics:

- a) they are conducted at regular and uniform times during school hours, or at times established by school authorities;
- b) they are directed or supervised by instructional staff in a learning environment similar to that found in courses offered for credit or are themselves offered for credit or standard; and
- c) they are fully or partially funded by public moneys for general instructional purposes under the direction and control of the board.

#### 292 Boys/Girls Athletics

Co-educational physical sports or contests. Athletics differs from physical education (see Program 240) in that:

- a) the majority of time is other than regular school hours;

- b) teachers, coaches, or supervisors normally receive remuneration beyond base salary for these activities; and
- c) physical sports events or contests occur outside of the usual instructional class environment.

Boys/Girls Athletics includes that part of the total athletic program that is shared by male and female participants or cannot be easily separated for either boys or girls athletic activities (see Boys Athletics - Program 294, and Girls Athletics - Program 296).

**294 Boys Athletics**

Athletic activities (see Program 292) in which 90 percent or more of the participants are male.

**296 Girls Athletics**

Athletic activities (see Program 292) in which 90 percent or more of the participants are female.

**298 Extra-Curricular Activities**

All services under board control for public school pupils which are managed and operated under the guidance of an adult or staff member. Extra-curricular activities have the following characteristics:

- a) they are not offered for school credit, do not go to a standard, nor required for graduation;
- b) are generally conducted outside school hours, or if partly during school hours at times agreed by the participants and approved by school authorities; and,
- c) the content of the activities is determined primarily by the pupil participants under the guidance of a staff member and other adult.

## **ITEM 9: Agency and Trust Funds Defined.**

Taken from the *UFARS Manual*:

**08 Trust Fund**

The Trust Fund is used to record the revenues and expenditures for trust agreements where the school board has accepted the responsibility to serve as trustee. The property in the trust agreement typically comes to the district by gift. For example, a community member may create a scholarship trust to be awarded to an outstanding student every year or the local parent group may establish a trust to purchase computer equipment.

Trust funds are composed of two types: expendable and nonexpendable. Expendable trust funds are used where both principal and earnings may be spent. Nonexpendable trust funds are used to account for trusts which require that only earnings and not principal be spent.

To be in accordance with GAAP, expendable trust funds must use the modified accrual basis of accounting used by governmental funds. Nonexpendable trust funds use the full accrual basis of accounting, the same as proprietary funds.

**09 Agency Fund**

The Agency Fund is used to account for assets where the school district has a formal agency agreement with other governmental units, employees, students or others. As an agent, the district holds property for others and performs duties as directed. Therefore, this fund does not report operations, only asset and liability account balances. Examples of the use of an Agency Fund: (1) deferred compensation, and (2) activity fund accounting, other than student activity funds.

The Agency Fund is currently under study by MDE and others. There is a recent opinion from the Office of the State Auditor that reiterates that there appears to be no statutory authority given to a school district that would permit a school district to account for funds of an outside party. It is inappropriate for school districts to maintain accounts in their general ledger for boosters, foundations, or other third parties.

## Item 10: Opinion on Student Activity Accounts

### Issue One: Staff Lounge Vending Machine

### Issue Two: Proceeds from Vending Machines

The Financial Management Team at the Department of Education has continued to search out more pragmatic and defensible answers to questions on the new *Manual on Activity Fund Accounting* (MAFA) in Chapter 14 of the *Uniform Financial and Reporting Standards* (UFARS) manual. During training on MAFA, it was understood that some of the issues were in need of clarification during the FY 2003 implementation of the improved guidelines for student activity accounting.

Two issues now seem to be clarified. They are:

*What should be done with the vending machines in the teacher's lounge?  
Can vending machine proceeds be given to a student activity account?*

There were attempts to get auditor opinions as well as find other sources of guidance. The first **Financial Accounting Instruction (FAI)**, which was replaced by the **School Business Bulletin (SBB)**, contained opinions relevant to the issues.

### Issue One: Staff Lounge Vending Machine

On January 10, 1976, the FAI stated:

"Vending machine operations of a limited nature such as in a teachers or staff lounge or for other employee groups may be exempted from the stated financial accounting procedures by the school board at its discretion. The amounts involved are minor and may accrue to and be controlled by a teacher or staff organization."

However, even though:

- a) the contract was approved by the board (as with all vending machine contracts);
- b) the proceeds were recorded separately from UFARS;
- c) the proceeds were of a minimal amount; and,
- d) the board made a motion that the machine in the lounge and proceeds used by the controlling group was approved...

