Chapter 8

School Internal Funds

SECTION I – PRINCIPLES

1. The district school board shall be responsible for the administration and control of internal funds of the district school system, and in connection therewith shall:

   a. Adopt written rules governing the receipt and disbursement of all internal funds and for the accounting for property pursuant to Florida Statutes.

   b. Provide for an annual audit of internal funds in accordance with Rule 6A-1.087, F.A.C.

2. The financial transactions of school organizations shall be accounted for in the school internal funds. All funds handled by district school board employees during normal working hours shall be included in and become part of the internal funds of the school unless accounted for in the district-level accounting system. All organizations of the school, or organizations operating in the name of the school, that obtain money from the public shall be accountable to the board for receipt and expenditure of those funds in the manner prescribed by the board. If approved by the district school board, a school-based, direct-support organization as defined under Section 1001.453, F.S., may have all financial transactions accounted for in school internal funds.

3. Funds collected by and used for the benefit of faculty and staff may be exempt from the preceding requirements at the option of the district school board.

4. School internal account funds shall be used to benefit activities authorized by the district school board.

5. Student participation in fundraising activities shall not be in conflict with the program as administered by the district school board.

6. The objective of fundraising activities by the school, by any group within the school, or in the name of the school shall not conflict with programs as administered by the district school board.

7. Funds collected shall be expended to benefit those students in school unless those funds are being collected for a specific documented purpose or are generated by career education production shops. Career education production revenues shall benefit the students or program that generated the funds or the student body. Those internal account funds designated for general purposes shall be used to benefit the student body.

8. Collecting and expending of school internal account funds shall be in accordance with the State Constitution, Florida Statutes, SBE rules, and district school board rules. Sound business practices should be observed in all transactions.

9. Each school organization should operate within a budget formulated by the organization members. The format of the budget shall be prescribed by the principal if not prescribed by district school board rules.

10. Purchases from internal accounts shall not exceed the resources of the applicable student activity/project account, except for items acquired for resale or items authorized by district school board rules. Purchases to support instructional programs may be made from career education production revenues.

11. An adequate system of internal controls shall be maintained in order to safeguard the assets of the school internal funds.

SECTION II – GENERAL PRACTICES

1. All employees responsible for handling and recording internal funds financial transactions shall be bonded through the school district.

2. Purchases from internal funds must be authorized in writing by the principal or designee. Neither the school nor the district school board shall be liable for any purchase made in the name of the school without express written approval.

3. School district-approved, pre-numbered receipt forms shall be used as the means of recording cash received, and as the basis for entries to the accounting records.

4. Approved pre-numbered checks shall be used as the means for disbursing funds, and as the basis for accounting entries, with the exception of disbursements from properly established petty cash funds.

5. Promissory notes, installment contracts, and lease purchase agreements shall not be executed in the name of a school or any school organization except as authorized by the district school board.

6. Internal funds shall not be used to cash checks to accommodate individuals, make any kind of loans, pay any form of compensation directly to employees, or extend credit. Employees of the school district who are compensated for additional services, such as working at athletic events, shall be paid through the school district payroll department or, when appropriate, as prescribed by district school board rules. Designated area career centers may cash checks and make loans as necessary to administer student grant and loan programs funded by federal, state, and private sources.

7. Internal funds shall be accounted for on the same fiscal year basis as all other school district funds. No school organization shall make expenditures that exceed the cash resources available to that organization. All accounts payable shall be disclosed to the district school board at year end.

8. Bank statements shall be reconciled as soon as received, preferably by a person other than the person who receives and disburses funds.

9. Monthly financial reports shall be made in approved written form to provide the school's administration with financial information necessary for decision making. An annual report will provide data for inclusion of internal funds in the school district's annual financial statements.

10. Account balances shall be subject to limits that the district school board may prescribe.

SECTION III – STANDARDS, PRACTICES, AND PROCEDURES

1.0 CONTROL OF CASH RESOURCES

1.1 DEPOSITORIES FOR INTERNAL FUNDS

Depositories in which internal funds are kept must be qualified public depositories, approved by the district school board, and required to furnish the same type of security for deposits as is required for other district school board funds.

