

# **Iraan-Sheffield ISD**

## ***SCHOOL ACTIVITY FUND ESSENTIALS (S.A.F.E.) MANUAL***



**Home of the Braves & Bravettes!**

## PREFACE

This manual is designed to provide a set of standardized accounting guidelines and procedures for the administration of the Iraan-Sheffield Independent School District Activity Funds.

Principals, secretaries, sponsors and other personnel involved in the handling of Activity Funds are responsible for following the guidelines and procedures prescribed in this manual.

This manual supersedes all prior publications regulating the administration of Activity Funds.

The campus principal shoulders the full responsibility for the proper administration and maintenance of his/her campus activity funds. While the faculty sponsor(s) of a student group is/are responsible for maintaining adequate financial records as evidence of proper custodianship of money received by and disbursed from club accounts, the principal is ultimately responsible for assuring procedures, guidelines, and laws are followed.

The purpose for the collecting or raising and expending of funds by student groups is for the direct benefit of the students and/or their campus. Funds are to be used to finance activities that supplement the District's educational program as designated in the School Activity Fund Essentials (S.A.F.E.) Manual. Fundraising activities will contribute to the educational experience of students and will not conflict with the instructional program as outlined in board policy.

I hereby acknowledge that I have read the Iraan-Sheffield Independent School District Student Activity Fund Essentials (S.A.F.E.) Manual and that I am responsible for complying with it. In particular, I acknowledge that I will be held responsible for all campus and student activity funds entrusted to me. Violations committed through willful neglect, irresponsibility, or fraudulent actions shall be dealt with through the appropriate board policies and district employment practices.

\_\_\_\_\_  
Principal Signature

\_\_\_\_\_  
Date

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## SECTION 1 GENERAL INFORMATION

### 1.1 PURPOSE OF ACTIVITY FUNDS

#### **FEDERAL FUNDS ARE NEVER COMMINGLED WITH CAMPUS ACTIVITY FUNDS OR STUDENT ACTIVITY FUNDS.**

The Student Activity Fund (SAF) is designed to account for funds held by a school in a trustee capacity or as an agent for students, clubs, or organizations of the school. These are funds collected by a student groups for a particular purpose. They are reported as an agency fund in the District's financial statements. The campus records only the liability to the student or staff group for those funds held in trust. Examples of this type of fund would be Student Council Funds or Junior Class Funds.

The Campus Activity Fund (CAF) is composed of various non-tax generated local monies coming into the school or raised at the campus level from various sources, such as campus vending machines, assemblies, picture sales, school-wide sales, donations to the campus, and various fees collected at the campus. Fees collected on behalf of the district for restitution for damages to property, and textbook fines shall be forwarded to District administration for deposit in the general fund. Other fees assessed on campus remain in the campus fund. Campus activity funds are reported as revenue and expenditures in a special revenue fund on the District's financial statements. These funds may be used as authorized by the Board of Trustees in Policy CFD local to promote the general welfare of the school and the educational development and morale of all students. Principals must be able to justify expenditures of those funds by answering the following question: "Is there a public purpose in the realm of education?"

The following criteria should be upheld for all campus activity fund expenditures:

- The expenditure must serve a public purpose and not a private purpose;
- The expenditure should be for the benefit of all students or to enhance employee morale. Equity does not mean everyone is doing the same thing; it means dealing with everyone's needs at the level of their need;
- The campus must perceive that they will receive something of public benefit in exchange for the expenditure;
- The campus must exercise reasonably adequate controls to ensure that the benefit is in fact received; and
- The campus must be able to correlate the expenditure to a legitimate educational purpose. Section 3.1.3 of the TEA Financial Accountability System Resource Guide (FASRG) states "ethical standards should be incorporated into the foundation of all purchasing functions. School district personnel should be aware that there are penalties for violations of purchasing laws and ethics which may include criminal prosecution and loss of employment opportunities."

Campus Activity Funds are public funds according to Texas Education Agency and are subject to Constitutional and statutory controls. Campus funds are subject to all District regulations.

Purchases of a personal nature shall not be commingled with purchases made for District use. Personnel cannot use the District's tax-exempt status to avoid paying sales tax on personal items. If an employee makes both personal and reimbursable school related purchases during the same visit, the two purchases shall be handled separately and two cash register receipts obtained.

## **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:

- Providing for the safekeeping of monies for deposit to the campus activity fund account or the student activity fund account.
- Proper accounting and administration of fund transactions.
- Expenditure of funds in compliance with applicable state laws, local board policy and administrative guidelines.
- Adequate training and supervision of all personnel designated by the principal to administer activity funds. Student groups must have a district employee to serve as a sponsor for fundraising activities. Each sponsor shall be informed of his/her fiscal responsibilities regarding student funds, provided with access to the S.A.F.E. manual, and required to sign a Responsibility Statement (S.A.F.E. form AB) which is to be kept at the campus and available for audit.

**The principal is not directly responsible for funds collected, disbursed and controlled by parent or booster organizations. Parent and booster organization funds are not to be accounted for in the campus/district activity fund nor shall parent or booster organizations be allowed to use the district's tax identification number.**

## **COLLECTION OF FUNDS**

All funds collected shall be receipted and turned into the office daily. Bank deposits must be made at the minimum of once a week. Teachers/Sponsors shall avoid keeping money overnight and no money shall be left in classrooms overnight. The sponsor is responsible for all money, merchandise and materials used in the fund-raising project.

## **1.3 AUDIT OF ACTIVITY FUNDS**

The district's independent auditor audits activity funds annually on a test basis. The district comptroller may conduct periodic reviews of transactions and procedural compliance. In addition, an audit may be performed whenever there is a change in principal or secretary. The principal may request in writing a special audit if a situation or event warrants it.

## **1.4 RETENTION OF RECORDS**

All records should be kept current and in good order for a period of five years and available for audit at any time.

