

New caney ISD

Activity Fund Accounting Procedures Manual



INTRODUCTION

The Activity Fund Accounting Procedures Manual has been prepared to assist in the proper handling and accounting for activity fund monies on New Caney 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 Systems Resource Guide (FASRG). This handbook incorporated the guidance provided in the FASRG and sets out specific guidelines and procedures for New Caney ISD.

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 records. Adhering to these guidelines and procedures can help prevent the misappropriation of funds, violations of Federal, State, and District regulations, and acts of fraud or negligence.

The handbook will be continually updated and improved with more detailed guidelines and information. Please notify the Activity Fund Specialist with any suggestions.

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SECTION 1 GENERAL INFORMATION

1.1 PURPOSE OF ACTIVITY FUNDS

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. The accounting function for the Activity Fund is delegated to each campus and must comply with the guidelines and procedures required in this manual.

There are two main categories of activity funds:

Student activity funds (Club funds) are funds generated by specific student groups, not by the district or campus. Decisions about the expenditure of student activity funds are made by the students. Also included in the Club funds will be money collected from the staff. An example would be Helping Hands.

Campus Activity funds (Principal Activity) 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.

1.2 RESPONSIBILITY FOR ACTIVITY FUNDS

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

1. Providing for the safekeeping of monies. Money on hand in excess of \$100 at the end of each school day, should be deposited, with the exception of petty cash funds. If this is not feasible, the money should be stored in a locked, secured area.
2. Proper accounting and administration of fund transactions.
3. Expenditure of funds in compliance with applicable state laws, and local board policy administrative guidelines.
4. Adequate training and supervision of all personnel designated by the principal to administer activity funds.

The principal is not responsible for funds collected, disbursed, and controlled by parent or booster organizations. These parent and booster organization's funds **are not** to be accounted for in the school's Activity Fund.

The **campus bookkeeper/secretary** is responsible for following these procedures and guidelines in processing transactions. The campus bookkeeper is commonly responsible for the depositing of campus and student activity funds into the bank, accounting and reporting for activity fund activities, and cash management. The campus bookkeeper is also responsible for informing the Principal of problems and concerns and assisting sponsors.

The **individual activity fund sponsors** are responsible for attending an annual meeting. They are responsible for managing their respective activity funds. This responsibility can include developing fundraising plans and financial recap, monitoring the financial position of the activity fund, and safekeeping of activity fund money until it is turned into the campus bookkeeper. Individual sponsors are also responsible for tracking their activity account and turning the monthly account activity forms into the campus bookkeeper monthly.

1.3 AUDIT OF ACTIVITY FUNDS

Activity Funds are audited periodically by the District's finance department and the District's external auditor. In addition, an audit is to be performed whenever there is a change in principal or campus bookkeeper. The principal may request in writing a special audit if a situation or event warrants it.

1.4 RETENTION OF RECORDS

All records (sponsors and campus bookkeeper) should be kept current and in good order for a period of **five** years and available for audit any time.

SECTION 2 BASIC RECORDS

2.1 ACTIVITY FUND CASH RECEIPTS

Activity Fund Cash Receipts are the means of accurately recording cash received and provide support for each bank deposit.

2.2 PURCHASE ORDERS

A purchase order pre-approved by a campus administrator is required before obligating the school. When proper supporting documentation is received for the pre-approved purchase order, then an activity fund check may be issued.

2.3 PRE-NUMBERED CHECKS

Pre-numbered checks are used to disburse all funds from the District's Activity Fund checking accounts. All checks will be processed by the District's finance department.

2.4 BANK DEPOSIT SLIPS

Deposit slips, once validated by the bank, serve as a record for the specific date that receipts were credited for the bank account. Deposit slips are obtained from the bank as needed and must be printed with the District's Activity Fund account name.

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.

2.6 MONTHLY ACCOUNT ACTIVITY FORMS

Monthly account activity forms are prepared to ensure that the sponsor's individual account balances agree with the Activity Fund Specialist balance. The forms are to be turned in to the Campus bookkeeper by the 20th of each month.

2.7 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. Each month the individual balance sheets should be printed and maintained with the bank reconciliation for audit purposes. The Accounting Specialist can generate these reports and will maintain these reports at the Central Office.

2.8 PREPARATION OF RECORDS

All records must be completed in ink.

SECTION 3 BANKING PRACTICES AND PROCEDURES

3.1 BANK ACCOUNTS

- A. The District has one checking account for Activity Funds (at the District's depository bank) entitled New Caney ISD Campus Activity Fund.

All monies received will be deposited into this account and all disbursements will be made by a check drawn on this account. No disbursements may be paid from cash collected by the activity funds. Cash can only be used through the petty cash fund which will be reimbursed with a check.

- B. Only activity fund transactions may be directed through the Activity Fund bank account. Transactions controlled by the Child Nutrition Department or by outside organizations such as the PTA or booster clubs, must be handled through these groups' own bank account.

3.2 BANK RECONCILIATION

- A. One of the most important aspects of the job is the prompt reconciliation of the Activity Fund bank accounts. The reconciliation should be completed by the 20th of the following month.
- B. Upon completion of the bank reconciliation, the Accounting Specialist will forward the individual campus and student activity balances to the Campus Bookkeeper. The Campus Bookkeeper will then compare the account balances to the monthly account activity forms and his or her own ledger.
- C. The monthly account activity forms should be completed for each account, each month, even if a sponsor believes that no activity has occurred during the month. The Activity Fund Specialist may have recorded items that the sponsor does not have recorded or the sponsor may have recorded items differently than the Activity Fund Specialist.
- D. The Campus Bookkeeper will keep a monthly control list (Form V) of all activity forms received and send a copy of the control list to the District Accountant by the 27th of each month.
- E. If checks are outstanding for more than three months, they should be researched for validity. Checks should be voided and reissued. The Activity Fund Specialist and Campus Bookkeeper will work together in resolving outstanding checks. The Accounting Specialist will send all unclaimed money over \$100 to the state after three years.

