



# ACTIVITY FUND HANDBOOK

The Race for EXCELLENCE Has No Finish Line

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## **INTRODUCTION**

These Activity Fund Guidelines and Procedures have been prepared to provide assistance in the proper handling and accounting for activity fund monies on Gladewater ISD campuses.

The Texas Education Agency provides some guidance and requirements on activity fund accounting in the Site Based Decision Making Module of the Financial Accountability Resource System Guide (FASRG).

See [http://www.tea.state.tx.us/index2.aspx?id=1222&menu\\_id=645](http://www.tea.state.tx.us/index2.aspx?id=1222&menu_id=645)

The GISD handbook incorporates the guidance provided in the FASRG and sets out specific guidelines and procedures for Gladewater ISD.

Financial accounting is essential to the successful operation of schools and school districts. The accuracy of financial information depends on the proper recording of individual transactions. Properly recording transactions at individual campuses is the responsibility of campus personnel. The campus principal is ultimately responsible for the activity fund monies and the proper accounting of these funds.

This handbook is provided to ensure that generally accepted accounting principles are followed and that sound internal controls are in place to provide protection of student and campus activity funds. The procedures and guidelines provide both administrative and accounting controls to safeguard assets and ensure reliability of the financial records. Adhering to these guidelines and procedures can help to prevent the misappropriation of funds, violations of Federal, State, and District regulations, and acts of fraud or negligence.

This handbook will be continually updated and improved with more detailed guidelines and information. Please contact the Business Director with any questions and/or suggestions.

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# WHAT ARE ACTIVITY FUNDS?

Activity funds are funds generated and accumulated by the school from the collection of student fees, school-approved fund raising, and other activities. These funds are held in trust by the school and are used to promote the general welfare of the school and educational development and morale of all students.

There are two main categories of activity funds:

***Student Activity Funds (SAF)*** are funds generated by specific student groups, not by the district or campus. The students make decisions about the expenditure of student activity funds with the assistance of a school district employee sponsor. All club and student funds are accounted for in this grouping as well as the faculty hospitality fund. These funds are accounted for as fiduciary trust funds not owned by the district.

**A copy of the student group bylaws and officers for each student group must be sent to the Business Office before September 30 of each year.**

***Campus Activity Funds (CAF)*** are funds raised locally at the school or donated to the school and include school office and departmental accounts. Campus activity funds are considered by TEA to be district general funds. The expenditure of these funds must comply with state and board policy and with district regulations. These funds are accounted for with the special revenue governmental funds of the district.

## ACTIVITY FUND RESPONSIBILITIES

The responsibilities of the various people involved in handling and accounting for activity funds is outlined below. Specific roles and responsibilities for each group will be detailed in this handbook.

CAMPUS PRINCIPALS	Campus principals have ultimate responsibility for the proper handling of activity funds on their campus, the correct accounting for these funds, and overall adherence to the procedures and guidelines set out in this handbook.
ACTIVITY FUND SECRETARIES	Campus secretaries are responsible for following these procedures and guidelines in processing transactions.
CLUB & ACTIVITY SPONSORS	Club and activity sponsors are responsible for following the procedures and guidelines for sponsors as set out in this handbook.
GISD BUSINESS OFFICE	GISD Business Office is responsible for maintaining and updating these procedures and guidelines for activity funds, providing training for principals, secretaries and sponsors, and reviewing the activity of the funds to ensure adherence to the procedures and guidelines.
INDEPENDENT AUDITORS	The district's independent audit firm will include activity funds in the annual audit of the district's financial records.

## ACTIVITY FUND ACCOUNTING

Gladewater ISD uses a centralized accounting and bank reconciliation system. The campus secretaries or sponsors send activity fund payment sheets to the Business Office through the Eduphoria software after the campus principal has approved the purchase. This allows for campuses to collect funds and deposit into their separate bank accounts, but provides centralized control and oversight of the activity.

### BANK ACCOUNTS

There are two bank accounts for the high and middle school campus' that are being maintained for the activity accounts at the school district's depository bank. They are the Campus Activity Fund Account and the Student Activity Fund Account. The other three campuses have one bank account being maintained. It is the Campus Activity Fund Account. The school district's current depository bank is Austin Bank.

The District is required to comply with state laws regarding selection of a district depository bank and investing of district funds. All questions or requests regarding banking services should be directed to the Business Director. All financial transactions for campus clubs and activities must be accounted for through the Campus and Student Activity Funds bank accounts at the depository bank.

- 1) All cash and checks received for the activity fund must be deposited to the bank and all payments must be processed with a check written on the bank account. **No transactions should be made from cash.**
- 2) The bank will maintain signature cards on each bank account. The GISD Business Office will facilitate the update of the signature cards with the bank when needed.
- 3) Activity Fund checks will be prepared and sent from the GISD Business Office.
- 4) All checking account tools must be secured in the Accounts Payable Accountant's office when not in use. The unused checks should not leave the GISD Business Office.
- 5) In no circumstance should checks be pre-signed. Checks must be written and signed at the Business Office at the time they are needed and supported with proper documentation. All checks must indicate the payee and the dollar amount before being signed.
- 6) Interest earned will be allocated back to each campus activity fund bank accounts from the business office. Interest earned on student activity fund bank accounts will be divided between the high school and middle school campus activity funds equally.
- 7) Monthly bank reconciliations will be performed by the GISD Business Office to reconcile the ending bank balance to the GISD accounting system balance as of the end of the month. A copy of the reconciliation will be sent to the Campus Principals to distribute to each Activity Fund sponsor each month after it is completed.

