

**New York State Education Department (SED)
And
Horseheads Central School District**

**THE SAFEGUARDING, ACCOUNTING, AND
AUDITING OF EXTRACLASSROOM
ACTIVITY FUNDS**

Finance Pamphlet 2

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FOREWORD

The extraclassroom activity fund should provide learning experiences in the business procedures needed to safeguard the collection, deposit, and disbursement of money along with the filing of sales tax revenues. The material presented in this pamphlet is offered as a guide to boards of education and schools of the State in setting up accounting procedures that conform to the Regulations of the Commissioner of Education for the control of extraclassroom activity funds.

The Regulations of the Commissioner of Education were formulated not only to safeguard the funds of the organization but also to provide schools with the opportunity to teach pupils good business procedures through participation in handling such funds and operating a successful business. For many students, this may be the only business training they will receive in school.

This pamphlet presents a description of a procedure for the management and accounting of extraclassroom activity funds. The plan meets the requirements of the regulations and has the approval of the State Education Department. The use of this plan is not mandatory, provided schools adopt adequate alternative plans of their own.

CHAPTER I

RULES, GUIDING PRINCIPLES, SUGGESTED FORMAT

Rules and Regulations of Boards of Education for the Operation of Extraclassroom Activities

Extraclassroom activity funds are defined in the Regulations of the Commissioner of Education as "Funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof." **Basically, extraclassroom activity funds are those operated by and for the students. Moneys are usually collected voluntarily by pupils and are spent by them as they see fit so long as they abide by established regulations.**

Extraclassroom activity funds must not be confused with funds accounted for in accordance with the Uniform System of Accounts prescribed by the State Comptroller. Procedures discussed in this manual apply only to extraclassroom activity funds.

The Regulations of the Commissioner of Education, contained as an appendix to this guide, prescribe that the board of education of each union free school district and city school district having a population of less than one million shall make rules and regulations for (1) the conduct, operation, and maintenance of extraclassroom activities and (2) for the safeguarding, accounting, and auditing of all moneys received and derived there from.

The following guiding principles are listed to assist boards of education in establishing these required rules and regulations:

Conduct, Operation and Maintenance of Extraclassroom Activities

- ✓ Determine acceptable purposes for which students may form extraclassroom activities.
- ✓ Determine grade groupings, which may form extraclassroom activity clubs.
- ✓ Establish procedures for organizing extraclassroom activities.
- ✓ Establish resale inventory safeguard and accounting methods.
- ✓ Determine how faculty sponsors of extraclassroom activities should be chosen.
- ✓ Determine how student officers of extraclassroom activities should be chosen.
- ✓ Publish, annually, a list of approved extraclassroom activities.
- ✓ Establish rules and procedures regarding transportation for extraclassroom activities.

Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds

- ✓ Establish proper and adequate methods for receiving and expending extraclassroom activity funds
- ✓ Provide for proper and adequate records of all receipts and expenditures.
- ✓ Provide guidance on the taxability of common fundraising activities.
- ✓ Establish procedures and times for regular financial reports to the board of education.
- ✓ Keep separate and distinct the authority to expend money from the custody of the funds.
- ✓ Indicate the bank to be used as the depository of all extraclassroom activity funds.
- ✓ Establish bank accounts, under the stewardship of an adult treasurer, for the deposit of all extraclassroom activity funds of a school district
- ✓ Provide for the review of inactive clubs and the disposal of funds of discontinued extraclassroom activities and of graduating classes.
- ✓ Provide for the investment of extraclassroom activity funds and establish the authority to use the earnings.

Sample Format

In order to give boards of education an idea of the possible scope and content of rules and regulations for extraclassroom activities and extraclassroom activity funds, an illustrative rule and regulations are included as an appendix to this guide. It is hoped that these suggestions will be used as a starting point by boards of education in framing their own policy.

CHAPTER II

BASIC PRINCIPLES AND CERTAIN PROCEDURES INHERENT IN ANY ADEQUATE ACCOUNTING PLAN FOR EXTRACLASSROOM ACTIVITY FUNDS

There are certain principles and procedures that should be followed in establishing an adequate accounting system for extraclassroom activity funds. The following basic devices are essential to the proper management of such funds:

Basic Principles

- Two separate and independent sets of records of receipts and disbursements shall be maintained, one by the central treasurer and one by the student activity treasurer.
- The authority to expend moneys shall be distinct and separate from the custody of these moneys.
- At least two individuals shall take part in each act of disbursing money; at a minimum, the student activity treasurer and central treasurer.
- The custodian of funds and the accounting officer or auditor shall both report to the board of education or its designated representative regularly and independently.
- All accounts shall be audited at least annually.
- Procedures shall be established which will insure a prompt and careful examination and check of each receipt and each payment.
- The accounting system shall be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

Procedures in Handling Funds

Confusion and sometimes loss of funds can be traced more often to a lax pre-audit of receipts and recording of money taken in than to any other single cause. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording, and depositing of receipts. Not all of the possible protective measures can be described here, but a number of them are mentioned to show the type of procedures that should be incorporated in any accounting system.

Extraclassroom activity funds are derived from a number of sources such as admissions, membership dues, sales and campaigns, and donations. The procedures used in collecting and pre-auditing these several types of

receipts will naturally vary. So far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on the face of it, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and the estimate should be obtained as to the amount of money that will be collected. While Form 6 on page 25 will not meet all the conditions for all types of receipts, it will serve to illustrate the suggested type of statement. Such a statement should enable those collecting money to prepare a complete report and to verify the money turned over to the treasurer. In addition, it will afford protection for those handling funds, facilitate a check and serve as documentary evidence which can be used for accounting purposes. A pre-audit of receipts should make only reasonable allowances for errors in making change.