SECTION 4 ISSUING RECEIPTS

4.1 GENERAL RECEIPTING PROCEDURES

- A. All cash and check collections must be recorded in the Finance system by the bookkeeper at the time the money is received, and a receipt printed.
 - 1. One copy to the person submitting the money.
 - 2. One copy attached to the deposit slip.
- B. The receipt must include:
 - 1. Date
 - 2. The individual or firm submitting the money. A receipt may not be issued to more than one person.
 - 3. **An explanation of the purpose for which the money was received.**
 - 4. The correct Activity Fund account code.
- C. An actual cash count must be made by the person signing the receipt in the presence of the person turning in the money and sign stating accuracy. The total of cash and checks should be shown separately on the receipt.
- D. Post-dated checks cannot be accepted from any source.
- E. Deposit slips should include receipt and batch numbers to allow for a proper audit trail for the disposition of all receipts.
- F. All checks received must have DOB, DL#, and phone # on them. If the information is not included, and the check is returned, we will not be able to send it to the Judge to collect.

4.2 RECEIPT OF MONEY BY PERSONS OTHER THAN THE CAMPUS BOOKKEEPER

- A. The Campus Bookkeeper is responsible for maintaining an adequate supply of Tabulation of Monies Forms (Form A).
- B. Money may be collected by an authorized individual other than the Campus Bookkeepers (teachers, sponsors, librarian, clerks, etc., but only as approved by the principal) for such items as books, student fees, fund raising activities, etc. In such instances, the individual collecting the monies must account for the monies collected as follows:
 - 1. Tabulation of Monies must be completed with all information provided.
 - 2. Ticket Sales Accountability Form (Form U) must be completed with all information.
 - 3. Collections shall be submitted to the Campus Bookkeeper weekly or whenever the aggregate amount of such collections exceeds \$100.00.
 - 4. The original completed Tabulation of Monies Form or Ticket Sales Accountability Form shall be given with monies collected to the Campus Bookkeeper who will count the funds in the presence of the depositor and prepare an Activity Fund Cash Receipt once the deposit total is verified. The Campus Bookkeeper should also sign the Tabulation of Monies Form or the Ticket Sales Accountability Form.
 - 5. The Activity Fund Specialist should keep on file for 5 years for audit purposes the original Tabulation of Monies form or Ticket Sales Accountability Form with the attached Cash Receipt.

6. Individual sponsors and the Campus Bookkeepers should keep verified copies of the Tabulation of Monies collected or Ticket Sales Accountability Form for 5 years for audit purposes.

SECTION 5 DEPOSIT OF FUNDS

5.1 GENERAL OPERATING PROCEDURES

- A. All monies (cash and checks) collected must be deposited to the activity fund bank account. Cash collected may not be used to make purchases or payment of any kind. All payments from the activity fund must be made with a check from the activity fund bank account.
- B. Campus Bookkeepers must make deposits whenever cash collections exceed \$100.
- C. Deposits should always be made on Friday even though the cash on hand does not exceed the maximum allowable.
- D. Sponsors are not to take money home or keep it in unsecured classrooms, large collections should be deposited with the Campus Bookkeeper each day. Sponsors should not hold more than \$100.00 longer than overnight.
- E. The Campus Bookkeeper may want to establish set times each day for collected funds to be turned in. Please check with the bookkeeper on your campus and help them by complying with this schedule. All funds should be properly receipted and counted as described in this manual before they are brought to the Campus Bookkeeper for deposit.
- F. All checks held for deposit shall be endorsed as follows:

For Deposit Only
NCISD Campus/Student Activity Fund
Name of the School
Account Number

It is recommended that all checks be endorsed at the time they are receipted or accepted.

- G. All cash receipts supporting cash deposits shall be deposited in numerical sequence.
- H. Re-deposits (of returned checks) must be deposited separate from other funds collected.
- I. All monies on hand at the end of the school year, including petty cash, should be deposited prior to closing the books for the year.

5.2 PROCEDURES FOR PREPARATION OF BANK DEPOSITS

- A. A bank deposit slip shall be prepared in triplicate and shall include the following:
 - 1. The date and amount of the deposit.
 - 2. The cash receipt number(s) issued that make up the deposit.
 - 3. A copy of each check and the receipts should be included in the deposit back up.
 - 4. Campus account # & Fund #'s.
 - 5. Receipt and batch number.
- B. Please make sure that all checks in the deposit have the club account number or summer school on the face of check. All checks should have DOB, DL#, and phone # on them.

- C. The original copy of the deposit slip is retained by the bank. The duplicate copy is validated by the bank and returned at the time of the deposit. A copy of the deposit back up should be made by the Campus Bookkeeper for his or her records. The Activity Fund Specialist should verify the validated amount.
- D. The sum of the amounts of the supporting cash receipts must agree with the amount of the deposit slip.
- E. For procedures on handling returned checks, re-deposits, and deposit corrections, see Section 6 of this manual.

5.3 CASHING OF CHECKS

All monies 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.** Do not co-mingle personal funds and district funds for any reason.