1.2 BANK ACCOUNTS

Each school shall have only one checking account, which shall be entitled "(SCHOOL NAME) Internal Fund, The School District of _____ County, Florida," or alternative that clearly identifies the school and school district. The account title must be imprinted on all internal fund checks and deposit slips. All monies received by the school will be deposited intact as collected into this account and all disbursements will be made by checks drawn on this account. Savings or investment accounts shall be titled in the same manner. Additional checking accounts may be used by designated area career centers if required in the administration of student grant or loan programs. The name of such grant or program shall be identified in the account title.

1.3 CHECK SIGNATURES

a. Each account shall have at least two authorized check signers, one of whom must be the principal. These names shall be kept on file for audit. All checks must be signed with two signatures as prescribed by the principal if not prescribed by district school board rules.

b. The principal is responsible for all financial transactions and proper check signatures.

c. Under no circumstances shall checks be presigned.

1.4 CASH COLLECTIONS AND DEPOSITS

a. All money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, reports of tickets issued and sold, or other auditable records.

b. Insofar as is practicable, all money should be collected in the school office. Collections made outside of the school office must be turned in to the school office no later than the next business day.

c. All money collected must be deposited intact to a depository as frequently as feasible and as dictated by sound business practices. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT.

d. All deposits must equal the total amount of money taken in and recorded on receipts for the period covered by the deposit. Deposit slips shall be made in the number of copies necessary to meet the approved accounting procedures. All checks received shall be deposited with a restrictive endorsement of "for deposit only" and specifying the account title and number.

e. The principal or designee shall be notified immediately of any errors in deposits or disbursements and shall take appropriate corrective action.

f. All checks, receipt forms, and tickets shall be pre-numbered and perpetual inventories of each shall be maintained. Inventories shall show the beginning and ending numbers of all documents acquired and issued. For all cases in which tickets are used, ticket reports and unsold tickets must be available for audit. Any pre-numbered documents shall be accompanied by a certified statement of the numbers received.

1.5 INVESTMENTS

a. The district school board shall adopt policies pertaining to the investment of school funds not needed for immediate expenditures. The adopted policies shall provide for investing or placing on deposit all such funds in order to earn the maximum possible yield under the circumstances.

b. Internal funds that are temporarily idle shall, as required by law, be invested pursuant to policies of the district school board using any medium of investment legal for public funds, and may not exceed insurance protection or other legal collateral limits (Rule 6A-1.085, F.A.C.).

1.6 COLLECTION OF WORTHLESS CHECKS

a. The principal is responsible for seeking reimbursement for any unpaid check returned by the bank.

b. A check can be declared uncollectible and written off the books only by action of the district school board or designated officer. This action will be taken only after every legal and reasonable effort at collection by the principal has been exhausted.

c. The school principal may require payment for school obligations in cash, money order, or other form of guaranteed payment if it is deemed necessary.

2.0 STUDENT ACTIVITY/PROJECTS

2.1 ATHLETICS

All revenues and expenditures involving athletic business transacted at the school level shall be recorded in accounts in this classification.

2.2 MUSIC

a. Proceeds from activities of musical organizations, donations to these groups, and their expenditures for supplies and trips shall be recorded in this classification.

b. Collections from students for rental or maintenance of uniforms or instruments shall be recorded in separate accounts in this classification, or in trust if restricted as to use.

2.3 CLASSES, CLUBS, AND DEPARTMENTS

a. Class and club accounts support a group of students within a community of interest with a roster of members, officers, and a sponsor. Approval for the existence of all club and class activities is the responsibility of the principal.

b. The sponsor of each school club or organization is responsible for providing adequate financial documents and records to the principal and is responsible for retaining

duplicates of said documents and records. These records may include an organization budget; duplicate receipts for all income from dues, fundraising activities, entertainment, assessments, and donations; and approved requests for payment.

c. All collections received by any club or school organization must be deposited in the school internal fund.

d. All disbursements by any club or school organization must be made by an internal fund check, or from an approved petty cash fund. Disbursements shall be approved by the appropriate organization officer (when the organization has officers), the sponsor, and the principal.

e. A financial report shall be filed with the principal's office at the close of each fundraising activity. To accommodate collection of data for this report, a separate account for the activity may be established. The organization sponsor shall participate, along with the finance clerk, in the designation of transactions to be recorded in each of the organization's accounts.

f. Class and club monies shall be expended for the benefit of the class or club or for purposes designated by the class or club that participated in generation of the revenues.