Admissions

Various methods may be employed to insure accurate pre-audit of admissions. Usually prenumbered tickets should be used so that the auditor may, by reference to the beginning and ending numbers, determine the amount, which should be collected. In some cases, as an added precaution, the ticket collector should be required to deposit the tickets in a locked receptacle so that they may be counted and later destroyed. In other cases where tickets are purchased in a variety of colors, a different color should be used for each occasion, thus making it difficult for anyone to use old tickets. Still another device used to avoid the reuse of tickets is to require the ticket collector to destroy each ticket by tearing it in two, giving one part to the customer and retaining one. Any of these devices or any combination, properly supervised, will insure reasonably honest and accurate results. None of them will guarantee accuracy, especially when adult supervision is lacking. In summary:

- Use pre-numbered tickets and take steps to prevent fraudulent reuse.
- Charge each ticket seller with a definite number of tickets and a definite amount of change.
- Provide sufficient number of ticket sellers to avoid undue haste.
- Do not ask the ticket seller to watch the gate.
- Provide a responsible adult ticket taker.
- Require each ticket seller to promptly return all unused tickets, the full amount of change, along with an accounting of moneys returned.
- Do not aid and abet temptation with careless supervision.
- Carefully analyze procedures, particularly from the standpoint of accurate accounting.

- Thoroughly explain each device used to safeguard money so that those who have anything to do with it are thoroughly familiar with each process and understand its purpose. Consider these devices not merely as a means of preventing fraud, but as instruments which have been set up so that each agent may clearly demonstrate the accuracy of his work and the fulfillment of his responsibility.

Membership Dues

The pre-audit of membership dues should be relatively easy if plans are carefully worked out in advance. A few simple rules are suggested:

- Provide pre-numbered receipts or membership cards.
- Charge each solicitor with a definite number of receipts or membership cards. (Make a record of the numbers issued to each solicitor.)
- Require each solicitor to return all unused receipts or cards and the exact amount of money due for each membership sold.
- Designate an adult to supervise the membership campaign and to insist upon a complete and accurate report at the close of the campaign.
- Do not permit solicitors to issue receipts or cards on credit. Require pupils wishing credit to make arrangements with the designated adult officer.
- If memberships are given free or on credit to any pupils, have these issued by the designated adult officer after all the solicitors have turned in their reports, cash, and unsold cards.

Sales and Campaigns

Pupils collecting money should, whenever possible, issue pre-numbered receipts in duplicate, the original to be given to the purchaser and the carbon to the pupil treasurer of the activity. In those cases where receipts are not practical, for example, a candy sale, the activity treasurer with the assistance of the advisor should devise a method whereby the exact amount to be realized by the sale is determined in advance. This may be accomplished through the completion of an Activity Profit and Loss Statement, a sample of which is illustrated as Form 5 on page 24. Each salesman should be given a statement showing the amount he is to receive. After the sale, each salesman should then turn in that amount in cash and unsold goods.

Inventory Control

Items on-hand and held for resale or return should be adequately safeguarded against loss, theft or damage by securing them in an appropriate location with limited access. In addition, during sales campaigns inventory should be controlled through the use of an Inventory Control Form, illustrated as Form 9 on page 26.

Donations

Gifts or donations are usually made in lump sums and should be recorded in the minutes of the activity. The activity treasurer should issue a receipt and deposit the gift with the central treasurer.

Deposit of Money

After the money has been turned in to the activity treasurer and properly checked by him/her and the faculty advisor, the money should be turned over to the central treasurer who should issue a prenumbered receipt after verifying the accuracy of the amount.

Purchasing

Money may be spent by student organizations in any reasonable manner they see fit. It is recommended that a formal purchase order originating within an activity be issued for all purchases. The provision for the signature of the advisor in addition to that of the pupil activity officer is essential to any plan.

Correspondence concerning payments for professional service and guarantees should be submitted to the responsible adult officer in advance of any commitment so that information regarding the nature of the services and the cost thereof will be available when payments are to be made.

Payments

When bills are to be paid, the activity treasurer should make out a payment order. This should give the name of the payee, the amount, the activity to be charged and, if in payment for a purchase, the purchase order number. The payment order should be made out in duplicate by the activity treasurer and approved by the advisor. One copy of the order should be forwarded to the central treasurer together with invoices for the materials or services for which payments are made. Only after auditing the order and invoices and after determining that the activity has sufficient funds, the central treasurer should draw a prenumbered voucher check.

The central treasurer must monitor compliance with IRS guidelines regarding the filing of Statement 1099.

Advances

To provide the means for financing certain types of activities which do not lend themselves to the usual procedures, it is suggested provision be made for "advances." For example, to provide the necessary cash for student organization activity trips, the activity treasurer of the group will draw a payment order in the same manner as when paying for a purchase except that in explaining the payment he will state that the check is to be drawn to himself, giving essential facts regarding the trip. A detailed statement of estimated expenditures and the like should accompany this order. Such a payment order should be preaudited and approved the same as any other payment order. After audit and approval, the central treasurer will draw the necessary voucher check. The activity treasurer

will thus secure the requested cash. After the trip, the activity treasurer shall file with the central treasurer a detailed statement of actual expenditures and turn over any balance not expended.

In order to avoid confusion in the case of advances for making change for admission tickets sold and to avoid inflation of accounts, a "change account" may be set up. This account is charged with the advance and credited with the return of the money. Then the exact amount of net receipts can be credited to the activity.

Transfer of Funds from One Activity to Another

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a Payment Order. The treasurer of the activity making the donation will upon proper authorization draw a payment order stating all essential facts. The central treasurer will then affect the necessary transfer in his account, and no money will actually change hands.

Bonding of Central Treasurer

It is considered good business practices for the board of education to require the central treasurer of the extraclassroom activity fund to be bonded for no less than the amount of the average cash balance of the fund. In this way, the money belonging to the various student organizations would be protected.

Investing Extraclassroom Activity Account Money

The business official should ensure that the district's investment policy explicitly contains provisions for the investment of extraclassroom activity funds. A study may be made of the extraclassroom activity fund to determine if it would be advisable to invest a portion of the fund in a time deposit account, a certificate of deposit, a savings account, or other investment approved by the board of education. The investment of this money must be authorized by the board of education and its policy should include direction regarding the disposition of the interest earned by such an investment.

Closing Out of Inactive Accounts

A policy should be enacted by the board of education relating to the closing out of inactive extraclassroom activity accounts. The accounts are usually inactive due to lack of student interest or because a graduating class leaves an unused balance. Many boards of education have chosen to mandate the closing out of these accounts after a specified period of time and the transfer of the unused balance to the general student organization.