SECTION 6 RETURNED CHECKS AND REDEPOSITS

6.1 RETURNED CHECKS

Occasionally, a check which had been previously deposited is returned by the bank for a variety of reasons. A check may be returned for improper signature, insufficient funds, or account closed. When a check is returned by the bank, the following procedures shall be followed:

- A. The Campus Bookkeeper shall immediately notify the maker of the returned check and request that it be redeemed with **cash**.
- B. If the maker of the returned check requests that it be re-deposited, such action shall be taken. A check may be re-deposited only once; after such time only cash may be accepted.
- C. Under no circumstances should the returned check be surrendered to the maker except in return for cash. A copy of the check must be made before the check is surrendered to the maker.
- D. No checks shall be accepted from a party who has not redeemed a previously returned check.
- E. Retain all bank memorandums in the school files.

6.2 RE-DEPOSITS

When a returned check is redeemed by the maker, the resulting deposit is known as a "re-deposit." Procedures to be followed are:

- A. Prepare a separate deposit disclosing:
 - 1. Date and amount of re-deposit.
 - 2. Name of the maker of the returned check.
 - 3. The previous cash receipt number or the activity account where the check was originally deposited.
- B. DO NOT issue a cash receipt since such action would constitute a duplication.
- C. If a person redeems a returned check with cash, give him/her the returned check as his receipt. Keep photocopy for your records.

6.3 UNCOLLECTED CHECKS

Individual schools are responsible for the collection of returned checks. The following procedures are for checks deposited twice in the Activity Fund Account and returned the second time by the bank marked insufficient funds or account closed.

- A. Send a letter to the maker of the check requesting payment in cash or by cashier's check within a ten (10) day period. The letter should be sent to the last known mailing address of the maker and should contain the check number, date, and amount of check. DO NOT SEND ORIGINAL CHECK. The letter should stipulate the check has been re-deposited and returned, and unless payment is received within ten (10) days, the check will be forwarded to the County Judge for collection. This letter should be sent via Certified Mail - Return Receipt Requested. The returned check is to be debited to the activity account that was credited.
- B. If this attempt fails, then submit all original documentation to the NCISD Police Chief so that he can submit it to the County Judge for collection. Please retain a copy for your records.

SECTION 7 DISBURSEMENTS

7.1 GENERAL POLICIES

- A. All expenditures shall be paid by check from the Activity Fund checking account or in cash (for purchases not exceeding \$50) from a petty cash fund.
- B. 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 expensed for the intended purpose of the group and should not divert for other uses.
- C. No expenditure of funds shall be approved by the principal unless funds are available in the appropriate activity account. Thus, no check shall be drawn on any account with a negative balance unless funds are anticipated at a later date in the appropriate activity fund account.

7.2 REQUEST FOR PURCHASE

- A. Section A of the Purchase Order/Check Request in Laserfische (Form D) must be completed and approved prior to ordering goods or services.
 - 1. The payee and address
 - 2. Date
 - 3. Activity fund account number to be charged
 - 4. Quantity, description, and price
 - 5. Signature of person requesting check and date
 - 6. Approved vendor number
 - 7. To whom to return check
 - 8. Bookkeeper verifies funds
 - 9. Bookkeeper approves Laserfische form
 - 10. Principal approves Laserfische form (Laserfische form will automatically date/time stamp at date and time of approval)
- B. After the goods or services and invoice have been received, a check request will be completed in TEAMS and submitted for approval and payment. A copy of the invoice and purchase order must be attached to the request.
- C. Check requests received by Monday @ 8:00 a.m. will be cut on Monday, and by Thursday at 8:00 a.m. will be cut on Thursday. Exceptions will be made for emergencies. Per Texas Education Code 44.031(h), an emergency would prevent or substantially impair the conduct of class or other essential school activities.
- D. Check requests for advances may be completed without supporting documentation. However, permanent documentation must be submitted to the Activity Fund Specialist later in support of the advance payment and the campus administrator must sign off on the documentation. A separate file should be kept to track outstanding advances. Only one outstanding advance per organization will be allowed at a time.
- E. The Activity Fund Specialist will cut the checks and mail to vendor or return to bookkeeper, whichever is indicated on the Check request.
- F. All invoices shall be checked to ascertain that sales tax has or has not been properly charged since most purchases made by schools are tax exempt. (See Section 13 on Sales Tax)

7.3 ISSUANCE OF CHECKS

- A. Payments must always be made to a specific person, company or organization. Checks shall NEVER be made payable to "cash."
- B. "VOID" checks shall have the signature area cutoff and stapled to the appropriate check stub.

7.4 ADVANCE PAYMENTS

- A. Advance payment may sometimes be requested for necessary expenses to be incurred by clubs or other student groups engaged in out-of-town travel. District travel guidelines must be followed.
- B. The check request shall indicate that the check is for a travel advance.
- C. Upon completion of the activity, the sponsor shall return any unused funds to the Campus Bookkeeper for issuance of a receipt. All supporting documentation and the receipt for unused funds must be forwarded to the Activity Fund Specialist to be attached to the original check request.
- D. The settlement of all advances shall be completed no later than fifteen (15) days after the completion of the activity for which the advance was made, except in cases deemed necessary by the principal. In all cases settlement should be attained prior to the end of the school year.

7.5 SUPPLEMENTAL PAYMENTS TO EMPLOYEES FOR SERVICES

The principal may occasionally compensate District employees for additional services performed. Such auxiliary services are those discharged by the employee in addition to their normal, specified duties and will usually be performed outside of regular work hours. Such payments should not be made directly to the employee. The correct procedures are as follows:

- A. Complete Laserfische Supplemental Time Sheet.
- B. Laserfische form will go to the Payroll Department.
- C. Payment will be made to the employee on their next regular paycheck.

