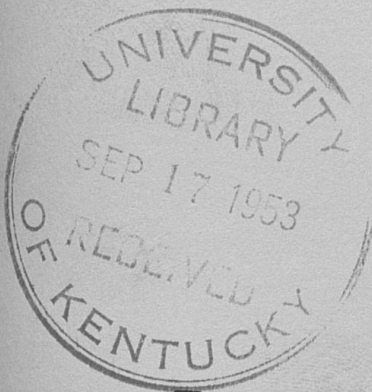


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● Commonwealth of Kentucky ●
EDUCATIONAL BULLETIN

A PROPOSED PROGRAM OF
ACCOUNTING FOR
EXTRACURRICULAR ACTIVITY FUNDS
IN KENTUCKY SCHOOLS



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Superintendent of Public Instruction

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FOREWORD

An increase in the amount of funds raised from extracurricular activities in the schools of the state during the past few years has caused school administrators some concern in providing an adequate means of properly supervising the expenditure of such funds.

Thousands of dollars are accumulated in such funds annually throughout the state.

Past records show that there have been many cases in the state where individuals have been subject to and, in some instances, have yielded to the temptation of careless use and even misappropriation of these funds. Because of these conditions, the people of many of the communities have made inquiry and expressed much concern about the proper protection of these funds, as well as the effect which they have on individuals of these communities who are handling these funds. It is insisted that the funds from student activities be supervised in such manner that the management will serve to train students in the proper and systematic handling as well as assumption of the obligation for the expenditure of such funds.

This bulletin contains a proposed program for accounting for and proper supervision of the activities of funds received from such pupil activities. It has been prepared by Samuel Alexander of the State Department of Education as partial fulfillment of the requirements for a Master of Arts Degree.

After a careful examination of the manuscript containing the proposed program, I am convinced that it should be put into use in accounting for such funds. I have requested permission to publish it as one number of the **Educational Bulletin** published by the State Department of Education. I recommend it to the school administrators for their use in providing a means for the proper accounting and supervision of funds raised through extracurricular activities.

Wendell P. Butler
Superintendent of Public Instruction

**A PROPOSED PROGRAM OF ACCOUNTING
FOR EXTRACURRICULAR ACTIVITY FUNDS
IN KENTUCKY SCHOOLS**

By
Samuel Alexander

*A Thesis Submitted in Partial Fulfillment of the Requirements for
the Degree of Master of Arts in Education*

Western Kentucky State College

July, 1952

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A REPORT ON THE
EFFECTS OF
EXERCISE
ON
THE
HEALTH
OF
CHILDREN
IN
SCHOOLS

The writer wishes to express his appreciation to all who have contributed either directly or indirectly toward the completion of this report. He wishes to express his especial appreciation to Dr. Lee Francis Jones, under whose direction this study was made. It was with his guidance and counsel this study was made possible.

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CHAPTER I

INTRODUCTION

The people of Kentucky ask many questions about the extra-curricular activities carried on in the schools, and they are constantly inquiring what becomes of the money raised by these activities. As long as the people who provide financial support for these activities are concerned and doubtful, there is a need for examination and study of these activities. It is generally believed that properly controlled, adequately supervised, and soundly financed extracurricular activities constitute a desirable part of any educational program, but some people feel that many of these activities are not properly controlled, adequately supervised, or soundly financed.

Statement of the Problem

The problem of accounting for the funds raised by the various extracurricular activities of a school has been stated by many students of the problem. These writers have dealt principally with the problem of prudent management and control of these funds. The principle of prudence cannot be overlooked in any study of these funds, but closely associated with the principle of prudence are the principles of adaptability and flexibility. The accounting system used should be flexible enough to meet the needs of the student body at any one time and should be of such nature that it will be adaptable to changes in the school program and in the community.

The statement of the problem by Edmonson, Roemer, and Bacon¹ will be used as the basis for this study:

With the almost phenomenal growth of the extracurricular activities program in the high schools during recent years, there has appeared a great increase in the number of different accounts and funds that have no regular place in the accounting system of the schools. The aggregates of these funds now form totals so large that administrators must find adequate means of supervising and handling them.

1. J. B. Edmonson, Joseph Roemer, and Francis L. Bacon, *The Administration of the Modern Secondary School* (New York, The Macmillan Company, 1949), pp. 348-349.

The problem becomes all the more acute when we realize that, where these activities programs have sprung into existence almost entirely unsupervised, each of the many organizations has its own peculiar method of accounting. In such cases, records and vouchers that exist are difficult of access when wanted; proper audits are generally impossible. Through carelessness or lack of integrity, thousands of dollars of these funds are lost yearly. Students go from such schools trained in lax and irresponsible methods of handling public funds. Balances of prosperous organizations are spent ill-advisedly, while other activities go bankrupt. Worst of all, young students in the schools are constantly subjected to, and sometimes yield to the temptation to misappropriate funds. From these and other conditions, there arises a fourfold problem. The finances of the student activities in high school should be so supervised and managed that:

1. Their management will serve to train students in the systematic handling of accounts, in assuming the full responsibility for financial obligations incurred, and in integrity in all money matters.
2. A wise, economical, and honest expenditure of funds will be assured.
3. The principal will be able at any time to inform himself of the financial status of any or all of these activities.
4. Legitimate, feasible, and economical methods of supporting these activities will be provided.

Procedures Followed in Study

A study of research and literature in the field of school finance revealed certain recommendations and forms to be used in accounting for extracurricular activity funds.

Correspondence with members of the Departments of Education was used in securing information relative to work that had been done in extracurricular accounting in other states. Letters were sent to all forty-eight states, but replies were received from only twenty-four of the forty-eight. Much valuable material was received from those states that responded to the request for information.

A questionnaire was used to determine the practices employed in accounting for extracurricular activity funds in the high schools of the State of Kentucky. These questionnaires were sent to the various high schools.

An attempt was made to devise a questionnaire that could be answered with little difficulty if adequate systems of accounting

were in use. Apparently, however, the questionnaire was very difficult or the accounting systems inadequate.

The responses to the questionnaire were disappointing in that they indicated a lack of information or a lack of concern. If the school people are not more fully informed than the answers to the questionnaire showed, it is not surprising that the general public would view these funds with suspicion.

Delimitations of Study

A survey of the research and literature available reveals that all funds involved in school accounting can be divided into two **principal** groups; namely:

1. Funds raised by taxation or charges made by a board of education—specifically board of education funds.
2. Funds raised in the name of a school or schools but not by taxation or charges of a board of education.

This study deals with problems related to funds other than those raised by taxation or charges of the board of education, and is limited to those funds commonly called "extracurricular activity funds."

A plan of accounting will be devised which will, if followed, provide a record of receipts from the source to the audit, and a record of disbursements from initiation of purchase to final payment. The accounting plan further proposes to provide the members of each extracurricular activity group an opportunity to participate fully in the management of accounting for the funds raised by the activity group.

Definition of Terms

In an unpublished study, Garrison and Kash² state:

In the immediate administration of the high school, the principal encounters many problems of financial accounting.

These problems may be divided into three groups; namely:

1. Those associated with accounting for funds of the student body, student organizations, activities, clubs, etc.
2. Those associated with student exchanges, cafeterias, book stores, athletic funds, etc.
3. Those associated with petty cash funds; for example, library fines, postage funds, etc.

2. Earl E. Garrison and Shelby Kash, *A Proposed Plan of Accounting for Activity Funds in the High Schools of Kentucky*, Unpublished Study, University of Kentucky, College of Education, 1950.

In a study of accounting for school funds, Engelhardt and Engelhardt³ suggest the following definition of terms:

There are certain services maintained by schools, the cost of which the pupil shares. They may be rendered in the same manner as services connected with other activities of the school, but their finances are handled in the individual school building rather than in the central office. They are usually called internal services, and are differentiated from extracurricular activities in that they are not intended to contribute through pupil participation to the educational work of the school. The cafeteria, lunchroom, and book store are the usual activities that come within this category . . . The internal services should be differentiated from the many so-called extracurricular activities which are associated with the life of every modern junior and senior high school.

The Bulletin of the University of the State of New York⁴ accepts and defines the same classification of funds given by Engelhardt and Engelhardt⁵ except that the term *extraclassroom* is used instead of *extracurricular*. For this study the following definitions shall be accepted:

Co-curricular, extracurricular, and extraclassroom shall be considered as synonyms. They shall mean any activity of a school whose funds are raised other than by taxation or through charges made by the board of education. Examples of these funds are: athletic funds, club funds, class funds, etc.

Internal school funds shall be defined as follows: Any funds raised by taxation or through charges made by the board of education. There may be other school funds which are clearly board of education funds, but they will be differentiated from extracurricular activity funds on the basis of the purpose and source of such funds. Examples of internal school funds are: gifts and donations made specifically to boards of education, fees, rent of school property, tuition, revolving funds, and any other funds for which the board assumes direct responsibility.

Source of Data

The information for this study was obtained from seven principal sources:

1. Inspection of extracurricular activity accounting in the high schools of Kentucky, and in the auditing of various extracurricular activity accounts.

