

Handbook For Parent Organizations



**Los Lunas Schools
Business Office
P.O. Drawer 1300
Los Lunas, New Mexico 87031
505-865-9636**

Approved by Los Lunas Board of Education on February 13, 2001
Revised by Los Lunas Board of Education on August 27, 2002

**LOS LUNAS SCHOOLS
P.O. BOX 1300
LOSLUNAS, NM 87031**

BOARD OF EDUCATION

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HANDBOOK FOR PARENT ORGANIZATIONS

I. INTRODUCTION

The Los Lunas Schools encourages and appreciates the work done by parent-run organizations. Through cooperation and collaborative efforts between the District and these organizations, students are able to increase their opportunity to enrich their school experiences and learning.

These support groups assume a positive and important role and contribute time and financial support for which the District and the community are grateful.

The raising and expending of money should have the objective to promote the general welfare, education, and morale of all students and to finance the normal legitimate activities of the club or organization. The successful operation of any program is dependent upon the formulation of sound policy and effective guidelines for its creation, operation, and demise. In view of the large amount of monies received from and expended for students through parent organizations, there is a need for efficient, thorough, and safe management of funds. Every club or organization should have adequate rules and procedures in effect for the accounting and safeguarding of funds.

All clubs or organizations are encouraged to work cooperatively with the building principal or other administrator with fiduciary responsibility for fund-raising and purchasing.

II. DEFINITIONS

PUBLIC FUNDS: Funds collected through District sponsored and sanctioned activities and/or handled, supervised, or in the custody of a school employee or official.

NON-PUBLIC FUNDS: Funds collected by an Outside Organization. Employees within the scope of their employment may not be directly involved in the handing of these funds.

OUTSIDE ORGANIZATION: An organization of individuals not employed by, nor under direct control of the school district. This includes booster clubs and PTC's.

CONCESSION STAND: A school owned facility to be used for fund raising activities for extra-curricular activities. It may be operated by any school district approved organization, including approved Outside Organizations.

ACTIVITY FUNDS: Generally, represents Public Funds raised to finance activities within the individual school. Examples include revenue raised by student clubs, activity fees, and commissions or profit from sales involving a product or service. These funds are held by the District in a trustee capacity for student and teacher groups at individual schools.

BOOSTER CLUBS: Group of parents and other individuals formed to support a specific extra-curricular activity (ies).

PTC: Parent Teacher Committee is a school-based organization of parents, teachers, administrators and other district staff formed to support the education and activities of students of a specific school.

FISCAL YEAR: The fiscal year for Outside Organizations will be July 1 through June 30.

VOLUNTEER: One who enters into or offers himself/herself for any services of his/her own free will without compensation.

SCOPE OF EMPLOYMENT: The range of duties in which an employee of the district functions to include the supervision of children.

III. OPERATING GUIDELINES

The primary purpose of Outside Organizations is to promote the general welfare, education and morale of all students and to finance the normal, legitimate activities of the club or organization. All clubs or organizations shall have a set of by-laws, a copy of which will be on file with the Finance Office. The District will approve the formation and operation of all Outside Organizations and reserve the right to disband an Outside Organization if it is not operating in the best interest of students and the District's instructional and extracurricular programs. In addition, each Outside Organization will comply with the following:

- A. All Outside Organizations should be aware of Board Policy 8.1. (See Exhibit D)
- B. Each Outside Organization shall complete a Parent Organization Registration Form. This registration will be reviewed and approved by the Site Supervisor and by the District. (See exhibit A)
- C. The board of directors and/or officers are responsible to recommend activity programs to the membership. These activities shall, in general, contribute to the educational/extracurricular experience of students and shall add to, not conflict or interfere with the District's instructional program or extracurricular philosophies. Fundraising activities will be tasteful and appropriate for the age of students being supported by the Outside Organization. Results of fund-raising shall be reported to the total membership. Outside Organizations should not commit the school community to activities that impinge on instructional time or require an inordinate amount of time, effort or money. Further, money making activities by Outside Organizations should never become the responsibility of District staff or students.
- D. A minimum of six general meetings will be held each year and minutes of these meetings will be prepared and approved by the membership.
- E. A monthly bank account reconciliation will be completed and kept on file for a minimum of 3 years. (See exhibit B)
- F. Monthly financial reports shall be prepared by the treasurer and submitted to the officers. These reports will be submitted to the membership during meetings and included in the minutes.
- G. A system of internal controls shall be implemented in order to safeguard the assets of the organization.
- H. Fiscal year-end financial statements, ending June 30th, shall be filed with the District's Business office. The deadline for filing shall be July 31st. (See exhibit C)