7.6 PAYMENTS TO NON-EMPLOYEES FOR CONTRACTED SERVICES

- A. Payments for services performed by individuals not employed by the District may be made directly from the Activity Fund.
- B. For employment of non-district personnel, a Contracted Services Packet should be completed prior to the services being rendered. The Contracted Services Packet can be found on the district website under contracted services packet on the purchasing website. Refer to District Purchasing Manual for further instructions.

7.7 MEMBERSHIP FEES

Activity Fund monies (school accounts) may be used for individual membership dues in a professional organization not to exceed one membership each for the building principal and assistant principals as approved by the Superintendent. School membership dues are allowable expenditures from Activity Funds.

7.8 PROFESSIONAL CONFERENCE EXPENSES

Activity Fund monies may be used for professional conference expenses in accordance with the District's travel guidelines for out of district travel. A Travel Request form (Form F) must be completed in advance and submitted for approval. Complete the budget to be charged line with proper activity fund code.

SECTION 8 PETTY CASH

8.1 GENERAL POLICIES

- A. A petty cash account will be established for the cash purchase of small miscellaneous items (high schools only).
- B. Petty Cash cannot exceed \$300 for High School.
- C. It is the principal's responsibility to ensure the maximum protection of these funds.
- D. Disbursements from petty cash should not exceed \$50 for an individual purchase.
- E. Employee or other checks are not to be cashed from petty cash funds.

8.2 OPERATING PROCEDURES

- A. The petty cash account is established at the beginning of each year by issuing a check request in the desired amount (not to exceed the maximum stated in Section 8.1) payable to petty cash followed by the name of the Campus Bookkeeper. For example: Petty Cash – Jane Doe. The Campus Bookkeeper shall then endorse the check and cash it at the bank.
- B. Cash disbursements may be made from the petty cash account not to exceed \$50. Original invoices or other suitable documentation must be obtained for all petty cash expenditures. A petty cash request form (Form Q) should be completed and signed by the bookkeeper, the requestor, and the principal.
- C. Replenishment of the petty cash account shall be made once the cash balance falls below a manageable level such as \$75. Petty Cash Replenishment Form (Form Q-1) is to be completed and attached to a check request with all invoices and documentation attached.
- D. When the Activity Fund Specialist issues the check to replenish petty cash, in the General Ledger, the individual activity fund account will be charged for their expenditures.
- E. At the close of each school year, the petty cash on hand should be receipted and deposited into the appropriate Activity Fund bank account. The receipt is coded to the Petty Cash account, which should be -0- after closing.

SECTION 9 PURCHASING POLICIES AND PROCEDURES

9.1 PURCHASES FROM ACTIVITY FUNDS

- A. The school principal is fully responsible for all purchases and commitments requiring the present or future disbursement of Activity Fund monies. Employees **MUST** have a Laserfische Purchase Order (form D) submitted and approved by the school principal before obligating any activity funds.
- B. No purchases shall be made unless sufficient funds are available in the proper Activity Account or will be available at a later date in the appropriate activity fund account.

9.2 COMPETITIVE BIDDING REQUIREMENTS

The guidelines presented below serve as an introduction to making purchases through the Activity Fund. The Purchasing Manual must be consulted, and those policies and procedures followed when applicable to the purchase(s) being contemplated.

- A. Purchases under \$3,000 may be implemented in the most expedient manner available to the principal, provided that purchasing procedures are followed.
- B. Purchases of \$10,000 or more per purchase order, or a \$3,000 or more per unit cost, as a minimum, require written quotations secured from three (3) or more vendors and attached to the Purchase Order/Request for Check Form. A written explanation by the principal must be attached to the quotes when the lowest quote is not accepted.
- C. Refer to the purchasing manual for a list of categories and approved vendors. The only exception is if they are a sole source and an original notarized sole source affidavit (no copies or faxes) is on file in the purchasing department.

Campus Activity Funds must use the District's approved vendors so that the District is in compliance with purchasing laws. Student Activity Funds do not have to use the District's approved vendors, but the vendor must be in the system. If the vendor is not listed, then a New Vendor Request Form is required to be attached to the check request form.

Upon request, the New Caney ISD Purchasing Department will assist however needed.

SECTION 10 VENDING MACHINES

10.1 GENERAL POLICY

Schools are required to follow Child Nutrition guidelines concerning vending machines.

Revenue from vending machines, situated in all areas of the school, whether school-serviced or vendor-serviced, shall be controlled by the school principal and processed through the Activity Fund.

10.2 SCHOOL-SERVICED VENDING MACHINES

- A. All transactions involving funds generated by vending machines shall be entered in the Activity Fund Accounts established for this purpose. When the school stocks the vending machines and collects the funds, the school is the seller and is responsible for the sales tax when sales are made at times other than during the regular school day.
- B. Profits resulting from vending machine sales may be transferred, at the option of the principal, to accounts related to the supporters/payers from whom the profits were generated or other accounts for student related purposes.
- C. This method of entitling the individual Activity Fund Accounts should relate directly to the location of the machines and the intended purpose of the profits.

10.3 VENDOR-SERVICED MACHINES

A school may contract with a firm whereby the vendor agrees to service the machine and collect the money. The school then receives a periodic commission check from the vendor. The school is not required to establish an Activity Fund account for each vending machine operator under this type of arrangement. Vending machine profits (i.e., the commission checks) may be placed directly into the account related to the location of the machine or to the intended purpose of profits from the machine. A vendor performing these services is considered a full-service vendor and is responsible for the sales tax due to the state.