1. Any remaining balance in the account of a class that has graduated shall be transferred to the general miscellaneous account at the discretion of the principal.

2. Any remaining balance in the account of an inactive student organization shall be considered as belonging to the general miscellaneous account and shall be closed at the end of the following school year.

g. Departments may be structured similarly to classes and shall conduct financial activities subject to the above.

2.4 TRUST ACCOUNTS

a. Funds collected for a specific, restricted purpose shall be accounted for in a trust account.

b. Trust funds shall be expended only for the purpose for which collected. When the purpose of the trust fund has been accomplished or becomes inoperative, unused trust funds shall be returned to the person(s) from whom collected, if practicable. Donors may designate an alternative purpose. Funds that cannot be returned shall be handled in accordance with district school board policies.

c. At no time shall a trust account have a deficit.

d. If a school organization undertakes a project extending beyond the current fiscal year, or receives a restricted donation to be used over a period of time beyond the year in which received, approval must be granted in accordance with district school board rules, and the funds held in a trust account.

e. Collections for the district school board, such as out-of-state tuition, adult matriculation and tuition fees, course fees, reimbursement for damages, or telephone charges, are trust funds. Sales tax collected for the state is also a trust account.

f. Collections for parking decals issued by secondary schools and career centers may be restricted by the district school board as to use, and if so, should be accounted for separately in a trust account.

g. Funds collected from students as deposits for use of locks, and restricted by the district school board as to use, shall be accounted for separately in a trust account.

2.5 GENERAL

a. This category encompasses all other accounts for funds that are to be used for the general welfare of the student body.

b. Separate accounts shall be maintained for activities such as the school store and other activities when it is good business practice to separately monitor the financial status of the activity. Activities not accounted for separately shall be recorded in a miscellaneous account.

3.0 PURCHASING

3.1 REQUIREMENTS

a. The requirements pertaining to purchases and securing bids on purchases made from public tax funds shall be observed when purchases are made from internal funds, except that:

1. District school board approval of internal account vouchers is not required unless specifically mandated by district school board rules.

2. District school board requirements for internal funds may be stricter than requirements for tax funds (Rule 6A-1.091, F.A.C.).

b. If possible, purchases of the same or a similar nature to be used in more than one school should be combined and purchased only after approval of the district school board (Rule 6A-1.091, F.A.C.).

3.2 RESPONSIBILITY

a. The school principal is fully responsible for all purchases and purchase commitments requiring present or future disbursements of internal fund monies. A signed commitment from the principal or designee(s) must be on file before any purchase is made. Vendors shall be notified of this policy. No purchase shall be made unless sufficient resources are available, except for inventory items that will be held for resale.

b. The district school board may delegate by rule to such individuals as it may deem appropriate the authority to make purchases from internal funds, secure quotations, and award contracts (Rule 6A-1.091, F.A.C.).

c. No person, unless authorized to do so under regulations of the district school board, may make any purchase involving the use of school funds (Rule 6A-1.012, F.A.C.).

3.3 BIDS

a. Bids shall be requested from three or more sources for any authorized purchase exceeding amounts set forth in a scale of school district sizes and purchase amounts (Rule 6A-1.012, F.A.C.).

b. The district school board shall have authority to reject any or all bids and request new bids. The district school board shall accept the lowest and best bid (Rule 6A-1.012, F.A.C.).

c. District school boards may establish requirements for bids that are stricter than those established under the state rule.

d. District school boards may establish procedures requiring competitive quotations for all or selected types of purchases in amounts under the board-adopted bid limit. Such quotations shall be documented.

e. Proposed purchases in excess of the school district bid limit must comply with bid requirements of Florida Statutes, SBE rules, and district school board rules. These will be referred to the school district purchasing department for development of specifications, bids, advertising, and processing.

f. When the school district has a bid in effect, purchases of items covered must be made from the approved vendor unless the same item may be purchased elsewhere at a lower cost.