- I. If revenues generated during the fiscal year exceed \$5000, the filing must also include a copy of an annual audit statement by an independent party.
- J. At its discretion, an annual audit may be requested by the District from organizations with revenues below \$5000.
- K. There shall not be an excess of expenditures over cash balances carried forward from the previous year plus revenues raised during the current fiscal year.
- L. The business of the Outside Organization shall be conducted in an open meeting, with adequate notification of all meetings to the membership.
- M. Outside Organizations are separate entities that support instructional and extracurricular programs in a variety of ways, one of which is financial assistance. However, if a District employee is the primary agent in a fund raising project for their Outside Organization, the organization will be required to deposit the profits into the District's Activity Fund account. The head coach/sponsor is quite often directly supervising these projects and is receiving payment for camps, tournament, etc. The local principal should have a copy of the financial report for these projects on file in the school office.
- N. Any Parent Organization project that involves changes of any kind to the interior or exterior of buildings, structural or site improvements, including grounds, must be approved by the District Office and District Service Center. Application for approval of a project can be made by submitting a memo to include a detailed description, with drawings if applicable, to the District Office, with a copy to the District Service Center.
- O. Liability Insurance coverage is provided for those organizations that are operating under the jurisdiction and supervision of the Los Lunas Schools. (See Exhibit G) The registration form shown in Exhibit A will provide the necessary recognition.
- P. Any advertisement of the Outside Organization should clearly identify the sponsoring organization. For example: "Tome Elementary PTC Dad's Pancake Breakfast."
- Q. Outside Organizations are responsible for obtaining their own tax identification numbers and must comply with all state and federal regulations concerning non-profit groups. (See Exhibit E)
- R. Outside Organizations can contribute to but do not make decisions for the school group or its sponsor on expenditures of public funds.
- S. All non-public funds raised should be deposited in a general operating fund bank account and spent according to an approved budget of the Outside Organization.

IV. PUBLIC-vs.-NON-PUBLIC FUNDS

All funds in the possession of or handled by public school officials are considered public funds and must be accounted for by the school district. This also includes any funds collected during the regular school day on school property. (SDE Regulation, IX-A. P.IX-1) (See Exhibit F)

District sanctioned admissions charged for entry to any school sponsored event on District property at any time are always considered Public Funds and must be deposited into the District's account within 24 hours. This includes, but is not limited to, games, plays, and concerts.

Voluntary donations collected by Outside Organizations in conjunction with entry to, or the operation of, a district sponsored event outside the regular school day are considered non-public funds.

School employees who are not supervising students and are not required by their supervisor to help in a fund raising activity may volunteer for work after school hours. Under this criteria, the employee is a volunteer and outside the scope of employment. The key words regarding an employee's status in participating in Outside Organization projects are "scope of employment", "regular school day" and "volunteer".

The following examples are given to help clarify public vs. non-public funds.

1. The Los Lunas High School Wrestling Booster Club is having a fish sale on Saturday from 9-11. They have advertised as: "Los Lunas High School Booster Club Fish Sale." Anyone desiring to purchase fish may come by and make their selection and pay the parent acting as a cashier. The revenue raised is non-public funds generated by an Outside Organization because it was not held during the school day, and school staff did not handle the money nor supervise students in the scope of his/her employment.
2. The same booster club sponsored a fish sale but requested the wrestling team to pre-sell the items during the school day, and the fish could be picked up on a Saturday. In this procedure they asked the team to turn in the pre-sale dollars to their coach. These are public funds because students were selling during the regular school day, and school staff was handling the money during the regular school day while supervising students and in the scope of employment.

The difference between public and non-public funds is the handling of the monies and is illustrated by the following:

	<u>PUBLIC</u>	<u>NON-PUBLIC</u>
Accounting	School District	Officers of Organization
Procurement	By State Statues	Officer's discretion
Items to Purchase	Must benefit student Population involved In raising funds.	Officer's discretion
Oversight	Coach/Sponsor	Parents
Timing	During the regular School day.	Outside the regular School day.

V. FISCAL RESPONSIBILITY

1. GENERAL

Due to the large amount of monies received from and expended for extra-curricular activities by Outside Organizations, it is imperative to set up efficient, thorough and safe management procedures for these funds. If desired, the school district will assist the Outside Organization in setting up good accounting procedures.

