

S&S CISD

ACTIVITY FUNDS MANUAL



ACTIVITY FUNDS

- I. Responsibility
- II. Type: Activity Funds
- III. Procedures: Cash Handling
- IV. Procedures: Cash Disbursements
- V. Internal Control: Do's and Don'ts
- VI. Things to Know: Top 10 or 50
- VII. The Club: Student Organizations
- VIII. The Source: Fundraising
- IX. The Question: A Sale or Not
- X. The Inevitable: To Tax or What
- XI. The Exception: Tax-Free Days
- XII. The Funds: Proper Use
- XIII. The Flags: Seeing Red
- XIV: The News: Good and Bad
- XV: The Future: Coming Soon
- XVI. The Rules: Board Policies and Procedures

RESPONSIBILITY

- ❖ The principal of your campus is responsible for the proper collection, disbursement and control of all activity funds to include:
 - physical safeguard of all cash on campus
 - accounting for all receipts and disbursements
 - administration of all related recordkeeping

in compliance with all related District policies and procedures.

- ❖ You are responsible for the proper, accurate and timely completion of the Activity Fund task you have been assigned.
- ❖ If, for any reason, you are unable to perform/complete your task successfully, it is your responsibility to immediately discuss the reasons/problems with your principal so that these issues can be resolved.

ACTIVITY FUNDS TYPES

- ❖ Campus activity funds –
 - benefit the entire school body;
 - received from sale of school pictures, class rings, vending machines, etc.;
 - liability accounts titled administrative, general, hospitality, etc.;
 - disbursed at the discretion of the principal.

- ❖ Student activity funds –
 - benefit a specific club or organization, ie, band, cheerleading, choir, math, science, etc.;
 - raised by the organization's members;
 - liability accounts titled band, cheerleaders, science club, etc.;
 - disbursed at the discretion of the student members under sponsor supervision.

PROCEDURES:

CASH HANDLING

- ❖ No petty cash funds are allowed.
- ❖ At least 2 people should be assigned the handling of activity funds: one for collecting/receipting; the other for preparing and making deposits.
- ❖ Only authorized receipt books ordered thru the Finance department are acceptable for use.
- ❖ A receipt must be written for all collections at the time of collection.
- ❖ Cash should be counted by the collector in the presence of the sponsor at the time of collection.
- ❖ The original receipt should be written immediately and given to the sponsor.
- ❖ Cash is to be kept in a locked, secure place, ie, file cabinet, drawer, safe, until custody is transferred to the administration office.
- ❖ Only authorized personnel should have access to the locked area.
- ❖ Cash received is not to be used for making change or cashing checks for any one or any purpose.
- ❖ Checks written to schools should be for the amount of purchase only.
- ❖ Postdated checks are not to be accepted. Checks are not to be held.
- ❖ Checks written to schools are accepted under the same guidelines as checks written in the “outside world” and subject to the same penalties if returned by the bank for any reason.
- ❖ Checks should be restrictively endorsed with the activity fund account number and “For deposit only” immediately upon receipt.

- ❖ Receipt numbers must be listed on the front of each deposit ticket.
- ❖ Checks must be listed individually on the back of the deposit ticket or on a list or tape attached. As many deposit tickets can be used as are needed to list all checks included in a deposit.
- ❖ Receipt copies and deposit tickets are to be kept intact in the receipt/deposit book.
- ❖ If the tasks of collecting/receipting and depositing are assigned to 2 staff, the money should be counted/verified by both at the time the collections are given to the 2nd staff for deposit. The 2nd staff should total all the receipts being included in the deposit and make sure the total agrees with the amount of money being deposited.
- ❖ If it is necessary to void a receipt, put “VOID” on the receipt along with the receipt number which replaces the voided receipt.
- ❖ If it is necessary to void a receipt and there is no replacement receipt, an explanation should be written on the receipt marked “VOID”.
- ❖ Deposit ticket copies should include a copy of the list of checks included with the original, as applicable.
- ❖ The deposit is to be put into a deposit bag and secured until delivered to the administration office.
- ❖ Deposits are to be made on a daily basis.
- ❖ Any discrepancies found at any step in the process should be reported to the principal for immediate investigation and resolution.
- ❖ Being out of authorized receipt books, deposit tickets or deposit bags is not an acceptable reason for noncompliance with collection and deposit procedures.

PROCEDURES:

CASH DISBURSEMENTS

- ❖ All check requests should have proper documentation attached prior to being taken to the principal for approval.
- ❖ A blank check should never be requested or signed.
- ❖ A disbursement should never be made for an amount greater than the balance in an organization's fund.
- ❖ The balance in an organization's fund should be verified prior to a check request being completed and a current print-out of the category account included as part of the check request documentation presented to the principal for review and approval.
- ❖ The balance in the entire activity fund should be monitored regularly in order to ensure that sufficient funds are available at the time any check is issued.