3.4 PETTY CASH

If authorized by district school board rules, petty cash funds may be established for internal funds.

3.5 RESTRICTED EXPENDITURES

The following expenditures from internal funds are deemed inappropriate and shall not be made except from trust funds collected for a specifically identified purpose.

1. Equipment, supplies, forms, and postage for curricular or classroom use for which district school board funds are available. The exception is for revenues derived from career education production shops, which may be used for these purposes.

2. Curricular-related travel; professional, technical, or consultant services; or other items for which district school board funds are available. The exception is for revenues derived from career education production shops, which may be used for these purposes.

3. Articles for the personal use of any student, employee, or other person, except those items that are identifiable as being in recognition of service or promotion of school activities and those items identified under Rule 6A-1.0143, F.A.C., Promotion and Public Relations Funding.

4. Personal memberships or subscriptions.

5. Salaries or other compensation for duties or assignments that are the responsibility of the school district.

6. Loans, credit, or accommodation purchases for anyone.

7. Repairs and maintenance of district school board equipment for which district school board funds are available. The exception is for revenues derived from career education production shops, which may be used for these purposes.

3.6 PROPERTY ACQUISITION AND CONTROL

a. Tangible personal property as defined in Section 274.01, F.S., purchased or acquired by donation, becomes the property of the district school board and is subject to the board's procedures for property control.

b. Notification to the appropriate school district office is required when items that meet the criteria for capital assets are purchased or received as a donation. A full description of any equipment or property acquired by a school must be given, including make, model, serial number, date acquired, and total cost or fair market value for donated property.

c. Expenditures for buildings, remodeling, renovation, repairs, or alteration to the facilities, or any property involving risk, must have the prior written approval of the superintendent or designee.

d. Approval must be obtained from the superintendent or designee to change, alter, or attach permanent fixtures to school property, or to use more than the ordinary amount of utilities.

4.0 GENERAL STANDARDS, PRACTICES, AND PROCEDURES

4.1 REPORTS

a. The principal's financial report and any other interim reports shall be prepared and submitted according to the schedule and format prescribed in school district-adopted procedures.

b. At the close of the school year, the school internal fund's annual financial report shall be prepared in accordance with school district procedures, and the principal and preparer shall provide a signed attestation of the report's accuracy in reflecting the year's activity and year-end balances to be included in the school district's annual financial report.

4.2 AUDITS

a. The district school board shall provide for an annual audit of internal funds.

b. In accordance with Rule 6A-1.087(2), F.A.C., the signed, written report of the audit shall include notations of any failure to comply with Florida Statutes, SBE rules, or district school board rules. The report, which must also provide commentary as to financial management and irregularities, shall be presented to the district school board while in session and filed as a part of the public record.

4.3 COOPERATIVE ACTIVITIES

a. A cooperative activity is one in which the school participates with outside groups such as the Parent Teacher Association (PTA) or booster clubs through planning, staging, or conducting school-related activities. Such activities may be held on or off the school grounds and will usually take the form of fundraising events such as carnivals, paid entertainment, or food sales.

b. Such activities must be approved by the principal and be beneficial to students. School district procedures shall be followed to provide appropriate accounting for funds and to ensure compliance with policies contained herein. If a share of the proceeds is to be disbursed to the cooperating group, a prior written agreement should be executed.

4.4 FUNDRAISING

a. Each fundraising activity shall be planned to finance a specified objective.

b. Each fundraising activity shall have the approval of the organization sponsor and the principal.

c. The principal shall control the fundraising activities conducted in the name of the school and ensure that the purposes are worthwhile.

1. Raffles and other activities of chance shall not be conducted for school-connected activities. Encouraging or permitting minors to participate in games of chance by playing or betting money or other valuable things is prohibited pursuant to Section 849.04, F.S.

2. Fundraising activities for which students are charged an admission shall not be presented during school hours.

d. When any school organization or group is involved in a fundraising activity or any function exposing the district school board to extraordinary liability, approval must be obtained in advance from the superintendent or designee.

e. Collections for all school-sponsored fundraising activities must be deposited in the internal fund, and all transactions in connection with the activity must be conducted in accordance with district school board rules.