Petty Cash Funds

- A board of education may establish a petty cash fund for the extraclassroom activity fund by authorizing the central treasurer to draw a check in an amount not to exceed \$100 payable to the chief faculty counselor who shall administer and be responsible for such petty cash fund.

- Payments from petty cash funds may be made for materials, supplies, or services only under conditions calling for immediate payment upon delivery.
- From time to time, checks may be drawn to the chief faculty counselor in an amount which shall not exceed payments made in cash as indicated by receipts, receipted bills, or other evidence of payment in form available to audit.
- The central treasurer as indicated by the records of the chief faculty counselor, shall charge expenditures from the extraclassroom activity petty cash fund to the benefiting activity funds.
- The chief faculty counselor shall keep such records as may be necessary for the accurate accounting of all transactions.
- The extraclassroom activity petty cash fund must be completely closed out at the end of each year and the extraclassroom activity fund shall be reimbursed by the original amount transferred to the petty cash fund.
- The central treasurer will report the amount of the petty cash fund, which is on loan to the chief faculty counselor, on the monthly reconciliation of cash balances and the periodic central treasurer's report for the extraclassroom activity fund.

Operation of School Store

- The school store may be operated under the sponsorship and guidance of a teacher-coordinator and accounting is treated as an extraclassroom activity of the school. Under these circumstances, the approved accounting system would be the system in this pamphlet.
- In addition to the approved accounting procedures to control receipts and disbursements, it is desirable for the teacher-coordinator and the school business manager to agree on acceptable operating and year-end financial statements and inventory valuation methods that will reflect the financial soundness of the store activity. Periodic profit and loss statements and balance sheets not only constitute good accounting procedures but also afford excellent instructional opportunities. As a general practice, the teacher-coordinator should adhere to control policies and procedures which have been established by the board of education.
- A list of key duties for personnel assigned to the store, duty checklists for students assigned to the store, various control forms, daily balance forms, cash record sheets, register forms, etc. should be developed and used.

Sales Tax

A school district is not exempt from the provisions of the Sales Tax Law whenever it becomes the vendor of services or property ordinarily sold by private persons. Each faculty advisor should know which of the activities an organization undertakes are subject to sales tax and take steps to see that all sales tax information is accurately recorded and sent to the central treasurer. In order to provide a ready reference, a list of common undertakings of extraclassroom fund raising and social activities should be prepared and distributed indicating their taxable status. An illustrative list is provided, but is not an exhaustive tabulation and is merely presented as a guide for ready reference.

If a district routinely conducts fundraising activities involving the resale of goods or merchandise, the district should register with the New York State Department of Taxation and Finance as a vendor by filing an application. Only one application is required for all extraclassroom activities of the school district. As a registered vendor, the district will receive a certificate of authority and the extraclassroom activity fund may issue Resale Certificates to its suppliers and make tax-free purchases for the student organizations if such purchases are intended for resale. However, the student organizations must collect tax on receipts for all sales of taxable merchandise. The extraclassroom activity fund must file returns periodically and pay any tax due to the Department.

When student organizations purchase merchandise for resale, vendors selling the resale merchandise are required to collect the sales tax from the buyer of the merchandise unless they receive a resale certificate from the buyer. This Resale Certificate (ST-120) is available from the State's Fax on Demand ordering system (800-748-3676) or on the Internet from its Website at <http://www.tax.state.ny.us>. It is recommended, therefore, that the central treasurer of the extraclassroom activity fund, or some other responsible individual who is required to approve purchase orders, secure and control a supply of these certificates. Upon his/her approval of a purchase, he/she should supply the vendor with a certificate.

Sales Tax Guide

Sale of Candy, Soda and Soft Drinks	Taxable, except for certain drinks.	Tax Law §1115(a)(1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. However, the exemption does not apply to candy, sodas or soft drinks, and fruit drinks that contain less than 70% natural fruit juice.
Spaghetti dinners and catered meals	Taxable	Tax Law §1115(a)(1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. However, the exemption does not apply to catered situations, where the students of the club would be serving, assisting in serving, cooking, or otherwise providing services with respect to the food items in question.
Bake Sales	Non-Taxable.	Tax Law §1115(a)(1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. This provision exempts bake sales from the collection of sales tax.
Vending Machine Sales – Food Items	Taxable, generally.	Where tables, chairs, benches, etc. are provided where the vending machine operations are conducted, the sales through the vending machine are taxable. Where no eating facilities are provided, the sales are exempt from sales tax.
Pizza, Chicken, Popcorn, Coffee, Tea, etc.	Taxable.	All sales of prepared food sold in a heated state (where the food is maintained at a temperature warmer than surrounding air temperature) are subject to sales tax, including those sold for off-premises consumption.
Admission Charges	Taxable, except for certain events.	Exemption is provided from sales tax for admissions to dramatic or musical arts performances, which do not include variety shows, magic shows, circuses, ice shows, dances, and similar performances. Included in the exemption is an admission charge to choreographed performances to music, which may exempt color guard admissions.
Sale of Newspapers and Magazines	Non-Taxable.	
Sale of shrubs, plants and trees	Taxable.	
Sale of Yearbook	Taxable, generally.	If the entire cost of the yearbook is underwritten by the Board of Education and the revenue is recognized as a General Fund item, the sale becomes an exempt transaction, not subject to sales tax.
Sale of Yearbook Advertising Space	Non-Taxable.	
Sale of Sweatshirts, T-shirts, Jackets, Jewelry	Taxable.	Tax Law §1105(a) provides that sales tax is imposed on the sale of tangible personal property.
Book Store Sales	Taxable.	Unless specifically exempt.
Pre-packaged Popcorn, Potato Chips, Pretzels	Non-Taxable, generally	When packaged and sold in a cold state, prepackaged snack foods are exempt. This exemption does not apply to caramel or other candy coated snack foods.
Hair Cuts and Styling	Non-Taxable.	The cutting and styling of hairpieces is not included in this exemption.
Repair/Maintenance Services, Car Washes	Taxable, generally.	An exemption is provided for the repair, maintenance or service of farm machinery.

