

## **SECTION 21.1 – TRUST FUNDS**

### **INTRODUCTION**

Trust funds (also called Private Purpose Trust funds) are used to account for and report donated resources held and administered by the district when it is acting in a trustee or fiduciary capacity for others (individuals, private organizations, or other governments) for purposes such as student scholarship, student aid, and/or other charitable purposes or like uses. Trust fund money cannot be used to support the school district's own programs.

The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust and, accordingly, the school board has the authority to determine the use of the assets only within the confines of the original trust agreement(s). Although not commonly practiced by the district, the board does have the authority to impose or require a fee to be paid to the district from trust fund moneys to reimburse the district for its cost in administering the trust funds. Such a fee would need to be established at the inception of each individual trust account.

See [Board Policy/Procedures 6114/6114P](#) and [Business Information manual, Section 1.04](#), for restrictions and requirements before accepting potential trust fund donations as board approval may be necessary. Careful consideration should be given at the point of inception to determine whether the money is appropriate to go through the General fund, or whether the ASB fund or Trust fund must be utilized. Consult the finance department for guidance.

### **DEPOSIT, INVESTMENT, & ACCOUNTING FOR TRUST FUND MONEY**

Trust fund moneys are receipted and deposited in the same manner as other district funds. They are receipted into the POS receipting system and deposited into the district's revenue transmittal account at the bank. Special coding is used to differentiate trust fund moneys from other funds. The accounting office balances the revenue transmittal account and transfers the funds to the Snohomish County Treasurer's Office as required by law. The treasurer's office credits the district's trust fund for moneys transferred.

The district accounts for, expends, and invests trust fund money according to the same procedures governing other moneys of the district. The accounting records are maintained in such a manner as to provide a separate accounting for the transactions of each separate trust account within the trust fund. Trust fund accounting records are public records of the school district. They must be retained according to [state records retention requirements](#) and must be made available for audit.

## **BUDGETING**

Formal budgets are not required for trust funds. This is because the authority to use the trust fund resources comes from the donor who specifies a use or range of allowed uses for the assets held in trust. The district can determine the use of the assets only within the confines of the original trust agreement.

## **ACCOUNT CODES**

Coding for the trust fund is very similar to the coding for the ASB fund (see [Section 3.2 – ASB Account Codes](#)). All trust fund revenues and expenditures need to be coded according to the following defined coding system:

Trust fund codes are made up of 2 sections:

- The 6 digit Trust Fund Organization Key Code – This identifies which school and which scholarship or trust account, within the trust fund.
- The 4 digit Object Code – This identifies whether it is a revenue or expenditure type transaction.

The 6 digit Trust Fund Organization Key Code is made up as follows:

- The first two digits are the school's location code.
- The third digit differentiates it from the ASB fund and is defined as either:
  - 7 – Fully Expendable Trust Fund. Renewed with yearly donations.
  - 8 – Non-Expendable Trust Fund. The originally established investment amount earns interest and only the interest can be used for scholarship and/or other trust designated purposes. Funds cannot be used to support or fund a school's general programs or purposes. These are rare and unique funds with only a few that were established many years ago with a substantial principal amount to keep the trust active from year to year on interest activity alone.
- The last three digits are assigned by the budget office when the account is created and allows for separate tracking of multiple trust accounts with different purposes, within a school's trust fund.

The 4 digit Object Codes most commonly used in the Trust Fund are as follows:

- Revenue Object Code:  
3001 – Revenue
- Expenditure Object Codes:  
5001 – Supplies, materials for student aid  
7001 – Scholarship and/or contractual services

The above list of object codes is not all inclusive. There may be unique trust fund bequests that would justify other object codes, depending on the circumstances and substance of the expenditure. Contact the accounting office for assistance with unique circumstances that fit into the above categories of coding.

## **CODING EXAMPLES**

### **Example 1:**

CHS faculty contributions for student scholarships are coded to: 317130-3001

- 31 - CHS school location number
- 7 - Unique to trust fund (differentiates it from an ASB fund account)
- 130 - Staff scholarship (budget assigned upon request for trust holding)
- 3001 - Revenue (donations and contributions are revenue)

### **Example 2:**

EHS “Ken Stave” scholarship for student’s tuition is coded to: 327150 – 7001

- 32 - EHS school location number
- 7 - Unique to trust fund (differentiates it from an ASB fund account)
- 150 - Ken Stave (budget assigned upon request for trust holding)
- 7001 - Expenditure for scholarship

## **ADDING A NEW TRUST FUND CODE**

Contact the budget office at ext. 4157 for assistance if a new account code is needed. The budget office defines new trust account codes in the district’s financial software system. Coordination is also needed in order to add the code to the POS receipting system so the funds/donation can be properly receipted.