INTERNAL CONTROL:

DO'S AND DON'TS

- ❖ Receipt books and receipts should be used in sequential and date order.
- ❖ Receipt copies should be left intact in the receipt book.
- ❖ Receipts should be completed with all required information, ie, date, payee/club, amount, type of collection (cash/check), legible initials, etc.
- ❖ A receipt book should be used in its entirety prior to another book being started.
- ❖ Keep a log of receipt books and deposit ticket books in your office showing date and to whom issued, ie, school office, organization, etc.
- ❖ Before issuing a new receipt book require that the prior book be returned and check to make sure that it has been completely used and all copies are intact.
- ❖ Keep a log of ongoing fundraisers and review transaction listings for collections that would be expected during that time.
- ❖ Never take Activity Fund records home for any reason.
- ❖ If you need help or do not understand something, ask your principal or call the administration office.
- ❖ If you are not receiving proper documentation and/or adequate cooperation from anyone involved in the activity fund process, discuss the problem with your principal.
- ❖ If you are asked to do anything you do not believe is correct or proper, notify your principal or the administration office.

THINGS TO KNOW:

TOP 10 OR 50

- ❖ Principals are required to have written procedures for activity fund management.
- ❖ PTO money is never to be handled by school personnel.
- ❖ PTO money is never to be commingled with Activity Fund money.
- ❖ A District employee is not to be an officer of a PTO chapter in one of our schools unless Administration has been notified and approval received.
- ❖ A District employee is not to be an authorized signatory on a PTO bank account for a PTO chapter at one of our schools unless Administration has been notified and approval has been received.
- ❖ PTO, Booster Clubs and other associated organizations must have their own tax-exempt status and employer identification number (EIN/TIN). They must not use the school district's EIN.
- ❖ PTO, Booster Clubs and other associated organizations are not eligible for the tax-free days until an exemption has been obtained from the Internal Revenue Service.
- ❖ Any payment to a District employee for any reason other than reimbursement for an allowable expenditure must be processed through Payroll and be accompanied by an extra help authorization form. No exceptions are applicable.
- ❖ Sales tax is not to be paid on an original invoice or on a reimbursement;
- ❖ In the case of reimbursements, the tax exempt certificate should be sent with the school employee making the purchase; these employees should be told which stores honor the certificate upon presentation.

- ❖ Any payment to a consultant can be made only with a completed and current W-9 on file and completion of a consultant agreement form.
- ❖ All gifts must be reported to Administration. Gifts valued at \$250 or more must be expressly approved by Board action.
- ❖ All purchases become the property of the District.
- ❖ Purchases made with activity funds are subject to the District's competitive bidding requirements and conflict of interest guidelines.
- ❖ All school facility rentals require a completed school facility rental agreement, payment of the rental fee and Administration approval prior to the event.
- ❖ School facility rental collections are not to be deposited into the Activity Fund bank account, but are to be sent to the Finance Department for deposit into the appropriate District bank account.
- ❖ District employees are considered to be public servants and are subject to Title VIII of the Penal Code regarding offenses against public administration.
- ❖ The designation of public servant increases an offense of theft, for purpose of punishment, to the next higher category of offense if at trial it is established that the actor was a public servant at the time of the offense and the property appropriated came into actor's custody, possession or control by virtue of this status (Section 31.01, Texas Penal Code).
- ❖ Activity Fund records are to be retained at the school for a period of 5 years in accordance with the Local Government Records Act.
- ❖ All records and documents of the District are considered to be governmental records and the intentional destruction, concealment, removal or other impairment of a governmental record which renders the record untrue, illegible or unavailable is an offense. (Section 37.10, Texas Penal Code).

- ❖ Tampering with governmental records is considered a felony of the third degree if it is shown at trial that the governmental record was a public school record, report or assessment instrument required under Chapter 39, Education Code.

THE CLUB:

STUDENT ORGANIZATIONS

- ❖ A student organization must have a sponsor.
- ❖ A student organization must have bylaws and officers and hold regular meetings.
- ❖ Minutes of the organization's meetings must be written and retained.
- ❖ The funds raised by a student organization are to be expended at the discretion of the students and documented in the minutes.
- ❖ Sponsors must keep detailed records of the organization's activities and collection and disbursement of the organization's funds.
- ❖ An organization to be disbanded may determine the use of the remaining balance in its activity fund.
- ❖ Funds remaining from an organization which made no such documented determination may be transferred by the principal to the campus activity fund and used at the principal's discretion.