3. N. L. Engelhardt and Fred Engelhardt, *Public School Business Administration* (New York, Bureau of Publications, Columbia University, 1927), p. 795.
4. "The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds," Bulletin No. 1276, University of the State of New York, September 1, 1944.
5. Engelhardt and Engelhardt, *Op. cit.*, p. 795.

2. A questionnaire which was mailed to 484 high schools in Kentucky.
3. Correspondence with members of the State Departments of Education in twenty-four states.
4. An analysis of plans and methods of extracurricular activity accounting used in seven states.
5. An examination of the available research and literature relating to extracurricular accounting.
6. A study of the Kentucky Common School Laws, State Board of Education Regulations, and opinions of the Attorney General.
7. An examination of several commercial school activity accounting forms.

CHAPTER II

A SURVEY OF EXTRACURRICULAR ACTIVITY ACCOUNTING IN TWENTY-FOUR STATES

On May 6, 1952, a letter was written to the Chief State School Officer in each of the forty-eight states requesting information relative to methods and procedures used in accounting for extracurricular activity funds. Replies were received from twenty-four of the forty-eight inquiries.

Seven of the states reported that they do not have any state plan of accounting for extracurricular activity funds. The states that reported no state plan for extracurricular activity accounting were: Georgia, Massachusetts, Michigan, Mississippi, Nebraska, South Carolina, and Virginia. The following excerpt from a letter from a Consultant in Finance and Child Accounting of the Department of Public Instruction of the State of Michigan is typical of the letters received from the states which had no state plan of accounting for extracurricular activity funds:

We do not have a state extracurricular accounting system. We recognize that this matter is of utmost importance to school districts, but as yet, have not had the opportunity to study the problem and set up state regulations.

. . . Would be pleased to have a copy of your study when it is completed.

The remaining seventeen states that responded to the inquiry relative to state plans for accounting for extracurricular activity funds can be grouped under the following headings: (1) States having statutory provisions for extracurricular activity accounting; (2) States having State Board of Education regulations governing extracurricular accounting; (3) States which have prepared manuals and guides with recommended accounting methods and practices for extracurricular activity accounting.

Statutory Provisions for Extracurricular Accounting

The extracurricular accounting regulations are governed by statutory provisions in North Carolina, Arizona, Pennsylvania, California, New Jersey, West Virginia, and Indiana. In order that

a more complete record may be presented, the statutory provisions governing extracurricular accounting in North Carolina, Pennsylvania, and West Virginia will be incorporated in this study. Only the specific points of interest in the statutory provisions of the states of Arizona, California, New Jersey, and Indiana will be given.

North Carolina

Section 115-165 (3) Special Funds of Individual Schools.¹ The county board of education of all county administrative units and the board of trustees of all city administrative units shall, by proper resolution duly recorded, appoint a treasurer of all special school funds for each school in the respective administrative unit. In all individual schools, a complete record shall be kept by the treasurer so appointed and reports made of all money received and from what source and all money disbursed and for what purpose; provided, however, that nothing in this subsection (3) shall prevent the handling of these special school funds under subsection (1) and subsection (2) of this section. (Comment: Subsections 1 and 2 provided for a treasurer of the General School Funds who may also be required to handle the special activity funds.) The treasurer of all special funds so appointed and the principal of each school shall make a monthly report, and such other reports as may be required, to the superintendent of the administrative unit wherein such individual school is located, showing the status of each special school fund, upon forms to be supplied for that purpose.

Section 115-366 Bonds. The board of education in each county administrative unit and the trustees of each city administrative unit shall cause all persons authorized to draw or approve school checks or vouchers drawn on school funds, whether county, district, or special, and all persons who as employees of such administrative unit are authorized or permitted to receive any school funds from whatever source, and all persons responsible for or authorized to handle school property to be bonded for the faithful discharge of their duties in such amount as in the discretion of such governing authorities of said administrative unit shall deem sufficient for the protection of said school funds or property with surety by some surety company authorized to do business in the State of North Carolina. The amount deemed necessary to cover the cost of such surety bond shall be included as an item in the general school budget of such school administrative unit and shall be paid from funds provided therefor; but nothing in this section shall prevent the governing authorities of the respective administrative units from prorating the cost of such bonds between the funds sought to be protected.

1. "Public School Laws of North Carolina," Bulletin, Department of Education, Raleigh, 1951 (1949 Cumulative Supplement to General Statutes of North Carolina, 1943).

Section 115-368 (3) How School Funds Shall Be Paid Out. Such funds shall be paid out only on checks signed by the principal of the school and the treasurer who has been selected by the respective boards; provided, this procedure for depositing and disbursing funds is not required for schools handling less than three hundred dollars (\$300.00), and if in the judgment of the board of the respective administrative units such procedure should not be required. However, in all schools a complete record shall be kept by the treasurer and reports made of all money received and disbursed by him in handling funds of the school; provided further, that nothing in this subsection (3) shall prevent the disbursing of all the special funds upon the signatures required under the provisions of subsections 1 and 2 of this section.

Section 115-369 (3) Audit of School Funds. The county board of education and the board of trustees of city administrative units, respectively, shall cause to be made, at the time the audit of the county or city funds is made, an audit of the special school funds of each school in the respective administrative units.

Section 115-369 (4) Filing and Publication of Audits. Copies of the audit of the several county and city administrative units and special funds of individual school required by this section shall be filed with the chairman and secretary of the governing body of the unit receiving and disbursing such funds, and with the county auditor and the clerk of the superior court of the county in which such unit is located.

The county board of education in a county administrative unit and the board of trustees in a city administrative unit shall include in the school budget of the respective administrative units funds for the payment of the costs of the audits of county, city, district, and special funds of individual schools as required under subsections 2 and 3 of this section; provided, that nothing in this section shall prevent the respective board from prorating the cost of auditing of special funds to the special funds of each school.

It can be seen from the preceding statutory provisions of the State of North Carolina that much thought has been given to adequate safeguards for extracurricular activity funds and internal school funds in the state. These statutes accurately set forth provisions for prudential management of these funds. Yet no mention is made of the benefits that pupils may receive from the handling of these funds. Consequently, the principles of adaptability and flexibility are completely ignored. If the pupils who participate in the raising of these funds benefit from the funds, it will be by the use of the materials and services purchased by the money. No provision is made for the handling of the funds by the pupils and any experience they gain therefrom will be purely coincidental.

Pennsylvania

Section 511. School Athletics, Publications, and Organizations²

(a) The board of school directors in every school district shall prescribe, adopt, and enforce such reasonable rules and regulations as it may deem proper, regarding (1) the management, supervision, control, or prohibition of exercises, athletics, or games of any kind, school publications, debating, forensic, dramatic, musical, and other activities related to the school program, including raising and disbursing funds for any or all of such purposes and for scholarships, and (2) the organization, management, supervision, control, financing, or prohibition of organizations, clubs, societies and groups of the members of any class or school, and may provide for the suspension, dismissal, or other reasonable penalty in the case of any appointee, professional or other employe, or pupil who violates any of such rules or regulations.

(b) Any school or any class activity or organization thereof, with the approval of the board, may affiliate with any local, district, regional, State, or national organization whose purposes and activities are appropriate to and related to the school program.

(c) The board of school directors may (1) permit the use of school property, real or personal, for the purpose of conducting any activity related to the school program, or by any school or class organizations, club, society, or groups, (2) authorize any school employe or employes to manage, supervise, and control the development and conduct of any of such activities, (3) employ or assign any school employe to serve in any capacity in connection with any of such activities.

(d) Notwithstanding the use of school property or personnel, it shall be lawful for any school or any class or any organization, club, society, or group thereof, to raise, expend, or hold funds, including balances carried over from year to year, in its own name and under its own management, under the supervision of the principal or other professional employe of the school district designated by the board. Such funds shall not be the funds of the school district but shall remain the property of the respective school, class, organization, club, society, or group. The treasurer or custodian of such funds shall furnish to the school district a proper bond, in such amount and with surety or sureties as the board shall approve, conditioned upon the faithful performance of his duties as treasurer or custodian. The premium of such bond, if any, shall be paid from the funds or fund secured thereby or from the funds of the school district, at the discretion of the board. The treasurer or custodian shall be required to maintain an accounting system approved by the board, shall deposit the funds in a depository approved by the board, shall submit a financial statement to the board quarterly or oftener, at the discretion of

2. "School Laws of Pennsylvania," 1949, Bulletin 2, Harrisburg, Section 511, pp. 64-65.

the board, and shall submit the accounts to be audited in like manner as the accounts of the school district.

(e) All purchases of materials or supplies made by any organization, club, society, or group, or by any school or class, in excess of three hundred dollars, shall be made upon solicitation of quotations or bids from three or more responsible manufacturers or dealers in such materials or supplies. All such purchases shall be made from the lowest responsible bidder on the basis of price, quality, and service.