## **INFORMATION REGARDING ACTIVITY FUNDS**

The various types of transactions that may occur with activity funds are described here with directions for the account sponsor in the processing, handling, documenting and recording of each. All forms are available in the forms section of this manual.

### **VENDOR REQUEST**

All GISD vendors must have an assigned vendor number in the vendor file in order to process a payment. Efforts should be made to use vendors that are already in the GISD vendor file.

A new vendor will be asked to complete a Form W-9. Any payment that GISD makes, whether from the district office or a school, is subject to IRS 1099 reporting requirements. GISD utilizes the W-9 Form to obtain pertinent information on potential payees including their tax identification number. Their tax id number is either their EIN (employer identification number) or their SS (social security number).

Return the completed forms to the campus secretary and she will forward them to the Business Office to set up the new vendor prior to making a payment out of the activity funds.

### **PURCHASES FROM THE ACTIVITY FUND**

All purchases and payments from the activity fund must be requested and authorized in advance using an activity fund purchase order **if** the vendor requires a purchase order. If the vendor does not require a purchase order, then purchases may be made with the principal's approval.

- 1) The activity fund sponsor should complete the activity fund purchase order (if the vendor requires a purchase order) and submit it to the campus secretary.
- 2) The secretaries will check to see if the vendor is currently on file and if sufficient funds are available for the purchase. If a new vendor is needed see Vendor Request section.
- 3) The secretaries will submit the activity fund purchase order for approval to the campus administrator.
- 4) The approved purchase order will be sent to the Business Office to be faxed or sent back to the sponsor to pick up the items.

Please do not purchase and ask to be reimbursed if the vendor will allow the district to charge. All checks should be made out to a vendor and not to a school employee.

SAF funds can be spent on most anything the student group decides to spend funds on provided that the expenditure is legal and that the vendor and purchase has been authorized. CAF funds are to be spent in accordance with how general budgeted funds are spent. Following is a chart to assist in determining whether expenditure is appropriate (has a public purpose in the realm of education) from the CAF. The listing is not all-inclusive, but is designed to provide you with a basis for CAF spending.

<b>CAF Appropriate Expenditures</b>	<b>CAF Prohibited Expenditures</b>
School assemblies, student body social functions, and field trips.	Reimbursement for luncheons or dinners while attending civic organization's meetings.
Organization or institutional <b>memberships</b> . However, if an individual membership is only available or is necessary for students to participate in certain activities, then the expenditure is acceptable if a notation is made to document the necessity.	<b>Purchase of any GIFT for any person or organization;</b> this includes gift certificates, retirement gifts, flowers, holiday gifts, and food gifts. Gifts of public funds are prohibited under Article III, Section 52 of the Texas Constitution.
Awards such as plaques, caps, certificates, in recognition of students, staff, or volunteers for services to the school or GISD.	Extravagant or high-priced individual awards such as watches or other jewelry.
Incentives for student involvement.	Payment of an individual's personal bills.
Training for staff.	<b>Donations</b> to individuals, organizations, or scholarship funds.
Scholastic magazines and books.	Loans to employees, parents, or students for any reason.
Supplemental classroom instructional needs and general office supplies.	Parties for staff, including food, decorations, and favors; simple receptions are fine.
Improvement of campus and site facilities such as plants, bulletin boards, signs, and flags.	Alcoholic beverages, tobacco products, controlled substances, firearms, and other weapons.
Expenses and purchases related to sales of items or fund-raising activities.	Payment of expenses of spouses or other non-employees.
Supplementing of student organizations' activities.	Payment of professional organization liability insurance on any individual.
After-hour Security.	Appreciation and fund raising dinner tickets.
Tickets for school-related functions when the Principal requires attendance.	Extra compensation or bonuses to employees, whether it be in the form of cash or gifts.
Approved travel costs for employees, subject to travel limitations.	Abuse of number of appreciation meals furnished to staff.
Refreshments and snacks for teacher in-service and staff meetings. Appropriate items might include pastries, tacos, fruit, cookies, & drinks.	Appreciation meals furnished to employees, which exceed the reasonable limitations based on meal reimbursements during overnight travel.
On site business meals for staff. For reasonable cost comparisons, the per diem amounts are: breakfast - \$6, lunch - \$8, dinner - \$12. Appropriate documentation indicating who was at the meeting and what was discussed is required for the IRS.	Replacement of an individual's property that was lost, stolen, or damaged on the school or district's premises or while being used at a school or district function. The Texas Tort Claims Act prohibits use of funds in this manner.
Retirement reception costs such as refreshments, plates, napkins, and utensils for a retiring member of the school's staff.	Meals for day travel. IRS considers this income that must be reported on the annual Form W-2.
Refreshments and snacks for meetings where the school serves as host for related activities for students, staff, and patrons.	<b>Transfers of funds to the hospitality/faculty accounts (unless the transfer is to correct a prior error).</b>
Required school apparel for staff.	<b>Any expense which appears to benefit private individuals or entities in ways so out of proportion to the overall public benefit that they amount to a virtual donation.</b>
Award presentations for students, volunteers, or district employees.	<b>Any other expenditure prohibited by federal or state law, TEA or Board policy, or GISD regulation.</b>

Contact the Business Director with specific questions regarding CAF accounts.