The treasurer should be responsible to the officers and the membership of the organization as outlined in the by-laws. It is also necessary that the treasurer's report appear in the official minutes of the organization at each meeting. Furthermore, an annual financial statement must be submitted to the membership and Finance Office by July 31st of each year.

If school employees handle money, or the monies are collected during the regular school day, the monies must be accounted for by the school district. Fund raising activities of Outside Organizations cannot be collected during the regular school day unless they are considered public funds, accounted for by the school, and deposited into the school's account.

Below is a list of good business practices for handling and receipting the cash:

- a. All money collected from any source should be documented by receipts, pre-numbered tickets or other auditable records. In all cases where tickets are used, there should be an accounting of sold and unsold tickets. The audit trail is most important.
- b. Bank deposits of non-public funds should be made within three business days.
- c. All disbursements should be documented by checks and backup invoices or cash receipts. Cash disbursements should be used only where a written check is difficult or inappropriate.
- d. It is recommended that the treasurer and other officers who handle money be bonded.

2. FUND-RAISING

- a. Any fund raising must have, as primary consideration, the welfare and benefit of the students and the District's instructional and extracurricular programs.
- b. Funds may be generated from any legal source or legal means approved and recorded in the minutes of the organization.
- c. Students may not be used during the regular school day for raising non-public funds.
- d. School employees, students, and Outside Organizations should not solicit at places of business where there is a "Partners In Education" sign displayed. Grant application can be made by School Sponsor with the "Partners In Education" organization. Athletic groups are exempt from this limitation, as they are not eligible to receive funds through Partners in Education.

3. DISBURSEMENT OF FUNDS THROUGH CHECKS

- a. All checks should be pre-numbered and show the account number. Dual signature checks are required.
- b. Normally, checks should be made payable to a company.
- c. Checks to individuals should be limited to emergency situations.
- d. Checks should never be payable to "cash".
- e. Checks should be signed only after they are completely prepared.
- f. Voided checks should be mutilated (not destroyed) to avoid re-use.
- g. All checks are to be accounted for, including voided checks.
- h. Unused checks should be properly controlled and safeguarded.

4. CHECK SUPPORTING DOCUMENTS

- a. Expenditures should always be supported by properly approved vendor invoices or other documented receipts clearly identifying what was purchased. Avoid terms like miscellaneous, sundry, other, etc.
- b. Expenditures are not to be made on the basis of vendor statements.
- c. Vendor invoices should be checked for mathematical accuracy and proper pricing.
- d. Invoices should be paid on a timely basis.
- e. Check-supporting documents should be marked paid to avoid duplicate payments.

5. TRANSFER OF FISCAL RESPONSIBILITY

Each year when new officers are elected, financial files should be transferred to the new treasurer. These files should include:

- 1) Unused check stock
- 2) Receipt/revenue records
- 3) Expenditure records
- 4) Bank statements and reconciliations for the past three years
- 5) Financial statements for the past three years
- 6) IRS documents showing the organizations tax ID number
- 7) NM Taxation and revenue documents (if any)
- 8) Any other documentation relating to the ongoing concern of the organization.

VI. QUESTIONS AND ANSWERS

- Q. Is it required to add Outside Organization purchased equipment to the school district's inventory? How can it be done?
- A. If the equipment has a value in excess of \$1000 and is located on school property, it is required to be on the school's inventory. When placed on inventory, the equipment will be maintained and insured by the school district. The principal has LLS PROPERTY/EQUIPMENT FORMS that will place the equipment on the inventory.
- Q. Who is responsible if students or parents lose money raised?
- A. It is the student's or parent's responsibility to protect the funds and submit it to the organization.
- Q. Must Outside Organization funds be used to benefit or work for the schools?
- A. The purpose of Outside Organizations should be to promote the general welfare, education and morale of students.
- Q. Can the Outside Organization fund a dinner for a specified group of student, parents and/or teachers?
- A. Yes, if it is the desire of a majority of the membership.
- Q. May students be used to help the Outside Organization raise money, and when?
- A. Yes, however, such activity cannot be done during the regular school day.
- Q. Can an Outside Organization debt be assumed by a school club or group?
- A. No. As an Outside Organization, it is a separate entity and responsible for its own obligations.