West Virginia

The Legislature of West Virginia passed an act relating to accounting and auditing of school funds on March 5, 1951. The bill to become effective ninety days from passage is entitled: "Authority of County Board to Require Keeping of Records of Receipts and Disbursements of School Funds and to Audit Such Records."³

Article 5, Section 13, Subsection 1. The boards, subject to the provisions of this Chapter and the rules and regulations of the State Board, shall have authority:

(1) To control and manage all of the schools and school interests of the county including the authority to require that records be kept of all receipts and disbursements of all funds collected or received by any principal, teacher, student, or other person in connection with any program, activity or other endeavor of any nature operated or carried on by or in the name of the school, or any organization or body directly concerned with the school, and the authority to audit such records.

The statutes of the State of Arizona provide for the administration of student activities money and other receipts of the common schools, high schools, and junior colleges. These statutes define student activities money as money which is raised with the approval of the board of trustees or board of education by the efforts of students in pursuance of or in connection with the activities of student organizations, school book stores, clubs, athletic activities, school plays, and other student entertainment. A board of education or board of trustees of a school district is permitted by the statutes to establish a revolving fund for the purpose of meeting the necessary current expenses connected with student activities. The amount of money provided in the revolving fund shall, at the end of each fiscal year be returned to the credit of the school district.

3. "School Legislation," Bulletin No. 12, West Virginia State Department of Education, Charleston, August, 1951, p. 20.

A letter from the Chief of the Bureau of Educational Research of the State of California gives the following provisions of the Education Code of California:

16143. The governing board of any school district shall provide for the supervision and auditing of all funds raised by any student body or student organization using the name of the school.

The cost of supervision and auditing may constitute a proper charge against the funds of the district.

16144. The funds of any student body organization shall be deposited in a bank approved by the governing board of the school district and shall be expended subject to such procedure as may be established by the student body organizations subject to the approval of an employee or official of the school district designated by the governing board.

The Legislature of New Jersey in 1951 passed a law which requires an annual audit of all school districts by a Certified Public Accountant or Registered Municipal Accountant. The scope of the audit includes all extracurricular activity funds of the school district.

The statutory provisions of the State of Indiana are similar to those which have been discussed in comments pertaining to extracurricular accounting in Arizona and California.

The principal thought gathered from the statutory provisions of North Carolina, Arizona, Pennsylvania, California, New Jersey, West Virginia, and Indiana is the acceptance by the various legislatures of the fact that the local school administrative units are responsible for the prudent management of all extracurricular activities and internal school funds. The very acknowledgement of this responsibility places these funds in the category of public school funds.

In no case do these laws require the State Departments of Education to prepare and provide uniform accounting forms, but it seems that since the State Department of Education is charged with the responsibility of providing leadership for local school districts and since the local districts are governed by regulations of the State Boards of Education through the State Departments of Education, that the inference might be drawn that the State Departments of Education are charged with the responsibility of providing a uniform system of accounting for the local school district.

State Board of Education Regulations Governing Extracurricular Accounting

Only one state reported that all extracurricular accounting is governed by regulations of the State Board of Education. In addition to the regulation which is contained herein, the State Board of Education of Florida requires the local school districts to purchase the forms direct from the printer, The H. & W. B. Drew Company, Jacksonville, Florida.

State Board Regulation relating to INTERNAL ACCOUNTING

(June 1, 1948)

(As authorized by Section 230.43 (7) and Section 236.02 (1) of Florida Statutes, 1941, and amended by Chapter 23726, Laws of Florida, 1947)

In compliance with the above referred to Statutes and Laws, for the purpose of setting up an adequate system of internal accounting so as to insure maximum benefits to the State educational program from such funds, the following regulations are made:

1. Internal Accounts. All funds derived from school entertainments, athletic contests, school lunch room, and from any and all activities of the school involving school property or students by which funds are collected and disbursed shall be classified as Internal Accounts, and subject to all regulations herein contained. The funds arising from activities or projects conducted or sponsored by parent teacher associations or for which such associations are exclusively responsible except school lunch funds, are funds of the association and are not school funds even though the activities may be held on school premises or involve students. These funds are, therefore, not subject to deposit or accountability as school funds; such funds are not Internal Accounts.

2. Under Direction of County Board. All school lunch programs and all other activities and projects for which individual school accounts are kept shall be construed as school projects under the direction of the County Board of Public Education.

3. Responsibility for Internal Accounting. The responsibility for internal accounting shall be placed upon the supervising principals and/or principals of the respective schools and the County Board of Public Instruction and County Superintendent shall delegate to such persons authority commensurate with the responsibility.

4. Uniform Accounting. All internal accounting shall be according to uniform accounting system on forms prescribed or approved by the State Department of Education.

5. It shall be the responsibility of the County Board to provide for the bonding of any school employee who is responsible for school moneys. The amount of the bond shall be prescribed by the County Board of the county in which the person is employed. The bond may be with a surety company authorized to do business in Florida, or with two good and sufficient sureties.

The following information should be taken into consideration by the county board in determining the type and amount of the bond. The amount of the bond should be regulated by the amount of money handled or in custody during a period of time, this period of time being determined by the turnover of the funds handled. Another factor is the authority to draw checks against the fund in one or two signatures. Two signatures should always be required. Giving effect to these factors, the amount of the surety bond of an employee should equal a percentage of the money on hand during the period. A larger percentage should be required for a smaller amount of money handled than for a larger amount. For instance, \$1,000 in custody during a period would require a bond of \$500 or 50 per cent, whereas \$100,000 in custody during a turnover period would require a bond of only \$10,000 or 10 per cent. With this principle in mind, the amount of a surety bond may be established by proper authorities for each employee handling student activity or school lunch room funds.

In connection with surety bonds, some consideration should be given to the type of bonds. Fidelity bonds written by insurance companies include the following forms:

- Individual Bonds
- Name Schedule Bonds
- Position Schedule Bonds
- Blanket Position Bonds

As to the best type of bond in each individual school system, it would be well to consult the local agent.

These internal accounts shall be audited at least once annually by a person or persons designated by the County Board of Public Instruction.

6. Separate Lunch Room Accounts. Separate accounting, with a separate bank account, shall be provided for lunch room funds. All other internal accounts for a given school or schools shall be in one and only one bank account.

7. Reporting. Periodic reports on internal accounts shall be made as determined by regulations of the County Board of Public Instruction except that duplicate school lunch reports shall be made

monthly by the principal for all school lunch room programs to the County Board of Public Instruction. One copy of the report shall be transmitted each month by the County School Superintendent to the State Department of Education.

State Department of Education Bulletins or Manuals

Six of the states responding to the inquiry concerning extra-curricular activity accounting responded by sending copies of manuals or bulletins that had been prepared for the use of the local school districts. These manuals or bulletins were, for the most part, prepared for the purpose of encouraging the local school districts to adopt uniform accounting systems. The following statement indicates the intent and purpose of these publications:

The State Department of Education has for a considerable time had under consideration some plan by which the financial accounting relative to school activities might be put under sound, systematic, and regularly accredited basis. Out of this consideration grew the appointment of a committee to prepare and submit for approval of the board a plan for this purpose. At a meeting of the board on July 17, the committee as named herein reported. This report was accepted and reported as a bulletin of **information** for the high schools of the State. Further action on the part of the board resulted in the addition to the Organization Report, familiar to principals and superintendents, of a section dealing with the school's practice as to the accounting of activity funds.⁴

These manuals recommend the following procedures and methods of accounting:

1. Central Bank Account
2. Central Treasurer
3. Activity Treasurer's Receipt
4. Transfer Voucher
5. Purchase Order
6. Payment Voucher
7. Receipts and Disbursements Ledger
8. Regular Financial Report
9. Annual Audit
10. Emphasized Protection of Funds
11. Very Little Emphasis on Educational Value for Pupils

4. "Bookkeeping and Accounting System of Student Activity Funds for Kansas High Schools," Bulletin of the State Department of Education, Topeka, 1942.

Accounting for Extracurricular Activity Funds in Minnesota and Utah

Minnesota has recently adopted a revised Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts.⁵ On pages 19 and 20 of this manual reference is made to accounting for this type fund, but the codes have not been developed. Should the State of Minnesota adopt a plan whereby the local school districts would be required to establish revolving funds for operation of the activities in the schools, these codes could be readily developed for that purpose.

Utah does not have any plan of financial accounting for extracurricular activities. The high schools of the State are approved by the Northwest Association of Secondary and Higher Schools, and this association requires that all activity funds be in charge of a treasurer, who is the principal or some other adult appointed for the school, and that this treasurer be bonded. These regulations also provide that the records be audited annually.

Summary of Accounting Practices by States

Of the forty-eight state school systems to which inquiries were addressed relative to extracurricular activity accounting, replies were received from twenty-four.

The reports from these states represent a range from no control or leadership with respect to extracurricular accounting to statutory control which recognizes extracurricular funds as public funds for which specific accounting requirements are provided.

The states having no requirements or recommendations were: Georgia, Massachusetts, Michigan, Mississippi, Nebraska, South Carolina, and Virginia.