4.5 RETENTION OF RECORDS

a. Chapters 119 and 257, F.S., provide that no public official may mutilate, destroy, sell, loan, or otherwise dispose of any public record unless under the consent of the records and information management program of the Division of Library and Information Services of the Department of State. Provided applicable audits have been released, records may be disposed of in accordance with procedures established by the records and information management program. Examples of such records for internal funds include check requisitions and documentation, canceled checks, recap of collections, journals, ledgers, financial reports, purchase orders, and serialized forms.

b. Procedures for destruction of records shall be in accordance with Chapters 119 and 257, F.S.

4.6 SALES OF FOOD AND BEVERAGES

The sale of food or beverages to students by direct sale or through vending machines is governed by Rule 5P-1.003, F.A.C.

5.0 MODIFICATION OF CHAPTER PROVISIONS

5.1 CENTRALIZED ACCOUNTING SYSTEMS

School districts that use centralized accounting systems for internal funds may apply to the Commissioner of Education for modification of the policies and procedures in this chapter.

5.2 EMERGENCY MODIFICATIONS

School districts may apply to the Commissioner of Education for modification of the policies and procedures in this chapter. Such application shall state the specific provision herein and the emergency or reason for which relief is sought. Approval of any modification shall be valid for up to one year.

5.3 CAREER CENTERS

The director of a designated area career center shall assume the duties and responsibilities assigned to the position of principal by this chapter.

5.4 ECONOMIC EDUCATION PROJECTS

a. Economic education projects may be exempted from Sections I-III of this chapter at the discretion of district school boards, with the following stipulations:

1. Administrative oversight continues to ensure that activities are in the best interest of the students and the school.

2. Involved employees are bonded.

3. Checks drawn on bank accounts are controlled so that a teacher's or sponsor's authorization is required.

4. Bank statements are currently reconciled and reviewed by the principal.

b. Economic education projects include Junior Achievement programs and similar programs that link the curriculum with appropriate economic education activities.

SECTION IV

CHART OF ACCOUNTS
SCHOOL INTERNAL FUNDS

Fund Group	800	
Balance Sheet Accounts	As provided in Chapter 2	
Revenue Accounts	3900	
Student Activity/Project	10000	Athletics
	20000	Music
	30000	Classes
	40000	Clubs
	50000	Departments
	60000	Trust
	70000	General
Expenditure Accounts		
Function	9800	
Object	As provided in Chapter 4	
Student Activity/Project	10000	Athletics
	20000	Music
	30000	Classes
	40000	Clubs
	50000	Departments
	60000	Trust
	70000	General

SECTION V – SCHOOL INTERNAL FUND DEFINITIONS

This section includes definitions of terms used in this guide and additional terms necessary for the understanding of financial accounting procedures for internal funds. Internal funds are defined as all local school funds derived by any public school from all activities or sources.

Account – A record of financial transactions that are similar in terms of a given frame of reference, such as purpose, objective, or source.

Accounting Period – A period of time for which financial statements are prepared (e.g., July 1 through June 30).

Accounts Payable – Unpaid balances or invoices against an internal fund that are owed.

Accounts Receivable – Amounts owed to the internal funds.

Accrual Basis – Recording of revenues and expenditures at the time revenue is earned or at the time an expenditure results in a liability, regardless of when the actual cash receipt or disbursement occurs.

Asset – Something of value that is owned by an entity.

Audit – An examination of records and documents by an auditor in the process of securing evidence for one or more of the following purposes: 1) determining the propriety of completed transactions, 2) ascertaining whether all transactions have been recorded, and 3) determining whether transactions are accurately recorded in the accounts and in the statements drawn from the accounts.

Balance – The difference between the total debits and the total credits of an account, or the total of an account containing only debits or only credits.

Bank Deposit – The total amount of money taken in and recorded on receipts for a specified time period and deposited intact with a depository.

Capital Assets – Land, buildings, machinery, furniture, and other equipment that the school system intends to hold or continues to use over a long period of time.

Capital Outlay – Expenditures for land or existing buildings, improvement of grounds, construction of buildings, additions to buildings, remodeling of buildings, or equipment.

Cash – Currency, checks, postal and express money orders, and bank deposits including certificates of deposit.