CHAPTER III

A SUGGESTED PLAN FOR THE SAFEGUARDING, ACCOUNTING AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS, UTILIZING A CENTRAL TREASURER-BOOKKEEPER (ADULT AND FACULTY AUDITOR)

General

This chapter describes an accounting system and accounting procedures in which an adult designated by the board of education keeps only one set of records. Essential safeguards are established because pupils also keep records of receipts and disbursements and both the central records and the pupils' records are under the direct supervision of an auditor designated by the board of education.

Appointment of Officers

It is suggested that the board of education appoint, on the recommendation of its chief executive officer, members of the regular faculty and clerical staff to fill the following positions:

- Central Treasurer
- Faculty Auditor
- Chief faculty counselor(s), usually building principal(s)
- Faculty Advisor - appointed by the chief faculty counselor
- Activity Treasurer - elected by the student club members
- Independent Auditor

Function and Duties of Officers

Central Treasurer (appointed by the board of education): It shall be the duty of the central treasurer to have custody of all funds. All disbursements of funds shall be by means of pre-numbered check forms signed by the central treasurer upon receipt of a payment order signed by the activity treasurer and faculty adviser. The central treasurer shall have no part in the approval of payments but shall disburse funds only on the presentation of a properly signed payment order in duplicate providing, of course, that there are sufficient funds available in the account. The completed check will be returned to the student treasurer who will send it to the vendor after posting.

The central treasurer shall sign a receipt for all funds placed in his custody, and he/she shall deposit these funds promptly in a bank designated by the board of education.

The central treasurer shall keep an account listing the receipts and disbursements of each individual activity and post a register of all the receipts and disbursements of the combined pupil organization on ledger forms prescribed by the board of education.

Once each month, the central treasurer shall receive and verify his/her bank statements and prepare a reconciliation of cash balances and club accounts and forward these to the faculty auditor.

Faculty Auditor (appointed by the board of education): The function of the auditor shall be distinct and separate from the duties of the other officers. The person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms. This policy prohibits the appointment of a building principal or the chief school officer as auditor inasmuch as the building principal should serve as chief faculty counselor, and the chief school officer would have general supervision of the entire system and be responsible for the decisions of the chief faculty counselor and the faculty advisers.

In order to establish the responsibility of the auditor and to make available to this office adequate evidence of all financial transactions, the auditor shall receive once each month from the central treasurer on a regular date designated by the chief school officer, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the auditor will call in the ledgers kept by the activity treasurer at least twice a year and on a rotating basis, in order to compare the balance as shown on the central treasurer's report with the balance recorded in the ledger of the activity treasurer. He/she should also examine various transactions and paperwork to determine if correct procedures are being used. He/she shall certify on these pages the accuracy of the entries posted and the available balances listed.

In the event that the ledgers of the activity treasurer do not agree with the ledger kept by the central treasurer, the auditor shall base his investigation on the supporting evidence kept by the activity treasurer and the central treasurer in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, cancelled checks, and bank statements. The entries in the central treasurer's books and activity treasurer's ledgers are, in the final analysis, based on forms bearing not only the signature of the activity treasurer, but also the counter signature of the faculty advisor.

At the end of the school year, it shall be the duty of the auditor to assemble the monthly reports and prepare a composite report listing the financial condition of each activity for the full school year for the guidance of the chief school officer and the board of education.

Chief Faculty Counselor (appointed for each building by the board of education-usually the building principal): It shall be the duty of this officer to coordinate the financial planning of all projects of the various pupil organizations in his building; to consult with the faculty advisers; to appoint a faculty adviser for each activity in his building on a year-to-year basis; and to submit to the board of education for approval all new activity organizations initiated by the students. He/she shall investigate all problems and disputes concerning the student organizations under his jurisdiction and shall effect action that will enable these problems and

disputes to be resolved. In addition, he shall be charged with implementation of any corrective action plan developed as part of the audit of the activities under his jurisdiction.

Faculty Adviser (appointed by the chief faculty counselor): It shall be the duty of these officers to guide and advise the pupil officers in planning extraclassroom activities and the planning of financial budgets. The advisers shall assist the activity treasurer in the preparation of statements of profit and loss. He/she shall audit these statements and sign them as acknowledgement of verification of the activity statement to be attached to deposit slips. The adviser shall guide the student treasurer in posting his account ledger and from time to time shall check the balancing of the activity treasurer's accounts and the completeness of their supporting evidence. The faculty adviser shall supervise disbursements by insuring that funds are available before approving each proposed purchase and by signing all pay orders drawn on the central treasurer for disbursement of funds. The faculty adviser is responsible for determining which of the activities of his organization are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the central treasurer. The faculty adviser shall constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

Activity Treasurer (elected by the pupils of each organization): The activity treasurer shall receive all moneys raised by his activity and shall immediately deposit such funds with the central treasurer. Duplicate deposit slips shall be made out and signed by both the adviser and activity treasurer. One of these is to be retained by the central treasurer and one, after being signed by the central treasurer, is to be returned to the activity treasurer together with a central treasurer's receipt.

The activity treasurer shall pay all bills by issuing pay orders signed by himself and the faculty adviser. This form is to be made in duplicate and is an order for the central treasurer to issue a check for payment of the invoice, which shall be attached to the pay order. The central treasurer will keep one copy of the pay order and return the other copy together with the completed check. The activity treasurer will then send the check to the vendor involved after posting.

The activity treasurer shall keep a ledger showing all receipts and disbursements and indicating a daily running balance, which shall be on a form prescribed by the board of education. He/she shall file all supporting data chronologically as evidence for the entries made in ledger.

Independent Auditor: The independent auditor is appointed by the board of education to make an annual audit of all school district finances and should be required to include the extraclassroom activity fund as a part of his annual audit. This audit should include a statement of receipts, disbursements, and balances for each activity together with a reconciliation of cash.

Deposit Procedures for Activity Treasurers

Each activity treasurer shall issue a receipt for all moneys received by him/her to be deposited in the activity account. These receipts shall be pre-numbered and must be used in consecutive order. If a mistake is made, the receipt should be voided and retained, not destroyed or discarded.

