

ALVARADO ISD CAMPUS AND STUDENT ACTIVITY FUNDS MANUAL

Activity Funds:

Activity funds consist of monies received and held by the campus to be expended or invested for the benefit of students in accordance with District policy. Specifically, activity funds accumulate from the collection of student fees, and various school approved fund raising activities.

Responsibility:

The principal of a 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
- compliance with all related District policies and procedures.

1. TYPES OF ACTIVITY FUNDS

- **Campus activity funds – Fund 461**
 - 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 – Fund 865**
 - 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.

2. HANDLING CASH

- No petty cash funds are allowed.
- 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 deposit. **DEPOSIT DAILY**
- 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 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.
- The bank customer receipt returned TO AISD Finance Office for posting.
- Any discrepancies found at any step in the process should be reported to the principal for immediate investigation and resolution.
- Collection efforts, ie, calls, letters, etc., should be started immediately upon return of any check from the bank for any reason.
- In the event that it is determined that a check is uncollectible, documentation of collection efforts must be adequate and available prior to filing a check with the county office for collection.
- Being out of authorized receipt books, deposit tickets or deposit bags is not an acceptable reason for noncompliance with collection and deposit procedures. Call AISD Finance for books.

3. CASH DISBURSEMENTS

- All check requests or PO should have proper documentation attached prior to being brought to you for approval.
- A disbursement should never be made for an amount greater than the balance in an organization’s fund.
- Documentation of the balance in an organization’s fund should be required prior to approving a check request.
- Documentation of 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.

4. DO’S AND DON’TS

- Review RSCCC reports for regular deposits; reasonable balance; other credits/debits.
- Require appropriate staff to provide documentation with reasonable explanation of any deposit error/discrepancy that occurred on the school’s side.
- Ask appropriate staff for an explanation of anything that isn’t what you expected or as you remember it.
- Require documentation supporting the explanation; you can always use me as an excuse.
- Keep receipt books in your office and issue only one at a time to your office or to any organization.
- Keep a log of ongoing fundraisers and review transaction listings for collections that would be expected during that time.
- Review transaction listing for ending balance; deposits; disbursements; voided checks; transfers or adjustments.
- If you do not remember details of transfers, adjustments, unusual or infrequent transactions/postings, require an explanation and documentation.

- Review monthly Activity Fund reconciliations before signing, noting the checkpoints identified in Christie's reconciliation example.
- Ask questions and require answers and documentation within a reasonable time.
- Do not be put off by excuses:
 - not enough time – becomes top priority until resolved;
 - forgot – now reminded;
 - not completed - ask to see portion that is complete;
 - can't find at the moment – go help them look.
- Don't feel bad about requesting proof; this is your baby; apologize if you want, but still require the documentation you need to feel comfortable that the tasks are being performed adequately; timely and in compliance.
- The final and complete responsibility for activity fund management at a campus lies with the principal.
- Delegation and assignment of activity fund tasks in no way reduces the responsibility of the principal.
- Responsibility acknowledged by the staff for the activity fund task assigned in no way reduces the responsibility of the principal.
- PTA money is never to be handled by school personnel.
- **PTA, 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.**
- PTA, 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;
- Purchases made with activity funds are subject to the District's competitive bidding requirements and conflict of interest guidelines.
- Activity Fund records are to be retained at the school for a period of 5 years in accordance with the Local Government Records Act
- 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 another campus activity fund.
- 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.**

- PTAs 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 PTA raffle must either be in the possession of the PTA at the time of the raffle or adequate funds must be held in the PTA 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.

5. PURCHASES MADE

Any purchases made in the name of the **school** district or group of the school district are exempt from sales tax. Exempt organizations are entitled to an exemption only on items purchased and used directly and exclusively in pursuit of the exempt purpose. **For school districts, items purchased must relate to the educational process.**

Purchases made by **individual** members or teachers/coaches of classes or teams have no exemptions even though they are connected with a school or a school organization. Examples are: cheerleaders purchasing their own uniforms, band members purchasing their own instrument, or science students purchasing a science board.

Generally, the meal must be paid for with a school check and the eating establishment must be provided with an exemption certificate. Individual members of the groups may not claim exemption from sales tax on meals they purchase while on a school or school district authorized trip

6. SALE VS. NOT A SALE

Often times, there is confusion as to whether something is a sale or not. For all revenue received, we must decide if it is a sale, or if it is not a sale.

A sale is the 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. All sales (whether taxable or not) are to be reported on line 1 of the Texas Sales and Use Tax Return.

In some fund-raising activities, the school or school group is merely acting as a sales representative for a retailer, and tax must be collected. The tax would be remitted to the retailer, and the retailer would claim it as their sale and they would pay the 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. Only when the school or school group purchases the merchandise and then resells these items to their customers is the school the seller. The school should provide a resale certificate to the retailer.