- Q. Can a sponsor and/or coach co-sign a promissory note on behalf of the School District for the Outside Organization?
- A. No. The School District and employees on behalf of the School District cannot borrow money. Therefore, as a sponsor or coach, it cannot be considered in the scope of employment. As an individual they may, but in no way should it be associated with their position or the District.
- Q. Can an Outside Organization expect the school group to donate time to help raise money?
- A. No. It cannot be expected, but it is hoped that groups will work together as long as the purpose is to benefit students.
- Q. Can the Outside Organization voice their opinion regarding the teacher who assumes the leadership of the group or activity?
- A. Yes. The final decision is, by law, with the School Board. Input from parents is always appreciated.
- Q. Can the Outside Organization buy books, uniforms, basic supplies and pay for field trips? Who determines which students or classes receive the benefits?
- A. Yes. The Outside Organization can purchase any item the group desires as long as it doesn't distract from the general welfare, education and morale of all students. The membership shall determine the benefactors in consultation with the principal, coach, or sponsor.
- Q. Who handles the money for Outside Organization fund raisers?
- A. The membership should delegate money handlers. To keep the funds non-public, District employees should not handle the money except as a parent volunteer after school and not in the scope of employment.
- Q. Do Outside Organization officers need to be bonded?
- A. It is strongly recommended that at least the president and treasurer be bonded. This will help protect the funds and membership.

- Q. Are audits required on Outside Organization accounts?
- A. Yes. Refer to Section III of this manual, Operating Guidelines, page 5, items I. and J.
- Q. Does the auditor have to be a CPA?
- A. No, but it is preferred. The audit can be informal and hopefully the service will be donated. The only requirement is that the audit must be performed by an independent party.
- Q. Can the Outside Organization determine which new books are bought for libraries and classrooms from school district funds?
- A. No. A definite procedure is outlined by State Statute for textbook adoption. The procedure requires input from parents and will be followed by the school district. Organizations are encouraged to provide input to the principal on books in the library and classroom. However, the determination is made with input from many groups and influences.
- Q. Can booster clubs provide funds for transportation to summer camps/clinics?
- A. The New Mexico Activities Association's Executive Board ruled in 1991 to allow school district transportation to be utilized to transport student-athletes to summer camps/clinics. Funding for these excursions is the exclusive responsibility of the parents and/or booster clubs. To facilitate the payment for such services, booster clubs will be required to deposit the exact amount in the school district's activity account.

All funds should be raised prior to the planning of any trip. Money should be deposited before the trip is scheduled to leave. At least three- (3) weeks prior notice is needed to secure a bus-driver and vehicle. We believe this policy will provide added safety and a more economical means of travel.

Q. What is included in the by-laws?

A.

1. Name of the Organization
2. Objective of the organization
3. Membership eligibility and enrollment procedures
4. Officer selection, election procedures, and duties
5. Principal or designee is to be an ex-officio officer of the organization
6. Fiscal auditing and accounting procedures to be established and followed.
7. The statement, "This organization will abide by all School Board and administrative policies and procedures."

PARENT ORGANIZATION REGISTRATION FORM

20__-20__ School Year

The Los Lunas Schools would like to know about the organizations that are supporting our students. This form will be kept on file at the school site, and may be referred to when considering fund-raisers and other activities.

Official Name of Organization _____ Mailing Address _____ _____ Name of Sport or Activity Represented _____

Officers:	Name	Mailing Address	Phone
President	_____	_____	_____
Vice President	_____	_____	_____
Secretary	_____	_____	_____
Treasurer	_____	_____	_____

***The officers listed above are responsible for all reporting requirements for the current year, therefore, if any of the above information changes, please submit a new Registration Form. ***

Federal Tax Identification Number _____
 (*Please attach copy of IRS Notification, or if unavailable, attach copy of current bank statement showing tax identification number.)

New Mexico CRS Identification Number _____
 (*Please attach copy of Taxation and Revenue Notification or other documentation showing this number.)

Please give a brief statement describing the intentions and major goals for the current school year: _____ _____ _____ _____

Date that your by-laws were recognized and accepted in a public meeting:
 _____ (Please attach a copy of the by-laws of your organization)

NOTE: This form, along with attachments required, must be on file with the designated school administrator before any fund-raisers take place.