*That opinion did not recognize that the minute the board took control of the machine by virtue of the two motions, UFARS must be used. Further, a board cannot issue a gift to an external organization or to a separate group including a staff member or a staff group. Therefore, vending machines operated on school property under the control of the board would have their proceeds go to a legitimate activity, not to an adult fund and not accounted for in the student activity fund.*

Most of these issues, however, were of the type where the profits were to be used to fund a scholarship. Those types of activities are valid. The profits from the vending machines would go to a trust fund account, after the proceeds had been deposited into the general fund. The teacher group could still guide the issuance of scholarships as long as that activity was recognized and approved by the board.

### Issue Two: Proceeds from Vending Machines Going to Activities

The FAI from January 10, 1976, also had a reference on vending machine proceeds being deposited in the general fund and going back to an activity. It stated:

“Revenues from vending machine sales **cannot** be turned over to any individual or school organization **not under control of the school board** such as a student activity, club, school principal or other staff member as the school board cannot grant gifts or otherwise subsidize operations over which it has no direct budgeting, expenditure or accounting responsibilities.”

This FAI opinion was supported in part by an Attorney General Opinion (63-A-2, May 6, 1965) that clarified that public funds could not be used for the personal gain of individuals. In essence, the opinion reaffirmed the Public Purpose Test of the use of public funds.

That opinion was recently reaffirmed in a letter from the Office of the State Auditor, dated May 24, 2005.

Therefore:

- a) proceeds from vending machines are deposited in the general fund; and,
- b) profits (from proceeds less expenses) from the general fund can be transferred to a student activity account ONLY IF the activity account is under board control, since that is the only way a transfer could occur.

### Item 11: Opinion Paper on Public Purpose, Public Funds and Student Activity Accounting

This opinion paper is currently under development.

### ITEM 12: Sample Coding using a UFARS-based Activity Accounting on Transactions Not Under Board Control Only

The group of codes below represents a method whereby a district or school could use the UFARS-like system for student accounting on transactions **not under board control**, with the same protocol as those transactions that are **under board control**. The user would not have to purchase a stand-alone system for activity accounting with this method. Loading of data could be done centrally or at each site, depending on the rigor and style of local protocols.

***The samples and the exercise are for discussion purposes only. It is not a MDE recommendation. It is meant to demonstrate options and alternatives. However, some of this sample is contained in the UFARS Manual as well as in the MAFA Manual.***

The student accounting structure would look like the UFARS structure in Figure 1.

**Figure 1: UFARS Structure**

Revenues						
FUND	ORGANIZATION	PROGRAM	FINANCE	SOURCE	COURSE	
XX	XXX	XXX	XXX	XXX	XXX	XXX
Expenditures						
FUND	ORGANIZATION	PROGRAM	FINANCE	OBJECT	COURSE	
XX	XXX	XXX	XXX	XXX	XXX	XXX

The Source dimension is not used in the expenditure accounts.



## FUND

The **fund** dimension code is a number such as **21**. It is a fiduciary fund within the UFARS system and is segregated as is any other fund in the *UFARS Manual*. If needed, the fund 21 transactions could be cross-walked to Agency Fund 09 for an end of year activity.

## ORGANIZATION

The **organization** dimension code is the three-digit number registered with MDE and is the official identification of the learning sites within a district. It is the same as the code used in *UFARS*.

## SOURCE

The **source** dimension code defines the origin of the revenue. For transfers from one student activity account to another, use the current UFARS protocol and the suggested code format at the end of this sample. Some of the codes that may already be applicable (especially if activities are already under board control are:

Source 060 Admission And Student Activity Revenue (Fund 01)  
Source 621 Sale of Materials Purchased for Resale (Fund 01 and/or 04)

The remaining source codes are meant to convey the suggestion that more precision may be needed in local districts on the origin of funds. These same samples are in the *UFARS Manual* and recommended to be reserved for use with student activities. The actual set of reserved or set-aside numbers are the series 900-999.

Revenue Type	Code	Paid to an activity account :
District payment	950	from host district's general fund
Interest payment	952	from locally determined distribution of interest on accounts
Membership dues	953	from individual members
Advertising	954	from individual, business, agency or organization
Donation	955	from individual, business, agency or organization
Sales rebates	956	from Target stores for purchases
Sales rebates	957	from _____ for purchases (specify store)
Event sales	970	from sale of tickets to particular event
Concession sales	972	from sale of traditional concessions at events
In-school store sales	973	from sale of dry goods in the school store
Labor-based activity	975	from activity such as a car wash

The sales could not be as a result of a contract ratified by the board, since that would be under board control. See the write-up on TRANSFERS at the end of this sample.