## **FUND RAISING**

- 1) Any activity that raises money is considered a fundraiser. Examples: summer camps, tournaments, and car washes, bake sales, dinner theatre, carnation sales, dances, concession stand sales, online sales etc. **All Fundraisers** require the reconciliation turned into the Business Office no later than 2 weeks after the fundraiser has ended.
- 2) Understand that the sponsor agrees to be responsible for the fundraiser when he/she signs the fundraiser agreement form. **You will be accountable for any losses and uncollectible amounts from your students.** All money must be accounted for and deposited. Even if your fundraiser makes a profit, all money must be collected and deposited. This simply means that you will personally pay for the loss of any funds. The ultimate responsibility is to make money, not go “in the hole”.
- 3) If your Booster Club for your student activity account has a fundraiser and wants to give funds to your activity account, this money must be deposited and designated as a donation. A donation sheet that is located in Eduphoria must be filled out and sent to the Business Office.
- 4) All fundraisers must be pre-approved by the campus principal, Superintendent and the Business Director.
- 5) The sponsor is responsible for maintaining accurate records of all sales activities and accounting for all items purchased from vendors.
- 6) The Fundraiser Request form is used to request approval for the fund-raiser and provides an accounting of the fund raising activity, including sales tax collected and payable to the Texas State Comptroller’s Office. **This form is in Eduphoria under Business Office Forms.**
- 7) Items must be purchased on a pre-order basis using vendor sales brochures and order forms. For pre-order sales, the sponsor should receive a sales summary from the vendor, which indicates the amount of funds to be collected. This amount should be entered on the reconciliation and a copy of the sales summary from the vendor should be stapled to the reconciliation. The vendor’s sales summary amount is compared to the total amount collected and any differences must be explained on the reconciliation.

**Example: The vendor provides a sales brochure or catalogue. The students take orders for items in the catalog. Funds are to be collected by the students when orders are placed. Then the activity sponsor places an order with the vendor. The items are shipped by the vendor and distributed by the students.**

- 8) If items are purchased from a vendor for resale without preorders (pre-approval from the Business Office/Superintendent is required), the sponsor will receive an invoice from the vendor indicating the number of resale items purchased. This information is entered on the reconciliation. The number of any damaged or unsold items that will be returned to the vendor for credit is listed and subtracted from the number of items purchased to determine the number of items available for resale. This number is then multiplied by the sales price to determine the amount of funds that should have been deposited. Any difference between the expected deposits and the actual deposits should be explained at

the bottom of the form. Any discrepancy will be the responsibility of the sponsor who signed for the fundraiser to pay.

**Example: (Pre-approval is required by Business Office/Superintendent). The activity fund sponsor purchases items directly from a vendor for resale. (Items not sold are usually not allowed to be returned to the vendor.) Students sell the items and collect the funds as sales are made.**

- 9) Sponsors should take care to select a reputable company and maintain a good relationship with district vendors by submitting the bills to the secretaries for payment in a timely manner. Reconciliation must be turned into the Business Office no later than 2 weeks after the end of the fundraiser. The invoice for the vendor must be entered into Eduphoria to be paid no later than 2 weeks after the fundraiser has ended.
- 10) If any merchandise is to be given as prizes, it must be noted on the Fundraiser Request before the fundraiser starts. If a sponsor receives any merchandise, a copy of the minutes where the students have voted to give the sponsor merchandise must be attached to the reconciliation.
- 11) Sponsors must keep control of the merchandise and money. Both should be secured at all times. Deposit the collected funds to the correct bank or with the secretaries regularly (daily is recommended.) **Do not hold funds longer than 1 – 2 days.**
- 12) Sponsors should keep good records of who purchased items and funds received. Collect all money due to the activity account and keep a detailed list of any amounts due from students. Notify your campus principal if student obligations are not paid. If prizes are to be given to students, they must be on an attachment along with the Fundraiser Request.
- 13) Raffles are not allowable 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.
- 14) When fund raising, schools must keep in mind the rules regarding Competing Food Sales. These are set out in the next section.

