

Student Activity Fund Accounting

Procedures Manual



Robstown ISD

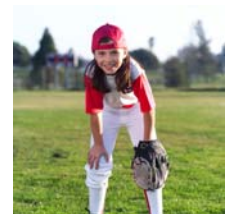
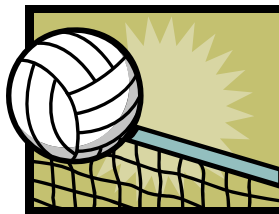


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Activity guidelines are established in order to:

- 1) Comply with the Internal Revenue Service business expense regulations
- 2) Comply with the state law
- 3) Establish a standard set of guidelines for all individuals dealing with Activity funds on behalf of the District

4) SECTION 1: GENERAL INFORMATION

A. PURPOSE

The Activity Fund is designed to account for funds held by a school in a trustee capacity or as an agent for students, club organizations of the campus, teachers and the general administration of the school. These funds are used to promote the general welfare of each school and the educational development and morale of all students. All funds collected from the students by school district personnel are defined as “activity funds” and must be handled through the activity funds accounts.

B. DEFINITION

There are two kinds of activity funds: *Student Activity Funds* are related to a specific club or class, and all decision-making for these funds rest with the student group. *Campus Activity Funds* are generated by the campus as a whole, and must be spent in such a manner to benefit the campus. Like that of district general funds, campus activity funds must adhere to State and Board Policy and district regulations.

Assets of outside groups, such as the Parent Involvement or booster clubs, are not Activity Funds and cannot by law be the accounting responsibility of the District.

C. ACTIVITY FUND ACCOUNTING

Robstown ISD uses a *centralized accounting* and *bank reconciliation system*. This provides better internal controls, as all receipts and disbursements flow through one central accounting system. The campus secretary/bookkeeper enters the activity, but the transaction is reviewed and processed by the RISD Business Office centralizing control and oversight of the activity.

D. RESPONSIBILITY FOR ACTIVITY FUNDS

The responsibility for activity funds involves principals, support staff such as school Secretaries and clerks, student group sponsors, central office administrators and external auditors.

The *school principal or designee* is responsible for the proper collection, disbursement and control of all activity fund monies. This responsibility includes:

- i. Providing for the safekeeping of monies.
- ii. Proper accounting and administration of fund transactions.
- iii. Expenditure of funds in compliance with applicable federal and state laws, and local board policy administrative guidelines.
- iv. Adequate training and supervision of all personnel designated by the principal to administer activity funds.

The *support staff: secretaries and bookkeepers* are responsible for issuing receipts as needed by teachers/sponsors authorized by the school principal. A distribution record of all receipt books issued must be kept. The depositing of activity funds into the bank, accounting, and reporting for activity fund activities are additional responsibilities of the school secretary/bookkeeper.

The individual activity fund *sponsors* are responsible for managing their respective activity fund accounts. This responsibility includes:

- i. developing fund-raising plans
- ii. monitoring the financial position of their account
- iii. reviewing the activity fund financial statements
- iv. safekeeping activity fund monies until they are deposited by the District not to exceed \$50,
- v. involving students in the operation of the activity they sponsor
- vi. complying with District purchasing guidelines, and other fiduciary responsibilities.

The *Business Office* is responsible for maintaining and updating the procedures and guidelines set forth for activity funds, providing training for principals, secretaries/bookkeepers, and sponsors, and reviewing the activity of the funds to ensure adherence to the procedures and guidelines.

1.4 AUDIT OF ACTIVITY FUNDS

Activity Funds may be audited periodically by the District's Business Manager. The purpose of these audits is to determine if the policies and procedures established for activity funds are followed correctly and in a businesslike manner, and also to determine that the transactions and balances as reported on the annual reports are an accurate summary of activity fund receipts and disbursements. The Business Manager may discuss the results with the campus principal and Superintendent.

In addition, an audit is to be performed whenever there is a change in principal or his designee. The principal may request in writing a special audit if a situation or event warrants it.

In conjunction with the District's annual audit, the external auditors will randomly select activity funds for review.