## FINANCE

The **finance** dimension code is similar to that in *UFARS* in that it defines and tracks a specific type revenue and expenditure. In this context (student activity accounting), the finance dimension code would be 000.

## PROGRAM

The **program** dimension codes in this example are taken directly from the *UFARS Manual*, Chapter 3. Program. Since these are only for NOT under board control, 292,294 and 296 would not be used.

<del>Boys/Girls Athletics</del>	<del>292</del>	<del>Expenditures on coeducational physical sports and contests</del>
<del>Boys Athletics</del>	<del>294</del>	<del>Athletic activities with 90% or more male participants</del>
<del>Girls Athletics</del>	<del>296</del>	<del>Athletic activities with 90% or more female participants</del>

Extra-curricular	298	Activities, supplemental, not for credit
Transfers	950	Transfer between funds to supplement resources

## OBJECT

The **object** dimension code is used to describe the type of commodity or service obtained as a result of the expenditure. All the object codes are the same as those used in the *UFARS Manual*, Chapter 5. Object. Codes for salary and wages (110-199) and employee benefits (210-299) are not used, since those expenditures are **under board control**. Some examples are:

Name	Code	Description
Supplies and Materials- Non-instructional	401	supplies and software
Food	490	
Permanent Transfers	910	Transfer from one account to another account.

## COURSE

The **course** dimension code is used to define an activity. Each type of activity has a code. However, band is band, whether it is in a junior high or the senior high. It is distinguished by the organization dimension code or a locally defined code for a specific band within the same site. **The 900 series of course codes is set aside for use by student activity accounts.**

Type of Activity	Code	Description
Class of 2003	903	Class activity account
Class of 2004	904	Class activity account
Class of 2005	905	Class activity account
Class of 2006	906	Class activity account
Class of 2007	907	Class activity account
Class of 2008	908	Class activity account
Class of 2009	909	Class activity account
Class of 2010	910	Class activity account
Class of 2011	911	Class activity account
Class of 2012	912	Class activity account
Class of 2013	913	Class activity account
Class of 2014	914	Class activity account
Class of 2015	915	Class activity account
Band	930	Activity account for the band
Band specific	931	_____ (specific band such as marching or orchestra)
Language Club-French	940	Activity account for language club
Language Club-German	941	Activity account for language club
Language Club-Spanish	942	Activity account for language club
Language Club-_____	943	Activity account for language club: specify: _____
Athletic: Baseball	950	Activity account for athletics
Athletic: Basketball	951	Activity account for athletics
Athletic: Football	954	Activity account for athletics
Athletic: Softball	955	Activity account for athletics
Athletic: Swimming	956	Activity account for athletics
Athletic: Tennis	957	Activity account for athletics
Athletic: Track	958	Activity account for athletics
Athletic: _____	959	Activity account for athletics: specify _____

Cheerleading	961	
Student Council	970	Student leadership account
Yearbook	971	Production of Annual
Activity Account: _____	972	Activity account-not athletics: specify: _____
Interest Account	999	Placement of interest prior to distribution or use

## TRANSFERS

Transfers are handled the same as in the regular UFARS system. A debit and credit are created for each transfer of funds between activity accounts. For example, if the band (930) at Morning High (215) transfers funds to the Morning High (215) Yearbook Account (971), it would be booked as in Figure 2: Booking a Transfer.

**Figure 2. Booking Transfer**

CREDIT:	21 (fund)	215 (org)	950 (program)	000 (finance)	649 (source)	971 (course)
DEBIT:	21 (fund)	215 (org)	950 (program)	000 (finance)	910 (object)	930 (course)

Other options exist, such as:

1. Use Finance in a more non-traditional manner coupled with Source. That is, move the Source Dimension Codes to Finance. Drop the use of 000 in the Finance; use 099 for Source. Some argue that this would provide a more precise tracking of revenues from each event or revenue source.
2. Use Source 099, Finance 000, and utilize the course codes.