## **COMPETING FOOD SALES**

Texas Department of Agriculture (TDA) defines competitive foods and FMNV's as such according to the Texas Public School Nutrition Policy:

- **Competitive Foods:** Foods and beverages sold or made available to students that compete with the school's operation of the National School Lunch Program or School Breakfast Program. This definition includes, but is not limited to food and beverages sold or provided in vending machines, in school stores, in the classroom or as part of school fundraisers. School fundraisers include food sold by school administrators or staff (principals, coaches, teachers, etc.), student or student groups, parents or parent groups, or any other person, company, or organization.
- **FMNV:** Foods of Minimal Nutritional Value: Refers to the four categories of foods and beverages (soda water, water ices, chewing gum, and certain candies) that are restricted by the U.S. Department of Agriculture under the child nutrition programs. (Please contact food service director for complete list of FMNV's)

Competitive foods do **not** pertain to food items made available by the school foodservice department. This does not mean cupcakes, cookies; ice cream, etc. are allowable simply if provided by food service. All foods offered must meet the new regulations for portion size.

The policy released on 6/01/04 states the following:

Charts summarizing the policy may be found at the following link

[http://squaremeals.com/fn/render/channel/items/0,1249,2348\\_2360\\_0\\_0,00.html](http://squaremeals.com/fn/render/channel/items/0,1249,2348_2360_0_0,00.html)

### **Clarifying Points:**

#### 1. Classroom birthday parties

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TDA recognizes that celebrating student birthdays with a classroom party is a time-honored tradition that provides the opportunity for parental involvement in the education of their children, which is beneficial for students, parents and teachers. Foods otherwise restricted by the policy are permitted in classroom student birthday parties. It is recommended such parties be scheduled after the end of the lunch period for the class so that these celebrations will not replace a nutritious lunch. Federal regulations do not permit foods of minimal nutritional value to be served in the food service area during meal periods.

#### 2. Competitive foods for elementary schools

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The competitive foods policy section for elementary schools states that it does "not pertain to food items made available by the school food service department." This does not mean, however, that dessert-type items (cupcakes, cookies, ice cream, etc.) are allowable outside meal hours simply if provided by the food service department. The intent of the policy is to encourage the consumption of nutritious food by students and to limit access to high-fat, high-sugar items during the school day. Therefore, the only food that may be made available to elementary school students on campus during the school day, at times other than meal periods, is a nutritious classroom snack allowed by the policy. This does not apply to student birthday parties or any other exemption as established by the policy.

#### 3. Pizza parties, etc.

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The intent of the policy is to encourage the consumption of nutritious, well-balanced meals and to limit the availability of high-fat items during the school day. There has been confusion about pizza or other foods being served at school parties. With the exception of school birthday parties, schools may not allow alternative meals (pizza, BBQ, sandwiches, etc.) to be provided to students in competition with meals made available by the school food service department under the National School Lunch and School Breakfast Programs. However, such items may be

provided if they are supplemented with additional food provided by food service to become a reimbursable meal. This allows the addition of fruits and vegetables for a complete nutritious meal as well as providing federal reimbursement funds to the school.

## **SALES TAX COLLECTION AND PAYMENT**

All funds received and deposited to the activity fund must be reviewed to determine if sales tax should be collected and paid to the state. Some funds collected through the activity fund are classified as sales, and other funds are not. All sales, both taxable and non-taxable, must be reported to the State. The District must collect sales tax and remit the tax to the State quarterly. The information below is provided to assist you in understanding the rules for sales and sales tax collection.

### **Tax-Free Days**

**Each school district, each school, and each bona-fide organization** (\*see below for definition of bona-fide organization) **within the district is allowed to have two one-day tax-free sales or auctions during a calendar year.** Collection and remittance of state sales tax is **not** required on qualified sales made during each one-day period. One day is defined as a consecutive 24-hour period. Items sold after completion of the one-day sale are taxable. If items are pre-sold, such as yearbooks, items delivered from the vendor within one 24-hour period are non-taxable.

\*\*Note that any student activity group recognized by the school administration as an activity fund can be properly organized so that they are a bona-fide chapter.

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.

#### **\*Definition of a bona fide organization:**

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:

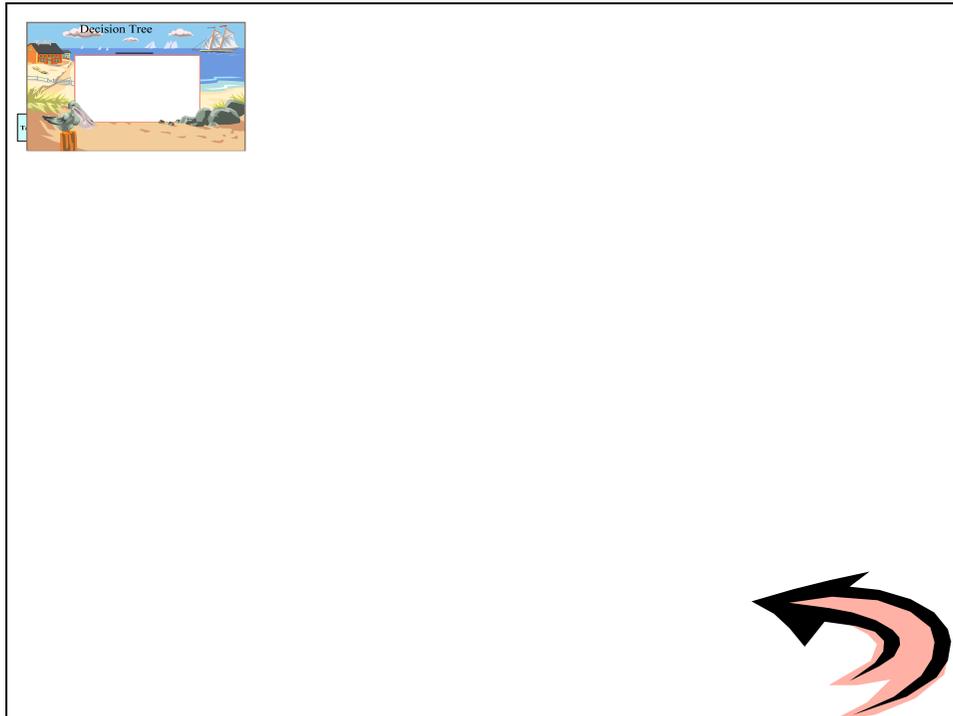
- ❖ The school district qualifies for a tax-free day.
- ❖ The school-wide fundraiser qualifies for a tax-free day.
- ❖ The Basketball Club qualifies, but the basketball team does not.
- ❖ The Cheerleader Club qualifies, but not the cheerleader team.
- ❖ The Debate Club qualifies, but debate teams and 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.**

The secretaries shall utilize the Tax Free Day Log to keep track of all tax-free days.



- 1) A sale is defined as the transfer of title or possession of tangible personal property for consideration (usually money), or the performance of a taxable service for consideration. Tangible, personal property includes personal property that can be seen, weighed, measured, felt, touched or that is perceptible to the senses in any manner.
- 2) For all sales, the District must determine if the sale is taxable or non-taxable.
- 3) All sales, whether taxable or not, are to be reported on the Texas Sales and Use Tax Return to the State Comptroller for the district by the GISD Business Office.
- 4) Texas sales tax statutes impose tax on the sale, lease, or rental of tangible personal property and selected services.
- 5) Public schools and school-related organizations must collect sales tax on all sales, which are not specifically exempt. For example, sales tax must be collected on the following:
  - a. school purchased supplies sold directly to students including athletic equipment and physical education uniforms,

- b. fees for materials when the end product becomes a possession of the student,
  - c. student publications such as yearbooks and football programs,
  - d. the sale of a school newspaper if the sales price per copy exceeds \$.75 per issue (i.e. subscriptions to community businesses or individuals),
  - e. school rings,
  - f. books sold at student book fairs (unless acting as an agent for the vendor and the vendor is collecting and remitting sales tax),
  - g. charges to the general public for parking (Rule 3.315),
  - h. sales of regular publications, records, or general information sold by the district. The sale of District or campus directories, the campus newspaper, or other information available and sold to the general public is taxable. (Rule 3.341)
- 6) Public schools and school-related organizations are not required to collect sales tax on the following:
- a. Fees and admission tickets
  - b. Student club membership fees
  - c. Parking permits and fees charged to students, faculty or staff for parking (Rule 3.315)
  - d. Sales of food and soft drinks that are:
    - i. Sold and served during the regular school day
    - ii. Sold by a person under 19 years of age who is a member of an organization devoted to the exclusive purpose of education, and groups associated with public or private elementary or secondary schools as part of a fund-raising drive sponsored by the organization for its exclusive use
  - e. Copies of documents that the district is required to provide through an Open Records Act. (Rule 3.341)
- 7) This list is not comprehensive; other taxable sales may be made by a school district for which sales tax must be collected, reported and paid. See more detailed information in the Secretaries Section.
- 8) In some fund-raising activities, the school group is merely acting as a sales agent for the vendor. Tax must be collected as part of the sale and remitted to the vendor. The vendor then remits the sales tax to the State Comptroller. The school would not report this activity as a sale since the vendor reports it.
- 9) Some sales are for resale. In such an event, pay the vendor the amount owed (without tax) and issues a Texas Resale Certificate. Collect sales taxes on items sold and then sales tax will be remitted to the Comptroller.

The current sales tax rate for Gladewater ISD is 8.25%. This rate consists of the following taxes:

State sales tax	6.25%
City sales tax	1.50%
County sales tax	.50%

Rules for state sales and use tax can be found under the Texas Administrative Code, Title 34 Public Finance, Part 1 Comptroller of Public Accounts, Chapter 3 Tax Administration, Subchapter O State Sales and Use Tax.