SECTION 2: BASIC RECORDS

2.1 RETENTION OF RECORDS

All records should be kept current and in good order for a period of five years.

2.2 CASH RECEIPTS

Activity Fund Cash Receipts are the means of accurately recording cash received and provide support for each bank deposit. Only pre-numbered cash receipt books provided by the campus are to be used. In order to maintain effective cash control, two individuals must be involved in collecting cash and receipting cash.

2.3 PURCHASE ORDERS

The approved purchase order form is the authority for the issuance of an Activity Fund check, which will be disbursed through the Business Office.

2.4 BANK DEPOSIT SLIPS

Deposit slips, once validated by the bank, serve as a record for the specific date that receipts were credited to the bank account (See form A).

2.5 MONTHLY BANK STATEMENTS

The bank statement is the official bank record reflecting all transactions affecting the cash balance on deposit during the preceding month. When properly reconciled, the statement serves as official support for the cash balance indicated in the Activity Fund records. A bank statement will be received and reconciled for all accounts by the Business Office.

2.6 GENERAL LEDGER – COMPUTER PRINTOUTS

The general ledger for Activity Funds is maintained on the District's central computer system. The general ledger summarizes all transactions of the Activity Fund during the month. These reports are available to the campus through the District's computer system (See form B).

SECTION 3: ISSUING RECIEPTS

3.1 GENERAL RECEIPTING PROCEDURES

- i. All cash and check collections must be recorded (triplicate) by the person receiving the money: **White copy** – sponsor submitting the money, **Yellow copy** – attach to deposit slip, and **Pink copy** – retain in receipt book
- ii. The receipt must be completed in its entirety, including: **Date, activity fund and amount**; the **individual or firm** submitting the money (a receipt may not be issued to more than one person); an **explanation of the purpose** for which the money was received; and the **signature** of the person receiving the money (signature must be manual)
- iii. The person signing the receipt in the presence of the person turning in the money should make actual cash count.
- iv. Post-dated checks cannot be accepted from any source.
- v. Under no circumstances shall a cash receipt be altered. If an error occurs, VOID the original receipt and all duplicates and issue a new receipt. **Voided receipts must be kept intact in numerical sequence in the receipt book for audit purposes.**
- vi. Do not substitute personal checks for cash collections. Submit all money to the secretary in the same form as collected.
- vii. Collections shall be submitted to the campus secretary daily. The campus secretary will count the funds in the presence of the sponsor and prepare a receipt for the sponsor and a deposit slip for the monies. If there is a discrepancy between the actual cash count and the total of the pre-numbered receipts, the secretary will

- recount the monies in the presence of the sponsor. The campus secretary will deposit the monies *no later than two working days (see 4.2 for more detail)*.
- viii. The yellow copies of the deposit slip and receipts shall be forwarded to the Business Office for posting to the accounting records immediately.

3.2 RESPONSIBILITY OF THE SPONSOR

All money collected must be accounted for with one of the following backup types or transmittal forms: ***Class Receipt Records*** and ***Cash Receipt Vouchers***. ***Class Receipt Records*** (See form C) are used when receiving collections from multiple individuals and it is necessary to maintain a record of who has paid. Examples include: brochure sales, field trips, T-Shirt sales, textbook fines, dance tickets, etc. ***Cash Receipt Vouchers*** (See form D) are used when collecting money where it is not feasible to record each individual payee, but only the quantity of items sold. Examples include: book fairs, sales at a table, etc.

The sponsor should count the cash upon receiving to ensure the total agrees to the total collections as indicated on the either the cash receipt record or cash receipt voucher by noting the breakdown of cash by denomination. Sponsors should ensure the activity account name is listed on the subject line of all checks received, so that checks returned due to insufficient funds can be identified with the proper account.

Sponsors are not to take the money home or keep it unsecured in the classrooms. Large collections should be deposited with the campus bookkeeper each day; smaller amounts may be secured by the sponsor in a locked location each day and deposited with the bookkeeper by at least by the end of the week.