## **1.5 APPROPRIATE AND PROHIBITED EXPENDITURES OF CAMPUS ACTIVITY FUNDS**

**EXAMPLES OF APPROPRIATE EXPENDITURES** – (principals should use discretion to assure expenditure serves a public purpose and benefits the school district overall). Awards and incentive costs should be reasonable and complement the recognition being given.

- Expenses and purchases related to approved fund raising activities
- Training for staff
- Scholastic magazines and books
- Supplemental classroom instructional needs and general office supplies
- Improvement of campus and site facilities such as plants, bulletin boards, signs and flags
- Tickets for school-related functions when attendance is required by the Principal
- District approved conference attendance and travel costs for employees subject to District policy

- Organizational or institutional memberships for administrators. However if an individual membership is necessary for students to participate in certain activities, then the expenditure is acceptable only if a notation is made to document the necessity
- After hour security or facility maintenance
- School assemblies or field trips
- Student body social functions
- Incentives for student involvement and attendance
- Awards such as plaques, caps, certificates, etc. in recognition of students, staff, or volunteers for services to the school or to ISISD. Awards should not exceed \$25 per person. Student awards may be regulated in other areas of law or UIL rules and the principal must act accordingly.
- Supplementing of student organizations' activities
- Incentives designed to enhance employee morale such as meals provided for all staff, light snacks for staff meetings, or small incentives as recognition for attendance, accomplishment, or retirement recognition. Retirement awards are not to exceed \$100 per employee.
- Meal costs should not exceed district per diem per employee. The request form should state the purpose of the gathering as well as include the number of meals purchased.

### **PROHIBITED EXPENDITURES**

- Any expense prohibited by federal or state law, TEA, U.I.L., Board policy, or ISISD regulations
- Any expense that 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
- Alcoholic beverages, tobacco products, controlled substances, firearms, and other weapons
- Extravagant or high priced awards
- Purchase of a gift for any person or organization other than those permitted to enhance employee morale as noted above
- Payment of an individual's personal bills
- Donations to individuals, organizations, or scholarship funds [proceeds of an authorized fund raiser specifically for that purpose should be accounted for under the student group (trust and agency) fund]
- Loans to employees, parents, or students for any reason
- Reimbursement for luncheons or dinners while attending civic organization's meetings
- Payment for professional organization liability insurance on any individual
- Fund raising dinner tickets
- Payment of expenses of spouses or other non-employees
- Extra compensation or bonuses to employees in the form of cash or gifts. (See procedures outlined for request for after-hours pay through the normal payroll process)
- 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. If a circumstance bears consideration due to district custody or responsibility seek approval from the Business Manager and/or Superintendent.

### **FEDERAL FUNDS ARE NEVER COMMINGLED WITH CAMPUS ACTIVITY FUNDS OR STUDENT ACTIVITY FUNDS.**

**SECTION 2 FUNDRAISING ACTIVITIES**

**2.1 AUTHORIZATION FOR FUNDRAISERS**

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.

Fundraisers are held only to raise funds for the benefit of the student body or an individual student group and are governed by District Policy FJ (Legal) and FJ (Local).

**REQUESTS FOR FUNDRAISING ACTIVITIES** Teachers or sponsors must secure approval of fundraising activities prior to making any commitments to stakeholders. Materials or merchandise for a fundraising project may not be ordered without prior approval from the campus principal or designee.

Approved fundraising projects will be placed on the campus activity calendars.

The campus principal has full authority to limit the number and types of fundraising activities for each organization.

**SOLICITING FUNDS FROM STUDENTS** The following rules will govern collections and sales in the schools:

- 1 No collection of funds for any purpose may be taken from students unless authorized by the principal or designee.
- 2 Collection of items, such as clothing or food for distribution at holidays, may be made only upon written approval of the campus principal.
- 3 Sales, including candy or other articles, for funds to be used by schools or related organizations will not be made in the school or in the name of the school without the approval of the campus principal.

**SERVICE PROJECTS** When no solicitation is involved and class time is not interrupted, an organization may have an unlimited number of service projects.

**CHARITABLE RAFFLES** The District is not a "qualified nonprofit organization" for purposes of the Charitable Raffle Enabling Act and shall not sponsor or conduct raffles, i.e., award one or more prizes by chance at a single occasion among a pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize. Occupations Code 2002.001 et seq.; Atty. Gen. Op. JM- 1176 (1990) [See also GE]

All collections and disbursements associated with any fundraising activity coordinated by the school or a school-recognized student group shall be transacted through the appropriate activity fund. Activities of bona fide student groups will be transacted through the student activity fund.

**CONTRACTS**

No employee may enter into a contract giving any vendor the right to sell property or services to students and/or staff. All contracts must be signed and approved by the Business Office. Any contracts not signed by the Business Office are not a liability of the school district or campus, but are the responsibility and liability of the person who signed the contract.

## 2.2 RELATIONS WITH PARENT ORGANIZATIONS

PTA/PTO/Booster Clubs	<p>Parent organizations and booster clubs may be formed (with the approval of the campus principal) to promote the school program or to complement a particular student group or activity.</p> <p>Such organizations must agree to abide by all applicable UIL, District, and campus rules.</p>
LIAISON	<p>The faculty sponsor of a student group will serve as the liaison between any organization formed in connection with that student group and the District. If no specific student group is involved, the principal will serve as the liaison.</p> <p>A current list of officers of each organization will be kept on file in the principal's office of the school involved.</p>
OPERATIONS	<p>District and campus organization booster clubs will:</p> <ol style="list-style-type: none"><li>1 Be voluntary and support student activities of the school.</li><li>2 Use school facilities only with the prior approval by the campus principal or designee.</li><li>3 Not attempt to influence District employees in the administration of duties.</li><li>4 Comply with administrative regulations, Board policy, and any applicable UIL rules then offering money or gifts to the District. [See CDC]</li><li>5 Pay all taxes and other debts incurred by the organization.</li><li>6 Assume liability for any and all personal injuries or property damage arising from their activities.</li></ol>
CHARITABLE RAFFLES	<p>A "qualified nonprofit organization" for purposes of the Charitable Raffle Enabling Act may conduct raffles in accordance with the Act to benefit the District or school. A parent-teacher organization may be qualified to hold such raffles if it meets the requirements of the Act. Occupations Code 2002.003, 2002.051; Atty. Gen. Op. JM- 1176 (1990) [See also FJ]</p>
U.I.L.	<p>Booster Clubs should reference the U.I.L. web site for guidelines and regulations regarding limitations and guidelines for operating.</p>

## **SECTION 3    SALES TAX**

### **3.1    PAYING SALES TAX**

Public schools are exempt from paying the state sales and use tax when purchasing items used in providing education. The school should provide a vendor with a Texas Sales Tax Exemption Certificate if it is requested.