THE SOURCE: FUNDRAISING

- ❖ Sponsors are to initiate the request for approval of fundraising activities via a completed approval form to the principal for review and approval.
- ❖ School-sponsored fundraisers must be approved by Administration prior to the event.
- ❖ A specific purpose for the funds to be raised should be determined prior to the fundraiser being requested.
- ❖ Texas law prohibits schools from conducting raffles, bingo and any other games of chance.
- ❖ PTOs are allowed to hold raffles; however, raffle tickets must be numbered and show the name of the sponsoring organization.
- ❖ A prize to be given away in a PTO raffle must either be in the possession of the PTO at the time of the raffle or adequate funds must be held in the PTO bank account to purchase the prize.
- ❖ Two tax-free sales are allowed in a school year: one in the fall; one in the spring.
- ❖ Material or merchandise for a fundraising project may not be ordered prior to receiving written approval for the fundraiser from Administration.
- ❖ Any person who orders merchandise without prior approval of the fundraiser will assume full responsibility for the bill.

THE QUESTION:

A SALE OR NOT

The majority of Activity Fund collections are derived from transactions which fall into one of two categories: Sale or Not a Sale.

The first question to be asked and answered: Is the revenue a result of a sale or not?

❖ Sale –

- Admission – athletic, dances, dance performances, drama performances;
- Admission – summer camps, clinics, workshops, project graduation;
- Donated items that are not sold;
- Fundraisers where we are the seller, not just the middleman;
- Rental of items;
- Rental of facilities;
- Sales of food;
- Sales of merchandise – including items made by students;
- Sales of services;
- School publication sales.

❖ Not a Sale –

- Collection of money from students to pay a company for admission or services, ie, Sea World, Six Flags, PSAT test;
- Commissions received;
- Donations of money to the school or school group or donations for a commemorative brick;
- Dues received for clubs;
- Fees – musical instrument maintenance, lab, uniform cleaning, transcripts;
- Fieldtrip collections;
- Fines received – textbooks, library books, parking, locker, uniforms, calculators, obligations;
- Fundraisers when the school group merely receives a commission, ie, library book fairs, some author sales, recycling;

- Lost payments – books, handbooks, calculators, locks, ID cards;
- Marathon fundraisers – these are donations, ie, lift-a-thon; jog-a-thon; jump rope for heart; basketball hoops;
- Non-sufficient check redeposit;
- Summer school, Saturday school, Community Education tuition and fees.

A sale is a transfer of title or possession of tangible personal property for consideration (usually money). A sale also includes the performance of a taxable service for consideration.

In some fundraising activities, the school or school organization is merely acting as a sales representative for a vendor and tax must be collected. The tax would be remitted to the vendor and the vendor would claim it as their sale; and they would compute and remit the necessary sales tax to the Comptroller's office. The school would not report this type revenue as a sale. Examples are vending machine sales where the vendor services the machine, school pictures, and library book sales. In addition vendors will ask if the school wants them to collect the tax (included in the sales price) to be remitted to the state. The answer should be a resounding, Yes!

The school is the seller when the school or school organization purchases the merchandise and then resells these items to customers. The school should then provide a resale certificate to the retailer and the school is responsible for remitting the sales tax collected, with proper documentation, to the Finance Department for proper handling.

THE INEVITABLE:

TO TAX OR WHAT

Once the activity has been determined to be a sale, the issue then becomes: to tax or not to tax.

❖ Non-Taxable Sales –

- Ad sales – yearbooks, athletic programs, newspapers, posters;
- Admission – athletic events, dances, dance performances, drama and musical performances;
- Admission – summer camps, clinics, workshops, project graduation;
- Admission – banquet fees;
- Admission – bids, prom, homecoming;
- Admission – tournament fees, academic competition fees;
- Bake sales
- Cosmetology services – (note: products sold to customers are taxable);
- Discount/Entertainment cards and books;
- Facility rentals for school groups;
- Food items sold during fundraisers – time or day does not matter; seller does not matter; (note: all net proceeds must go to the organization for its exclusive use).
- Food sold during regular school hours by school district;
- Labor – automotive, upholstery classes (note: parts are taxable);
- Magazine subscriptions greater than 6 months;
- Parking permits;
- Services – car wash, cleaning.