3.3 RESPONSIBILITY OF THE SECRETARY/BOOKKEEPER

The **secretary/bookkeeper** should count the funds for verification to the transmittal forms (see forms C & D) in the presence of the sponsor, so the pre-numbered receipt can be issued and a deposit can be generated. Every sponsor should make sure they receive a pre-numbered receipt and the total agrees with the transmittal forms.

SECTION 4: DEPOSIT OF FUNDS

4.1 GENERAL OPERATING PROCEDURES

- i. Checks may be accepted only for the amount of the purchase.
- ii. Deposits must be made daily whenever cash collections exceed \$200 for secondary schools and \$100 for elementary schools. If daily receipts are less than indicated amount, deposits must be made within (2) working days. All the money must be stored in a safe and secure location at each campus. All money must be deposited prior to holidays and weekends.

- iii. All checks held for deposit shall be endorsed “For Deposit Only” with the deposit stamp and the (Name of School) Activity Fund. All checks must be endorsed at the time they are receipt or accepted.
- iv. If the bank issues a memo showing the deposit was over or short of what is listed in the deposit slip, every effort should be made to determine which receipt was over or short. If the overage or shortage is not identifiable, a memo signed by both the sponsor and principal describing the amount and possible explanation for the overage/shortage shall be sent to the Business Manager.
- v. **Re-deposits (of returned checks) must be deposited separate from other funds collected. Re-deposits will be handled through the Business Office.**
- vi. **All monies on hand at the end of the school year should be deposited.**

4.2 PROCEDURES FOR PREPARATION OF BANK DEPOSITS

- i. A bank deposit slip shall be prepared in triplicate and shall include the following:
 - a. The date and amount of the deposit. Separate all currency and coins by denomination and carefully count and record it in the appropriate section of the bank deposit form.
 - b. A listing of each check in the deposit (or a tape)
 - c. The yellow cash receipt(s) stapled to the yellow copy of the deposit slip. Make certain the tally of the pre-numbered receipts matches the total on the deposit slip.
 - d. Account code
 - e. Activity and date
- ii. The original copy of the deposit slip is retained by the bank and returned with the monthly bank statement. The yellow and pink copies are validated by the bank and returned at the time of the deposit. The yellow copy is returned to the Business Office for posting to the accounting records. The campus secretary retains the pink copy.
- iii. For procedures on handling returned checks, re-deposits and uncollected checks, see Section 5 of this manual.

4.3 CASHING OF CHECKS

The practice of cashing personal and/or payroll checks is **prohibited**.

SECTION 5: RETURNED CHECKS AND RE-DEPOSITS

5.1 RETURNED CHECKS/RE-DEPOSITS/UNCOLLECTED CHECKS

Occasionally, the bank for a variety of reasons returns a check, which had been previously deposited. A check may be returned for improper signature, insufficient funds or account closed. When a check is returned, the bank automatically charges the school's checking account for the amount of the check plus an additional bank charge. When the bank returns a check, the following procedures shall be followed:

- i. The amount of the returned check plus the bank fee will be deducted from the activity account.
- ii. The returned check will be re-deposited only once. If the check clears, the amount of the check will be added back to the activity fund.
- iii. If the check is returned a second time, the Superintendent's Secretary will send a letter to the payer requesting redemption of the check for cash, money order or cashier's check plus a \$20.00 service fee. Redemption should be made to the Business Office. A copy of this letter will be sent to the sponsor. If the payer fails to respond within two weeks, a certified letter will be mailed notifying payer that failure to redeem the returned check will result in prosecution. If the payer again does not respond, the returned check shall be turned over to the appropriate attorney.
- iv. If collection is successful, the amount plus the bank fee(s) will be added back to the activity account. The excess of the service fee will be deposited to the General Operating account to offset processing costs.
- v. No checks shall be accepted from a party who has not redeemed a previously returned check.
- vi. The Business Office should maintain a record of all returned checks and the disposition of each.