The states having statutory provisions governing extracurricular activity accounting were: North Carolina, Arizona, Pennsylvania, California, New Jersey, West Virginia, and Indiana.

Florida and Kentucky, by State Board Regulation, accomplish substantially the same results with respect to extracurricular activity accounting as is obtained by statutory provisions in other states.

5. "Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts," Bulletin, State Department of Education of Minnesota, St. Paul, 1952.

In seven states the Department of Education assumes the obligation of leadership by providing the local school districts with approved forms and complete instructions for the use of these forms.

Minnesota has recognized that extracurricular accounting should probably be handled as a part of the general fund of a board of education by devising codes which may be used for handling revolving funds for these accounts.

Utah has accepted no responsibility for the accounting for these funds and depends wholly on the Northwest Association to provide leadership and control of the accounting for extracurricular activity funds.

This summary shows that fifteen states have in effect declared all extracurricular activity funds to be public funds, and have assumed the responsibility for the control and management of these funds. Nine states have continued to practice a "laissez faire" attitude toward all extracurricular activity funds.

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CHAPTER III

THE STATUS OF EXTRACURRICULAR ACTIVITY ACCOUNTING IN KENTUCKY

A questionnaire was designed to secure certain information from the complete public high schools in Kentucky. There are 484 of these complete high schools to which the questionnaires were mailed. Three hundred and thirty of these high schools are operated by county boards of education, and 154 are maintained by boards of education in independent school districts.¹

On April 15, 1952, the original questionnaire and cover letters were mailed to the 484 complete high schools in Kentucky. Two follow-up letters and questionnaires were sent to the schools. After the second follow-up letters were mailed and a period of time had elapsed, the tabulations were made.

The questionnaire was designed to determine four things; namely:

- (1) The responsibility accepted by boards of education for supervision and control of extracurricular activities.
- (2) The methods and plans of the complete high schools in Kentucky for extracurricular accounting.
- (3) The philosophy of the school official answering the questionnaire relative to the control, purpose, and financing of extracurricular activities in the schools of Kentucky.
- (4) The total amount of money handled through extracurricular accounts in 1950-51.

Responsibility of Boards of Education

One hundred and ninety of the replies showed that the respective boards of education had rules and regulations governing extracurricular activities. There were 289 replies that indicated that the local boards of education had no rules and regulations. In the 190 schools where it was stated that the boards of education had rules and regulations, 67 county school districts and 47 independent school districts were represented. These answers indicated that more than half of the county districts and a little less than

1. "Kentucky High Schools 1951-52," Bulletin No. 2, Department of Education, State of Kentucky, April, 1952, p. 124.

half the independent districts had rules and regulations pertaining to extracurricular activities. Further investigation revealed, however, that other schools in the same county and independent districts indicated that the boards of education did not have rules and regulations governing extracurricular activity accounting. The occurrence of this type of inconsistency tends to destroy the validity of any conclusion based on the data accumulated, but since this study is being made for the purpose of proposing a program, a reasonable degree of accuracy can be accepted and the approximate status determined. There were many reliable answers given on the questionnaire from the 190 schools answering Question No. 1 in the affirmative, and it can, therefore, be stated that many boards of education do have rules and regulations governing extracurricular activity accounting.

One hundred and thirty-one schools answered by saying that the rules and regulations of the boards of education specify the system of accounting to be used. Fifty-nine schools are permitted to use any system of accounting that they choose.

Replies from 56 schools indicated that the rules of the boards of education state how new extracurricular activities may become a part of the school program. There were no requirements by boards of education for 128 schools.

In twenty-eight schools the regulations of the board of education contained a definite statement of the ultimate benefits the members of the activity group should receive from handling extracurricular activity funds. The replies from 163 schools showed that the boards of education were concerned primarily with prudent management of funds and the regulations of these boards contained no statement of the values which should accrue to the pupils handling them.

In thirty-three schools the extracurricular activity group is permitted by the board of education to obligate funds in excess of the money on hand. There are 143 schools that are not permitted to obligate any funds in excess of the funds on hand.

The extracurricular activity group is not required to have an approved budget in 140 of the schools reporting. Only 43 schools are required by the boards of education to prepare and have approved a budget of receipts and expenditures. Sixty-one schools have extracurricular activity budgets; however, not any of these

budgets are prepared by the pupils. The principal, teacher, sponsor, or some other group prepares the activity budget. Eight schools reported that the pupils and the sponsor prepare the budget. It seems that in most cases the budget is super-imposed by the faculty.

Extracurricular Activity Fund Accounting Practices

In 382 schools a distinction is made between funds raised through charges of the board of education and funds that are clearly extracurricular activity funds. Ninety-two schools make no distinction between these two types of funds.

During the 1950-51 school year 383 schools reported extracurricular activity fund receipts in the amount of \$2,030,478.52, an average of \$5,301.51 for each school. Assuming that all of the 484 complete high schools in Kentucky received \$5,301.51 during any one year, the total receipts would be \$2,974,147.11.

The funds of the extracurricular activities in Kentucky are usually handled through a central bank account. There were 415 schools reporting that the extracurricular funds are handled through a central bank account and only 66 schools that handle their funds in some other way. The fact that 415 schools report the use of a central bank account would indicate that they have a central treasurer or a "School Bank." One hundred and nine schools have a central treasurer who is bonded. There were 229 schools that stated that the central treasurer is not bonded. Three hundred and twenty-three schools have the extracurricular activity funds audited. Seventy-one schools do not have these funds audited.

Philosophy of School Officials

The assumption was made when this questionnaire was prepared that most of the questionnaires would be answered by high school principals. This proved to be correct. On this basis, two questions were devised for the purpose of determining the thinking of school officials with respect to control and financing extracurricular activities. These questions were numbered 7 and 8 in the questionnaire. Since they are so important and elicited greater responses than any other questions, the questions are given and an analysis of the answers reviewed.

- No. 7 Do you believe the board of education should adopt rules and regulations which determine what extracurricular activities should become a part of the school program?

There were 476 replies to this question. There were 310 of those answering that believed that the board of education should adopt rules and regulations which would determine what extracurricular activities are to be permitted to become a part of the school program. This thinking is in accord with the thinking of those who have given much thought and study to this phase of the school program. There were 166 of those answering the questionnaire who thought the board of education should have no rules and regulations which would determine what extracurricular activities that are to be permitted to become a part of the school program.

No. 8 Do you believe the extracurricular activities should be considered as a definite function of the schools and be budgeted for as a part of the regular budget of the board of education?

More attention was given to this question than to any other in the questionnaire. Four hundred and eighty-two answers were received. Of the 482 answers, 286 of those answering believed that extracurricular activities should be considered as a definite part of the school program and budgeted for as a part of the regular budget of the board of education. The thinking of the high school principals in Kentucky is consistent with the thinking of the best authorities. The trend is definitely toward the acceptance of extracurricular activities as a part of the total school program and the financing of these activities as a part of the total program of financing the schools. The acceptance of this idea would not necessarily mean that basketball would cease to be revenue producing. It would simply mean that basketball and all other activities would assume their proper place in the school program and that the program would be stabilized regardless of the number of games won or lost.

Summary

This chapter has presented a survey of the status of extracurricular activities and activity accounting in Kentucky. Although part of the information obtained from the questionnaire was obviously incorrect, it is believed that more dependable information was obtained from this questionnaire than has ever been available before.

Many estimates and guesses have been made with respect to the size of extracurricular activity funds in Kentucky, but nobody knew before that the total receipts were approximately \$3,000,000.

There is no doubt that most schools in Kentucky do have some system of accounting which is based on the central bank account-central treasurer idea. These accounts are handled too loosely in most cases and not enough emphasis is placed on the development and training of the members of the activity groups.

Those answering the questionnaire believe that the control and financing of extracurricular activities are the responsibility of the board of education. If the local boards of education and superintendents would assume more responsibility for the financing and control of extracurricular activities, it would meet with the approval of the principals.

It is perfectly obvious that any system of extracurricular activity accounting that is proposed will be of temporary duration bridging the gap between the era of no control and no responsibility for financing and that of full acceptance by boards of education of the responsibility for financing and control of these activities.

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CHAPTER IV
A PROPOSED PROGRAM OF
ACCOUNTING FOR EXTRACURRICULAR
ACTIVITIES IN THE SCHOOLS OF KENTUCKY

Any program of accounting which is proposed for the schools of Kentucky should be in accord with fundamental principles pertaining to the purposes for which the activity was originally organized. The fundamental principle, therefore, is that the accounting system will be one from which pupils will obtain the greatest benefits in their development as individuals and in becoming useful citizens in this Democracy in which they live.

The whole background is developed and ready; pupils, teachers, principals, and practically the entire population are ready and anxious for a program. The legal aspects of the situation are clear; therefore, a program can be provided.

Legal Aspects

Kentucky Common School Law

Section 157.070 KRS defines the powers and duties of the State Board of Education as follows: "(1) The State Board of Education shall have the management and control of the common schools. . . (2) The State Board of Education may, on the recommendation and with the advice of the Superintendent of Public Instruction, prescribe, print, publish, and distribute at public expense such rules, regulations, courses of study, curriculums, bulletins, programs, outlines, reports, and placards as it deems necessary for the efficient management, control, and operation of the schools under its jurisdiction."

