

## **Dexter Community Schools Internal Activity Accounts Financial Information**

### **1) Overview**

As the Sponsor of an Internal Activity Account your willingness and ability to enhance the experiences of our students at Dexter Community Schools is recognized and much appreciated. We sincerely recognize that oftentimes the administrative duties associated with your involvement can be tedious and detract from your true purpose, the students. Nonetheless you are expected to follow internal controls to protect the financial resources placed in your care and custody by our students, parents, and community. In order to facilitate your financial involvement this is a guide to help you with your financial responsibilities as a Sponsor.

Internal Activity Accounts are created to direct and account for money used to support co-curricular activities. Co-curricular activities are any kind of school-related activity outside the classroom that adds value to the curriculum. Co-curricular activities involve a wide range of student clubs, organizations, and organized interscholastic competition. We have over 185 Internal Activity Accounts at Dexter Community Schools.

### **2) Control and protection of funds**

The school district acts as the receiving and paying agent for all Internal Activity Accounts. Once the school district or an individual representing an organization of the school district is in the care and custody of funds, it becomes our responsibility to record, control, protect, and disburse the funds according to all applicable policies and regulations. The school district is ultimately responsible for oversight and adherence to internal controls for all Internal Activity Accounts. The school district includes these transactions in the district's annual fiscal audit process and subsequently the school district financial statement.

Because Internal Activity Account funds are collected and disbursed amongst multiple sites with multiple people, it is critical that we have orderly procedures and internal controls in dealing with these funds in order to safeguard the assets of the funds. This ensures that the student activities will receive the benefits sought.

### **3) The Sponsor**

Each Internal Activity Account operates under the direction of a Sponsor and a school district administrator. The Sponsor of each student organization is responsible for coordinating all activities of the organization including approving Internal Activity Account transactions. Sponsors are usually employees of the district and under direct control of a building principal or other program director (i.e. special education director, athletic director). The principal or program director should approve all activities conducted by the student organization and sign to authorize all requests for disbursements on the Internal Activity Account.

### **4) Purpose of Funds**

Each Internal Activity Account operates for a specific intended purpose and it is important that the Sponsor, the principal, and the Business Office understand the purpose of the funds.

**Fundraising**– Fundraising activities generate substantial funding for supplementing our student experiences. The disbursement of funds needs to match what was communicated in the announcement, flyer, and/or solicitation.

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**Donation**– Donations to a club or the schools are generally given with the intention that they be used to enhance the educational experience of students. Donations generally meet the definition of a Charitable Contribution under Section 170(c)(1) of the Internal Revenue Code which states "For purposes of this section, the term "charitable contribution" means a contribution or gift to or for the use of a State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution is made for exclusively public purposes." The disbursement of funds needs to be for enhancing the educational experience of students and purchases must be lawful expenditures of a public school.

**Collection**– Funds collected for a specific purpose are collected from individuals for an intended purpose that may or may not be related to public purposes of the school district (i.e., student collection for a cancer charity, staff collection for office refreshments and coffee, staff collection for flowers for the sick or deceased). This is not intended to be a charitable contribution made exclusively for public purposes. The disbursement of funds will match the collection's intent, even if the disbursement would not otherwise be allowable by the State Revised School Code.

More detailed information about lawful expenditures is available at <http://web.dexter.k12.mi.us/internal.cfm>.

### **5) Account Statements**

After the close of the months of November, March, May, and June the Sponsors of each Internal Activity Account will receive an Account Statement that contains a detail of all funds received and disbursed from the account and the ending balance. The Business Office can generate interim statements if needed. In addition, building secretaries have access to view and print statements at any time. Sponsors need to review statements and report errors or discrepancies to the Business Office as soon as possible.

### **6) Collection of Revenue**

The Sponsor is **STRONGLY** encouraged to use the PaySchools online payment processing system for all monies collected from parents/students. While not all collections are suited to advanced payments (i.e. entry fees), most are. PaySchools offers the convenience of making school-related payments on our school's website by e-check, Mastercard, Visa or Discover.

Using PaySchools, all payments are deposited directly into the Internal Activity Account, less a 3.5% credit card processing fee that is charged by PaySchools. The fee has proven to be very cost effective by reducing the significant administrative burden associated with collecting cash and checks and mitigating the potential for fraud.