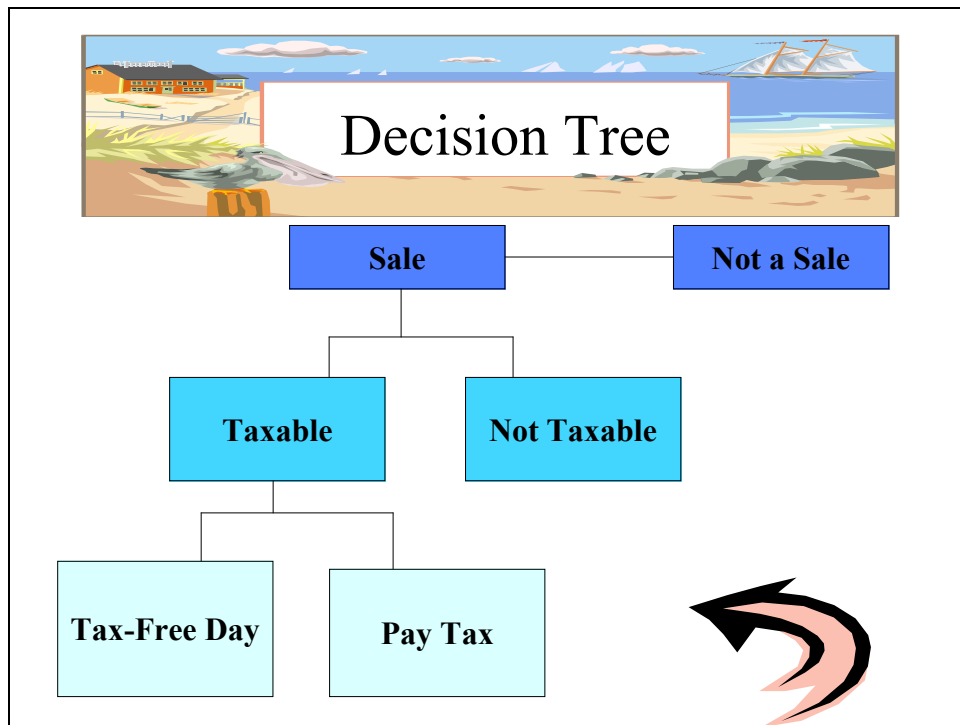
- Sale –
 - Admission – athletic, dances, dance performances, drama performances;
 - Admission – summer camps, clinics, workshops, project graduation;
 - Donated items that are not sold;

- 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.

7. TAXABLE SALES VS. NON-TAXABLE SALES

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 following lists have been identified as being taxable or non-taxable by the Comptrollers' Office when sold or sponsored by a school, by an organization within a school, PTAs, 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. The lists are not all-inclusive but may help you make determinations on other similar sales.



- **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 person 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.

8. 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. The exemption does not apply to items sold for more than \$5,000, unless the item is manufactured by the organization, or the item is donated to the organization and is not sold to the donor. There is no limit on the number of bona fide groups at a school or school district.

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.

For example:

- 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.

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 pre-ordered and pre-paid 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.

9. FOOD SALES

The sales tax statute exempts the sales of food, including meals, soft drinks, and candy, by a group associated with a public or private elementary or secondary school when the sales are part of a fund-raising drive sponsored by the organization, and all net proceeds from the sale go to the organization for its exclusive use. Student groups, PTAs and booster clubs are included in the provision. It does not matter if the sale is during the school day, the evening, or on a weekend; if it is a fund-raiser, it is not taxable.

However, tax-exempt sales of food by a **school district** (i.e., food service) are limited to the regular school day. Catered food sales by the district's food service are taxable unless sold to the school district. All athletic event concession sales are taxable unless the sales are part of a fund-raising event.

10. BOOSTER CLUBS, PTAs, AND OTHER ASSOCIATE GROUPS

Occasionally these groups have used the school district's tax exemption certificate or the employer identification number. By law, these groups must obtain their tax exemption status and employer identification number independent of the school district.

These groups associated with the school district may qualify to obtain a federal 501 (c) (3) exemption under the federal Internal Revenue Service (IRS) code. These organizations must also apply to the Texas Comptroller's office to be recognized as exempt entities. They should complete an IRS Form SS-4 to obtain their own employer identification number (EIN).

Organizations may choose to file IRS Form 1023 for 501 (c) (3) tax-exempt status; however, they may be able to be recognized as an exempt organization without filing the form. An organization that is organized as a 501 (c) (3) that is not a private foundation, or has gross receipts in each taxable year of normally not more than \$5,000 can automatically obtain the 501 (c) (3) status. However, the organization can only obtain a determination letter from the IRS if they do complete the Form 1023 along with the other required documentation.

Once the organization obtains the exemption, it is allowed to have two one-day tax-free sales each calendar year. These groups must file their own Sales and Use Tax Return. These groups may hold raffles, but school districts and school district groups may not.

11. THE FUNDS: PROPER USE

Allowable expenditures:

- Contracted Services, ie, story teller, reading consultant, engraving;
 - Supplies, ie, trophies, certificates, dance decorations, school store, food;
 - Student travel;
 - Sponsor/chaperone travel;
 - Beautification;
 - Camps.
 - Gifts
- 1) The State Ethics Commission established a workable limit of \$50 for meals and other gifts. In 1992, the Ethics Advisory Board held that benefits not allowed under state law included the following examples: a \$50 clock, a hotel

room, an airline ticket, a hunting trip, football tickets, a hunting rifle, and a \$60 or more restaurant meal.

- 2) The State Board of Educator Certification has defined “tokens of recognition” such as plaques, fruit, baked goods, coffee mugs and ornaments as acceptable gifts.
- Donations to charitable organizations;

Prohibited expenditures:

- Sales tax – original invoice or reimbursements;
- Gifts for faculty; - See the above section under gifts
- Attendance incentives;
- Payments for employee services;
- Purchase of items for individual use.

12. 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 or explanation noted.
- Frequent voided receipts.
- Receipt books are not being completed or are not being completed in sequence, either date or number.
- New receipt books are not being requested.
- Notice from bank of deposit error/discrepancy.
- Total collections for a specified span of receipts does not agree with the total deposits for the span of receipts shown on the deposit ticket.
- No collections from organizations with ongoing fundraisers.
- 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.
- Monthly reconciliations not being completed on time.
- 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.
- Voided checks shown as deposit in transit for more than one month under outstanding items on monthly Activity Fund reconciliation.
- 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.

13. 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 Campus 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.
- 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.
- A copy of the Fund Raising Application must be sent to Finance.
- Recap each Fund Raising activity.
- If the vendor's payment is over \$10,000.00 – Must be Board approved.