- Attachments required with this registration form:
- ___ 1. Federal Tax ID Notification
 - ___ 2. State Tax ID Notification
 - ___ 3. By-Laws

I certify that all information is correct to the best of my knowledge, and that all requirements have been met.
 Officer's Signature _____ Date _____

I certify that all required information has been received.
 School Official's Signature _____ Date _____

BANK ACCOUNT RECONCILIATION EXAMPLE

Depository accounts should be reconciled with book balances monthly.

EXAMPLE OF RECONCILIATION:

1. Use the following worksheet to calculate your overall account balance.
2. Go through your register and mark each check, withdrawal, ATM transaction, payment, deposit or other credit listed on your statement. Be sure that your register shows any interest paid into your account and any service charges, automatic payments or ATM transactions withdrawn from your account during this statement period.
3. Use the chart below, list any deposits, transfers to your account, outstanding checks, ATM withdrawals, ATM payments or any other withdrawals (including any from previous months) which are listed in your register but not shown on your statement.

- **ENTER**

A. The NEW Balance shown on your statement.....\$ _____

- **ADD**

B. Any Deposits listed in your register which are not shown on your statement.

\$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____

B.Total.....\$ _____

- **SUBTRACT**

C. The total outstanding checks and withdrawals from the chart below.....- \$ _____

- **CALCULATE THE ENDING BALANCE (A+ B – C)**

This amount should be the same as the current balance shown in your check register.....\$ _____

<i>ITEMS OUTSTANDING</i>		<i>ITEMS OUTSTANDING</i>	
<i>NUMBER</i>	<i>AMOUNT</i>	<i>NUMBER</i>	<i>AMOUNT</i>
		<i>TOTAL</i>	\$

(ENTER TOTAL IN C.) **EXHIBIT B**

FINANCIAL STATEMENT EXAMPLE

NAME OF ORGANIZATION

July 1, 2000 – June 30, 2001

ASSETS

Cash On Hand July 1st \$ _____
TOTAL ASSETS \$ _____

REVENUE

Fundraisers (please identify)
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

Other Revenue (please identify)
_____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____

TOTAL REVENUE \$ _____

EXPENDITURES

Travel \$ _____
Food \$ _____
Supplies \$ _____
Equipment \$ _____
Services \$ _____
Donations \$ _____

(to whom _____)

TOTAL EXPENDITURES \$ _____

TOTAL ASSETS +

TOTAL REVENUE – TOTAL EXPENDITURES = \$ _____

(This amount should equal your ending register balance on June 30th)

- Attachments required:
1. Copy of Bank Statement for period ending June 30.
 2. Copy of Bank Reconciliation for period ending June 30.

President's Signature _____ **Date** _____

Treasurer's Signature _____ **Date** _____

EXHIBIT C

PARENT ORGANIZATIONS

- A. **INTRODUCTION:** It is the intent of the Los Lunas Board of Education to encourage and promote active parent involvement in all aspects of the educational process in the Los Lunas Schools. It is also the responsibility of the Board to assure that parent organization's purposes and operations do not conflict with the Board's mission, sound financial practices or state mandates. To be officially sanctioned as a parent organization in the Los Lunas Schools the organization shall be required to adhere to the following minimums:
1. A constitution and by laws shall be adopted by the group. It shall identify the purpose of the organization, the officers and their role, procedures for notifying membership of meetings, the schedule of meetings, and the methods of maintaining the records of the organization.
 2. All guidelines are complied with as outlined in the "Handbook for Parent Organizations".
- B. **AUTHORITY:** Authority for official approval of the parent organization rests with the District Finance Office. Such approval is contingent upon receipt and review of an initial application containing the constitution and by laws. Approval of the application shall remain in effect until such time as the organization dissolves or disbands, provided that all above requirements are met.

ADOPTED: 2/16/89

REVISED: 1/14/97

LEGAL REFERENCES:

CROSS-REFERENCES:

LOS LUNAS BOARD OF EDUCATION

EXHIBIT D



STATE OF NEW MEXICO
Taxation and Revenue Department

An Equal Opportunity Employer

Gary E. Johnson
Governor

John J. Chavez
Secretary

Office of the Secretary
1100 S. St. Francis - P.O. Box 630
Santa Fe, New Mexico 87504
(505) 827-0341

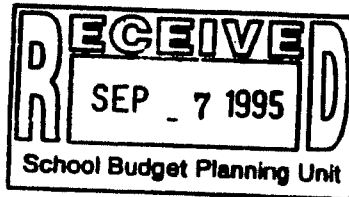
Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Transportation
(505) 827-0320
Motor Vehicle
(505) 827-2294
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800

SEP 4

August 31, 1995

STATE SUPERINTENDENT
OF PUBLIC INSTRUCTION
RECEIVED

Mr. Alan Morgan, Superintendent
Education Department
300 Don Gaspar
Santa Fe, NM 87501



SEP 05 1995

REFER TO: *Alan M. D.*
John D., Alfred H.