## **COLLECTING & DEPOSITING FUNDS**

- 1) All money (cash and checks) collected must be deposited to the activity fund bank account. Cash collected may not be used to make purchases or payments of any kind. All payments from the activity fund must be made with a check from the activity fund bank account by the Business Office
- 2) All money collected must be deposited in the same form as collected. A personal check may not be substituted for cash collected. No personal checks are to be cashed from funds collected.
- 3) Do not co-mingle personal funds and Activity/District funds for any reason.
- 4) Petty cash funds and change funds may be set up for the campus or for specific accounts or events. Information about use of petty cash and change funds is provided in the “Change Funds” section of this handbook.
- 5) For control purposes, there should be at least two people involved in the collecting and depositing of funds. All activity funds will have a sponsor who is a District employee but not the activity fund secretaries for the campus. Sponsors are responsible for collecting, counting, and depositing all funds collected to the correct bank account. If the sponsor gives the funds to the activity fund secretary, then a receipt must be given from the secretary to the sponsor. The secretary is responsible for verifying the count and depositing the funds that were given to them to the bank account.
- 6) Sponsors are not to take money home or keep it unsecured in classrooms. Large collections should be deposited with the activity fund secretaries each day; smaller amounts may be secured by the sponsor in a locked location each day and deposited at least by the end of the week if not sooner. Sponsors should not hold more than \$50 longer than overnight. All funds must be deposited at the end of the fiscal year, which is June 30.
- 7) A copy of the deposit slip with a gold deposit slip attached must be sent to the Business Office no later than 2 days after the deposit was made.

## **RECEIPTING FUNDS COLLECTED**

All funds collected at the school should be deposited into the activity fund. Cash is never to be kept and spent on goods or services. Exception: when a teacher collects funds that are being sent directly to a vendor, i.e., classroom book sales, then the teacher should maintain a copy of the listing of funds and students for the same amount of time that activity fund records would be maintained.

- 1) The sponsor must provide a receipt for all funds that are received for the activity fund. Receipts should be prepared as the funds are received.

- 2) All receipts must be written/printed in non-erasable ink. Any corrections should be noted with a line through the error, the correction and the initials of the person making the correction. Do not use whiteout or similar products to correct receipts.
  - a. The Sales Receipt Form may be used by the sponsor when collecting money for activities where it is not feasible or not possible to list each individual payee. These events may include sales of items at a table such as food, T-shirts, book fairs, tickets for dances or events, and school store sales. The sponsor will list the items, quantities and price of items sold, tally the funds received on the bottom of the form and verify that the counted cash and checks total the amount listed on the form. The activity fund account number must be listed by the sponsor on the top of the form.
  - b. Individual receipt books may be issued to sponsors for funds collected individually. Each Activity group will order their receipt books. When individual receipt books are used, the sponsor provides the original receipt to the payee and retains two carbon copies in the receipt book. Receipt books are subject to audit at any time, and are to be sent to the Business Office before the end of the school year for the yearly audit. At that time, one of the carbon copies will be taken to keep for the yearly audit.
- 3) Sponsor should stamp the back of each check to be deposited with the correct bank stamp.
- 4) Activity fund secretaries have been instructed not to accept funds for deposit that have not been properly counted and receipted by activity fund sponsors.
- 5) If all of the check names cannot be listed on the back of the deposit slip, an attached sheet with either copies of each check or a listing of the checks must be attached to the copy of the deposit slip that is sent to the Business Office. Please list the name on the check on the deposit slip and not the number on the check.

### **SALES TAX PAYMENT FOR PURCHASES MADE**

Provisions under Article 21.023 of the Federal Statutes provide tax exemption to the school district. 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. **Faculty/Teacher Activity Funds do not qualify for tax exemption on purchases made.**

Purchases by individual members, teachers or coaches of classes or teams do not have exemption from sales tax even though they are connected with the school or a school organization. Examples of these types of purchases are cheerleaders purchasing their own uniforms, athletic team members purchasing their own jackets, or science students purchasing a science board.

In order to be afforded the sales tax exemptions, various certificates (see Forms section in back) should be presented:

**Tax Exemption Certificates** – The Texas Sales and Use Tax Exemption Certificate should be presented each time a purchase is made. It 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 will be made from the organization's own funds.

**Resale Certificates** – A Texas Resale Certificate should be given to the vendor when merchandise is purchased by the school for resale (such as fundraisers).

**Hotel Certificates** –Educational organizations and their employees traveling on official business of the organization are exempt from the Texas state hotel tax: the organization and their employees must pay local tax. The Texas Hotel Occupancy Tax Exemption Certificate must be presented at the time of registration at the hotel. When traveling out of state, district employees or groups are not afforded any tax exemption on hotels. (When individuals request reimbursement for non-exempt taxes, the Texas local or out of state hotel taxes paid, they should be reimbursed.)

Note that meals purchased by the school for group student travel on authorized school trips are exempt from the sales tax only if the school contracts for meals. (This would also apply for banquets for school groups.) 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. (When individuals request reimbursement for their individual meals, you should also reimburse them the tax.)

District employees will be reimbursed for appropriate tax paid, but not reimbursed if taxes were paid that we were not required to pay.

NOTE: Booster clubs, PTAs, and other associated groups may not use the District's tax exemption certificate or employer identification number. By law, these groups must obtain their own tax exemption status and employer identification number.