The Sponsor can generate an up-to-date list of all payments received from PaySchools and use it as a roster or order listing. Not only is PaySchools a convenience for the Sponsor and the parents, it is a much more efficient use of district support resources. There is no fee to the parent for this service.

For those payments not collected through PaySchools, the Sponsor must adhere to all District accounting procedures to assure the security of the monies in his/her custody. Here are some guidelines for collecting and handling cash and checks:

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- In no event shall cash be used to pay for services, supplies, or materials. All money collected should be deposited. Check requests or receipts should be used for payment by District check.
- There shall be no commingling of Internal Activity Fund monies and personal monies.
- When possible, two adults should count cash received from fundraisers immediately following an event. This is especially recommended if cash deposits exceed \$500. Do not put you or your volunteers in a position where their integrity may be questioned. Have two people perform this task The Sponsor, or an event adult designated by the Sponsor, should fill out a Deposit Worksheet. All adults who counted the money should sign the Deposit Worksheet.
- The Sponsor, or event adult designated by the Sponsor, or the building secretary should take cash to the bank daily; do not wait until the fundraiser is over. No cash should be given to students to transport. No cash should be mailed through interschool mail. No cash should be left overnight in desks, lockers, or other such equipment. Whenever monies change hands, both individuals should verify the monies. A building secretary accepting monies will generate a receipt for monies accepted and the Sponsor should keep a copy in his/her own records for verification against the Internal Activity Fund statement.
- All checks must be made payable to: Dexter Community Schools. Please have the parent note the student name and event on the face of the check. Checks returned unpaid, for any reason, will be deducted from the Internal Activity Fund account along with a \$25 service fee. The Sponsor will be notified. The Business Office will attempt to collect the funds. If unsuccessful, the bad check will be turned over to the Washtenaw County Prosecutor Bad Check Restitution Program for further collection and possible prosecution.
- The back of all checks should be stamped daily with the bank stamp when available; this should not wait until the deposit is prepared. Please include the Internal Activity Account number 662-431-(XXXX) on the face of each check, written, stamped, or labeled. This will help us identify the proper contact should the check be separated or returned by the bank. Bank deposit slips should be accompanied by a listing that identifies each check separately. This can be detailed on the deposit slip or include a spreadsheet or other written roster of payments. Deposits should be made daily when receipts exceed \$500. Collections of amounts under \$500 should be deposited at least weekly, preferably on Fridays, to alleviate having monies in the buildings over the weekend. Deposits should also be made before holidays, vacations, etc. Deposit tickets are available through the Business Office.
- Forward the yellow bank deposit slip and the original Deposit Worksheet to the Business Office no later than the last business day of each month. The Sponsor should retain a copy of the Deposit Worksheet for verification against the Internal Activity Fund statement and detail of activity.

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- All monies collected (cash and checks) will be deposited into the Dexter Community Schools-Internal Accounts bank account 33-03492 at Chelsea State Bank. In no event will an individual be authorized to open an individual bank account for such purposes.
- Collection, verification, and deposit of cash and checks may take alternate paths depending on the nature of the event. Oftentimes, a parent or other adult assists a Sponsor with revenue collections. A building secretary may be a conduit for deposits. Ultimately, the Sponsor needs to assure protection of the monies when delegating responsibilities. The Sponsor should retain a copy of all Deposit Worksheets and verify that the deposits have been recorded to the Internal Activity Account.

And remember, using the PaySchools online payment processing system is much easier and more secure for all involved.

### **7) Sales Tax**

There is a misconception that everything done by a school is exempt from sales tax. This is not true. There are certain exemptions to Michigan sales tax that typically apply to schools:

- 1) Sales of tangible personal property to a nonprofit school for use by the district and not for resale. MCL 205.54a(1)(a)
- 2) Sales of food to bona fide enrolled students by a nonprofit school. MCL 205.54a(1)(c)
- 3) Sales for resale at retail. Exempt for schools with aggregate sales at retail in the calendar year of less than \$5,000. When the resale occurs, sales tax is due at that time. MCL 205.54o

Examples of sales that are taxable include:

- Sales of food for immediate consumptions (except as exempted in 1) and 2) above)
- School store selling non-food items to students
- Yearbooks are taxable to the end user

More detailed information about Sales Tax is available at <http://web.dexter.k12.mi.us/internal.cfm>.