Cash Basis – The basis of accounting under which revenues are recorded only when actually received and only cash disbursements are recorded as expenditures.

Cash Discount – An allowance received or given if payment is completed within a stated period. The term is not to be confused with “trade discount.”

Change Fund – An amount of money obtained by issuing a check to a designated individual for the purpose of making change for a specific event. No expenditures are to be made from these monies.

Check – A written order on a bank to pay on demand a specified sum of money to a named person, to his order, or to bearer from money on deposit to the credit of the maker. The check is canceled when it has been paid by the bank and thus “cleared.”

Closing the Books – The process of putting the account books in order at the end of a month, or a fiscal period, so that a trial balance and financial reports may be prepared.

Commemorative Items – Personalized articles such as class jewelry, announcements, caps and gowns, yearbooks, cards and invitations, insignia, and school pictures.

Commission – A share of sale proceeds from any company or individual given the school in return for the sale, rental, or promotion of any items within the school.

Concession – The act of granting to an individual or group a right that resides with the school.

Current Assets – Cash and other assets readily converted into cash, such as accounts receivable, inventory, and some prepaid expenditures.

Deficit – The excess of the obligations of an account over its resources.

Deposit in Transit – A deposit that has been transmitted to the bank and recorded in the school ledgers but not yet reflected on the monthly bank statement because it was not received before the bank's preparation of the statement.

Deposit, Property – Money collected from students and held in a school account for return at a designated time for the purpose of covering loss or damages to school-owned supply and equipment while being used by the students.

Depositories – Banks or savings and loan institutions where schools deposit and withdraw money.

Disbursements – Money paid out.

Double Entry – A system of bookkeeping that requires, for every entry made to the debit side of an account or accounts, an entry for the corresponding amount or amounts made to the credit side of another account or accounts.

Dues – A regular charge made to students for the privilege of being a member of a particular club or student body organization.

Encumbrance – A restriction of available money by issuance of a purchase order.

Equipment – A material item of a nonexpendable nature, such as a built-in facility, a movable or fixed unit of furniture or furnishings, an instrument or apparatus, a machine (including attachments), instructional skill-training device, or a set of small articles whose parts are replaceable or repairable, the whole retaining its identity and utility over a period of time that is characteristic for items of its class.

Expenditures – Decreases in net financial resources. If accounts are kept on the accrual basis, this includes total charges incurred, whether paid or unpaid. For accounts kept on the cash basis, payments are termed "disbursements."

Fidelity Bond – A bond guaranteeing the district school board against losses resulting from the dishonest actions of employees.

Finance Clerk – Person assigned responsibilities for internal accounts bookkeeping.

Financial Statement – A formal written presentation that sets forth information concerning the financial condition of the school internal funds.

Fiscal Period – Any period at the end of which a school determines its financial condition and the results of its operations and closes its books.

Fiscal Year – As it pertains to internal funds, July 1 through June 30.

General Ledger – A book, file, or other device in which accounts are kept to the degree of detail necessary to summarize the financial transactions of the school. General ledger accounts may be kept for any group of receipts or expenditures over which an administrative officer wishes to maintain fiscal control.

Gift – Something of value received for which no repayment or special service to the contributor is expected.

Grant – Money received by a school activity for which no repayment is expected but for which certain conditions exist relative to the disbursement of funds.

Inactive Account – An account is considered inactive upon declaration of the principal when: 1) no financial transactions have occurred within one year and the need for the activity has passed, or 2) a class has graduated.

Intact, or Deposit Intact – The practice in which money is presented to a bank or bookkeeper for the credit of the school's internal fund in the same form as received. This means that any receipt of funds in the form of cash shall be deposited as cash. The cashing of a check from funds on hand would be a violation of this concept, as would be the substitution of a check for cash.

Internal Control – A plan of organization under which employees' duties are so arranged, and records and procedures so designed, as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. For example, under such a system, work is subdivided so that no single employee performs a complete cycle of operations. The procedures to be followed are definitely identified and such procedures call for proper authorizations by designated officials for all actions to be taken.

Inventory – The cost of supplies and equipment on hand but not yet distributed to requisitioning units.