## **REQUESTS FOR PAYMENT FROM THE ACTIVITY FUND**

- 1) **Invoices for payment to vendors must be submitted online in EDUPHORIA. The Activity Fund Payment Form is located in EDUPHORIA in the Business Office Forms Folder.** If an Activity Fund Purchase Order was used, a completed and approved purchase order needs to be sent to the Business Office in a timely manner. Late payments to vendors reflect on the entire school district, and could result in late payment fees or interest charged to the account. Texas Government Code Chapter 2251 requires the district to pay vendors within 45 days of the later of: the date the goods are received; the date of the performance of the service; or the date we receive the invoice.
- 2) The original vendor invoice or detailed receipt must be attached. Invoice copies and vendor statements of the balance due are not acceptable forms of documentation. In certain circumstances, a letter, renewal notice, or contract form may be used when no invoice exists. The principal must approve these alternate forms of documentation for the payment.
- 3) All payments from the activity fund must be made by check prepared by the GISD Business Office and signed by two authorized personnel. **Both amount and vendor**

**should be on the check when issued, no blank checks should leave the GISD Business Office. No payments may be made from cash collected or received by the sponsor or the secretaries.**

- 4) The secretaries will verify that sufficient funds are available in the appropriate activity fund account before requesting a check.
- 5) Income received for a specific group should be spent for that group.
- 6) Payments to District employees must be made through the GISD Payroll Office. Payments should never be made to employees from the activity fund for services rendered or extra-duty or overtime. If it is necessary to pay a District employee for time or services rendered for an activity fund account, please see the Business Office for instructions.
- 7) People or companies who are not District employees and are paid for services provided to an activity fund account must be identified as independent contractors. Payments to contractors will be reported to the IRS and a Form 1099 will be issued to the contractor for any amounts paid. An IRS Form W-9 indicating the taxpayer ID must be on file with the Business Office before a contractor is paid.
- 8) The District is subject to fines and back taxes on payments to contractors or employees that are not handled and reported properly. Please see your activity fund secretaries for assistance if you anticipate paying for services from your activity fund account.
- 9) Fixed assets may be purchased with activity funds, but require pre-approval from the GISD Business Office. The Business Office will check bid requirements and process a District purchase order from the campus if the item is allowed. A check from the activity fund will be sent to the Business Office with the purchase order to cover the cost of the asset. The assets purchased will become District property and will be accounted for in the fixed asset inventory.

### **CHANGE FUNDS**

Change funds may be set up for special events or activities as follows:

- 1) The sponsor will complete the **Activity Fund Payment Form online in EDUPHORIA** indicating the amount of change needed and the denominations. The form should include a description of the event for which the change is needed, the date and the duration.
- 2) The Business Office will prepare a check to the Sponsor. Code the check to the revenue account – it will be a reduction in revenue. The Sponsor will take it to the bank to get the change.
- 3) The exact amount of the change fund must be returned to the secretary immediately following the event or at the beginning of the next workday. The funds will be re-deposited into the revenue account.

## **FACULTY FUNDS**

Faculty Funds are defined as funds generated solely by and for the use of the school faculty, to be utilized and expended at their own discretion. All expenditures for hospitality, condolence, or other purpose, which is for the sole benefit of the faculty, shall be paid out of Faculty Funds. The school faculty may also contribute these funds and other staff members to be utilized and expended at the staff's own discretion. The revenues in the account shall be obtained voluntarily.

All regulations governing the receipt and disbursement of Activity Fund moneys are applicable to Faculty Fund transactions. However, control of these moneys rests primarily with the staff.

Faculty Funds must be accounted for in a separate SAF account established specifically for that purpose. The Faculty Fund is to be administered by the principal.

**The sales tax exemption cannot be claimed for purchases from the Faculty Fund for gifts, condolences, or other such items of a personal nature.**

## **RECORD KEEPING**

Sponsors will maintain a binder/folder with receipt and expenditure records in chronological order. The balance of the account will be tracked on receipt and expenditure forms in the "For Sponsor Records" box on the bottom corner of each form.

## **REVIEWING MONTHLY REPORTS**

Each month around the middle of the month the secretaries will provide each sponsor with a Cash Report by Fund/Organization. Sponsors shall review their report, which provides information for the prior month's activity. The sponsor should always know their balance and recognize that there are likely timing differences between their records and the end of the prior month's information. Should the sponsor disagree with the information on the report they should contact the Business Office immediately. **The sponsor shall sign and date the report at the end of the school year indicating they have reviewed it.** It shall be filed with all other activity fund records.

## **ACTIVITY FUND AUDITS**

The District's independent auditors and district Business staff will audit activity funds on a regular basis. All records of the sponsors and secretaries are subject to audit and must be made available upon request. Secretaries' and sponsor's records shall be kept current and in good order.

After the completion of the school year, the Business Office will bundle up all activity fund receipts and disbursement information from the period of July 1 thru June 30 of the most recently completed fiscal year. The Business Office will maintain those records for the required time period. Supplemental activity fund records held by the secretaries and sponsors shall be available for audit at any time, and must be retained for a period of five years. **All receipt**

**books must be sent to the Business Office at the end of the school year to be audited. These receipt books will be returned after they are audited.**

### **ACTIVITY FUND ACCOUNTS**

Each campus will maintain a separate account for its activity funds. Each student organization and activity is assigned a unique Activity Fund name to which all transactions will be posted. The GISD Business Office will maintain the chart of accounts and assist each campus in setting up new accounts as needed.