Purchases made by individuals for their own use are not tax exempt even though they are related to the school or a school function. For example, cheerleader uniforms, athletic jackets, and school shirts which become personal property of students or staff members are not exempt from sales tax.

### **3.2    COLLECTING SALES TAX**

Public schools and school-related organizations must collect sales tax on all sales that are not specifically exempt. For example, sales tax must be collected on the following (subject to one-day tax free exemption):

- School-purchased supplies sold directly to students including athletic equipment and PE uniforms
- Pencils and items sold in the school store
- Fees for materials when the end product becomes a possession of the student
- Student publications such as yearbook and football programs
- School rings
- Books sold to students at book fairs

Public schools and school-related organizations are not required to collect sales tax on the following:

- Admission tickets if the event is entirely for educational purposes including interscholastic athletic events
- Student club memberships
- Sales of food and soft drinks that are
  - Sold or served during the regular school day
  - Sold or served by a parent-teacher association during a fundraising sale, when the proceeds do not benefit an individual
  - Sold by a person under the age of 19 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 a part of a fundraising drive sponsored by the organization for its exclusive use.
- Newspapers whose sales price per copy does not exceed \$ 1.50 ; that are printed and distributed periodically at intervals of four weeks or less; for the dissemination of news of a general character and of a general interest.

### **3.3    ONE-DAY TAX-FREE SALES**

Each school in the District and each bona fide organization (has elected officers) within that school are allowed to have two one-day tax-free sales during a calendar year. One-day tax-free sales means that collection and remittance of state sales taxes is not required on qualified sales on that day. The delivery of yearbooks to students on a single day qualifies a yearbook sale as a one-day tax-free sale even though the yearbooks were sold over a longer period. This rule can be applied to other fundraisers when the delivery is made to the students on a single day.

Book fairs do not generally qualify as a tax-free event because the school is selling books on consignment for a vendor, not a tax-exempt organization.

The tax-free status of a one-day tax-free fundraiser must be designated on the Application for Fundraiser form and approved in advance by the principal.

### **3.4 REPORTING SALES TAX**

Each organization, class or club will indicate on the Deposit Summary whether the proceeds of a sale are taxable or nontaxable.

The campus secretary will generate a quarterly sales tax report of taxable and nontaxable sales and complete the Combination Sales Tax Report. The report of sales tax due will be sent to the ISISD Business Office. The sales tax due will be charged to the campus/student accounts that collected sales tax.

#### **TOLL FREE NUMBERS**

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

### **3.5 SCHOOL SPONSORED TRIPS**

Meals purchased by the school for athletic teams, bands, etc. on authorized school trips are exempt from the sales tax if the school contracts for meals. The school must pay for the meals and provide the eating establishment with an exemption certificate.

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

An exemption may also be claimed by the school from the Hotel Occupancy Tax if the school contracts and pays for the accommodations and provides the hotel with a completed Hotel Occupancy Tax Exemption Certificate.

## **SECTION 4    RETURNED CHECKS AND REDEPOSITS**

### **4.1    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 Business Office shall immediately notify the organization and the sponsor shall immediately notify maker of the returned check and request that it be redeemed with cash.
- B. If the maker of the returned check requests a redeposit, such action shall be taken. A check may be redeposited 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.
- 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.

### **4.2    REDEPOSITS**

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

- A. Prepare a separate deposit disclosing:
  - 1. Date and amount of redeposit
  - 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 records.)

### **4.3    UNCOLLECTED CHECKS**

Individual schools are responsible for the collection of returned checks. The following procedures are for checks deposited twice and returned the second time by the bank marked non-sufficient 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 redeposited and returned again and payment must be received within ten (10) days. This letter should be sent Certified Mail - Return Receipt Requested.
- B. Attempts should be made to collect returned checks by the sponsor until the close of the school year.
- C. If no collection is made, the bad check will be written off by the Business Office.

## **SECTION 5    INVENTORY ASSETS**

### **5.1    FIXED ASSETS**

Student organizations should not own fixed assets or non-consumable supplies (Object 6399) carried in the name of the organization. If such assets are to be purchased with student organization funds, they should be donated to the District, with School Board approval, and carried on the District's asset inventory.

## **SECTION 6 BASIC RECORDS**

### **6.1 ACTIVITY FUND CASH RECEIPTS**

All funds collected shall be receipted and turned into the office daily. Bank deposits must be made at the minimum of once a week. Teachers/Sponsors shall avoid keeping money overnight and no money shall be left in classrooms overnight. The sponsor is responsible for all money, merchandise and materials used in the fund-raising project.

Activity Fund Cash Receipts are the means of accurately recording cash received and provide support for each bank deposit. Only pre-numbered cash receipt books are to be used. A written receipt must be issued for every receipt of cash.

### **6.2 BANK DEPOSIT SLIPS**

When a sponsor submits funds collected to the campus secretary for deposit, these funds should be verified by the campus secretary (or person receiving the money) in the sponsor's presence. This is simply a prudent cash-handling procedure that protects both the person receiving the money and the sponsor. After counting the funds, the campus secretary must provide the sponsor with a pre-numbered cash receipt documenting the amount of the deposit. If for some reason immediate verification is not possible, the funds should be locked in the vault until such time that both individuals are present for cash verification. The sponsor will bear responsibility for any missing deposits or deposit shortages if funds are not verified in the presence of the person receiving the money (usually the campus secretary.)