❖ Taxable Sales –

- Agenda books;
- Agricultural sales;
- Art – supplies and works of art;
- Artistic – CDs, tapes videos;

- Athletic event concession sales – unless part of a fundraiser;
- Auction items sold;
- Automotive – parts and supplies;
- Band – equipment, supplies, patches, badges, uniform sales or rentals;
- Books – workbooks, vocabulary, library, author (when we are the seller);
- Brochure items;
- Calculators;
- Calendars;
- Candles;
- Car – painting, pin striping;
- Catered food sales by the school district’s food service – unless sold to the district;
- Clothing – school, club, class, spirit;
- Computer – supplies, mouse pads;
- Cosmetology products sold to customers;
- Cups – glass, plastic, paper;
- Decals;
- Directories – student, faculty;
- Drafting – supplies;
- Family and Consumer Science –supplies and sewing kits;
- Fees – copies, printing, laminating;
- Flowers – roses, carnations, arrangements;
- Food sold by a school district – if outside the school’s regular school day;
- Greeting Cards;
- Handicrafts;
- Horticulture items;
- Hygiene supplies;
- Identification cards – when sold to entire student body (not just the fine for a lost ID card);
- Locks - sales and rentals;
- Lumber;
- Merchandise, tangible personal property;
- Magazines – subscriptions less than 6 months;
- Magazines – when sold individually;
- Musical supplies – recorders, reeds;
- Parts – career & technology classes (not to include products used in cosmetology);

- Parts – upholstery;
- PE – uniforms, supplies;
- Pennants;
- Pictures – school, group (if school is seller);
- Plants – holiday greenery and poinsettias;
- Rentals – equipment of any kind;
- Rentals – uniforms of any kind, towels;
- Repairs to tangible personal property – computer repair, remodeling;
- Rings and other school jewelry;
- Rummage, yard, and garage sales;
- Safety supplies;
- School publications – athletic programs, posters;
- School publications – brochures;
- School publications – magazines (unless more than 6 month subscription);
- School publications – newsletters, newspapers;
- School publications – reading books;
- School publications – sheet music, hymnals;
- School publications – yearbooks;
- School store – all items except food;
- Science – science kits, boards, supplies;
- Spirit items;
- Stadium seats;
- Stationery;
- Supplies – any sold to students;
- Uniforms – any type to include PE, dance team, drill team, cheerleaders, athletic, club shirts;
- Vending – pencils and other non-edible supplies when the school services the machine;
- Woodworking crafts – entire sale to include parts and labor;
- Yard signs.

Texas sales tax statutes impose tax on the sale, lease or rental of tangible personal property and selected services. Tangible personal property includes personal property that can be seen, weighed, measured, felt, touched or that is perceptible to the senses in any other manner. When an individual purchases a tangible item and it becomes the personal property of someone,

it is taxable. It is irrelevant if the school logo is on the item or that the item will be utilized by a student in a school group for a school function.

School districts, schools and school groups making sales of taxable items that do not have a specific exemption must collect and remit the tax. The items or activities on the lists above have been identified as being taxable or non-taxable by the Comptrollers' Office when these items are sold or sponsored by a school, by an organization within a school, PTOs, Booster Clubs and employee associations. Whether taxable or not, all sales are reportable as sales on line 1 of the Texas Sales and Use Tax Return. These lists are not all-inclusive but may help determine the tax status of other similar sales.

THE EXCEPTION: TAX – FREE DAYS

Each school district, each school and each bona fide chapter of each school is allowed to have two, one-day tax-free sales each calendar year. During these tax-free sales, the organization may sell any taxable item tax-free when the price of the item is \$5,000 or less. There is no limit on the number of bona fide groups at a school or school district.

- ❖ The school district qualifies for a tax-free day;
- ❖ The school-wide fundraiser qualifies for a tax-free day;
- ❖ The Basketball Club qualifies, but the basketball team does not.
- ❖ The Cheerleader Club qualifies, but not the cheerleader team.
- ❖ The Debate Club qualifies, but debate teams and classes do not.
- ❖ The French Club qualifies, but the French classes do not.
- ❖ The Senior Class qualifies, but not one particular class that has seniors in it.

A bona fide chapter is a group that must be organized for some business or activity other than instruction or a participatory group. Essentially any student group that is recognized by the school and is organized by electing officers (not just participatory captains), holding meetings and conducting business are bona fide chapters of the school and each group may have two, one-day, tax-free sales in a calendar year. Groups meeting for classroom instruction or team sports are not categorized as bona fide chapters and do not qualify for the tax-free day sales.

One-day means 24 consecutive hours; the delivery should be made on a single day. Generally title passes to the purchaser when the item is given to the purchaser. In the case of preordered and prepaid sales, title can transfer as soon as the seller (school) receives the order. Therefore, the date the items are delivered by the vendor to the seller is designated as the one-day for the purposes of the tax-free sales. However, persons buying from surplus stock on subsequent dates after the tax-free day owe tax on the items.