### **8) Purchasing services, supplies, and materials**

Purchases from Internal Activity Accounts follow the same purchasing requirements, Board policy, and State law as other District funds. To ensure purchasing control and accountability of District and student funds, all purchases of supplies and materials need to be authorized by the principal or program director before purchases are made.

It is always prudent to obtain two or more prices for services or supplies to be sure we are getting fair pricing. Board policy (6320) requires that purchases and contracts in excess of \$10,000 be based on multiple written prices/quotes. The State Revised School Code (1274 and 1267) requires purchases of supplies, materials, and equipment above \$21,308 to be competitively bid and construction or remodeling above \$21,308 to be competitively bid.

Most Principals, program directors, and building secretaries have District-issued Purchasing Cards. Purchasing Cards may be issued to other staff at the discretion of administration. The use of Purchase Orders and Purchasing Cards enable the District to pay the vendor directly and assure

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our purchases are exempt from State sales tax. In addition, Internal Check Request forms can also be used for disbursement of funds.

The building secretary or Business Office contact can generate a temporary Purchase Order. The principal or program director signs the temporary Purchase Order. The Business Office then issues a final Purchase Order.

Purchase Orders and reimbursements can only be issued to vendors of Dexter Community Schools. The District is responsible for proper tax reporting of all payments issued by the District to all federal and state taxing authorities and the Social Security Administration. To be sure we have proper tax identification information, all vendors (business or individual or parent) must complete a W-9 certification (<http://www.irs.gov/pub/irs-pdf/fw9.pdf>) and it must be on file with the Business Office before any payment will be issued. This includes reimbursements for any expenses (for example, a parent purchases snacks for a group of students or materials for prom and submits the receipt for reimbursement). If a parent opposes providing the necessary information, the Sponsor should make alternative arrangements for purchasing the supplies BEFORE any purchase is made.

**9) Disbursements**

Requests for disbursements should be made on an Internal Activity Account Check Request form. When the materials and/or an invoice are received, the Sponsor signs that the purchase is approved for payment on that form. If a Purchase Order had been issued, please indicate the PO number on the Internal Activity Account Check Request form and submit the form and invoice to the Business Office for payment (no principal signature is necessary). The Internal Activity Account Check Request form is available at <http://web.dexter.k12.mi.us/internal.cfm>.

If a Purchase Order had not been issued the invoice/receipts should be attached to an Internal Activity Account Check Request form, signed by the Sponsor and the building principal or program director, and submitted to the Business Office.

Checks are issued on Wednesdays. Please have requests into the Business Office by noon on the Monday prior to the intended check run. Urgent requests will be accommodated as practical. Please help us be efficient and plan ahead.

When the use of Purchase Orders and Purchasing Cards is not possible or not practical, requests for reimbursement of incidental expenditures should be submitted on an Expense Report available at <http://www.dexterschools.org/businessforms.cfm>. The Expense Report signed by the individual requesting reimbursement should be attached to an Internal Activity Account Check Request form completed by the Sponsor, signed by the building principal or program director, and submitted to the Business Office. All requests must include detailed receipts.

- Employee expense reimbursements - Employee expense reimbursements will be paid on the next pay period paycheck (15th or 31st) as an addition to his/her paycheck. Expense reimbursements will be AFTER all taxes have been computed (you will not be paying taxes on the reimbursement).

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- Non-employee expense reimbursements –Non-employee expense reimbursements will be paid on the next Internal Activity Accounts payment cycle (Wednesday). Non-employees must have a W-9 certification on file with the Business Office <http://www.irs.gov/pub/irs-pdf/fw9.pdf> before any reimbursement will be issued.

**10) Individuals performing services**

Any individual who is paid to perform any service for the School District is an EMPLOYEE, regardless of the duration of the service to be performed, or whether the payment is made from the General Fund or an Internal Activity Account. Any worker over whom the District has behavioral control (the right to direct or control the way the work is done) and financial control (the worker is not otherwise in business for himself/herself) is an employee. VERY FEW exceptions apply. The District must withhold income tax and the employee's portion of Social Security and Medicare taxes and required contributions to the Michigan Public School Employees Retirement System (MPERS). Also, the District is responsible for paying Social Security and Medicare taxes and required contributions to MPERS. Anyone receiving a paycheck for services rendered in any given year, regardless of amount, will be issued a W-2 Wage and Tax Statement at the end of the calendar year.