Deposit slips, once validated by the bank, serve as a record for the specific date that receipts were credited for the bank account. Three part deposit slips are obtained from the bank and must be used for all deposits.

### **6.3 DEPOSIT SUMMARY (appendix AC)**

The form summarizes receipts and deposits for posting to the general ledger.

### **6.4 PURCHASE REQUISITION**

- Income received from a specific group (student and faculty) will be expended for that group only. A check request signed by an authorized student representative or the club sponsor must be presented. The principal shall ensure that expenditures from these accounts are written for the intended purpose of the group and not diverted for other uses.
- A completed Request for Check form shall include:
  - The payee
  - Date and amount
  - A brief description of the reason
  - Club that is requesting the check if student funds
  - Signature of student representative or faculty sponsor if student funds
  - Approved signature of the principal or designee
- The Request for Activity Funds form shall be attached to the supporting documentation. After the check is issued the documentation will be kept on file for audit purposes. Proper supporting documentation shall include:
  - Vendors' original invoices. Periodic statements are not adequate supporting documentation.
  - Sales slip or cash register tapes from club sponsors or members who request reimbursement for items purchased from their own funds. Credit card statements and customer copy of charge slips are not adequate supporting documentation.
  - Other supporting documentation may include letters, announcements and renewal notices when the vendor does not provide invoices.

**6.5 PRE-NUMBERED CHECKS**

Pre-numbered checks will be used to disburse all funds from the Activity Fund checking accounts. Checks will be issued weekly by the Business Office under the normal purchasing procedures for campus or student activity funds. The petty cash reimbursement check will be issued monthly to the campus principal.

**6.6 PETTY CASH VOUCHER (appendix AD)**

Form used to describe and indicate account coding for a single petty cash disbursement.

**6.7 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.

**6.8 GENERAL LEDGER - COMPUTER PRINTOUTS**

The General Ledger for campus and student activity funds is maintained on the District's central computer system (i.e. TxEIS Business System.) The General Ledger summarizes all transactions of the activity fund during the month. Reports may be generated at the campus at any time. See appendix AE for a listing of general ledger fund codes.

## **SECTION 7    BANKING PRACTICES AND PROCEDURES**

### **7.1    BANK ACCOUNTS**

The campus activity funds and student activity funds shall be maintained in a district wide account at the District's depository bank. All monies received will be deposited into this account using a deposit slip that references the campus making the deposit. Disbursements will be made by a check issued by the District's requisition/payment procedure. Emergency expenditures may be made from the activity fund petty cash when necessary. Only activity fund transactions may be directed through the activity fund bank accounts. Transactions controlled by outside organizations such as the PTA or booster clubs, must be handled through these groups' own bank account. Such outside group accounts are not authorized to use the District tax ID number.

### **7.2    CHECK SIGNATURE**

The campus and/or student activity fund checks issued by the Business Office shall have two authorized check signers, those authorized for all district accounts. Check signature is a part of the business office payment process.

### **7.3    BANK RECONCILIATION**

The campus and/or student activity fund bank account will be reconciled monthly by the Business Office. Campus administration will be able to determine the activity fund cash balance by query of the TxEIS general ledger using the appropriate campus cash account code.

*Note: There is no encumbrance of the cash balance so the ledger will reflect payments made but not items requisitioned but not yet paid.*

### **7.4    INVESTMENTS**

The principal is responsible for managing campus and student activity funds. The principal must monitor the checking account cash balance to assure that cash is available for purchases when requisitions are submitted.

### **Reading Your Monthly Budget Manager Printout**

You should check your Budget Manager Reports at least weekly to keep up with your current balances and to analyze for any unusual items or improper coding of expenditures. The Transactions column is expenditures that have already been paid to vendors. The Encumbrance column is for Purchase Orders that have been processed and encumbered but the items or work have not been completed, invoiced, and paid for yet. The Ending Balance is the amount of budgeted money left that is not yet spent or committed. If the Ending balance for one of your Function totals is a negative balance, a budget amendment needs to be done to transfer some budget in from another function to cover this deficit.

### **Journal Entries**

Journal entries need to be made when money is transferred from one account to another or when the wrong budget code has been charged on a Purchase Order or Direct Pay Request.

Some examples of these occurrences are activity funds reimbursing the General Fund for things such as Cheerleader Tryout Judges, Band and Choir Contest Fees, Donations

When one of these type of transactions occur, please send the Business Office a memo from the Principal stating what you are wanting to transfer and what account code you want charged. The Business Office will then take care of the journal entry that is necessary to reflect the transaction properly.

## SECTION 8 ISSUING RECEIPTS

### 8.1 GENERAL RECEIPTING PROCEDURES

On all campuses there shall be cash receipt books for the campus and student activity funds. Only district-issued pre-numbered cash receipt books are to be used.

#### GUIDELINES

The following guidelines apply to the handling of cash:

- The S.A.F.E. manual details procedures to follow in handling cash. The principal of each campus is responsible for implementing procedures for the proper handling of cash.
- An audit trail will be established at the campus level to clearly indicate the source of funds received.
- Procedural Controls should be in place to ensure timely collection and deposit of all receipts (preferably daily).

#### RECEIPTS / DEPOSIT SLIPS

A receipt should be issued each time funds change hands from the club, group, or sponsor to the campus office and/or from the campus to the district's Business Office.

#### AUDIT

All monies are subject to audit by authorized personnel designated by the Board.

1. The person receiving money (normally the campus secretary) prepares a receipt (in triplicate) for all cash collected.
2. The receipt forms will be used as follows:
  - Original (white) to person submitting the money.
  - Posting copy (yellow) attach to pink copy of deposit slip for forward along with a deposit summary to the Business Office.
  - Permanent copy (pink) retained in the receipt book.
3. The receipt must be completed in its entirety, including:
  - Date and amount
  - The individual or student group submitting the money
  - An explanation of the purpose for which the money was received
  - The signature of the person receiving the money - the signature must be manual; signature stamps should not be used.
4. An actual cash count should be made by the person signing the receipt in the presence of the person turning in the money, whenever possible.
5. Post-dated checks cannot be accepted from any source.
6. Under no circumstances shall a cash receipt be altered. If an error occurs, VOID the original receipt and all duplicates and issue a new receipt. The original of the voided receipt must be attached to the copies and retained with the receipt book copy for audit purposes.