10.4 GENERAL OPERATING PROCEDURES

- A. All schools' revenue from vending machines must be collected and receipted at least weekly or when the amount exceeds \$100. Money cannot remain in the building over weekends or holidays.
- B. The principal is responsible for providing the maximum available security for vending machine inventories.
- C. Any balance justly due for vending machine supplies shall be paid in full upon receipt of each monthly statement.
- D. The balance in each vending machine account should be reviewed periodically to determine if a transfer of funds from profits from the account is warranted.
- E. Vending machine profits that have been transferred to any related account(s) may be expended for any expenditure generally permissible from that account.

SECTION 11 STATE, LOCAL SALES AND FEDERAL EXCISE TAXES

11.1 INTRODUCTION

- A. The obligation to collect Texas Sales Tax is imposed on the seller of taxable goods and services. Conversely, it is the purchaser of taxable goods and services who pays the tax to the seller. The seller then remits the tax to the state.
- B. New Caney ISD is a “tax-exempt organization” under the Texas Sales Tax law. The significance of this is that virtually all purchases may be made tax-free. The relief from paying sales tax on purchases arises from the following:
 - 1. Items for the District’s own use, necessary to the educational function, are specifically exempt from tax.
 - 2. Items for resale to students are exempt from tax when purchased but become taxable when sold. At that time, the District becomes the seller and must collect and remit the tax. This occurs frequently in the transactions accounted for in Activity Funds.
- C. In determining whether a taxable sale has occurred, the basic consideration is whether a student or other person owns the property or receives a direct personal benefit from a service provided.
- D. All funds received and deposited in 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 Activity Fund Specialist so that it can be reported to the state.

11.2 PURCHASES

- A. ***All purchases made for the exclusive use of a school should be made tax exempt.*** A Texas Sales and Use Tax Exemption Certificate form (Form J) should be issued to the vendor when first doing business with the vendor. Afterward, a purchase order is sufficient for a school’s exempt status. Exemption forms require no number to be valid. When reimbursing a district employee for purchases made on behalf of and for the exclusive use of a school, **sales taxes should not be reimbursed to that person.** To keep a person who makes the purchase from having to absorb the sales tax, complete and give them a Texas Sales and Use Tax Exemption Certificate before they make the purchase. Personal items should be purchased separately to ensure proper handling of sales taxes.
- B. ***All*** items purchased to ***resell*** during a fundraising event or as part of student activities, such as PE uniforms, school supplies, locks, and T-shirts, should be made as non-taxable purchases from the vendor. A Texas Sales and Use Tax Exemption Certificate showing the District’s Sales Tax Permit Number, 1-74-601997-2, should be given to the vendor unless the vendor already has one on file. The tax will not be paid until the District sells the item and has collected the tax.
- C. Sales taxes for all taxable transactions should be properly collected, reported and remitted each month, ***including the summer months, to the Finance Office by the tenth of each month.*** Zero reports are required for months in which a school has no taxable sales.
- D. ***Faculty and Other Employee Organization Funds*** – When such funds make purchases of flowers, greeting cards, and items for individuals, sales taxes should be paid to the vendor. Since these purchases are taxable, reimbursement of sales taxes is permitted. **Purchases made from the faculty or other employee funds for the exclusive use of the school should be made tax exempt and sales taxes should not be reimbursed.**

11.3 REPORTING AND REMITTING SALES TAXES TO FINANCE OFFICE

- A. Sales Tax Report (Form R) – You may want to use the Sales Tax Worksheet (Form S) to calculate the amount of sales for each item sold at your school during a month when sales taxes are included in the selling price (e.g. when \$6 paid for a T-shirt includes the price of the shirt and the sales tax on the T-shirt).

- B. When sales taxes are added to the sales price of an item, the applicable rate is 8.25% (subject to change) for all campuses.

11.4 TAXABLE SALES

The following items and activities are *taxable* when *sold* or sponsored by a school, by an organization within a school, PTO or Booster Club, subject to exemption only as “one-day tax-exempt sales” (see Section 12.8, following). The basic principle is that where ownership passes to a student or someone else, the tax must be collected.

Agenda Books	Parts – C&T classes
Agricultural Sales	Parts – upholstery
Art – supplies and works of art	PE – uniforms, supplies
Artistic – CDs, tapes, videos	Pennants
Athletic – equipment and uniforms	Pictures – school, group (if school is the seller)
Auction Items sold	Plants – holiday greenery and poinsettias
Automotive parts and supplies	Rental – equipment of any kind
Band – equipment, supplies, patches, badges, uniforms	Rental – towels, uniforms of any kind
Book Covers	Repairs to tangible personal property (i.e., computer repair, house remodeling)
Books – workbooks, vocabulary, library, author (When we are the seller)	Rings and other school jewelry
Brochure Items	Rummage and garage sales
Calculators	Safety supplies
Calendars	School Publications – athletic programs, posters, newsletter
Candles	School Publications – brochures
Car – painting, pin striping	School Publications – reading books
Clothing – school, club, class	School Publications – Sheet music
Computer supplies	School Publications – Yearbooks
Computer printing charges	School Publication – newspaper
Concession Sales	School store all items except food
Copies, printing, laminating charges	Science – kits, boards, supplies
Cups – glass, plastic, paper	Spirit Items
Decals	Stadium Seats
Directories – student, faculty	Stationary
Drafting Supplies	Supplies – any sold to student
Family and Consumer Science – supplies and sewing kits	Uniforms – any type to include PE, dance team, drill team, cheerleader, athletic, club shirt
Flowers – roses, carnations, arrangements	Vending – pencils and other non-edible supplies when the school services the supplies
Greeting Cards	Woodworking crafts – entire sale to include parts and labor
Handicrafts	Yard signs
Horticulture Items	Additional items may be added in some circumstances
Hygiene supplies	
Identification Cards – when they are sold to entire student body (not just replacement cards)	
Locks – sales and rentals	
Lumber	
Magazine – subscriptions less than six months	
Magazines when sold individually	
Merchandise, tangible person property	
Musical Supplies – recorder and reeds	