The GISD Activity Fund Account Information Sheet will be completed and maintained for each account in the activity fund. This form is used to determine whether funds are in the SAF or CAF grouping. The account number assigned and the proper recording of transactions depend on the information provided on this form.

### **RECORDING TRANSACTIONS IN THE ACCOUNTING SYSTEM**

Activity fund transactions that must be recorded to the accounting system include the following:

<b>TRANSACTION TYPE</b>	<b>RESPONSIBLE FOR DATA ENTRY</b>
Vendors	Business Office
Deposits	Business Office
Checks for payment to vendors and individuals	Business Office
Voided checks	Business Office
Returned checks	Business Office
Interest earned and Bank Charges on account	Business Office
Transfers between accounts in the activity fund	Business Office

### **VENDORS**

Vendor numbers are entered in the Business Office. The activity funds and district funds utilize the same vendor file and the same procedure is followed for both.

### **RECEIPTING FUNDS TURNED IN BY ACCOUNT SPONSORS**

The secretaries should count all funds from account sponsors in the presence of the sponsor (when possible) at the time the funds are turned in. Any discrepancy in the count should be resolved at that time.

### **DEPOSITS**

The secretaries may combine several receipts and prepare as one deposit to the bank. The bank deposit slip should be completed by the sponsor and include check names for the deposit. The validated deposit slip should be sent to the Business Office with the gold deposit slip attached.

All receipts for each deposit will be entered to the system as a cash receipt. All checks will be listed on the deposit slip by the last name. If there are too many checks, then an attached sheet may be used.

### **CHECKS WRITTEN**

Checks will be posted to the system as a Direct Payment (District). The checks will be printed at the Business Office. Accounts Payables at the Business Office will match up the check with any necessary attachments and mail or send the check as necessary.

### **RETURNED CHECKS**

Returned checks are to be collected by the Activity Fund Sponsor. All checks must be collected.

### **BANK INTEREST**

Interest earned on the campus bank account will be entered into the system and divided between the campus interest accounts. Interest earned on the student bank account will be entered into the system and divided between the high school and middle school campus interest accounts.

### **ACCOUNT TRANSFERS**

Occasionally it may be necessary to transfer funds between accounts within the activity funds. Transfers will be entered to the system as a General Journal Entry by the Accounts Payable accountant in the Business Office after the information is provided from the campus.

An annual transfer that the high school secretaries must request is for the recently graduated senior class fund. Often times the senior class has funds remaining after the students graduate.

### **Other Information**

#### **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.

#### **Sales and Use Tax Return (Completed by the Business Office Accountant)**

**Reporting:** After consideration of whether revenue is a sale or not and whether it is taxable or not, you must complete your sales tax return. As noted earlier, total sales are included on line 1 of the Texas Sales and Use Tax Return. Total taxable sales would be reported on line 2 of the Texas Sales and Use Tax Return. Total taxable sales are calculated as total sales less non-taxable sales less tax-free day sales.

Be sure you take your ½% discount if you pay your tax timely by the 20<sup>th</sup> day of the month following the end of each reporting period.

Fines: According to the Texas Sales and Use Tax Return, fines can be imposed by the State Comptroller's office when sales tax reports are not submitted on a timely basis. According to the Texas Sales and Use Tax Return, the following penalties and interest can be imposed:

1 to 30 days late	Penalty of 5% of Net Tax Due
31 to 60 days late	Penalty of 10%
Over 60 days late	Penalty of 10% plus interest of 12% per annum.

An additional \$50 penalty may be assessed after more than two returns are received with a postmark later than the due date.

Though many of the schools may submit their information to the school district office timely, effectively they may not be considered timely because amounts that should have been reported as sales were not. We find this sometimes occurs when sales were non-taxable or tax-free days were utilized.

### **Booster Clubs, PTOs, and other associated groups**

Occasionally we have found that 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 statuses; 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.

# FORMS

## **Form W-9**

Used by employee in conjunction with Vendor Request Form to provide information from vendor to establish a new vendor in the system.

## **Activity Fund Purchase Order**

Used by sponsor to request to purchase items.

## **Parent-Student Agreement Form**

Used by sponsor before a student participates in a fundraiser.

## **Tax Free Day Log**

Used by secretaries to list all bona fide groups and their two tax-free day sales

## **Examples of Fundraiser Reconciliations**

Used by sponsors to reconcile and turn into the Business Office when fundraiser is finished

**The following forms are located in EDUPHORIA. These forms are in the Business Office Forms Folder.**

## **Activity Fund Payment Form**

Used by sponsor to request approval for purchases on activity funds.

## **Fundraiser Request**

Used by sponsor to pre-approve fundraisers. Used by campus principal, Superintendent & Business Director to approve fundraiser.

**Forms that are not on EDUPHORIA can be sent to you in adobe pdf or excel format.**

**Just email me at [kimbleyc@gladewaterisd.com](mailto:kimbleyc@gladewaterisd.com)**

**I will send you these forms in either of these 2 formats.**