Dear Mr. Morgan:

Because I have been unable to reach you by phone, I would like to outline a situation and seek your input.

Most, if not all, schools in New Mexico seem to have a variety of parent-teacher associations, band and athletic booster groups and similar organizations, all intent on raising funds for their various worthy projects. Some of these organizations seem to be well structured and affiliated with some state or national group. The large majority, however, seem to have no formal structure and no awareness of or interest in the technical "niceties" of business and tax law. As volunteer organizations, they see themselves as "non-profits", which they equate with "tax exempt".

Unfortunately, nothing could be further from the truth. Equally unfortunately, neither the Internal Revenue Service, the Corporation Commission or this Department has had the resources to devote to educating this group about their responsibilities, which, over the years, has resulted in them assuming that they do not have any. I do not mean to imply that these groups actually owe taxes (there are a variety of exemptions and deductions that would be available), but they do have various reporting obligations with which they do not comply.

I suspect each group could qualify as some type of non-profit under Sec. 501(c) of the Internal Revenue Code. That designation, of course, provides tax exemption only from federal income tax on revenues related to their tax exempt function. To be granted non-profit status by the IRS requires the filing of an application and the payment of a fee. Many groups can not afford to pay the fee, much less pay to have the complex application prepared. Only those organizations defined in Sec. 501(c)(3) (generally, educational, religious and charitable) whose annual receipts are less than \$5,000 are exempt from the application process and even they must have incorporation documents.

Assuming an organization was granted Sec. 501(c)(3) status by the IRS, there are still state tax

Exhibit F

issues. If they had no unrelated business income for federal purposes, they would have no New Mexico income tax liability. Under the Gross Receipts and Compensating Tax Act, the receipts of a Sec. 501(c)(3) organization are not taxable. Therefore, fund raising activities would not give rise to a gross receipts tax liability. However, the receipts of the vendors they deal with are taxable unless the organization gives the vendor a Type 9 Non-Taxable Transaction Certificate (NTTC). If they have not registered with the Department, they can not get Type 9 NTTCs and the vendor will most likely pass on to them his gross receipts tax liability on his sales to them.

Different deductions are available to non-profit organizations other than 501(c)(3)s. Organizations granted tax exempt status by the IRS under Sec. 501(c), except for 501(c)(3), are allowed to deduct their receipts from two fund raising events annually. They must report their receipts twice a year and claim the deduction, resulting in no gross receipts tax due. As registered taxpayers they can obtain Type 2 NTTCs allowing them to buy tangible personal property for resale free of any passed on gross receipts tax from their vendors. While they get to the same place as 501(c)(3)s and pay no gross receipts tax, their route is a little different.

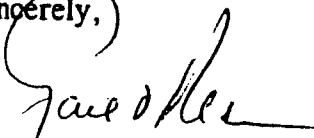
All of this is dependent on their obtaining some sort of tax-exempt status from the IRS, either as an individual organization or coming under the umbrella of another organization. I understand that for many years most of these groups were allowed to handle their financial affairs through the local school district's activities account. Either explicitly or through default, they used the school district's tax exempt status and everyone was happy. Now, apparently, for liability and audit reasons, that avenue is no longer available to most of them.

The net result is that, particularly with respect to fund raising activities, these organizations are dealing with out-of-state vendors who should be registered to pay New Mexico taxes, but are not in most cases. Because the vendors are not collecting and paying the gross receipts tax, the organizations see this as a price break for them, not understanding that they are subjecting their organization to a compensating tax liability.

Both this Department and the IRS have access to more sophisticated tools to enhance compliance with the tax laws. It is only a matter of time until some of these organizations come to our attention. I see this as an educational problem. It would be my preference to work with you and the IRS to provide these organizations with the information that they need to conduct their business that avoids unpleasant tax surprises in the future.

Could we schedule a meeting to discuss this situation?