When the school or school group receives a commission, the tax-free day sale provisions cannot apply because the sale is the vendor's sale, not the school's sale. The school group would collect and remit tax to the vendor,

and the vendor would report the sale and remit tax to the Comptroller's office.

THE FUNDS:

PROPER USE

Allowable expenditures:

- ❖ Contracted Services, ie, story teller, reading consultant, engraving;
- ❖ Supplies, ie, trophies, certificates, dance decorations, school store;
- ❖ Student travel;
- ❖ Sponsor/chaperone travel;
- ❖ Beautification;
- ❖ Camps.

Prohibited expenditures:

- ❖ Sales tax – original invoice or reimbursements;
- ❖ Gifts for faculty;
- ❖ Donations to charitable organizations;
- ❖ Attendance incentives;
- ❖ Personal gifts to employees;
- ❖ Payments for employee services;
- ❖ Purchase of items for individual use.

THE FLAGS:

SEEING RED

- ❖ Deposits not being made on a timely basis, ie, daily.
- ❖ Irregular deposits, ie, large amounts infrequently.
- ❖ Receipt books are missing.
- ❖ Receipt copies have been torn out.
- ❖ Voided receipts for which there is no replacement.
- ❖ Receipt books are not being completed or are not being completed in sequence, either date or number.
- ❖ New receipt books are not being requested.
- ❖ Notices from bank of deposit error/discrepancy.
- ❖ Notice from bank of non-sufficient funds.
- ❖ No collections from organizations with ongoing fundraisers.
- ❖ No check requests being brought for your approval.
- ❖ Sponsors asking about check requests not being approved and/or invoices not being paid on a timely basis.
- ❖ Receipt of past due invoices.
- ❖ Parents asking about checks which have not cleared their bank account in a timely manner.
- ❖ Negative balance in an organization's fund.
- ❖ Lower than expected balance in the activity fund.

- ❖ No documentation/receipt with check request.
- ❖ Request for approval of blank check.
- ❖ Excuses for not writing receipts, making deposits, preparing check requests on time; or completing reconciliations when due.
- ❖ Disorganized office, ie, to the point of not being able to readily provide any documentation request.
- ❖ Any type of documentation not being readily available.
- ❖ Stale-dated checks, ie, with dates more than a month old, being shown as not cleared under outstanding items on monthly Activity Fund reconciliation.
- ❖ Anything that does not appear reasonable or make sense.
- ❖ Explanations that do not explain or answer question being asked, ie, the run around.

THE NEWS:

GOOD AND BAD

Which do you want first?????

- ❖ Bad or Good – Yet to be determined – Our audit has been completed. One of the recommendations was that activity fund operations be centralized in Administration. The reason for this recommendation was because of the lack of internal controls of the activity funds.

- ❖ The Bad News – Activity Funds are your responsibility!!!!
 - No exceptions;
 - No excuses.

- ❖ The Good News – You Are Not Alone!!!!
 - This Activity Fund manual will assist you with the information you need to properly manage the funds;
 - Acknowledgments are being developed to make everyone aware of their responsibilities;
 - Forms are being prepared to provide your principal with the most current and meaningful activity fund information for their review and monitoring;
 - Reconciliations/recaps are being prepared to assist you in organizing and completing your task properly and timely;
 - A more comprehensive mandatory training session is being planned for you and your principal to provide the tools needed to successfully perform/review the activity fund tasks ;
 - In short, we are working to make the management of the activity funds as easy as it can possibly be;
 - And we are only a phone call away;

THE FUTURE:

COMING SOON

The following will be distributed and reviewed at the mandatory Internal Control/Cash Handling workshop mentioned previously:

- ❖ Activity Fund manual, as revised.

- ❖ Related forms:
 - Acknowledgment of responsibility/receipt of policies;
 - Sponsor acceptance of responsibility;
 - Student organization information;
 - Fundraising application for approval;
 - Activity fund collection report;
 - Check request;
 - Fundraiser recap;
 - Cash incident report.

- ❖ Sponsor training.



THE RULES:

BOARD POLICIES AND PROCEDURES

- ❖ CDC – Other Revenues: Grants from Private Sources
- ❖ CFD – Accounting: Activity Funds Management
- ❖ CFG – Accounting: Cash in School Buildings
- ❖ FJ – Gifts and Solicitations
- ❖ FMC – Student Activities: Organizations and Clubs
- ❖ GE – Relations With Parents or Parents' Organizations

Waco ISD website: www.sscisd.net

Click on: Policies;
Policy Online