SECTION 6: PURCHASING POLICIES AND PROCEDURES

6.1 PURCHASES FROM ACTIVITY FUNDS

- i. The school principal is fully responsible for all purchases and commitments requiring the present or future disbursement of Activity Fund monies. *Sponsors must have an approved Purchase Order before making any purchase in the name of the school or student organization.* See the RISD Purchasing Policies and Procedures manual for instructions for acquiring a purchase order.
- ii. No purchases shall be made unless sufficient funds are available in the proper Activity Fund Account.
- iii. School personnel making any purchase in the name of the school without an approved RISD purchase order may be personally responsible for the purchase. Use of purchase orders is *mandatory*.

6.2 COMPETITIVE BIDDING REQUIREMENTS

The RISD Purchasing Policies and Procedures Manual must be consulted for any purchases greater than \$10,000. Legal bidding or proposal requirements may be necessary for purchases of this magnitude.

SECTION 7: DISBURSEMENTS

7.1 GENERAL POLICIES

- i. Income received from a specific group (student and faculty) should be expended for that group. The principal shall ensure that expenditures from these accounts are written for the intended purpose of the group and should not divert for other uses.
- ii. No expenditure of funds shall be approved by the principal unless sufficient funds are available in the appropriate activity account. Thus, no check shall be drawn on any account with a negative balance unless sufficient funds are available in the appropriate account.
- iii. **NO EXPENDITURES SHOULD EVER BE MADE USING UNDEPOSITED CASH!** For example: Paying security guards with cash collected at a dance.

7.2 REQUEST FOR CHECK

- i. An approved Purchase Order shall be the authority for the issuance of an Activity Fund check. It must be completed and accompanied by supporting documentation prior to issuance of a check.

- ii. A completed Purchase Order form shall include: the payee, date and amount, description of item(s) or service(s) to be purchased, activity account number to be charged, and authorizations (Approvals of Principal and Superintendent).
- iii. The Purchase Order shall be attached to the supporting documentation and kept on file for audit purposes. Proper supporting documentation shall include:
 - a. Vendors' original invoices signed by the sponsor. Periodic statements are not adequate supporting documentation.
 - b. Other supporting documentation may include sales slips, letters, announcements and renewal notices when invoices are not provided by the vendor. All supporting documentation must be signed by the sponsor.
- iv. All invoices shall be checked to ascertain that sales tax has not been charged since purchases made by schools are tax exempt. Exemption certificates are available through the Business Office. Sales tax is not reimbursable.

7.3 ISSUANCE OF CHECKS

- i. All payments shall be made through the Business Office.
- ii. Payments must always be made to a specific person, company or organization. Checks shall **NEVER** be made payable to “**cash**”.
- iii. If a check was issued for an estimated amount of expenditures, supporting documentation for the expenditure must be returned the day after the purchase. If the actual amount of the purchase was less than the estimate, monies must be returned immediately. A receipt will be issued and the monies will be re-deposited back into the activity account.

7.4 ADVANCE PAYMENTS

- i. Advance payment may sometimes be requested for necessary expenses to be incurred by clubs or other student groups engaged in out-of-town travel.
- ii. Travel advances are to be requested using an approved Purchase Order. Refer to the Procedures Manual for instructions for requesting travel advances.
- iii. Upon completion of the activity, the sponsor shall return any unused funds to the campus/department bookkeeper for issuance of a receipt. All supporting documentation and the receipt for unused funds shall be attached to the original Purchase Order.
- iv. The settlement of all advances shall be completed within **two working days** after the completion of the activity for which the advance was made.

SECTION 8: STATE, LOCAL SALES AND FEDERAL EXCISE TAXES

8.1 TAXABLE STATUS OF PURCHASES

Ruling No. 95-0 from the State Comptroller, effective October 1, 1969 states:

“The sale, lease or rental of tangible property directly to or for storage, use or other consumption of tangible personal property directly by an education organization, which property is necessary to its function as such, and paid for by the organization is exempted from the computation of (state and local sales) taxes.”

Provisions under Article 21-023 of the Federal Statutes provide tax exemption to the School District. In accordance with these rulings:

i. Tax Free Purchases

All items purchased by a public school, school district or non-private school for the schools own use qualify for exemption from sales tax if the items purchased relate to the educational process. The school, school district or authorized agent should provide the seller with a Texas Sales and Use Tax Exemption Certificate (see form E). To be valid the certificate must state that the merchandise being purchased is for the organization’s own use in providing education is being made in the name of the organization and that payment shall be made from the organizations’ own funds.