## **SECTION 9     DEPOSIT OF FUNDS**

### **9.1     GENERAL OPERATING PROCEDURES – DEPOSITS**

1. Personal and/or payroll checks shall not be cashed with activity monies.
2. Procedural Controls should be in place to ensure timely collection and deposit of all receipts (preferably daily, but at least weekly).
3. All checks held for deposit shall be endorsed as follows:

For Deposit Only  
Iraan-Sheffield ISD MMDA Account  
Account Number

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

4. Redeposits of returned checks from the collection agency should be deposited separately from other funds collected.
5. All monies on hand at the end of the school year, including petty cash (identified as such), must be deposited at the end of the school year.

### **DEPOSITING OF FUNDS COLLECTED**

When a sponsor submits funds collected to the campus secretary for deposit, these funds should be verified by the campus secretary in the sponsor's presence. This is simply a prudent cash-handling procedure that protects both the person receiving the money and the sponsor. After counting the funds, the campus secretary must provide the sponsor with a pre-numbered cash receipt documenting the amount of the deposit. If for some reason immediate verification is not possible, the funds should be locked in the vault until such time that both individuals are present for cash verification. The sponsor will bear responsibility for any missing deposits or deposit shortages if funds are not verified in the presence of the person receiving the money (usually the campus secretary.)

### **9.2     PROCEDURES FOR PREPARATION OF BANK DEPOSITS**

1. A bank deposit slip shall be prepared in triplicate and shall include the following:
  - a. The date and amount of the deposit
  - b. The source/purpose of the deposit (amount of each if more than one).  
*A tape of checks deposited will aid the bank during this process*
2. All cash receipts supporting cash deposits should be deposited in numerical sequence. It is recommended that a deposit summary report (appendix AC) be prepared that references the deposit slip, supporting receipt numbers, and tabulation sheets, when applicable. A copy of the deposit summary is forwarded to the Business Office when the deposit is made to the bank. The sum of the amounts of the supporting cash receipts must agree with the amount of the deposit slip.
3. The original copy of the deposit slip is retained by the bank. The yellow duplicate copy is validated by the bank and returned at the time of the deposit.

## **SECTION 10 PURCHASES FROM ACTIVITY FUNDS**

### **10.1 GENERAL PROCEDURES – PURCHASES**

The campus principal is fully responsible for all purchases and commitments requiring the present or future disbursement of activity fund monies. Staff members are discouraged from making purchases and then seeking reimbursement from the campus activity fund.

Principals should only allow purchases if there are sufficient funds available in the proper activity fund account. **EXCEPTIONS** may be made on a case-by-case basis if the principal knows that adequate funds are to be received in a reasonable amount of time.

ISISD purchasing procedures must be followed when making purchases through campus activity funds. Refer to ISISD Purchasing Procedures for information. Upon request, the ISISD Business Office will assist in the quote, bid, and contracting processes.

### **10.2 REQUEST FOR ACTIVITY FUND CHECK**

- The request for activity fund form should be used for campus or student activity expenditures.
- The original invoice must be attached to the request form and kept for audit.

### **10.3 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 his/her normal, specified duties and will usually be performed outside of regular work hours. Such payments should not be made directly to the employee. District employees shall not be paid directly from petty cash for stipends, overtime, or compensation for additional services performed. The correct procedures are as follows:

#### **For Exempt Employees:**

1. Complete an **Extra Duty Pay Request** form
2. Forward the **Extra Duty Pay Request** to the Business Office
3. Payment will be made to the employee on their next regular paycheck.
4. The Business Office will charge the campus activity fund.

#### **For Non-exempt employees subject to overtime:**

1. Report the overtime on the regular timesheet. Indicate “bill to activity fund” in the budget code field.
2. The Business Office will charge the campus activity fund and notify the principal of the amount charged for salary and benefits.

### **10.4 PAYMENTS TO NON-EMPLOYEES FOR CONTRACTED SERVICES**

Payments for services performed by individuals not employed by the District may be made from the activity fund. The social security number of the person hired must be provided to obtain a vendor account to allow the Business Office to handle tax-reporting requirements. Payment to individuals for services with petty cash is prohibited. By January 20<sup>th</sup>, campuses will provide a 1099 report to the Business Office which will generate 1099 tax forms to qualified vendors.

**SECTION 11    PETTY CASH**

**11.1    GENERAL POLICIES**

- A petty cash account will be established for campus activity funds for the cash purchase of small miscellaneous items whenever time does not permit use of the purchase authorization system. Purchases are to be made from approved vendors.
- Each petty cash account cannot exceed \$ 200.00
- It is the principal’s responsibility to ensure the maximum protection of these funds.
- Disbursements from petty cash should not exceed \$100 for an individual purchase.
- Employee or other checks will not be cashed from petty cash funds.
- Request for replenishment to petty cash may be made twice each month by submission of a petty cash reconciliation and all supporting vouchers with invoices and receipts. The request should be submitted to the Business Office by Monday in order to receive a replenishment check in Thursday’s accounts payable check run.
- District employees shall not be paid directly from petty cash for stipends, overtime, or compensation for additional services performed.

**11.2    OPERATING PROCEDURES – PETTY CASH**

- The petty cash account is established at the beginning of each year by issuing a check in the desired amount (not to exceed the maximum stated in Section 11.1).
- Cash disbursements may be made from the petty cash account not to exceed \$100. Original invoices or other suitable documentation must be obtained for all petty cash expenditures.
- Replenishment of the petty cash account may be requested twice each month. A check is written to increase the cash to the amount originally approved and set up.