Section 156.200 gives to the Superintendent of Public Instruction, by and through the cooperation of his assistance, the power to "receive and examine all reports required by law or by the State Board of Education and, in person or through his assistants, shall examine and advise on expenditures, business methods, and accounts of all boards of education and all institutions placed under the management and control of the State Board of Education. He shall see that all financial and educational accounts are accurately and neatly kept and that all reports are made according to the forms adopted by the State Board of Education."¹

State Board of Regulation

1. "Official Manual of Instructions for the Kentucky Uniform Financial Accounting System," Bulletin No. 12, Kentucky State Department of Education, Frankfort, February, 1946, pp. 1016-17.

SBE 2-1 REQUIREMENTS FOR ACCREDITATION OF HIGH SCHOOLS

Accrediting Standards of the State Board of Education

Section XV School Funds. There shall be an adequate, centralized organization for the proper handling and accounting of all school funds for which the school is held responsible. Semi-annually or annually, the principal shall send to the superintendent a summary report of all receipts and disbursements.

Section XVI Remedies. When deficiencies are found wherein these standards are not maintained, it shall be the duty of the State Supervisors to confer with the governing authority of such school or system of schools and set out a program of remedies consistent with these regulations, and no action against such school or system of schools will be taken until the school authorities shall have had opportunity to consider the remedial program proposed.

Opinion of the Attorney General

November 29, 1949

Honorable William D. Chilton, Director
Division of Finance
Department of Education
Frankfort, Kentucky

Att: Mr. E. E. Garrison

Dear Sir:

In your letter of November 22, you raised several questions as to the handling of monies by the principals and other agents of the various school systems of the State, which involved gate receipts, sale of books and supplies, school publications, fees for students' benefits, and other similar activities, and you ask specifically the following four questions:

"Do the School Laws of the State of Kentucky give the Board of Education any authority to control the expenditure of the funds collected by the various student organizations connected with the individual schools?"

With regard to this question, it is our opinion that the board of education has full authority to control in every way expenditures of funds collected by students' organizations connected with schools.

"If the Board of Education is granted this control by the statutes, can this authority be delegated to the principal of the school by the adoption of certain regulations by the Board of Education?"

It would seem to be proper that this authority be delegated to the principals of the schools involved, in accordance with regulations adopted by the board. It is my idea that the board could properly designate the principal, and other persons if necessary, as agents of the board of education to receive and distribute such monies as may come in from the various sources of students and public endeavor involved in the school system. This can be more fully answered under Question 3, which is:

“If the Board of Education has adopted no regulations regarding the use of funds collected at the school in connection with various school activities and the principal obligates funds in excess of what has been received or may reasonably be anticipated during the school year, who is responsible for the mismanagement, the principal, or the Board of Education?”

We should presume that the board of education should adopt regulations regarding the expenditure and management of all funds collected. It is my suggestion that the principals, or other agents, as mentioned before, be designated to handle these monies and that such principal or other agent give to the board of education a bond covering any amount of money which the principal might reasonably be expected to have on hand at any given time. In order properly to care for this money, it should be required, in the board's order, that a report be made by the superintendent or other person at least once each month during the school year. This period is suggested because of the fact that during the basketball season, for example, many games will be played and many activities will be engaged in by various organizations, and if funds are not accounted for properly, a great deal of bookkeeping would be involved, and it is possible that an entirely unaccountable loss could arise, due to improper bookkeeping. In cases where persons other than the principal handle these monies, a blanket bond could be arranged for at very little additional expense, and the monies could be taken care of under all circumstances and at all times. This would protect the principals and agents as they would be required to make all reports promptly and would never, at any time, have on hand a substantial sum of money, the loss of which could be embarrassing to them and to the board of education. It, of course, is necessary that the principals handle most of these monies, as the activities arise in the schools which they serve, and it would be impossible to make daily, or even weekly contacts with the board of education to make settlements at such times.

Your fourth question is:

“Will funds raised for the purpose of supplementing school board funds by adult organizations such as Parent Teachers Association be in the same classification legally as those raised by student organizations under the supervision of the principal of the school?”

The funds of the Parent-Teachers organization are semi-public in nature, but cannot be handled in the same manner as funds raised due to direct school activities. It is my opinion that the principal, under his bond, or any agent designated by the board, under bond, should not be required to handle Parent-Teacher monies. These monies should be handled solely by these organizations and should not be mingled with the other school funds, unless by direct order of the Parent-Teacher Association, which order shows, in the minutes of their meeting, turning such funds over to the school system. The Parent-Teacher Association, being a self-contained organization, with full official powers, and with officers in all school systems, should alone be responsible for all monies collected by it, by and through all its facilities.

We trust this will substantially answer your questions. We shall be glad to extend or modify same, should occasion arise.

Very truly yours,

A. E. Funk
ATTORNEY GENERAL

By: W. Owen Keller
Assistant Attorney General

Public or Quasi-Public Funds

In spite of the fact that the funds raised for the operation of extracurricular activities in the schools of Kentucky are frequently handled as if they are not public funds, there can be little doubt in the minds of the people that these funds are by their very nature of public interest. The State Board of Education by regulation has placed a responsibility on the high schools for the proper management of these funds before any high school can be accredited. The Attorney General has recognized that these funds are public funds in his letter of November 29, 1949, to the Director of Finance, Department of Education, Frankfort, Kentucky. Although he does not state specifically that these funds are public funds, the very implications of his answers to several questions show that they are, in his opinion, public funds. The argument relative the question, therefore, becomes more academic than pragmatic.

In view of the regulations of the State Board of Education, the Attorney General's opinion, and public policy, the responsibility for control and management of these funds has been placed in the hands of local boards of education, the only limitation being that the local boards of education operate within the bounds of the Statutes of Kentucky and the rules and regulations of the State Board of Education. Along with the responsibility, the authority of these local boards is clear.

The only question remaining is this: What system of accounting will accomplish the purposes of this study?

Practices

Moehlman says:²

Non-public revenues are managed in three ways: The first is the "laissez faire" policy where lunch rooms may be rented to the highest bidder or operated by an organization such as the Parent-Teacher Association. Other revenue activities are managed by the students, with or without teacher advice. Owing to negligence and dishonesty, this practice is rapidly diminishing.

The second procedure is to put the building principal in control of non-public revenues. Practices vary under this policy; some principals delegate responsibility to committees of teachers and act as occasional auditors. In other situations, the principal keeps all the accounts and usually carries the cash reserves in his personal bank account. Under this form losses result not so much from dishonesty as from the principal's lack of bookkeeping knowledge or business sense.

Under the third type, the board of education is responsible for all non-public revenue activities and controls them through a subsidiary accounting procedure called internal or non-public revenue accounting. It may take the form of income and expenditure, or profit and loss accounting. It is usually directed by the general finance officer and is inspected by a special traveling auditor.

From the standpoint of social education it is best that special fees for public school activities and services be abolished as quickly as possible. Any activity that is defensible instructionally is just as defensible financially. There is as much reason for athletics, plays, bands, orchestras, and other informal curricular activities to be supported by public revenue as anything else in the school program. If the schools do not clean their own houses, state legislatures will probably continue the practice started by the Pennsylvania Legislature in 1949, by declaring that all activity-revenue should be legally considered an integral part of total school revenue.

There can be no question that Moehlman's³ statement that "any activity that is defensible instructionally is just as defensible financially" is correct, nor is there any doubt that "from the standpoint of social education it is best that special fees be abolished." If this could be done, the operation, management, and financing of these funds would become a part of the total financial and budgetary problem of the district. But since it is a well-recognized

2. Arthur B. Moehlman, *School Administration* (New York, Houghton Mifflin Company, 1951) pp. 248-49.

3. *Ibid.*, pp. 248-49.

fact that the adaptability lag between the conception of an idea and its adoption by schools in general is about fifty years, some plan must be devised that is at least partially defensible for use during the transition period.

Although the thesis of the foregoing statement relative to the definition of these revenues is contrary to the definition used in this study, a procedure of accounting for extracurricular activity funds will be proposed in this report which is a combination of the second and third procedure mentioned in the quotations from the works of Moehlman.⁴

The principal difference in this plan and many other plans is in the matter of emphasis. This plan proposes to benefit the children more and retain all the requirements of other plans pertaining to prudential management of these funds.

Guiding Principles

This proposed system of bookkeeping is based on the following fundamental principles:

1. Each local board of education is responsible for adopting rules and regulations which determine what extracurricular activities are to be permitted to become a part of the school program.
2. Each board of education should provide an adequate system of bookkeeping for the schools.
3. The system adopted by the board should be such that it will yield the largest possible educational returns to students without sacrificing the safety of funds, or exposing students to undue responsibility or unnecessary routine.
4. The system should be as simple as is consistent with the needs of the school.
5. There should be a central treasurer with whom all activity funds are deposited.
6. The central treasurer should be bonded by a surety company authorized to do business in Kentucky.
7. The records should be audited every year.
8. Periodic reports of funds should be published.
9. Monthly reports should be made by the central treasurer to each extracurricular activity treasurer.