Certain procedures and communications should transpire at the school level before requesting a new code from the budget office. See [Board Policy/Procedures 6114/6114P](#) for restrictions and requirements before accepting potential trust fund donations as board approval may be necessary. Careful consideration should be given at the point of inception to determine whether the money is appropriate to go through the General fund, or whether the ASB fund or Trust fund must be utilized. Contact the finance department for advice. (Consultation between the budget office and accounting office may need to transpire before the code is created.)

## **DISBURSEMENT OF TRUST FUND MONEYS**

District purchase orders cannot be issued through the Trust fund. Disbursement of trust fund money can occur in a variety of ways, depending on the situation. Some of the documentation required and methods of disbursement include: 1) payment order through the accounting office accounts payable (i.e. for scholarships), 2) employee reimbursement, 3) direct vendor invoice, 4) procurement card charge, 5) School’s InvestED Trust imprest checking account (if applicable), and 6) Interfund billing. Specific considerations and paperwork required under different methods given certain sets of circumstances is detailed below:

**1) FOR SCHOLARSHIPS:** A payment order (preferably on school letterhead) should be submitted to the accounting office with the following information:

- **Name and amount of scholarship award** - It is also helpful to give a brief background description of the award. For example: “The following student was awarded a \$1000.00 faculty scholarship during the Spring Scholarship Awards for merit or for all around performance.”
- **Student name**
- **Name of college and college address where payment should be sent** - It is very important to list the specific address where the college expects payment will be sent. This can be imperative in the proper application of the scholarship to the student's account at the college and avoids problems when the student needs the tuition showing for the start of the year.
- **The student's college student number** - This helps ensure the college applies the tuition to the right student's account.
- **Account code** - List the school's unique trust fund account code to charge.
- **Approvals** - The letter should be signed by the school's budget authority. Additional approvals may include others as applicable. (i.e. scholarship committee chair, counselor, etc.) If it is a scholarship whose funding currently resides in the ASB 6XXX private series of accounts, rather than in the trust fund, then all the required ASB signatures are necessary as well.
- **Other supporting documentation**: Send brief additional corroborating documentation such as a copy of a published document that may list the scholarship awards/amounts and for whom they were awarded (i.e. minutes of scholarship committee meeting). Highlight the awards(s) being processed. By attaching this to the voucher packet for the warrant, it strengthens the level of documentation maintained for the auditors and illustrates the structure that oversees and governs how these awards are determined and awarded.
- **Letter to send with warrant** - Some schools choose to send two letters to accounting. One letter is addressed to the accounting office and is worded as a payment order or a request to issue a warrant. The accounting office keeps it on file as support for the warrant disbursed and for audit. This copy has the account code and necessary approval signatures. The other letter is virtually the same, but is addressed to the college and is sent along with the scholarship warrant. This helps insure the college processes it correctly.

**2) FOR OTHER TYPES OF TRUST FUND USE:** Assuming proper administration by the school site in advance approval of the transaction and that the expenditure is appropriate and fitting with the donor's intended use of the funds, the following methods may be used:

- **Employee reimbursement** – Individuals who incur expenses on behalf of a trust account may submit for reimbursement in the normal course. See [ASB manual Section 7](#) or [Business Information manual, Section 2.06](#) for the process on employee reimbursements. See also [Section 4.2](#) for restrictions on employee reimbursement dollars limits.
  - Use a trust fund account code on the [Reimbursement Voucher form](#).
  - Attach supporting documentation (i.e. original detailed receipts).
  - For expenditures of InvestED Trust funds, a **copy** of a completed [InvestED Disbursement Report form](#) should also be attached.
  - Obtain the budget authority signature approval.
  - Submit to the accounting office for payment processing.