Inventory Record – A detailed list or record showing quantities, descriptions, values, units of measure, and unit prices.

Investments – Temporarily idle funds placed in interest-earning accounts.

Invoice – A vendor's notification of merchandise provided or services rendered to a purchaser with the quantity, prices, and charges stated. Other information customarily shown on the invoice includes the customer's order number, order date, date of delivery or shipping, and terms of payment.

Journal – The accounting record in which financial transactions of the school are formally recorded for the first time.

Liabilities – Debt or other legal obligations arising out of transactions that are payable but not necessarily due. (Encumbrances are not liabilities; they become liabilities when the services or materials for which they were established have been rendered or received.)

Memoranda (Memo) Account – An informal record of an internal fund transaction that cannot be recorded under the regular financial accounts, but for which a record is desired (e.g., encumbrances).

Outstanding Check – A check issued and recorded by the school that has not been presented to the bank for payment prior to issuance of the monthly bank statement.

Outstanding Deposit – See Deposit in Transit.

Overdrawn – A situation in which a check has been written for an amount in excess of that on deposit. An overdraft is the amount by which withdrawals exceed the depositor's available balance.

Perpetual Inventory – An inventory system that is initiated by a physical inventory and perpetuated by entry of receipts and withdrawals, thereby reflecting current balances on hand for each item.

Petty Cash – Cash paid out in small amounts for authorized expenditures. Petty cash may be used to reimburse persons or to make a direct purchase (petty cash funds must be authorized). Payments must be evidenced by petty cash vouchers, which are signed receipts that show the purpose, date, and amount of the transaction.

Posting – The act of recording to an account in a ledger the detailed or summarized data contained in the documents of original entry.

Pre-Numbered Documents – Checks, receipt forms, tickets, and similar items that have been consecutively numbered and controlled before use.

Prior Authorization – A written approval granting authority to enter into a contract, to obligate funds for a purchase, or to receive a benefit before such an action occurs.

Purchase Order – A document issued to a vendor authorizing the delivery of goods or services that implies the obligation of funds.

Reconciliation of Bank Statement – A statement of the details of the differences between the bank statement and the cash account record to show agreement of the adjusted balances.

Refund – An amount paid back or credit allowed.

Reimbursement – Repayment of authorized expenditures made on behalf of the school's internal fund.

Repairs, Minor – The restoration to a usable condition of a given piece of equipment, building, or grounds. Costs of new construction, renovation, and remodeling are not included and are considered capital outlay.

Reports – Written statements of information that are made by a person, unit, or organization for the use of some other person, unit, or organization.

Requisition – A written request, usually from one department to the purchasing officer or to another department, for specified articles or services.

Student Activities – Direct and personal services for public school students, such as interscholastic athletics, entertainment, publications, clubs, band, or orchestra, which are managed or operated by students under the guidance and direction of authorized adults, and are not part of the regular instructional program.

Student Organization – Any group of students organized on campus into a single body for the purpose of pursuing common goals and objectives. This includes the various types of student clubs and class

organizations that, with proper approval by school authorities, are managed and operated by students under the direction or supervision of authorized adults.

Subsidiary Ledger – A record of the financial transactions of a given activity showing the receipts, expenditures, transfers, adjustments, and balances for the activity's account.

Supply – An item of expendable nature that is consumed, worn out, or deteriorated in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

Supporting Documentation – Evidence attesting to the authenticity, accuracy, and authority of a financial transaction.

Surety Bond – A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation. For example, a surety bond may be required of a contractor or an official handling cash or securities.

Trade Discount – An allowance made to individuals engaged in certain businesses and allowable irrespective of the time when the account is paid. The term should not be confused with "Cash Discount."

Transfer – Money that is taken from one account and added to another account. Transfers are not receipts or expenditures.

Travel Expenditures – Expenditures incurred by students and sponsors of a school activity in connection with travel related to the activity other than those costs directly chargeable to student transportation.

Trust and Agency Funds – Funds used to account for money and property held by a governmental unit in the capacity of trustee, custodian, or agent.

Voided Check – A check that has been declared void. A check on which an error has been made in writing, such as an incorrect amount, signature, or a discrepancy in the information included. The check is made void by mutilating the signature space and the check is retained.