Sincerely,



Gail D. Reese
Deputy Secretary

cc: **Representative Ted Hobbs**
1415 Catron SE
Albuquerque, NM 87123

David Powell
P.O. Box 13329
Albuquerque, NM 87129-3329

Rick Cassell
Internal Revenue Service
5338 Montgomery Blvd. NE
Albuquerque, NM 87109-1311

CHAPTER IX
FINANCIAL ACCOUNTING
OF
TRUST AND AGENCY FUNDS
(Non-Budgeted Student Activity)

A. FUND DESCRIPTION

These funds are established to account for such funds as non-budgeted student clubs, scholarship donations, or any other internal fund or account that receives and disburses money under the supervision of a school official. This chapter is not applicable to athletic and cafeteria funds, which are required to be budgeted in accordance with Chapter V, or to school booster clubs, PTA, or any other outside organization whose funds are not handled in any manner by school district employees. If school employees are involved in the accounting (receipting/check writing, sponsoring), then the funds must be accounted for by the school district. The school board may, as an accommodation, account for these funds (even if funds are not handled by employees) as local school board policy.

Sponsors for the following accounts should be encouraged, through the use of Revenue and Expenditure Budgets, to plan self-supporting activities.

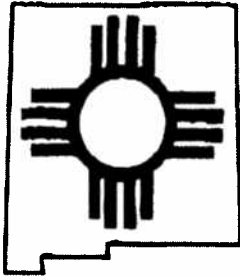
Agency Funds

"These funds are used to account for those resources owned, operated and managed by the student body, under the guidance of a staff member or another adult, for educational, recreational or cultural purposes. If resources accounted for in student activity funds are legally owned by students or student groups, these funds should be classified as agency funds. However, if the school district legally owns the resources accounted for in student activity funds, they should be accounted for in the general or special revenue fund type." GAAFR 1988 Page 92

"Agency Funds generally serve as clearing accounts."
GAAFR 1988 Page 79

Some examples are:

- 1) Money collected for student fund-raising activities whose expenditures are determined by students/class sponsors.



NEW MEXICO
PUBLIC SCHOOLS INSURANCE AUTHORITY

CARL WARREN & COMPANY

Claims Administrator

9016-A Washington Street N.E.

Albuquerque, New Mexico 87113

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November 16, 2000

Ms. Rena Hampton
Los Lunas Public Schools
P.O. Drawer 1300
Los Lunas, NM 87031

Re: NMPSIA Coverage

Dear Rena:

Please accept this letter as my explanation of the coverage provided to the Los Lunas Public Schools through the New Mexico Public Schools Insurance Authority (NMPSIA).

NMPSIA provides general liability coverage for its member districts, their boards and employees while acting within the course and scope of their employment. Coverage is also provided to volunteers, auxiliary organizations and student body organizations provided that those organizations are operated "under the jurisdiction and supervision" of a member school district.

The phrase "under the jurisdiction and supervision" of a member school district has been interpreted to mean that for coverage through NMPSIA to apply, any volunteers, auxiliary organizations or student body organizations must be recognized by the member school district. The preferred method for accomplishing that recognition is through Board approval followed by registration with the district. Some districts simply register these volunteers or groups with a single point of contact at the district office level.

Please feel free to contact me should you need additional information or clarification.

Very Truly Yours,

CARL WARREN & CO.

A handwritten signature in cursive script, appearing to read 'Kevin D. Sovereign'.

Kevin D. Sovereign

Memorandum

To: Principals, Athletic Director

CC: Cabinet, Danny Burnett

From: Bill Moffatt *Bill*

Date: September 4, 2002

Re: PTC and Booster Clubs

Please be advised that parent organizations and booster clubs are now required to have their officers, who are the signers on their accounts, to be bonded. This requirement is now included in the Parent Organization Handbook and the action was approved by the Los Lunas Board of Education on August 27, 2002. A copy of this change is attached. Please see that this information is provided to parent organizations within your oversight responsibilities.

These bonds are inexpensive and easy to acquire. Most local insurance agencies provide this service. Should there be a questions, the president or treasurer of the organization is welcome to call Tami Coleman at 866-8244.

Prior to this update, the Parent Organization Handbook only recommended that the organizations account signers be bonded. Because of the school district's recent involvement with some parent organizations, it has become clear that bonding of officers handling funds is necessary. This action will provide members of the organizations, the school district and the donating public that funds handled by the organizations are adequately protected from fraud, waste, abuse and inept handling.

We trust that all of those organizations, which give welcomed support to our students and staff, will understand the positive spirit in which this requirement has been made. We look forward to your support in implementing this requirement.