11.5 NON-TAXABLE SALES

The following items and activities are ***not taxable*** when sold or sponsored by a school, an organization within a school, PTO or Booster club. This list is not all-inclusive:

Advertisements-such as those sold for school newspapers, athletic program	Gold C coupon books
Admission – Campus	Gym usage fees
Admission – Events (athletics, dramas, dances, etc)	Labor to auto repairs to personal property
Commissions	Lost textbook payments
Concessions	Magazine sub – six months or longer
Cosmetology Services	Raffle tickets
Deposits	Services – car wash, cleaning
Discount Cards – laminated, gold	Summer school tuition and fees
Dues	Tickets for admission to athletic events, dramas, dances, school carnival and entertainment events
Facility rentals for school groups	Transcripts
Fees – clinics, workshops, club memberships (note: property items attendees keep are taxable and taxes should be remitted)	Vending Machine sales of soft drink and candies (during the school day in elementary and secondary schools) (see section 12.9 following for more information on vending machines)
Field Trips Fees	
Fines lost ID cards, textbooks, library books, chrome books, etc. issued by district	
Food items sold during fundraisers, or during a regular school day. See Section 11.6 Food Sales.	

11.6 FOOD SALES

- A. Regardless of who the seller is, food sold ***in*** elementary or secondary schools ***during a regular school day***, is exempt from sales tax. This exemption from sales tax applies to guests and employees served in a school cafeteria or teacher's lounge during the regular school day.
- B. Catered food sales by Food Service in elementary and secondary schools before or after a regular school day are taxable unless sold to the School District itself. Catered sales are taxable only when attendees purchase their own meals.
- C. Catered food sales by Food Service to the Central Office or ancillary locations at any time are taxable unless sold to the School District itself. Catered sales are taxable only when attendees purchase their own meals.
- D. Food Service – leftover bakery items sold at the end of a school day are not taxable.
- E. Food sales are exempt when sold by a person under 19 years of age who is a member of an organization associated with an elementary or a secondary school as part of a fundraising drive sponsored by the organization for its exclusive use.
- F. Soft drinks, candy, popcorn, etc., are not taxable when sold at campus dances or similar events after a regular school day if the sales are part of an organization's fundraiser.
- G. All athletic event concession sales are taxable unless the sales are part of a fundraising event.
- H. If a tin can of cookies is sold for \$5 each, *when the price for the tin can and the cookies is not stated separately*, if the tin can has an estimated value of \$2, and the cookies have an estimated value of \$3, the transaction is not taxable because the cookies are over 50% of the total value of the tin can and cookies. On the other hand, if the tin can has an estimated value of \$3, and the cookies have an estimated value of \$2, the transaction is taxable because the tin can is over 50% of the total value of the tin can and cookies.

- I. If a tin can of cookies is sold for \$5 each, *when the price for the tin can and the price for the cookies are stated separately*, the sale of the tin can is taxable. The sale of the cookies is not taxable.
- J. ***Meals during school trips*** – sales taxes are not due on meals purchased by a school for an athletic team, band, debating club, or similar school supervised organization on a school-approved trip. For the School District to take advantage of this, a completed Texas Sales and Use Tax Exemption Certificate should be given to a school district representative traveling with the group. The exemption certificate should be presented at the restaurant prior to the bill being prepared. This applies only to the group when there is one bill. This exemption does not apply to an individual traveling with the group who may want to go to a separate restaurant to eat. District check, activity fund check, employee credit card or cash can make payment. ***The District's travel procedures apply in all of these situations.***

11.7 CHEERLEADER UNIFORMS

Cheerleader uniforms are taxable unless sold to an exempt entity. New Caney ISD is exempt; however, students attending the schools are not exempt. Therefore, if a school buys two uniforms for each cheerleader and each cheerleader pays for one of the uniforms, then the uniform paid for by the cheerleader is taxable.

11.8 ONE-DAY TAX-FREE SALES

- A. Each school, each bona-fide chapter within a school (Student Council, National Honor Society, Band, Senior Class, FFA), each PTO, and each Booster Club ***may have two (2) one-day, tax-free fundraisers per calendar year.***
- B. 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. 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 cheerleading club qualifies, but the cheerleading team does not.
 - The debate club qualifies, but the debate teams and classes do not.
 - The French club qualifies, but the French classes do not.
 - The senior class qualifies, but not a particular class that has seniors in it.
- C. Items to be sold at one-day tax-free sales should be purchased tax-free by issuing a Texas Sales and Use Tax Exemption Certificate to the seller.
- D. An organization is not required to obtain a Sales Tax Permit if it ***does not sell*** taxable items during a calendar year other than a one-day tax-free sale.
- E. The sale of yearbooks may be chosen by a school to be one of its two (2) one-day tax-free fundraisers. Yearbooks fall under a special provision of the sales tax rules. Yearbooks are taxable unless chosen to be a one-day tax-free sales day.
- F. A one-day tax-free fundraiser can add to the profitability of a fundraiser and/or reduce the total cost to the buyers. Proper planning can qualify an organization's fundraisers as one-day tax-free sales. One way to qualify as a tax-free sale would be to deliver the items being sold to the buyers on a single day (yearbooks are an exception). Orders and/or collections could be taken over an extended period before delivery is made. The sale is ordinarily deemed to occur when title to the property passes to the purchaser, which generally occurs upon delivery.