Purchases for their own use by individuals, even though connected with a school or school organization, are not exempt from the tax. Examples – cheerleaders purchasing their own uniforms, band members purchasing their own instruments and athletic teams purchasing their own jackets.

ii. Exempt School Items

Public and nonprofit private schools and school-related organizations need not collect sales tax on the following:

- a. Fees and admission tickets, including football and drama tickets
- b. Club memberships
- c. Magazine subscriptions, if the subscription is for more than six months and utilizes second-class mail
- d. A school newspaper is exempt if it is printed on newsprint, printed more than once a month, and costs less than .75 cents per copy

iii. Exempt Food Sales

The sales tax is not collected on meals and food products, including candy and soft drinks, served in an elementary or secondary school during the regular school day by a school, student organization or Parent Involvement subject to agreement with school authorities.

This exemption from the sales tax applies to guest, employees or teachers served in a school cafeteria or teacher's lounge during the regular school day.

The sale of food, including candy and soft drinks, is exempt from the sales tax when sold by an organization associated with a public or nonprofit private elementary or secondary school (4-H clubs, Future Farmers of America, Future Homemakers, etc.) If:

- a. The sale is part of a fund-raising drive sponsored by the organization; and
- b. All net proceeds from the sale go to the organization for its exclusive use

iv. School Sponsored Trips

Meals purchased by the school for athletic teams, bands, etc. on authorized school trips are exempt from the sales tax if the school contracts for meals. ***The school must pay for the meals and provide the eating establishment with a Texas Sales and Use Tax Exemption Certificate.***

Individual members of the athletic team, band, etc. may not claim exemption from the sales tax on the meals they purchase while on a school-authorized trip.

An exemption may also be claimed by the school from the Hotel Occupancy Tax if the school contracts and pays for the accommodations and provides the hotel with a completed ***Texas Hotel Occupancy Tax Exemption Certificate*** (see Form F).

Employees ***MAY NOT*** claim exemption from sales tax on individual purchases while on school business.

v. Taxable Sales

a. Supplies and Publications

Public and nonprofit private school and school-related organizations must collect the sales tax on the following:

- i. School-purchased supplies sold directly to students including athletic equipment and physical education uniform
- ii. Fees for materials when the end product becomes a possession of the student
- iii. Student publications such as yearbooks and football programs
- iv. School rings and pictures
- v. Uniforms, T-shirts, and any type of school spirit materials
- vi. Items such as handicrafts, candles and books
- vii. Stationery, note pads, etc. produced in the classroom or vocational class
- viii. Musical instruments, supplies or music

b. Sales by Teachers and Students

Teachers and students ***MUST COLLECT*** the sales tax on merchandise other than food products they sell. If the school assumes responsibility for the activity and/or sales, the school is responsible for insuring the tax is paid. The school may purchase items tax-free and must collect the tax when the items are sold.

vi. One-Day Tax Free Sales

Each School (district wide), each organization within that school and each outside organization affiliated with that school are allowed to have two one-day tax-free sales or auctions during a calendar year. One-day tax-free sales mean that collection and remittance of state sales tax is not required on qualified sales on that day. The sale of yearbooks can be selected as one of the two on-day tax-free fundraisers. If any yearbooks should be left over, they may be sold at a later date, but sales tax must be charged on the subsequent sales. A book fair is usually not a qualified sales event because the school is not the seller, and the school is therefore acting as an agent for the vendor. The sale of items received from a vendor, in which the school and the vendor have an agreement that the vendor will take back any unsold items, would also generally not qualify as a one-day tax-free sale.

vii. Toll Free Numbers

The State Comptroller's office maintains a toll-free tax information number for quick response to any state tax questions you may have. You can reach the Comptroller's Office from anywhere in Texas by dialing: **1-800-252-5555**.