4. Moehlman, *op. cit.*, pp. 248-49.

System of Accounting Recommended

The cash basis of financial accounting is the most practical system of accounting for extracurricular activity funds. On the cash basis, only actual income and disbursements are considered. If purchases are permitted only when there is cash available to meet the obligation, no trouble will ever be encountered with the operation of this system of accounting. Perhaps the simplest way of determining the cash available for purchases is by use of a file which contains duplicate copies of purchases for which payment has not been made. This is in effect a simple encumbrance system.

Procedures in Handling Funds⁵

Pre-audit of Receipts. Confusion and sometimes a loss of funds can be traced more often to a lax checkup and recording of money taken in than from any other one cause. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording and depositing of receipts. Not all of the possible protective measures can be described here, but a number of them are mentioned to show the type of procedure that should be incorporated in any accounting system.

Extracurricular activity funds are derived from a number of sources, such as (a) admissions, (b) membership dues, (c) sales and campaigns, and (d) donations. To facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should enable those collecting money to prepare a complete report and to verify the money turned over to the treasurer. In addition, it will afford protection to those handling funds, facilitate control, and serve as documentary evidence which can be used for accounting purposes. A pre-audit of receipts should make only reasonable allowances for errors in making change.

A. Admissions. Various methods may be employed to insure accurate pre-audit (check) of admissions. Usually pre-numbered tickets should be used so that the auditor may by reference to the beginning and ending numbers determine the amount which should be collected. In some cases as an added precaution the ticket collector should be required to deposit the tickets in a variety of colors; a different color should be used for each occasion, thus

5. Bulletin 1276, University of State of New York, *op. cit.*, p. 20.

making it difficult for anyone to use old tickets. Still another device used to avoid re-use of tickets is to require the ticket collector to destroy each ticket by tearing it, giving one part to the customer and retaining one. Any of these devices or any combination, properly supervised, will insure reasonably honest and accurate results. None of them will guarantee accuracy, especially when supervision is lacking.

In summary:

- (1) Use pre-numbered tickets, and take steps to prevent fraudulent re-use.
- (2) Charge each ticket seller with a definite number of tickets and a definite amount of change.
- (3) Provide a sufficient number of ticket sellers to avoid undue haste.
- (4) Do not ask the ticket seller to watch the gate.
- (5) Provide a responsible adult ticket taker.
- (6) Require each ticket seller to return promptly all unused tickets, the full amount of change, and the exact amount of receipts.
- (7) Do not aid and abet temptation with careless supervision.
- (8) Carefully analyze procedures, particularly from the standpoint of accurate accounting.
- (9) Thoroughly explain each device used to safeguard money so those who have anything to do with it are thoroughly familiar with each process and understand its purpose. Consider these devices not merely as means of preventing fraud, but as instruments which have been set up so that each agent may clearly demonstrate the accuracy of his work and the fulfillment of his responsibility.

B. Membership dues. The pre-audit of membership dues should be relatively easy if plans are carefully worked out in advance. A few simple rules are suggested:

- (1) Provide pre-numbered receipts or membership cards.
- (2) Charge each solicitor with a definite number of receipts or membership cards. The record of cards issued to each solicitor should be kept.
- (3) Each solicitor should be required to return all unused receipts or cards and the exact money due for each membership sold.

- (4) Designate some one adult to supervise the membership campaign and to insist upon a complete and accurate report at the close of the campaign.
- (5) Do not permit solicitors to issue receipts or cards on credit. Require pupils wishing credit to make arrangements with the designated adult officer.
- (6) If memberships are given free or on credit to any pupils, have these issued by the designated adult officer after all the solicitors have turned in their reports, cash and unsold receipts.

C. Receipts from Sales, Campaigns, Etc. Pupils collecting moneys should, whenever possible, issue pre-numbered receipts in duplicate, the original to be given to the purchaser and the carbon to the pupil treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example a candy sale, the activity treasurer, with the assistance of the advisor, should devise a method whereby the exact amount to be realized from the sale is determined in advance. Each salesman should be given a statement showing the amount he is to receive. After the sale, each salesman should then turn in that amount in cash and unsold goods. It is not impossible or impractical for each purchaser to be given a pre-numbered receipt even for candy sales. This problem has been practically solved by many chain stores and restaurants. Of course, the argument may be raised that the volume of business may be so great at ball games, etc., that these pre-numbered receipts with the amount of purchase written thereon cannot be given to each purchaser. The answer is not in doing away with receipts, but lies in the organization of the sales in such a way that each customer can be considered as an individual and each salesman as one who is operating a business. Large volumes of business are handled by restaurants and chain stores so they organize to handle the business in a business-like way.

D. Donations. Gifts or donations are usually made in lump sums and should be recorded in the minutes of the activity. The activity treasurer should issue a receipt and deposit the gift with the central treasurer.

Organization for Extracurricular Activities

The extracurricular activities program should be based on a sound educational philosophy, with such underlying principles as will result in progressive procedure and well-rounded development of boys and girls.⁶

Since the finances of extracurricular activities is only one phase of the total program of extracurricular activities in any school, the same fundamental principle governing the organization of extracurricular activities governs the handling of the money of these funds. No program of accounting for the funds of extracurricular activities can be expected to be sound when the philosophy of the organization is unsound. The system of accounting proposed herewith is based on the assumption that each extracurricular activity in the program was organized and accepted as a part of the total school program for the express purpose of meeting the needs of the pupils in such a way that the pupils will receive immediate and deferred values in the development of their individual personalities and in making them better citizens. Therefore, in establishing a program of accounting it is assumed that each club will have:

1. A sponsor who is able to guide the club without dominating it.
2. Activity or club officers, including a president, secretary-treasurer or a secretary and treasurer.

The Extracurricular Activity Group

The students who are members of the extracurricular group should feel a responsibility for the financial affairs of the entire group and should be fully informed at all times relative to the financial condition of the group. The best way to secure and maintain this interest is by the use of an extracurricular activity budget.

Equitable Distribution of Funds

It is a well-known fact that some extracurricular activities are revenue producing and some produce little revenue. Therefore, the problem of relative values should be considered. Some activities may produce revenue to the extent that they may be supported financially in a more-than-adequate manner, while other activities will be required to curtail activities because of lack of sufficient

6. Edmonson, Roemer, and Bacon, *op. cit.*, p. 334.

funds to operate an adequate program. The question arises, then, as to the best way to handle the money: Should each activity be permitted full control of all funds that it raises, or should some plan of distribution be worked out which is based on the value of the activity to the student and the school?

It seems that the answer to the problem lies in the fundamental philosophy behind the entire extracurricular activity program, and since the philosophy of the school is a part of the total philosophy of the community, the distribution of the extracurricular funds must be part of the philosophy.

Most communities in Kentucky have operated on the theory that each activity should be permitted to use only the money it can raise. A few schools and communities, however, have begun to try to make an equitable distribution of funds based on the value of the activity to the child and the community. No school can change suddenly. An understanding is needed in order that no group will feel that it is being robbed. Any change from the traditional plan will require time and study.

The Extracurricular Activity Budget

The principles governing any extracurricular activity budget are the same as the family budget, the school budget, or any other budget. A good extracurricular activity budget, then, is defined as a complete financial forecast of both expenditures and receipts, based on the philosophy of the extracurricular activity program. Each activity group should make a tentative budget in the spring for the school term beginning the following September. The principal purpose to be served by this tentative budget is the cooperation between grades and the continuity of any program that has been started. For example, the freshmen will make a budget in the spring of the year that they plan to use when they are sophomores. They will be able to carry on any program that the sophomores who will be juniors have started. They will also have the advantage of the experience of the sophomores in learning better ways of raising and handling funds. Possibly the group that will receive the greatest advantage will be those eighth graders who have an opportunity of working with the freshmen in planning for their first year in high school.

As soon as possible after school begins, each group should rework and adopt the working budget that they will use during the

year. This budget should be the work of the members of the group with the wise counsel of the sponsor.

The Extracurricular Activity Treasurer

The group should be permitted to choose its own treasurer. No sponsor could make a greater mistake than in naming the treasurer. The sponsor should, however, make every effort to explain to the group the importance of the job of treasurer and impress on the pupils the importance of choosing a treasurer who has the following characteristics:

- (1) An interest in and liking for bookkeeping
- (2) High scholastic average
- (3) Adequate spare time
- (4) Good character
- (5) Good penmanship
- (6) Dependability

Central Treasurer

The regulations of the Kentucky State Board of Education require that each high school handle all extracurricular funds through a central treasurer and central bank account. The person chosen for this work should be an adult of the following qualifications:

- (1) An interest in and liking for bookkeeping
- (2) Good character
- (3) Adequate time
- (4) Bookkeeping experience
- (5) Good penmanship
- (6) Dependability

Since the principal is responsible for the entire school program, he should choose the central fund treasurer. Perhaps the best person for this job will be the principal's secretary.