G. A fund raiser that does not qualify as a one-day tax-free sale:

- Book Fairs – The reason book fairs do not qualify as a one-day tax-free sale is that the school is not the seller, acting only as an agent of the vendor. As an agent, the school receives only a commission and is not considered to be making sales.
 - Other sales activities where the school receives a commission.
- H. If items for a fundraiser are received from a vendor under an agreement that the vendor will take back the items that do not sell (consignments), such fundraisers do not qualify as one-day tax-free sales.
- I. One-day tax-free sales mean that sales taxes do not have to be collected and remitted to the state on such sales. However, the sales must be reported on a school's monthly tax reports to Central Office. Report one-day tax-free sales on the Sales Tax Report form. Show the description, date, and the total amount collected for the one-day tax-free sale in the lower part of the form.
- J. Be prepared to provide a consolidated report on a calendar basis, listing each group's tax-free sales days.

11.9 VENDING MACHINES

- A. Schools – Sales of food items (soft drinks and candy) from vending machines located in elementary or secondary schools during the regular school day are tax exempt. This applies to vending machines located in faculty lounges as well. Sales from vending machines in elementary and secondary schools that occur after a regular school day are taxable.
- B. All sales from vending machines not located in elementary or secondary schools are taxable.
- C. A vending machine owner who a) places a machine at the location of another person without charge, b) keeps the machine stocked, c) removes the money from the machine, and d) pays the location owner, either a flat fee or a commission on what is sold, is the seller of the vended items to the buyer. A vendor performing these services is considered to be a full-service vendor and is responsible for the sales taxes due to the state.
- D. If a school or other organization a) purchases the soft drinks, b) keeps the machine stocked, and c) removes the money from the machine, the school is the seller and is responsible for the sales taxes when sales are made at times other than during the regular school day.

11.10 WORKSHOPS AND CLINICS

A flat fee charged by a school's organization to put on a workshop or a clinic is not taxable. Tangible items incidental to putting on the clinic/workshop that the attendees keep are not considered taxable when included in the flat fee. However, sales taxes are due on the purchase of the items for distribution to attendees at the workshop/clinic if the attendee keeps the items.

11.11 LODGING

- A. School employees and students traveling on District business should present a ***Hotel Occupancy Tax Exemption Certificate to the hotel/motel in lieu of paying state hotel occupancy tax*** (See Form K). This should be presented to the hotel at time of check-in and a District check should be used for payment.
- B. This exempts only the ***state*** portion of hotel occupancy taxes, ***not the city and county*** portions.
- C. This exemption is valid no matter how paid (District check, personal credit card, etc.), as long as the appropriate exemption certificate is given.

11.12 EMPLOYEE ASSOCIATIONS

- A. Employee associations, such as New Caney Food Service Association and any other association of employees of the District, should obtain their own Federal Identification Number. The District's tax-exempt status or sales tax reporting system does not cover them.
- B. Employee associations are not allowed to have one-day tax-free sales.

11.13 TAX INFORMATION ASSISTANCE

Questions regarding interpretation, application, and reporting under the Texas Sales Tax law should be directed to the Finance Office.

11.14 OUT-OF-STATE PURCHASES

Whether items are purchased in state or out-of-state does not determine taxable status. An out-of-state vendor may be required to collect Texas sales taxes at the time of sale, but this would be extremely unusual. It is recommended that all purchases be made tax-exempt where possible.

11.15 MOTOR VEHICLE RENTAL

To receive exemption from the state tax, the rental agreement (contract) must be between the rental company and New Caney I.S.D. (not the individual employee). The rental of motor vehicles requires a different exemption certificate form than the Texas Sales and Use Tax Exemption Certificate (Form T, Motor Vehicle Rental Exemption Certificate). Mark *A Public Agency* as the reason for claiming an exemption. State sales tax will not be reimbursed to an employee renting a car on district business. ***NOTE: This exemption applies only in Texas.***

11.16 PURCHASE OF PREPARED FOOD

- A. Prepared food that is purchased for District employees, to be consumed during a working meeting in the District, is tax exempt. Sales ticket/invoice must show sold to NCISD and an exemption certificate given to the vendor.
- B. Meals purchased while traveling on District business is exempt only if paid directly by the District and an exemption certificate is given.
- C. If meals are purchased while traveling as advisor with a student group, the meal is exempt if they are all written up as a single purchase by NCISD, and employee advisor pays for them all and an exemption certificate is given.

SECTION 12 FUNDRAISING ACTIVITIES

12.1 DEFINITION OF FUNDRAISING ACTIVITIES

A fundraising 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.