If an individual has never previously been paid for services through Dexter Community Schools payroll, he/she must complete ALL New Hire Payroll forms available at <http://www.dexterschools.org/payroll.cfm>. An individual does this only once and then we have everything on file for future paychecks for services rendered.

All of the following forms must be completed and submitted to Payroll before a paycheck can be issued. A copy of your Social Security card and a valid driver's license or a valid passport must accompany this new hire packet. The packet may be faxed to Jody Malbon at (734) 424-4111 or emailed to [malbonj@dexterschools.org](mailto:malbonj@dexterschools.org):

1. [New Hire Payroll Information Sheet](#)
2. Federal Withholding Allowance Certificate-Form [W-4](#)
3. Michigan Withholding Exemption Certificate-[MI-W-4](#)
4. Michigan New Hire Reporting [MI-Form 3281](#)
5. Employment Eligibility Verification-[Form I-9](#)
6. [Direct Deposit Authorization Form](#)
7. [PA 189 Verification, List of Previous Employers](#)
8. [Criminal Release Check](#)

Fingerprinting and School Safety Guidelines require all prospective employees to submit fingerprints to the District before work is performed. Fingerprints done since 1/1/2006 on Live Scan can be shared or transferred between school districts. Students do not need fingerprints if they are not more than 19 years of age and they are enrolled as a general education student in any school district. Upon graduation, fingerprints are required, regardless of age.

**11) Internal Activity Accounts reimbursing payroll**

How does an Internal Student Activity Account reimburse payroll for the payment?

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All requests for payment of service rendered that will subsequently be reimbursed by an Internal Activity Account will be processed by payroll. The employee will be paid the payment less the taxes for his/her particular tax situation. The amount of the gross pay to the employee PLUS employer taxes (FICA (7.65%) and MPERS (20.66% for 10-11)) will be deducted from the Internal Activity Account. For example, if a person is paid \$100 for working, then \$100.00 pay + \$7.65 FICA + \$20.66 Retirement = \$128.31 is the total cost and will be deducted from the Internal Activity Account to reimburse payroll. If your activity budget can only afford \$100.00, then the payment amount to the employee can only be \$77.94 + \$5.96 FICA + \$16.10 Retirement = \$100.00 total cost to be deducted from the Internal Activity Account. Submit the request on an Internal Activity Account Check Request available at <http://web.dexter.k12.mi.us/internal.cfm>.

### **12) Businesses performing services**

A corporation, business, or other independent contractor where the District does not have behavioral control (the right to direct or control the way the work is done) nor financial control (the worker is otherwise in business for himself/herself) is a vendor. Vendors must have a W-9 certification on file with the Business Office. In addition, if an individual is to receive payment for services performed and is not otherwise incorporated (not just have a doing-business-as name), he/she must also complete an [Independent Contracted Service Agreement](#). Any vendor who might be considered an Independent Contractor must be pre-authorized by the Chief Financial Officer before being contracted for any assignment.

### **13) Fraud**

Fraud is the intentional, wrongful, false representation or concealment of a material fact intended to result in financial or personal gain. Fraud and fraudulent activity are strictly prohibited. Internal controls have been implemented and are monitored to address fraud risks and otherwise help to deter, prevent, and detect fraud.

Dexter Community Schools will not tolerate any fraudulent activity and will pursue corrective action up to and including termination and/or possible criminal action and will seek restitution, including any costs associated with obtaining restitution.

Each individual administrator, program director, employee, or Sponsor is responsible for and expected to report any observed or suspected fraud or fraudulent activity to the Chief Financial Officer, the Superintendent, or the Board of Education President. Please refer to Board policy 8900 - Anti-Fraud for more guidance.

### **14) Contact the Business Office**

Submissions or questions regarding Internal Student Activity Accounts should be directed to:

Sandra Darr, Fiscal Services Intern  
Dexter Community Schools, Business Office  
7714 Ann Arbor Street  
Dexter, Michigan 48130  
[darrs@dexterschools.org](mailto:darrs@dexterschools.org)  
(734) 424-4100 x1013