## Sample Policy on Student Activity Accounting

### Section One: Purpose Statement

The Board of Education recognizes the need to provide alternative paths to learning, skill development for its students, and activities for student enjoyment. It also understands its commitment to and obligation for assuring maximum accountability for public funds and student activity funds. To those ends, the District assumes control of all student activity accounting that relates to curricular and co-curricular activities as per [Minnesota Statutes, section 123B.49](#), Subdivision 2, Cocurricular activities authorization. Further, the district takes control of all student activity accounting that relates to extracurricular activities as per [Minnesota Statutes, section 123B.49](#), Subdivision 4, Board control of extracurricular activities.

The district recognizes the need to provide accountability in a form that is reality-tested and transparent to the public. It must provide information to the public that is understandable; information that conforms to actual revenue and expenditure data; and information that conforms to a public test and district powers statement.

### Section Two: Definitions

#### A. Public Test and District Powers

An expenditure serves the public purpose if it benefits the community as a whole, is directly related to the functions of the school district, and does not have as its primary objective the benefit of private interest. It is with the rights and obligations of a district that it provides cocurricular and extracurricular activities and pays all necessary costs associated with those activities.

**B. Cocurricular Activity**

A cocurricular activity is that activity sponsored by the district and under its control. The activity may lend itself to the granting of credit or is related to a credit granting mechanism as in the case of a performing band in the evening (cocurricular activity) that is related to band instruction during the regular class day.

**C. Extracurricular Activity**

An extracurricular activity is a school-sponsored activity that may be under the control of the District. The transactions of the activity are under board control and the activity does not relate to a credit granting mechanism nor is the activity for credit as in the case of an after-school chess club. The activity is typically held after school, guided by the wishes of participating students and is for their enjoyment.

**D. Activity Funds**

Student activity funds are those funds that are directed toward the skill development and enjoyment of students. They are of, by, and for students. These funds do not offset the regular school budget, nor do responsible adults unilaterally control those funds. These funds are generated by revenue sources other than those typically referred to as “public funds” from local taxes or state aids. They include, but are not limited to, fund raisers in the sale of items, bake sales, car washes, and designated vending machine revenues.

1. All funds of a graduated class are removed from the student activity accounts. Any residual money from a graduating class is deposited into the succeeding senior class account prior to the start of the school year following the graduation.
2. All student activity accounts that are inactive for more than 12 months are removed from the fund, with residual money going to the general fund or as stated in the Activity Purpose Form.
3. All non-student funds, including parent group funds, convenience accounts, adult fundraisers, and booster club funds are removed from the activity accounts.

**Section Three: Demonstration of Accountability****A. Quarterly Activity Fund Reports**

The board of education will receive an accounting of activity accounts as least quarterly in the form of a board report on transactions within each account of the cocurricular and extracurricular activity funds.

**B. Annual Audit**

The board of education assures the public that sound business practices and transparent accountability is achieved with the aid of an annual audit. As per statute, the activity accounts will be audited when all other district funds are audited.

**C. Fund Raiser Report**

The board of education will review a fundraising report semi-annually in May and November. The report will list the activity, type of fundraisers, timing, purpose and results.

## Section Four: Effective Business Practices

The Board will annually review the financial management practices and procedures of the student activity accounts through the use of a board sub-committee. The board sub-committee will review accounting practices, frequency and results of fundraisers and the purpose statements of activities. The committee will also review the internal controls of the district directed to student activity funds as well the results of its own internal audits.

Statutory References: [Minnesota Statutes, section 123B.76-77, § 123B.49, § 123B.35-38, § 123B.02, subd. 6, § 123B.09 and 123B.52.](#) Office of the Revisor (2003), [Minnesota Rule 3500.1050.](#)

### Item 14: New Revenue Source Codes for Use with Contracts

Since the implementation of the accounting system for students, there has been a growing awareness of possible inflated revenue and expenditures for the education of students when fundraising activity is added to the general fund due to the existence of a contract. Therefore, the UFARS Manual was improved by TWO (2) source codes so that there would not be an artificial increase in revenue and expenditures due to the existence of a contract.

#### NEW CODES

The new source codes and their uses are:

##### **619 Cost Of Materials For Revenue Producing Activities (Contra Revenue)**

Record the cost of the materials that were purchased for the purpose of (a) producing an object for sale or (b) for reselling of the material at a profit.

Example (a) building a house, an art work, or a storage shed

Example (b) fundraising by selling candy  
concession stands  
school stores  
vending machines

##### **620 Sales Of Materials For Student Activity Fund Raisers**

Record the fund raising revenue generated from the sale of goods and services under the control of the board of education.

The internal mechanics are the same as in the past, except that artificially inflated numbers will no longer appear in the General Fund.

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