When an organization has a dance or activity involving admissions, a statement of profit and loss must be prepared. Upon receiving money, the activity treasurer will take the following steps:

- ✓ Count the money received and reconcile with the statement of profit and loss or activity treasurer receipts which are involved in the transaction. The faculty advisor should sign the statement of profit and loss under the signature of the activity treasurer, check any activity treasurer receipts involved, place the receipts in a bank deposit bag, and place the bag in the school vault until the next school day. No activity money should be taken home by anyone or left unsecured.
- ✓ Prepare the deposit slip, obtain the signature of the faculty adviser on the deposit slip following his review, and deposit the funds with the central treasurer.
- ✓ Return all funds used for making change.
- ✓ Receive the duplicate deposit slip signed by the central treasurer together with a receipt for the money deposited.
- ✓ Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received.
- ✓ File chronologically the supporting data consisting of the duplicate deposit slip, central treasurer's receipt, and, if applicable, the statement of profit and loss. These forms provide the evidence for the entries made in the activity treasurer's books.

Withdrawal Procedure for Activity Treasurers

When merchandise is to be purchased and a purchase order system is used, a purchase order approved by the activity treasurer and the faculty adviser must be prepared in duplicate. The original is given to the vendor as authorization to buy. In all cases, when the goods are received and the bill arrives, the activity treasurer, under the faculty adviser's supervision, checks the goods, bill, and a copy of the purchase order (if used) to see that there are no discrepancies. The adviser is responsible for being sure the purchase is proper in all respects.

When payments are to be made for services rendered, a purchase order may be used. The activity treasurer and the faculty adviser should be certain that the bill accurately reflects the services rendered.

When it is determined that the bill is correct, the following steps are taken:

- ✓ A payment order is prepared in duplicate and signed by both the activity treasurer and faculty adviser.
- ✓ The final audited bill is attached to the original pay order form and both are given to the central treasurer.
- ✓ A copy of the official meeting minutes authorizing the expenditure shall be attached.

- ✓ The central treasurer records the consecutive pay order number on the forms and prepares the check.
- ✓ The central treasurer makes the entries in his/her books and files both the original pay order and the bill as evidence for the entries.
- ✓ Absent a copy of the official meeting minutes, one additional officer shall sign the request for disbursement.
- ✓ The check and the copy of the pay order are given to the activity treasurer.
- ✓ The activity treasurer makes the necessary entry in his/her books indicating to whom the check is made out and the reason. He/she then sends the check to the vendor. The pay order is filed to give supporting evidence for the entry.

Suggested Procedure for Inactive Activity Accounts

Prior to the termination of a student organization, all funds remaining in the treasury must be disposed of in one of the following ways:

- ✓ Expended by majority vote of the organization controlling these funds as provided for in the bylaws.
- ✓ Transferred to another student organization following the standard withdrawal ` procedure.
- ✓ Transferred to the school district for a specific and designated purpose. When the student organization votes to dispose of funds in this manner, the following procedure will be applied:
 - * The funds shall be turned over to the clerk of the board of education along with a signed statement from the organization authorizing the school district to use the funds in a specific manner as agreed upon by the majority of the student organization and as evidenced by a copy of the official minutes of the organization.
 - * The funds shall be accepted by the board of education and earmarked for their specific purpose until the proper expenditures have been made. Any balance remaining after these expenditures will be considered discretionary funds and used by the school district.
- ✓ When no action has been implemented by the student organization prior to termination, the funds should be transferred in accordance with the policy of the board of education.

Activity Treasurer's Ledger

The various extraclassroom activity organizations should prepare budget estimates of their needed receipts and estimated disbursements under the guidance and with the assistance of their faculty adviser. Copies should be filed with the chief faculty counselor, the central treasurer, the faculty adviser, and the activity treasurer.

The Activity Treasurer's Ledger should be designed to provide flexibility in the accounting system and to meet the needs of both the average and the more complex activity. An average activity will need one sheet for its receipts and one sheet for its disbursements. A more complex activity should use one sheet for its principal ledger and as many sheets as necessary for subsidiary accounts.

As an example of a complex activity, the yearbook account amount may use three sheets for subsidiary receipts (advertising, sales, and other) and four sheets for subsidiary disbursements (printing and layout,

photography, artwork, binding). At a given point in time, the total of the subsidiary accounts will equal the balance on the principal ledger.

At regular intervals fixed by the chief faculty counselor, the activity treasurers shall balance their ledgers and present them for the examination of the faculty auditor. Once audited by the faculty auditor, they should affix their signature indicating approval of the balance after verifying the records.

The faculty adviser shall supervise the posting of the activity treasurer's ledger when approving payment orders on the central treasurer. At the end of the school year, the activity treasurer's ledgers shall be turned over to the faculty adviser after completion of the final audit be placed on file for the inspection and guidance of succeeding officers.

ACCOUNTING RECORDS AND THEIR USE

The central treasurer and activity treasurer should independently keep the following records.

Form 1 - Receipt and Disbursement Ledger (Control)

NAME OF SCHOOL/ACTIVITY: ADDRESS:						
RECEIPT AND DISBURSEMENT LEDGER						
DATE	EXPLANATION	RCT. NO.	VOUCHER #	AMT. REQUESTED	AMT. PAID	BALANCE

On this form is the chronological record of all receipts and disbursements from whatever activity or source. This record tracks all cash activity. There shall be a separate account for each activity. Postings shall include date, person to whom payment is made, or from whom money is received, and receipt or voucher number. One column is used for recording receipts, one for payments, and one for balance. In schools preferring to use a budgetary procedure, this form may be changed by omitting the column headed "Rct No." and changing the heading "Amount Received" to "Amount Allotted."

Form 2 - Register of Receipts

NAME OF SCHOOL/ACTIVITY: ADDRESS:							
REGISTER OF RECEIPTS							
YEAR		FUND				PAGE	
DATE	REC'D FROM	RCT. NO.	AMOUNT	DATE	REC'D FROM	RCT. NO.	AMOUNT

On this form is the chronological record of all receipts from whatever activity or source. This record should include the date, from whom the money was received, receipt number, amount, and activity to be credited.

Form 3 - Register of Disbursements

NAME OF SCHOOL/ACTIVITY: ADDRESS:							
REGISTER OF DISBURSEMENTS							
DATE	NAME OF PAYEE	VOUCHER #	AMOUNT	DATE	NAME OF PAYEE	VOUCHER #	AMOUNT

On this form is the chronological record of all payments for whatever activity or purpose. This record should include the date, person receiving payment, check number, amount, and activity to be charged.