<b>Example:</b>	Actual cash on hand	\$ 90
	<u>Amount to be replenished</u>	<u>110</u>
	Original petty cash amount	\$200

- The original invoices or other suitable documentation supporting the petty cash disbursements (totaling \$110 per the above example) should each be attached to a separate Petty Cash Voucher & Settle Up Form (Appendix Form AD) to be completed authorizing the issuance of the check.
- When recording the check issued to replenish petty cash in the General Ledger, the proper general ledger account will be charged for the expenditures.
- At the close of each school year, the final petty cash request and invoices should be sent to the Business Office. The remaining petty cash on hand should be receipted and deposited into the activity fund bank account. The final request and the receipt will be coded to the petty cash account returning the account balance to zero. A new petty cash account will be established at the beginning of the next school year.

## **SECTION 12    CHANGE FUND ACCOUNTS**

A school may require a change fund for ongoing sales events, such as school stores or fundraisers. A change fund may be established by contacting the Business Office. Only one change fund account per campus will be established. The amount of change will be limited to \$250.00. All change funds shall be recorded as a separate cash account.

The principal may request a change fund by submitting a written (or email) request to the Business Office for the amount requested. The Business Office shall issue a check payable to the principal from the appropriate activity fund account and increase the school's change fund ledger account.

Each campus is responsible for maintaining their funds in locked bags at all times. When not in use, all change funds will be stored in the vault. Change funds are to be used only for making change and the funds are not to be used to reimburse expenditures.

When the sales event has concluded, a separate receipt is written to the principal or sponsor for the amount of change and redeposited into the appropriate activity fund account. The school's change fund account is decreased accordingly.

## **Appendix A - Activity Fund Forms**

<b>Form</b>	<b>Title</b>
AA	Fund Raising Application
AB	Responsibilities of Activity Fund Sponsors
AC	Deposit Summary
AD	Petty Cash Voucher
AE	Fund and Account Codes

Check here for tax free sale

# Iraan-Sheffield ISD

## APPLICATION FOR FUNDRAISER

Organization \_\_\_\_\_ Date \_\_\_\_\_

Sponsor/Teacher Name \_\_\_\_\_

Dates of Sale: From \_\_\_\_\_ To \_\_\_\_\_

For what purpose will the proceeds be used? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Items to be sold: \_\_\_\_\_

Will community solicitations be involved? \_\_\_\_\_

Company/Vendor: \_\_\_\_\_

Address: \_\_\_\_\_ Salesperson: \_\_\_\_\_

City: \_\_\_\_\_ Telephone: \_\_\_\_\_

State, Zip: \_\_\_\_\_ Fax: \_\_\_\_\_

I understand that as sponsor/teacher, I am personally responsible for all money, sales, and audit. I am also familiar with the school and district policies regarding the sale of merchandise at school and in the community. The organization will sell only during the specified time as authorized by the principal.

\_\_\_\_\_  
Sponsor/Teacher Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Approval: Principal's Signature

\_\_\_\_\_  
Date

ISISD – SAFE – Form AA

# Iraan-Sheffield ISD

## Responsibilities of Activity Fund Sponsors

The purpose for the collecting or raising and expending of funds by student groups is for the direct benefit of the students. Funds are to be used to finance activities that supplement the District's educational program. Fundraising activities will contribute to the educational experience of students and will not conflict with the instructional program. The school holds student group monies in a trustee capacity. The faculty sponsor of a student group is responsible for maintaining adequate financial records as evidence of proper custodianship of money received by and disbursed from club accounts.

I hereby acknowledge that I have read the Iraan-Sheffield Independent School District Student Activity Fund Essentials (S.A.F.E.) Manual and that I am responsible for complying with it. In particular, I acknowledge that:

1. All fundraising activities will be approved in advance by the principal using the designated form.
2. I am responsible for both safeguarding and accounting for funds received from and/or on behalf of students.
3. Student activity money will be turned in to the office in the same form in which it was received and in a timely manner.
4. All purchases made on behalf of the student organization will be made by check and approved in advance by the principal using the Check Request form.
5. I will maintain a positive balance in my organization's account at all times.

I hereby acknowledge that I have read the Iraan-Sheffield Independent School District Student Activity Fund Essentials (S.A.F.E.) Manual and that I am responsible for complying with it. In particular, I acknowledge that I will be held responsible for all campus and student activity funds entrusted to me. Violations committed through willful neglect, irresponsibility, or fraudulent actions shall be dealt with through the appropriate board policies and district employment practices.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Student Group

ISISD – SAFE – Form AB



# Iraan-Sheffield ISD

## Petty Cash Voucher & Settle-Up Form

Please attach each bill, receipt, or other documentation to a separate voucher sheet and indicate account to be charged.

Campus: \_\_\_\_\_ Name: \_\_\_\_\_

Org/Grp: \_\_\_\_\_ Purpose: \_\_\_\_\_

Cash Received: \_\_\_\_\_ Date: \_\_\_\_\_

I verify that I have received this cash to be used for costs related to the above mentioned purpose.  
I understand that I am required to turn in receipts and remaining cash.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Principal Signature

### DISBURSEMENTS: RECEIPTS ARE REQUIRED

<u>DESCRIPTION OF RECEIPT</u>	<u>AMOUNT</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

CASH RETURNED: \_\_\_\_\_

TOTAL: \_\_\_\_\_

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Principal Signature

Account Distribution: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Account Distribution: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

# Iraan-Sheffield ISD

## Activity Fund Account Codes

### Account Code Structure

Fund – Function – Object – Sub-Object – Organization – Year – Program Intent – Optional Local Codes  
XXX – XX – XXXX – XX – XXX – X – XX – XXX

Example: 461-11-6399-00-001-011000 Instructional Supplies – High School – School Year 2009-2010

