

Student Activities Fund

This fund was referred to as a General Fund in past years, but this was often confused with the General Fund of the school corporation. The name Student Activities Fund is more descriptive and will avoid confusion with the school corporation General Fund. The Student Activities Fund is reserved for activities and receipts that should benefit the whole student body.

Common sources of receipts may include, but are not limited to, the following:

1. Picture sales
2. Small athletic funds
3. Vending machine proceeds
4. Interest
5. Sales projects conducted by the student body
6. Collections for trips and other projects for students
7. Proceeds from student participation activities
8. Receipts that do not have a clearly defined purpose elsewhere

Small athletic programs or bookstore initiatives may also be operated through this fund. Receipts and expenditures related to either of these activities must be included for proper accounting.

Examples of allowable expenditures include the costs of extracurricular events not handled elsewhere for student parties, dances, field trips, convocations, etc. Costs include transportation, postage, telephone expenses related to the activity, entrance costs, meals, and refreshments for students.

Inappropriate expenditures from the Student Activities Fund include equipment, office furnishings, office supplies, educational supplies, library books or subscriptions, educational membership dues, gifts, flowers, donations, faculty expenses, etc. The best way to decide if something should

be charged to the Student Activities Fund is to adhere to the following statement: “Money raised by the children must be spent on the children.”

The State Board of Accounts has consistently taken the position of not making an audit exception to a school extracurricular account that has a general fund if the fund consists of revenues received from sources (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization for which a fund should be established. The Board’s position has been that the functions for which the expenditures are made must benefit the student body as a whole, as opposed to a select group of students, school employees or administrators. Examples of appropriate expenditures would be convocations and field trips that the entire student body has the opportunity to take during the course of the school year. The board bases its position, in part, upon the substance of the transaction. For example, do the revenues come primarily from students or parents paying into vending machines, picture money, etc. The State Board of Accounts would not issue an audit exception to a public policy of a school corporation stating that a general fund does not exist and that money from these types of functions be used to offset the cost of the function by reducing prices of vending machine items or the costs of pictures, etc.

IC 20-5-7-4, which applies to investment income funds (interest income funds) specifically provides authorization for either corporation or extracurricular type of expenditures.

The General School Powers Act (IC 20-5-2-2) provides both general and specific powers and duties for the governing board to follow when carrying out the purposes of the school corporation they govern. Included in the board’s specific powers is the responsibility to “... take charge of, manage, and conduct the educational affairs of the school corporation. Therefore, the board also has the responsibility to establish, locate, and provide necessary schools, school libraries (and other libraries where permitted by law), other buildings,

facilities, property, and equipment.”

IC 20-5-7-5 provides, in part, concerning extracurricular funds, “No funds shall be transferred from the accounts of any organization, class, or activity except by a majority vote of its members ...” IC 20-5-7-5 also provides, in regard to extracurricular expenditures, “All expenditures shall be subject to review by the local school board.”

Inquiries have been made concerning the use of a general fund for educational expenditures that would normally be made from school corporation funds (for example, the costs of copy machines, computers, educational materials, supplies, etc.). The State Board of Accounts takes the audit position as stated above. However, the board will not take an audit exception to a school using disbursements from an extracurricular “general fund” for authorized corporation-type expenditures, including equipment and supplies, if the following conditions are met:

1. A policy has been adopted by a board of school trustees in a public meeting to authorize these types of expenditures
2. A majority of the student body has no objections to these types of expenditures
3. LONF equipment purchases would still require separate approval from the local school board.

Since alternatives exist for funding educational expenditures (i.e., taxes, authorized investment income expenditures, etc.), and since other alternatives for the use of a general fund exist (i.e., reducing the cost of items to students and/or parents), it is clear that the adoption of the aforementioned would be a public policy decision for which the local board of school trustees must accept any and all responsibility.

Cash Change Fund

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the school corporation in an amount to be determined by the governing body.

The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert this check to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have the authority to increase or decrease the fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established, or when the custodian of the fund is changed [IC 36-1-8-2].

IC 36-1-8-2 is particularly applicable in school corporations where either a Textbook Rental Fund or School Lunch Fund, or both, are maintained as extracurricular funds. If a Cash Change Fund is authorized, and a check is drawn on the appropriate fund, it will be recorded as a disbursement in the fund.

General Fund (Student Activities Fund)

The State Board of Accounts consistently has taken the audit position not to issue an audit exception to a school extracurricular account that has a general fund, if the fund consists of revenues received from sources (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization for which a fund should be established.

This position has been taken with the provision that the functions for which the expenditures are made benefit the student body as a whole, as opposed to benefiting a select group of students, school employees, or administrators. Examples of appropriate expenditures include convocations, field trips in which the entire student body has the opportunity to participate during the course of the school year, etc. The audit position has been based, in part, upon the substance of the transaction; for example, the revenues result primarily from students or parents paying into vending machines, picture money, etc. The State Board of Accounts would not make an exception to the public policy of a school corporation stating that a general fund does not exist and that money from such a source may be used to offset the cost of the function. Examples would include reduced prices of vending machine items, reduces costs of pictures, etc.

IC 20-41-1-9, which applies to investment income funds (interest income funds), specifically provides authorization for either corporation or extracurricular types of expenditures.

The General School Powers Act (IC 20-26-5-4) provides both general and specific powers and duties for the governing board in carrying out the school purposes of the school corporation they govern. Included in the specific powers with which the board is charged is the responsibility to "... take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, and other libraries where permitted by law, other buildings, facilities, property, and equipment."

IC 20-41-1-4 provides, in part, in regard to extracurricular funds: "Funds may not be transferred from the accounts of any organization, class or activity except by a majority vote of its members..." IC 20-41-1-4 also provides, in regard to extracurricular expenditures: "All expenditures shall be subject to review by the local school board."

There have been questions about the use of a general fund or student activity fund for educational expenditures (copy machines, computers, educational materials, supplies, etc.) which would normally be paid from school corporation funds. The State Board of Accounts' audit position is as stated above. However, the board will not take audit exception to a school having disbursements from an extracurricular "general fund" or "student activity fund" for authorized school corporation type expenditures, such as equipment, supplies, etc., as long as the following conditions are met:

1. A policy has been adopted by a school board in a public meeting authorizing these types of expenditures.
2. There are no objections from a majority of an applicable student body to these types of expenditures.
3. Equipment purchases still require separate approval from the local school board.

Faculty and Staff Funds

Faculty and staff funds are not allowed in the extracurricular records of a school. If a school has such a fund in the extracurricular records, it should be removed immediately. A check should be prepared in the name of a teacher who will be responsible for opening a non-interest bearing account at a local financial institution. It should be a non-interest bearing account because, at the end of the year, whoever opened an interest-bearing account would receive a 1099 Statement of Miscellaneous Income from the financial institution, and that individual would be responsible for adding that interest into his/her state and federal tax returns.