Deposit Receipt

The deposit receipt form shall be prepared in duplicate by the activity treasurer. A copy of the detailed statement of the source of the receipts being deposited, signed by the faculty adviser, shall accompany the deposit receipt and is filed with the central treasurer. The central treasurer shall acknowledge the receipt of these funds by signing and dating the receipt and entering the consecutive register number on the receipt. The original copy shall be filed with the central treasurer along with the detailed statement or report of the income. The activity treasurer shall retain the carbon copy.

Deposit Receipt No. _____	
<i>Horseheads Central School District</i>	
School: _____	Date: _____
Activity: _____	
Source of Funds: _____	
Bills: _____	
Coins: _____	
Checks: _____	
TOTAL AMOUNT OF DEPOSIT: _____	
Activity Deposit:	_____
New York State Sales Tax:	_____
Checked by: _____	
Activity Treasurer	Initial When Posted
_____ Faculty Adviser	_____ Central Treasurer
CENTRAL Treasurer's COPY	

Statement of Profit and Loss

The Statement of Profit and Loss shall be completed for activities that exceed \$2,500 in revenue.

Club Name: _____

Activity: _____ **Activity Date(s):** _____

Subject to NYS Sales Tax? (Circle One) **Yes** **No**

<u>Receipts</u>		<u>Ticket Numbers</u>		Total Number Sold	Sale Price Per Item	Total Receipts
Date of Sale	Description of Sale Item(s)	<u>OR</u>	From And Including	To And Including		
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

Anticipated Receipts \$ _____

Total Actual Receipts \$ _____

Disbursements

Date	Payee	Check #	Purpose	Amount
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Anticipated Disbursements \$ _____

Total Actual Disbursements \$ _____

PROFIT (LOSS) \$ _____

\$ _____

Club Treasurer

Adviser

Date

Central Treasurer's Receipt

CENTRAL TREASURER'S RECEIPT # _____

DATE: _____

NAME OF SCHOOL: _____ \$ _____ DOLLARS

FOR: _____

ACTIVITY: _____

Original to Central Treasurer

Copy to Activity Treasurer

Central Treasurer

This form shall be pre-numbered, made up in duplicate and shall contain the information indicated. The disposition of the copies is indicated on the form itself. All moneys taken in by the central treasurer shall be accounted for in this manner. This document, in addition to serving as a receipt, will furnish the auditor information he needs for checking receipts.

Activity Treasurer's Receipt

ACTIVITY TREASURER'S RECEIPT # _____

DATE: _____

NAME OF SCHOOL: _____ \$

_____ DOLLARS

FOR: _____

ACTIVITY: _____

Original to Purchaser or Depositor

Copy to Activity Treasurer

Activity Treasurer

This pre-numbered form is used by the treasurers or the activity treasurer for acknowledging receipt of money. If possible these forms shall be stamped with the name of the activity before the blanks are issued to the activity treasurers. This form and some other documentary evidence, such as the statement of profit and loss, shall together account for all the money taken in by the activity.

Inventory Control Form
Horseheads Central School District

Club Name: _____ Fundraising Event: _____

Total Number of Items Purchased for Resale: _____

LESS: Total Number of Items Sold: _____

Total Number of Items Remaining in Inventory: _____

LESS: Total Items Unaccounted For: _____

Inventory on Hand: _____

Inventory Tracking Sheet:

Student Name	Date	Number of Items Taken	Date	Number of Items Returned

Purchase Order

Horseheads Central School District

Purchase Order No. _____ (Your invoice must show this number)

TO: _____

DATE ISSUED: _____

DATE NEEDED: _____

SEND TO: _____

ADDRESS: _____

**PLEASE ENTER OUR ORDER FOR THE
FOLLOWING GOODS TO BE DELIVERED
TO THE ADDRESS LISTED ABOVE.**

EXEMPT FROM SALES TAX-resale
NOT EXEMPT FROM SALES TAX
 (Check one of the above)

CHARGE TO: _____
Activity

Quantity and Unit	Description	Unit Price	Total Amount	Checked By

FUNDS ARE AVAILABLE. PURCHASE AUTHORIZED BY:

ACTIVITY TREASURER

FACULTY ADVISER

Purchases by activities should be made by means of a formal purchase order approved by the faculty adviser who is responsible for determining that funds are available before approving purchase order. Like the voucher check, this document involves negotiation with institutions outside of the school and consequently shall bear the signature of the adviser. This form shall be made out in duplicate, the original to the vendor and the copy to the activity treasurer.

Payment Order

The activity treasurer prepares the payment order in duplicate whenever a payment or withdrawal is to be made. The activity treasurer shall secure the signature of the faculty adviser as recording approval of the contemplated disbursement.

The faculty adviser shall certify the amount of the balance available. This information shall be recorded on the payment order for the guidance of the faculty auditor when the transactions are being audited and for the purpose of confirming the proper posting of the activity treasurer's records. If the balance recorded does not agree with the balance shown on the central treasurer's ledger, the issuance of the check may be held up until the faculty adviser can determine the cause of the discrepancy.

All payment orders shall be accompanied by a final audited bill, which shall be filed with the central treasurer. The central treasurer shall acknowledge receipt of the payment order by entering his/her consecutive register number on the order and also by recording the number of the check issued in compliance with the properly drawn payment order. The activity treasurer retains a copy.