### **CAMPUS ACTIVITY FUND ACCOUNT CODES – FUND 461**

<b>Function</b>	<b>Object</b>	<b>Description</b>
11	6343	Instructional – Purchase of Fund Raising Items
11	6399	Instructional – Supplies
11	6411	Instructional – Employee Travel
11	6412	Instructional – Student Travel
11	6499	Instructional – Other Costs
12	6399	Library/Media - Supplies
12	6499	Library/Media – Other Costs
23	6399	Administrative – Supplies
23	6499	Administrative – Other Costs
33	6399	Nurse – Supplies
33	6499	Nurse – Other Costs
36	6399	Extracurricular – Supplies
36	6499	Extracurricular – Other Costs
51	6499	Maintenance – Other Costs

### **STUDENT ACTIVITY FUND ACCOUNT CODES – FUND 865**

<b>Object</b>	<b>Sub-Obj</b>	<b>Description</b>
2190	00	Student Council
2190	01	Cheerleaders
2190	02	Industrial Technology
2190	03	FFA
2190	04	Spanish Club
2190	06	Junior Class/Prom

# Iraan-Sheffield Independent School District

## SALES TAX ISSUES

### Appendix B

### Table of Contents

Purchases Made.....

Revenue Received.....

    Sale vs. Not a Sale .....

    Taxable Sales vs. Non-Taxable Sales .....

    Tax-Free Days.....

Other Information .....

    Food Sales.....

    Sales and Use Tax Return .....

    Booster Clubs, PTA's, and other groups.....

**Texas State Comptroller's website: [www.window.state.tx.us.taxinfo](http://www.window.state.tx.us.taxinfo)**  
**Tax help email address: [tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us)**  
**Tax help phone number: 1-800-252-5555**

## Purchases Made

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

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

In order to be afforded the sales tax exemptions, various certificates 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 the Texas local or out of state hotel taxes paid out of state taxes, you should reimburse them the tax that they could not be exempt from.)

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 reimburse them the tax that they could not be exempt from.)

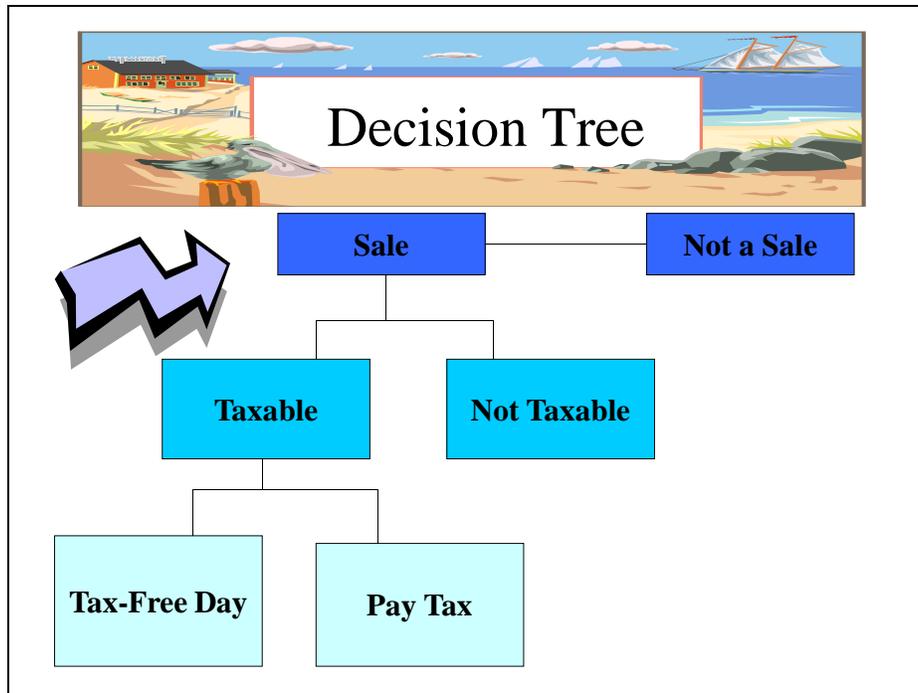
## Revenue Received

### Sale vs. Not a Sale

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

A sale is the transfer of title or possession of tangible personal property for consideration (usually money). A sale also includes the performance of a taxable service for consideration. All sales (whether taxable or not) are to be reported on line 1 of the Texas Sales and Use Tax Return.

In some fundraising activities, the school or school group is merely acting as a sales representative for a retailer, and tax must be collected. The tax would be remitted to the retailer, and the retailer would claim it as their sale and they would pay the tax to the Comptroller's office. The school would not report this type revenue as a sale. Examples are vending machine sales where the vendor services the machine, school pictures, and library book sales. Only when the school or school group purchases the merchandise and then resells these items to their customers is the school the seller. The school should provide a resale certificate to the retailer.



<b>Sale</b>	<b>Not a Sale</b>
Admission – athletic events, dances, dance performances, drama performances	Collection of money from students to pay a company for admission or service (i.e., Sea World, PSAT test)
Admission – summer camps, clinics, workshops, project graduation	Commissions received
Donated items that are sold	Donations of money to the school or school group or donations for a commemorative brick.
Fundraisers where we are the seller, not just the middle-people	Dues received for clubs
Rentals of items	Fees – musical instrument maintenance, labs, uniform cleaning, transcripts
Rental of facilities	Field trip collections
Sales of food	Fines received – textbooks, library books, parking, locker, uniforms, calculators, obligations
Sales of merchandise (to include items made by students)	Fundraisers when the school group merely receives a commission (i.e., library book fairs, some author sales, recycling)
Sales of services	Lost payments – books, handbooks, calculators, locks, ID cards
School publication sales	Marathon fundraisers – these are donations (i.e., lift-a-thon, jog-a-thon, jump rope for heart, basketball hoops)
	NSF check redeposit
	Summer School, Saturday School, Community Education tuition and fees

## Taxable Sales vs. Non-taxable Sales

Texas sales tax statutes impose tax on the sale, lease, or rental of tangible personal property and selected services. Tangible personal property includes personal property that can be seen, weighed, measured, felt, touched, or that is perceptible to the senses in any other manner. When an individual purchases a tangible item and it becomes the personal property of someone, it is taxable. It is irrelevant if the school logo is on the item or that the item will be utilized by a student in a school group for a school function.