Banking Hours

The sponsors and the extracurricular activity treasurers should meet with the principal and central fund treasurer and work out a plan for banking hours. A plan suitable to each individual school will have to be worked out. No pre-determined plan will

fit all schools. In most schools, the entire time each day for banking should not be more than one hour. Much time can be saved both for the activity treasurer and the central treasurer if this plan is followed.

Forms and Their Use

The Deposit Envelope (Appendix A-1). Each extracurricular activity should be provided with a supply of deposit envelopes. These deposit envelopes should be heavy manila with full information on the face of the envelope pertaining to the money contained therein. All moneys collected should be carefully counted and separated in such a way that they will show the amount of silver, currency, and checks. This information should be placed on the envelope by the person in charge of collecting the money. The money should then be delivered to the extracurricular activity treasurer. The extracurricular activity treasurer and sponsor should count the money to see that the amount indicated on the face of the envelope is correct. The total amount should be verified by the extracurricular activity treasurer and the sponsor according to the general principles suggested for prudent management of ticket sales, and all other types of sales. The person delivering the money to the extracurricular activity treasurer and sponsor should then be given a receipt. The receipts should be entered in the activity receipts ledger and then taken to the central fund treasurer for deposit.

Receipts and Duplicates (Appendix A-2). The essential information to be found on a receipt includes the serial number, the date, the name of person to whom issued, the amount, the description or source, the account designation and signature. It should be remembered that the receipt is issued for the purpose of making an orderly record for future reference in the keeping of accounts and for proof of the transaction. Hence, all information should be carefully and fully recorded. The duplicate receipt book is much better than receipts with stubs. The Kentucky State Department of Education provides, free of charge, to schools in Kentucky a very excellent type receipt (Form SA-1), which meets all the requirements recommended in this report. A receipt should be issued by the extracurricular activity treasurer for all money received. This same form should be used by the central fund treasurer and a receipt should be issued for all money received by the central fund treasurer.

The Check. A check similar to the one illustrated in Appendix A-3 should be used. This type check gives full information pertaining to the purpose for which it was written and the person to whom it is issued. This check should be pre-numbered. The check should be written by the central fund treasurer and countersigned by the principal of the school. No check, however, should ever be written by the central fund treasurer without written authorization from the extracurricular activity treasurer and sponsor.

Purchase Request (Appendix A-4). The purchase request is prepared in duplicate, approved by the faculty sponsor and central fund treasurer before any purchase is made or any funds obligated. One copy is filed with the central fund treasurer and remains an obligation of the particular activity until liquidated. Each activity should carefully study its financial situation and make requests for purchases only when they have funds available. This should cause an activity no trouble.

Each purchase becomes an encumbrance until liquidated. Consequently, any activity can simply find the total amount of these encumbrances and subtract from the ledger balance to determine funds available for new purchases.

Receiving Report and Authorization for Payment (Appendix A-5). This form serves the purpose of a voucher as well as a receiving report. A very excellent form of Receiving Report and Authorization for Payment is provided by the Kentucky State Department of Education (Form SA-3). This form should be honored by the central fund activity treasurer when properly completed and signed by the sponsor and treasurer of the activity.

Expense Memorandum. There are times when it is desirable for an extracurricular activity group to advance money to persons in charge of school groups making trips at the expense of the activity group. Full and proper accounting is not only a proper procedure but is a certain protection to the persons spending the money. Such a report as that shown in Appendix A-6 should be accompanied by proper receipts or sales bills secured from those with whom the money is spent.

Receipts and Disbursements Ledger (Appendices A-7 and A-8). Form SA-4, which is provided by the Kentucky State Department of Education, is a very excellent central fund ledger for use by

the central fund treasurer for "Receipts" and "Disbursements." The receipts are posted in this ledger by the central fund treasurer from the information provided by each extracurricular activity group. The postings are made immediately after funds are received. The information concerning receipts recorded will be taken from the duplicate receipt and verified by the money in the Deposit Envelope for any particular activity. The amount of receipts is extended to the Receipts Column. When disbursements are made, they will be posted from the checks and verified by invoices and authorization for payment. This form provides a column for the balances to be entered after each receipt or disbursement. The ledger balance should be reconciled monthly with the bank statements. This is a very simple process. The central fund treasurer makes a list of all outstanding checks at the close of the month giving check number, to whom written, and amount. The total amount of all outstanding checks is subtracted from the bank balance to determine an actual balance. This actual balance should check with the central fund ledger balance.

Form SA-5 is the Individual Activity Account Ledger provided by the Kentucky State Department of Education. This ledger is posted at the same time that postings are made in the central fund ledger. The balances shown at any time by the central fund ledger will be the sum of the balances of the separate extracurricular activity accounts.

Some schools may need a more detailed classification of receipts and disbursements. These further classifications may be obtained by the use of columnar pads which may be purchased at any office supply store. Perhaps the simplest way and the one that will not cause the central fund activity treasurer any additional work, but will provide each extracurricular activity group an opportunity to gain further experience in accounting, is for the principal and sponsors to decide just what cost items are of value to the school and community and then provide each activity treasurer with a columnar pad of the correct size. When receipts or disbursements are posted in the receipts and disbursements ledger, they are then extended to the distribution headings in the columnar pads. At the close of each month, the distribution ledger columns can be totaled and reconciled with the activities receipts and disbursements ledger and also with the central fund account ledger.

Transfer Voucher. There will perhaps be instances when it will be necessary to transfer funds from one extracurricular activity account to another. No check will be issued for this type transfer of funds if the proper entries are made in the central fund treasurer's account book and in the account books of each activity concerned.

The authority to the central treasurer for transfer of funds from one activity to another will be the properly executed transfer voucher.

When transfer vouchers are used, they should be kept in a separate loose-leaf book and given their own number series. This form is illustrated in Appendix A-9 of this report.

Monthly Financial Report (Appendix A-10.) The monthly financial report of the central fund activity treasurer should give the following information:

1. Month for which report is made.
2. Name of each extracurricular activity.
3. Balance on hand at beginning of month in each account.
4. Receipts during month for each account.
5. Disbursements of each account during month.
6. Balance on hand in each account at close of month.
7. Total of all balances at beginning of month.
8. Total receipts during month.
9. Total disbursements during month.
10. Total of all balances at the close of month.
11. Balance in bank at close of month.
12. Checks outstanding at close of month.
13. Bank balance less outstanding checks.

The bank balance at the close of the month should be verified by checking against the central fund ledger balance. Each extracurricular activity treasurer should verify beginning and closing balances, receipts, and disbursements by checking report against the extracurricular activity receipts and disbursements ledger.

The monthly financial report should be used by the central fund treasurer and each extracurricular activity group as a means of informing themselves and the community.

Conclusion

After having studied the accounting systems of seven states, the laws pertaining to the accounting for extracurricular activities in seven other states, and the State Board regulations in two states,

including Kentucky, it was discovered that the prudent management of extracurricular funds has been the principal consideration of the lawmakers and others establishing rules and regulations for the operation and management of these funds. The principal thought has been to protect the funds and thus indirectly protect the child.

In spite of the fact that the emphasis has been on protecting the funds, many of the laws, recommendations, and accounting systems are such that they lend themselves to an actual development of the child if the point of emphasis can be changed.

When the development of the child is emphasized in the program of accounting for extracurricular activity funds, there will be no greater possibility of subjecting the child to temptation than there has been under the system of emphasizing the protection of the funds. The child will be protected by the wise counsel of the sponsor and by the adequate controls provided in this proposed system of accounting for extracurricular funds. This plan of accounting, as well as many others from which ideas were obtained, provides many opportunities for children to be taught the importance of honesty, accuracy, promptness, neatness, thrift, and many of the other virtues that we so often neglect.

Accounting for extracurricular activity funds will, in any school, be as beneficial to the students as the philosophy behind the whole program of extracurricular activities and the honesty, zeal, energy, courage, and faith of the principal, teachers, sponsors, and others who are charged with the responsibility of directing and guiding the children in the school. No system can be more than a device by means of which the child may be taught if properly guided.

While making this study, a thought has been taking shape that any program, or plan of accounting, that is proposed should be followed immediately by another study which would propose to the schools of Kentucky a plan whereby there would be no more extracurricular activity accounting; a plan of accounting that would pave the way for boards of education to budget for extracurricular or co-curricular activities. Perhaps the title might be "Advancements or Revolving Funds for Operation of Co-curricular Activities."