8.2 REMITTANCE OF SALES TAXES

Each school shall collect sales tax on all taxable sales. They may do this in one of two ways: 1) The total price of the item(s) sold may be adjusted to include sales tax, or 2) Sales tax may be added to the purchase price of the item(s). In either case, the school shall report the total taxable sales for each month to the Business Office no later than the 10th of the following month. The District will calculate applicable sales tax, generate a check charging the appropriate amount to each activity fund, complete the sales tax report and remit the payment to the taxing authorities.

SECTION 9: FUND RAISING ACTIVITIES

9.1 DEFINITION OF FUND-RAISING ACTIVITIES

A fund-raising activity may be defined as any activity involving participation of a student body or a school-recognized student group undertaken for the purpose of deriving funds for a school or a school-sponsored group. All money raised becomes school funds when money-raising activities are in the name of the school and involve a student body or school-sponsored group. These funds should be used for the benefit of the school-sponsored student group responsible for raising the money.

9.2 FUND-RAISING ACTIVITIES FOR A SCHOOL

- i. General
 - i. Fund-raising activities are not confined to regular school hours but are considered an extension of the school program. When fund-raising activities are in the name of the school, all funds raised become school funds, belonging to the school-sponsored group responsible for raising the money.
 - ii. In June of each year, each principal shall submit to the Business Office an annual fund-raising plan on the Fund Raising Request Form (see Form G) listing the organizations which will engage in fund-raising activities with each stating the purpose and the date proposed.
 - iii. Each organization is limited to the maximum of two fund-raising activities. A Fund Raising application must be submitted at least 14 working days before the event; the sponsor is responsible (see Form H).
 - iv. **Raffles** are **unallowable** fund-raisers for the school district or activity fund clubs. Attorney General Opinion no. JM-1176 states that independent school districts and their related activity fund accounts are not qualified to hold charitable raffles.
 - v. All requests submitted will be screened by the Superintendent.
 - vi. Once request has been granted, the sponsor must obtain a purchase order through the Business Office before beginning the fund-raiser (see RISD Purchasing Policies and Procedures Manual).
 - vii. At the elementary level, door-to-door fund-raising by students in activities sponsored by the school or by a school related organization is **prohibited**.
 - viii. **A summary indicating gross collections and disbursements should be submitted to the principal after fund-raiser is complete. The person requesting permission to conduct the fund-raising activity should prepare the report.**
 - ix. The club sponsor or activity chairman is responsible for keeping accurate records for all fund-raising activities.

9.3 ACCOUNTING FOR FUND-RAISING ACTIVITIES

- i. All collections must be receipted and all payments must be made in accordance with Sections 3 and 7 respectively.
- ii. The **Financial Recap Section** of the Fund Raising Application and Financial Recap (See Form H) should be completed by the sponsor upon the completion

of the fund-raising activities. The original should be submitted to the Business office and a copy should be retained with the sponsor.

This report should indicate gross collections and expenses relative to the activity merchandise (advertising, sales tax, prizes, etc.). Disposition of the net profits should also be disclosed if funds were collected for a specific purpose.

The club sponsor is responsible for keeping accurate records for all money-raising activities. Such records are indicated in Section 3.

SECTION 10: TRANSFER OF FUNDS BETWEEN ACTIVITY ACCOUNTS

10.1 GENERAL POLICIES

- i. Transfer of Funds between activity accounts are initiated by preparation of budget Change/Amendment form (See form I) disclosing both the amount of and the reason for the transfer.
- ii. When all required approvals have been obtained the Business Manager may proceed with the necessary journal entries.
- iii. All originals of the Budget Change/Amendment forms shall be maintained in the Business Office.

SECTION 11: ACTIVITY FORMS

A	<u>Bank Deposit Slip</u>
B	<u>General Ledger Detail Report</u>
C	<u>Class Receipt Record</u>
D	<u>Class Receipt Voucher</u>
E	<u>Tax Exempt Certificate</u>
F	<u>Texas Hotel Occupancy Tax Exemption Certificate</u>
G	<u>Fund Raising Request Form</u>
H	<u>Fund Raising Application</u>
I	<u>Budget Change Form</u>