School districts, schools, and school groups making sales of taxable items that do not have a specific exemption must collect and remit the tax. The items or activities on the following lists have been identified as being taxable or non-taxable by the Comptrollers' Office when sold or sponsored by a school, by an organization within a school, PTAs, Booster Clubs, and employee associations. Whether taxable or not, all sales are reportable as sales on line 1 of the Texas Sales and Use Tax Return. The lists are not all-inclusive but may help you make determinations on other similar sales.

## NON-TAXABLE SALES

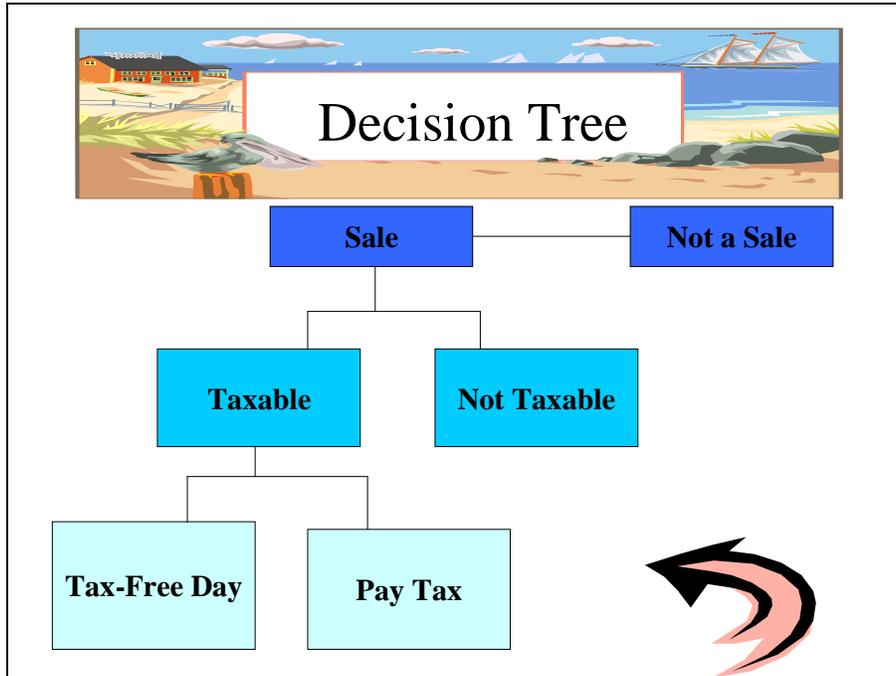
Ad sales - in yearbooks, athletic programs, newspapers, posters
Admission – athletic, dances, dance performances, drama and musical performances
Admission – summer camps, clinics, workshops, project graduation
Admission – banquet fees
Admission - bids, prom, homecoming
Admission - tournament fees, academic competition fees
Cosmetology services (Products sold to customers are taxable)
Discount/Entertainment cards and books
Facility rentals for school groups
Food items sold during fundraisers
Labor - automotive, upholstery classes (parts are taxable)
Magazine subscriptions greater than six months
Parking permits
Services - car wash, cleaning

## TAXABLE SALES

Agenda books		Magazines – subscriptions less than six months
Agricultural sales		Magazines - when sold individually
Art - supplies and works of art		Musical supplies - recorders, reeds
Artistic - CDs, tapes, videos		Parts - career & technology classes (not to include products used in cosmetology)
Athletic - equipment and uniforms		Parts - upholstery
Auction items sold		PE - uniforms, supplies
Automotive - parts and supplies		Pennants
Band - equipment, supplies, patches, badges, uniform sales or rentals		Pictures - school, group (if school is the seller)
Book covers		Plants - holiday greenery and poinsettias
Books - workbooks, vocabulary, library, author (when we are the seller)		Rentals - equipment of any kind
Brochure items		Rentals - uniforms of any kind, towels
Calculators		Repairs to tangible personal property (i.e., computer repair, house remodeling)
Calendars		Rings and other school jewelry
Candles		Rummage, yard, and garage sales
Car - painting, pin striping		Safety supplies
Clothing - school, club, class, spirit		School publications - athletic programs, posters
Computer - supplies, mouse pads		School publications - brochures
Cosmetology products sold to customers		School publications - magazines (unless > six month subscription)
Cups - glass, plastic, paper		School publications - newsletters, newspapers (generally are not sold)
Decals		School publications - reading books
Directories - student, faculty		School publications - sheet music, hymnals
Drafting – supplies		School publications - yearbooks
Family & Consumer Science - supplies and sewing kits		School store - all items (except food)
Fees - copies, printing, laminating		Science - science kits, boards, supplies
Flowers - roses, carnations, arrangements		Spirit items
Greeting Cards		Stadium seats
Handicrafts		Stationery
Horticulture items		Supplies – any sold to students
Hygiene supplies		Uniforms - any type to include PE, dance team, drill team, cheerleaders, athletic, club shirts
Identification cards – when they are sold to entire student body (not just the fine for a lost ID card)		Vending - pencils and other non-edible supplies when the school services the machine
Locks - sales and rentals		Woodworking crafts - entire sale to include parts and labor
Lumber		Yard signs
Merchandise, tangible personal property		

## Tax-Free Days

Each school district, each school, and each bona fide chapter of each school is allowed to have two, one-day tax-free sales each calendar year. During these tax-free sales, the organization may sell any taxable item tax-free. The exemption does not apply to items sold for more than \$5,000, unless the item is manufactured by the organization, or the item is donated to the organization and is not sold to the donor. There is no limit on the number of bona fide groups at a school or school district.



A bona fide chapter is a group that must be organized for some business or activity other than instruction or a participatory group. Essentially, any student group that is recognized by the school and is organized by electing officers, 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 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.

## 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

**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 the schools may submit their information to the Business Office timely and 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, PTAs, and other associated groups

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

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

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