APPENDIX

Appendix A-1

THE DEPOSIT ENVELOPE

High School

Town

A C T I V I T Y F U N D S

Account _____

Function _____

Date

Collected by _____

Date

Silver \$ _____

Currency _____

Checks _____

Other _____

Total \$ _____

Received by _____

_____ TREAS.

Receipt No. _____ Date _____

Remarks

No. _____

Receive

of _____

for cre

Source

Appendix A-2

No. _____

Form SA-1
7-1-50

TREASURER'S RECEIPT

Name of School

Received of _____ the sum

of _____ \$ _____

for credit of _____ Activity

Source:

_____ \$ _____

Central Fund Treasurer

_____ \$ _____

_____ \$ _____

Date

Appendix A-3

CHECK

No. _____

School Activity Fund
YOUR SENIOR HIGH SCHOOL

Your Town, Kentucky _____ 19____

Pay to the order of _____ \$ _____

_____ DOLLARS

In Payment of

Out of _____ Fund
School Activity Fund

Treasurer

To YOUR TOWN
NATIONAL BANK
Your Town, Kentucky

Superintendent

No. _____

Date _____

Name of _____

Address _____

Purchase _____

Deliver _____

Appendix A-4

No. _____

Form SA-2
7-1-50

Date _____

PURCHASE REQUEST

Name of School

Name of Firm _____

Address _____

Purchase _____ \$ _____

Total \$ _____

Deliver on or before _____

Activity

Requested by _____

Approved by _____ Faculty Sponsor

Appendix A-5

No. _____

Form SA-3
7-1-50

RECEIVING REPORT and AUTHORIZATION for PAYMENT

Pay to the order of _____ for
goods received (invoice attached), or services rendered as itemized below:

Date paid _____ Date received _____

Check No. _____ Activity _____

Central Fund _____ Activity Treasurer _____

Treasurer _____ Faculty Sponsor _____

Function
Expense
Total sp
Detailed
Total ad
Receipts
Y. S
Total ad
Money s
excess o
money a
\$
SIGNED

Appendix A-6

EXPENSE MEMORANDUM

EXPENSE MONEY REPORT
YOUR SENIOR HIGH SCHOOL
ACTIVITY FUND

Function _____ Date _____

Expense money allowed and provided: \$ _____ Additional Expense: \$ _____

Total spent: \$ _____ Total returned: \$ _____

Detailed account of expenses: (Attach receipts or receipted bills for total amount)

_____ \$ _____

Total additional expenditures from reverse side of this sheet: _____

TOTAL OF EXPENSES LISTED ABOVE: \$ _____

Excess of expense money over amount
spent, returned to Activity Fund: _____

Receipts in addition to expense money: (Money for guarantees, etc., taken for
Y. S. H. S.)

_____ \$ _____

Total additional receipts from reverse side of this sheet: _____

Money spent in excess of expense money allowed: TOTAL OF RECEIPTS LISTED ABOVE: \$ _____

Total receipts and excess expense money

\$ _____ returned to Activity Fund: _____

SIGNED (Sponsor of Function) _____

Appendix A-7

Form SA-4

(Name of School)

School Activity Central Fund

Ledger

Date	Receipt or Check Number	Activity Account Posted	Item	Receipts		Disbursements		Balance	
				\$		\$		\$	

Appendix A-8

Form SA-5

(School)

(Activity)

Ledger

Date	Receipt or Check Number	Item	Receipts		Disbursements		Balance	
			\$		\$		\$	

Appendix A-9

Name of School

AUTHORIZATION FOR TRANSFER BETWEEN FUNDS

Date

Fund (or Funds) To Be Increased

_____ \$ _____

Total Increase \$ _____

Fund (or Funds) To Be Decreased

_____ \$ _____

Total Decrease \$ _____

Reason for Transfer _____

Authorized by

Signatures of Committee
Members of Funds Affected

Approved by

Signature of Principal

Appendix A-10

REPORT OF SCHOOL ACTIVITY CENTRAL FUND TREASURER

FOR MONTH ENDING _____ 19__

Name of Activity	Balance at beginning of month	Receipts during month	Disbursed during month	Balance at close of month
*Totals				

Balance in bank at close of month \$ _____
 Checks outstanding at close of month \$ _____
 *Actual bank balance \$ _____

Date _____ 19__

The information contained in this report is a true statement of the financial condition of the various activity accounts as shown above.

SIGNED _____
 Central Fund Treasurer

Approved:

 Principal

*Will check with Central Fund Ledger.

Appendix B-1
Kentucky
Department of Education
Division of Local School District Finance
SCHOOL ACTIVITY FUNDS QUESTIONNAIRE

_____ High School _____ District
_____ Principal

1. Does the Board of Education in your district have rules and regulations governing extracurricular activities in the schools? Yes____ No____
(If the board does not have rules, please omit the following questions: Nos. 2, 3, 4, 5, and 6).
2. Do these rules state what system of accounting shall be used by the activities? Yes____ No____
3. Do these rules state how new extracurricular activities may become a part of the extracurricular activity program of the schools? Yes____ No____
4. Do the rules of the Board of Education contain any definite statement of the additional values that the members of the activity group may receive in handling the funds of the activity? Yes____ No____
5. Is an activity permitted by the board to obligate funds in excess of the money on hand? Yes____ No____
6. Do the rules require each activity to have an approved budget of anticipated receipts and expenditures? Yes____ No____
A. If so, who is responsible for making the budget?_____
B. Who approves the budget?_____
7. Do you believe the Board of Education should adopt rules and regulations which determine what extracurricular activities are to be permitted to become a part of the school program? Yes____ No____

8. Do you believe the extracurricular activities should be considered as a definite function of the schools and be budgeted for as a part of the regular budget of the Board of Education? Yes____ No____
9. Does your school distinguish between funds raised through charges of the Board of Education for, by, or in the name of the school, and funds that are strictly student activity funds? Yes____ No____

Examples: First group—Book store, lunch room, student fees, rents, etc.

Second group—Senior activity, athletics, debate, dramatics, etc.

(Some districts classify the first group as internal school funds and the second group as extracurricular activity funds).

- 10 How much money was received by the extracurricular activities in your school during the 1950-51 school year? \$_____
11. Are the extracurricular activity funds in your school handled through a central bank account? Yes____ No____
- A. If your answer is "Yes", are there any exceptions? Yes____ No____

(Please list exceptions, if any) _____

(If your answer to No. 11 is "No", you will not answer questions Nos. 12, 13, 14, 16, and 17).

12. Does each extracurricular activity have a student treasurer who is responsible for depositing activity receipts with the central treasurer? Yes____ No____
13. Are disbursements made by the central treasurer only on authority from the activity sponsor and the activity treasurer? Yes____ No____
14. If the extracurricular activity funds are handled by a central treasurer, is the treasurer bonded? Yes____ No____
15. Are the extracurricular activity funds audited? Yes____ No____

A. If they are audited, who does the auditing?

- Superintendent
- Principal
- Teacher
- Certified Public Accountant
- Other

16. If the central treasurer system is used, does each activity keep a record of receipts and disbursements? Yes____ No____

A. If additional records are kept, who is responsible for keeping these records? _____

17. Does the central treasurer make regular financial reports of receipts and disbursements to each activity? Yes____ No____

A. How often?

- Weekly
- Monthly
- Quarterly
- Annually

18. Are extracurricular activity ticket sales handled by students? Yes____ No____

19. Give a brief description of the manner in which the receipts from ticket and other sales are safeguarded. _____

20. Have you had an opportunity to examine the extracurricular (Forms SA-1, SA-2, SA-3, SA-4, and SA-5) activity accounting system which is provided by the State Department of Education? Yes____ No____

A. Comments: _____

(Name of Person Making Report)

(Title)

_____, 19____

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Fina

Spor

Prin

Spor

Staf

All

Appendix B-2

SCHOOL ACTIVITIES QUESTIONNAIRE

Question No.	Yes	No	Total
1	190	289	479
2	131	59	190
3	56	128	184
4	28	153	181
5	33	143	176
*6	43	140	183
7	286	196	482
8	310	166	476
9	382	92	474
11	415	66	481
11A	102	203	305
12	244	108	352
13	315	24	339
14	109	229	338
**15	323	71	394
16	299	44	343
***17	289	62	351
18	168	281	449
19		No Tabulation	
20	143	330	473

*Question No. 6A:

Principal	27
Teacher	2
Sponsor	8
Faculty	2
Superintendent	6
Budget Committee	2
Finance Committee	1
Sponsor and Pupils	8
Principal and Teacher	2
Sponsor and Superintendent	1
Staff	1
All (?)	1

TOTAL 61

*Question No. 6B:

Board of Education	1
Principal	22
Faculty	3
Superintendent	15
Principal and Superintendent	1
Superintendent and Board of Education	2
Sponsor and Superintendent	1
Sponsor	1
Teacher and Principal	1
Board of Education	5
Budget Committee	1
All (?)	1

TOTAL 54

Appendix B-2 (Continued)

Question No. 10:

383 schools\$2,030,478.52.

**Question No. 15A:

Principal	87
Teacher	23
Principal and Teacher	33
Superintendent	53
Superintendent and Teacher	11
Superintendent and Principal	55
C.P.A.	31
Superintendent, Principal, and Teacher	3
Other	17
General Business Office	3
Finance Committee	3
	<hr/>
TOTAL	319

***Question No. 17A:

Annually	114
Quarterly	27
Monthly	112
On Request	9
	<hr/>
TOTAL	262

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