12.2 FUNDRAISING ACTIVITIES FOR A SCHOOL

A. GENERAL

1. Fundraising activities are not confined to regular school hours but are considered an extension of the school program. When fundraising 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.
2. Approved vendors on all campus activity fundraisers.
3. Each organization is limited to a maximum of two fundraising activities.
4. To request permission to conduct a fundraising activity, the club sponsor must complete the application portion of the Finance Fundraising Application Laserfische form (Form M1 and 2).
5. All requests submitted will be screened by an administrative committee with the committee's recommendation being submitted to the Executive Director of Student Services for approval.
6. At the end of each fundraiser each organization shall report to the principal regarding the outcome of each fundraising activity and how these funds will be used.
7. Those fundraising activities and student activities which require solicitation of funds from business or commercial establishments or residents shall be limited to the attendance area served by the school. No student shall solicit funds or attempt to sell ads to the public except in his or her own attendance area. This restriction does not apply to solicitations made outside of the boundaries of the District.
8. At the elementary level, door-to-door fundraising by students in activities sponsored by the school or by a school related organization is **prohibited**.
9. All athletic fundraisers will be processed through the athletic office.
10. All fundraisers should be assigned a control number by the campus bookkeeper. The financial recap should be submitted and approved through Laserfische with the original fundraiser control number.

B. ACCOUNTING FOR FUNDRAISING ACTIVITIES

1. Collections and Disbursements:
 - All collections must be receipted, and all payments must be made in accordance with Section 4 of this manual.
 - All collections and disbursements associated with any fundraising activity coordinated by the school or a school-recognized student group shall be transacted through the Activity Fund.
 - Upon completion of fundraising activities, the Financial Recap Section of the Laserfische Fundraising Application and Financial Recap (Form M-2) must be completed by the sponsor. The Laserfische form will go to the Principal for approval. Once approved, the form is filed with the Activity Fund Specialist, and a copy must be retained by the sponsor and Campus Bookkeeper.

This report should indicate gross collections and list any expenses incurred relative to the activity merchandise (advertising, sales tax, prizes, etc.). Disposition of the net proceeds (profits) should also be disclosed if funds were collected for a specific purpose. The sponsor is ultimately responsible for the actual preparation of the Financial Recap and give to the Campus Bookkeeper who will forward the original to the Activity Fund Specialist.

- All Campus Bookkeepers must keep a copy of the Fundraising Application (Form M-1) and financial recap (Form M-2). A Fundraiser Log (Form B) must be kept and checked weekly to ensure that deposits are being made when a fundraiser is taking place and to ensure that all recaps are completed when the fundraiser is complete.
- The club sponsor or activity chairman is responsible for keeping accurate records for all fundraising activities. Such records should include at minimum:
 - A. Distribution Lists.
 - B. Tabulation Form (Form A).
 - C. Original cash receipts received for money turned into the Campus Bookkeeper.

SECTION 13 INVESTMENTS

13.1 GENERAL POLICIES

All excess funds in the activity accounts will be invested by the Finance Department in an investment pool. Interest earned will be used to offset expenses for maintaining accounts payable and checking accounts.

SECTION 14 TRANSFER OF FUNDS BETWEEN ACTIVITY ACCOUNTS

14.1 GENERAL POLICIES

- A. Some activity accounts are established for the single purpose of isolating transactions for a specific activity, collection, solicitation, etc., thereby enabling the profitability of the activity to be determined; a Picture Account and Candy Sale Account would be two (2) examples. Net proceeds remaining in such an account must be transferred to the account approved on a Transfer of Funds Authorization Form (Form P). For example, if pictures were taken to provide funds for new library books, then the net proceeds (balance in the Picture Account after all remittances to the studio, etc.) should be transferred to the Library Account on a Transfer of Funds Authorization Form.
- B. Some activity accounts are expected to be revenue producing by the very nature of the accounts. Receipts almost always exceed possible expenditures, and the balance in such an account will increase indefinitely unless some disposition is made of the excess revenue; vending machine accounts are an example. As detailed in Section 9.2, vending machine revenue should be transferred, at the option of the principal, to accounts related to the supporters/payers from which the profits were generated or other account for student related purposes.
- C. Occasionally a club will compensate another school organization for goods purchased or services performed. This may occur when a club purchases advertising in the yearbook, newspaper, etc. A transfer of funds shall be made between accounts in such instances in lieu of issuing an Activity Fund check.
- D. Likewise, a club may desire to make a voluntary donation or contribution to partially defray the expenses incurred by another club in directing a certain activity. In such cases, the contribution shall be affected by an internal transfer of funds.
- E. Transfers require the approval in writing of the principal and club sponsors or account custodians when the transfer involves accounts with delegated responsibilities.

14.2 DOCUMENTATION OF TRANSFERS

- A. Each transfer shall be initiated by preparation of Transfer of Funds Authorization Form (Form P) disclosing both the amount of and the reason for the transfer.
- B. When all required approvals have been obtained the District Accountant may proceed with the necessary journal entries.
- C. All copies of the Transfer of Funds Authorization Forms shall be maintained with the School Activity Fund Records.

Appendix - Activity Fund Forms

Form	Title
A	Tabulation of Monies
B	Fundraiser Log
C	Extra Pay Request
D	Purchase Order
F	Travel Request Form
G	Student Group Travel Expense Form
J	Texas Sales Tax Exemption Certificate
K	Hotel Occupancy Tax Exemption Certificate
M-1/2	Fund Raising Application and Financial Recap
N	Monthly Account Activity Form
P	Transfer of Funds Authorization
Q/Q-1	Petty Cash Request/Petty Cash Replenishment
R	Sales Tax Report
S	Sales Tax Worksheet
T	Motor Vehicle Rental Exemption Certificate
U	Ticket Sales Accountability
V	Reconciliation Control Sheet
W	Payment Authorization Form
W-9	IRS W-9 Form

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List of Acronyms

PEIMS – Public Education Information Management System

SBDM – Site-based Decision Making

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