Verification of Available Balance By Faculty Advisor Unencumbered Balance \$ _____ Amount of this Payment Order \$ _____ New Available Balance \$ _____	<div style="text-align: center;"> PAYMENT ORDER TO THE CENTRAL TRESURER EXTRACLASROOM ACTIVITY FUNDS _____, 20____ You are authorized to issue a check </div> <div style="margin-top: 10px;"> PAY TO THE ORDER OF: _____ _____ DOLLARS \$ </div> <div style="margin-top: 10px;"> FOR: _____ (AS PER ATTACHED INVOICE) AND CHARGE SAME TO _____ ACCOUNT </div> <div style="margin-top: 20px;"> <table style="width: 100%; border: none;"> <tr> <td style="width: 70%; border-bottom: 1px solid black;">Activity Treasurer Signature</td> <td style="width: 30%; border-bottom: 1px solid black;">Date</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Activity Adviser Signature</td> <td style="border-bottom: 1px solid black;">Date</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Chief Faculty Advisor Signature</td> <td style="border-bottom: 1px solid black;">Date</td> </tr> </table> </div> <div style="margin-top: 10px;"> Order No. _____ Check No. _____ </div>	Activity Treasurer Signature	Date	Activity Adviser Signature	Date	Chief Faculty Advisor Signature	Date
Activity Treasurer Signature	Date						
Activity Adviser Signature	Date						
Chief Faculty Advisor Signature	Date						

Voucher Check*Horseheads Central School District*

NAME OF SCHOOL: _____ CHECK NO. _____

STUDENT ACTIVITIES ACCOUNT: _____

_____, 20____

PAY TO THE ORDER OF: _____ \$

DOLLARS

TO:

Pay and charge to the above-named account

FOR _____

CENTRAL TREASURER

DETACH BEFORE PRESENTING FOR PAYMENT**DUPLICATE VOUCHER**

Date	Order	Items in Account	Amount	Activity

This document should be pre-numbered and issued in duplicate (signatures need appear only on the original). The original is the check and the Central Treasurer keeps the copy. The voucher part of the document should be in sufficient detail to clearly identify and describe the payment. It is to be used for posting purposes.

Interorganization Transfer

On occasion, one organization will want to transfer funds to another organization for services rendered or the general student organization may make appropriation to various activity organizations of the school. It is recommended that transfers of this kind follow the customary procedure for making withdrawals through preparation of a payment order.

After making the necessary entries in his/her books, the central treasurer instead of writing a check would use the interorganization transfer form shown below. The original would be given to the activity treasurer whose organization will receive the funds and the duplicate copy would be sent to the organization paying the funds.

When the activity treasurer receives the form, he/she should make the necessary entries to the standard file and file the transfer form as evidence to support the form.

Horsheads Central School District
Extraclassroom Activities Account
Interorganization Transfer

Date: _____

INITIATING ORGANIZATION: _____

PAY TO _____ \$ _____
_____ DOLLARS

FOR _____

CENTRAL TREASURER

**Report on Extraclassroom Activity Account
Reconciliation of Cash Balances**

Horseheads Central School District

REPORT AS OF _____, 20__

CHECKING ACCOUNT

BANK STATEMENT BALANCE END OF MONTH \$ _____

Less total outstanding checks _____

Net balance in bank _____

Amount of receipts not deposited (add) _____

BOOK BALANCE END OF MONTH \$ _____

OTHER ACCOUNTS

Petty Cash Funds (add) \$ _____

Certificates of Deposit (add) _____

Savings Account (add) _____

CASH BALANCE END OF MONTH \$ _____

_____, 20__

CENTRAL TREASURER

This account was audited for the period _____, 20__ to _____, 20__, and found to be correct.

FACULTY AUDITOR
Extraclassroom Activity Fund

Extraclassroom Activity Fund Central Treasurer's Report

For the Period _____ **to** _____, 20____

[illegible]

Date _____

Signature

ATTENTION:

The form is provided for informational purposes only. DO NOT file this form with the IRS. To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or visit the following website: <http://www.irs.gov/businesses/page/0,,id=23108,00.html>.

Appendix A

Regulations of the Commissioner of Education on Financial Accounting of Extraclassroom Activity Fund in Union Free School District Having a Population of Less Than One Million

Section 172.1 (Activity Funds): An organization within a school district whose activities are conducted by students and whose financial support is raised other than by taxation or through charges of the board of education shall be known as an extraclassroom activity and the moneys received by it as extraclassroom activity funds.

Section 172.2 (Regulation of Activities and Moneys): The board of education of each school district having a population of less than one million and an educational program beyond the 6th grade shall make rules and regulations for the establishment, conduct, operation, and maintenance of extraclassroom activities and for the safeguarding, accounting and audit of all moneys received.

Section 172.3 (Subject Matter of Rules): Such rules and regulations shall require at least the following:

- (a) The method to be followed in establishing an organization.
- (b) The records of receipts and expenditures to be maintained and the reports to be made at least quarterly to the board of education.
- (c) The authority to expend moneys shall be distinct and separate from the custody of those moneys.
- (d) The independent and impartial audit of the district records.
- (e) The method of disposing of funds of defunct organizations.

Section 172.4 (Deposit of Funds): The board of education shall direct that the moneys received from the conduct, operation or maintenance of any extraclassroom activity is deposited with an official designated by the board of education, who in such event shall be treasurer of such extraclassroom activity fund.

Section 172.5 (Assignment of Board Officers or Employees): The board of education may assign any of its officers or employees to perform such duties as it may prescribe in connection with any extraclassroom activity, and shall designate such of its officers and employees, from whom an official undertaking shall be required and shall fix the sum thereof.

Appendix B

POLICY

Non-Instructional/Business Operations

SUBJECT: EXTRACLASSROOM ACTIVITY FUNDS

Extraclassroom activity funds are defined in the Regulations of the Commissioner of Education as “funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof.” Basically, extraclassroom activity funds are those operated by and for the students. Monies are usually collected voluntarily by pupils and are spent by them as they see fit so long as they abide by established regulations.

Extraclassroom activity funds must not be confused with funds accounted for in accordance with the Uniform System of Accounts prescribed by the State Comptroller. Procedures discussed in this policy and applicable regulations apply only to extraclassroom activity funds.

The board of education recognizes that the fundamental task of the schools is to prepare young people for life. In order for this preparation to be done properly, the educational program of the schools must be as wide as life itself. An integral part of such a program is extraclassroom activities. They represent an essential part of the educational experiences which should be available to young people. In order to promote the organization and maintenance of extraclassroom activities and to provide for the proper handling and safeguarding of extraclassroom activity funds, the board of education hereby adopts rules and regulations for the guidance of students, teachers, and principals.

Purpose

Student extraclassroom activities may only be formed for educational purposes.

Definition

Extraclassroom activity funds are funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body, or any subdivision thereof.