- **Direct Vendor Invoice** – A district purchase order cannot be issued out of the trust fund. Vendors may invoice the trust for nominal amounts in the normal course. For transactions of a larger volume and scale, contact the purchasing office for a referral on the advisable method of purchase. See [ASB manual, Section 9.1](#) or [Business Information manual, Section 4.04](#) for the process on accounts payable.
  - Y Use a trust fund account code on the invoice.
  - Y Obtain the budget authority signature approval.
  - Y For expenditures of InvestED Trust funds, a **copy** of a completed [InvestED Disbursement Report](#) form should also be attached.
  - Y Submit to the accounting office for payment through accounts payable in the normal course.
- **Procurement Card Charge** – The district procurement card can be an allowable method depending on the situation. All restrictions governing procurement card use apply. See [Business Information manual, Section 2.04](#) or refer to ASB Procurement Card Program.
  - Y Use the trust fund account code on the procurement card report.
  - Y Obtain the budget authority signature approval.
  - Y Submit appropriate back up receipts to the finance office.
  - Y For expenditures of InvestED Trust funds, a **copy** of a completed [InvestED Disbursement Report form](#) should also be attached.
  - Y The finance office – coordinator who administers the procurement card program, will facilitate the special handling that is required to transfer the charge over to the trust fund.
- **InvestED Trust Imprest Checking Account** – Some but not all of the secondary sites have a specific InvestED imprest checking account. This account may not be used for any other purpose but InvestED type transactions. All imprest checking account restrictions apply. (See [ASB manual, Section 6](#)). InvestED imprest checking account might be appropriate for nominal reimbursements to employees for appropriate InvestED expenditures (although direct reimbursement through accounts payable is strongly encouraged and is advisable over using the imprest checking account), but can also be utilized to reimburse another fund (such as ASB or General fund) thereby avoiding the need for interfund billing. Caution must be exercised in using the InvestED imprest checking accounts as the balances maintained in these accounts is very small (from \$100 to \$500 depending on the school location.)
  - Y Use the InvestED account code.
  - Y Have paperwork signed and authorized by appropriate school site personnel.
  - Y Attach a **copy** of a completed [InvestED Disbursement Report form](#).
- **Interfund Billing** – An interfund billing may be necessary to charge dollars to the trust fund, that were provided by the ASB or General fund to a student (such as for an ASB card, a sports physical, or a field trip) In these cases either the ASB fund or the General fund may have provided a unique and individual student benefit or student aid that the Trust fund now needs to pay to or reimburse to the providing fund. Student aid transactions are when a student might have been individually obligated to pay for a good or a service

in order to participate in an activity or fit-in at school. Certain types of trust arrangements (such as the InvestED fund) have a purpose of funding those kinds of personal needs (i.e. field trips, ASB cards, sports physicals, things that are personal in nature and not normally the obligation of the school district to provide.) POS receipting system implications may need to be considered, depending on how the transaction needs to be reflected. If the school site has an InvestED imprest checking account, a check may be written to pay the ASB or General fund (based on the voucher paperwork created at the school – voucher paperwork would be attached to the next imprest checking account reimbursement request. The expense would hit the trust fund when the [Imprest Account Reimbursement Request](#) was processed, and the other fund would get their money/would receipt it in, upon receipt of the imprest check they got from InvestED. No interfund billing would be necessary in this case. However, when a school doesn't have a InvestED imprest checking account, they cannot use their regular or ASB imprest account for this, they must submit a [Request for Invoice](#) form to get an interfund billing going. The pertinent details and supporting documentation are listed and/or attached to the request for invoice. The accounting office generates an invoice and bills it to the trust fund. The accounting office then pays the invoice through accounts payable, expenses the cost to the trust fund code, and issues a trust fund warrant. The accounting office will then receipt the warrant back into the appropriately designated fund and code, through the POS receipting terminal. If student accounts need to be referenced, they can be, but that data would need to be detailed on the request for invoice.

### **INVESTED**

- InvestED transactions require schools to complete [InvestED Disbursement Report forms](#). These forms can be completed on a per student basis, or in a summary format covering multiple students. See example in [Section 21.1d](#).
- InvestED funds come from the InvestED Foundation which is a private non-profit. The InvestED Foundation has its own requirements for appropriate uses of funds. School must complete the [InvestED Annual Report](#) each year (done online through [their website](#)) in order to apply for renewed funds for the next year. Visit the [InvestED](#) website for more information.
- The accounting office does not oversee or manage the annual reporting process back to the [InvestED Foundation](#). Each school has a unique user access and password through the [InvestED](#) website.

### **OTHER CONSIDERATIONS**

- [Everett Public Schools Foundation](#): A distinction should be made between the trust funds as described in this section and the [Everett Public Schools Foundation](#). Schools in the State of Washington are not authorized to set up foundations; however, the district is allowed to be the beneficiary of the foundation. Donations from the foundation are often appropriately recorded in the General fund. However, depending on the purpose of the donation, it may need to be recorded in the ASB or the Trust fund.