Organizational Procedures

Students desiring to form an extraclassroom activity shall petition their principal in writing. The petition shall state the purpose of and describe the activities of the proposed extraclassroom activity, and shall be signed by at least seven students before it is presented to the principal for action. If the purpose of the proposed extraclassroom activity falls within the scope of educational or school service purposes and if the necessary space and equipment are available, the principal, in conjunction with the petitioning students, shall seek a suitable adviser. When these procedures have been accomplished, the building principal shall recommend to the chief school officer that the extraclassroom activity be approved by the board of education.

Approved Extraclassroom Activities

All extraclassroom activities shall be approved by the Board of Education. The Chief School Officer shall maintain an up-to-date register of all extraclassroom activities that are approved or discontinued.

Faculty Adviser

Each extraclassroom activity shall have a faculty adviser recommended by the superintendent and appointed by the board of education. The faculty adviser shall attend all meetings of the extraclassroom activity.

Meetings

All extraclassroom activities shall meet at least once monthly while school is in session. These meetings shall be held on school property. Extraclassroom activities shall not meet outside school property unless they have received the consent of their school principal.

Officers

Each extraclassroom activity shall have a president, secretary, and treasurer. These officers shall be elected annually from among the membership by secret ballot.

Financial Procedures

All extraclassroom activity funds shall be handled in accordance with the regulation for the safeguarding, accounting, and auditing of these funds.

Inactive Clubs and Leftover Funds

An inactive extraclassroom activity shall be defined as one having no financial activity for one full school year. If an inactive club is identified, the central treasurer is directed to expend leftover funds as voted by the organization controlling these funds or if no such designation exists, then liquidate the leftover funds of these club(s) in accordance with the following: Leftover funds of inactive or discontinued extraclassroom activities and of graduating classes shall automatically revert to the account of the general student organization or student council. Inactive clubs must follow the organizational procedures set forth in this policy to re-activate previously existing activities.

Sales, Campaigns and Fundraising Activities

The chief faculty counselor shall provide information to the superintendent on sales, campaigns and fundraising activities of all extraclassroom activity clubs, including the nature of the event, dates of operation, duration of sale or campaign, and means of solicitation (e.g., door-to-door, direct mailing, etc.).

Risk Management

The chief faculty counselor shall work with the business official to assure that the district's exposure to any risk resulting from club activities or fundraisers is minimized. In all cases where a vendor will be using district facilities to conduct its event, the district requires a certificate of insurance with the district named as an additional insured. Periodically, the district may request that its primary liability insurance carrier conduct a review of the activities of its extraclassroom activities and may prohibit certain events based on the review results.

Equipment Acquisitions

All equipment purchases shall be evidenced by official action of a majority of the club or activity members. Title to all equipment acquired with extraclassroom activity funds shall reside with the district and be carried as an insurable asset on its list of insurable values. All equipment shall be operated on district property, unless express permission from the superintendent is secured to use the equipment or have it reside off-premises. Such equipment shall be tagged as district property but is available for exclusive use by the extraclassroom activity club acquiring the item.

Tax Exempt Status

The extraclassroom activities of the district are not included in the exemption granted to the school district from New York State sales tax. Without exception, clubs and activities are prohibited from using the school's tax exemption. The taxable status of all fundraising events specified in the administrative regulations to this policy shall be enforced as listed by the central treasurer. Any event not specifically listed shall be deemed taxable unless a written determination that it is non-taxable has been issued from the business official to the central treasurer. The central treasurer shall be responsible for filing the periodic sales tax returns for the extraclassroom activity funds.

Contracts, Commitments and Guarantees

All commitments and contracts shall be the sole responsibility of the extraclassroom activity club giving rise to the transaction, regardless of change in advisers, membership or officers.

Appendix C

ADMINISTRATIVE REGULATIONS

Non Instructional/Business Operations

SUBJECT: RULES FOR THE SAFEGUARDING, ACCOUNTING, AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS

General

There are certain principles and procedures that should be followed in establishing an adequate accounting system for extraclassroom activity funds. The following basic devices are essential to the proper management of such funds:

Basic Principles

- A) Two separate and independent sets of records of receipts and expenditures shall be maintained.
- B) The authority to expend monies shall be distinct and separate from the custody of these monies.
- C) At least two individuals shall take part in each act of disbursing money.
- D) The custodian of funds and the accounting officer or auditor shall both report to the board of education or its designated representative regularly and independently at intervals.
- E) All accounts shall be audited at least annually.
- F) The accounting system shall be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

Appointment of Officers

The Board of Education shall appoint, on the recommendation of the Superintendent, members of the regular faculty and clerical staff to fill the following positions:

- 1. Central Treasurer
- 2. Faculty Auditor
- 3. Chief Faculty Counselor
- 4. Faculty Adviser
- 5. Activity Treasurers
- 6. Independent Auditor

The building principals shall be chief faculty counselor(s) and shall recommend faculty advisors for each extraclassroom activity.

Each extraclassroom activity shall elect an activity president, secretary, and treasurer (students).

Function and Duties of Officers

1) CENTRAL TREASURER (appointed by the Board of Education)

It shall be the duty of the central treasurer to have custody of all funds. All disbursements of funds shall be by means of pre-numbered check forms signed by the central treasurer upon receipt of a disbursement order signed by the activity treasurer and faculty adviser. The central treasurer shall have no part in the approval of payments but shall disburse funds only on the presentation of a properly signed pay order in duplicate

providing, of course, that there are sufficient funds available in the account. The completed check will be sent to the vendor after posting.

The central treasurer shall sign a receipt for all funds placed in his/her custody and he/she shall deposit these funds promptly in a bank designated by the board of education.

Once each month, the central treasurer shall receive and verify his/her bank statements and once each quarter prepare reports for presentation to the faculty auditor and the board of education. These *Central Treasurer Reports* and *Reconciliation of Bank Balances* to the board should show beginning balances, receipts for the month, disbursements for the month, and the ending balances for each organization, as well as a copy of the bank reconciliation.

2) FACULTY AUDITOR (appointed by the Board of Education)

The function of the auditor shall be distinct and separate from the duties of the other officers. The person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms. This policy prohibits the appointment of a building principal or the chief school officer as auditor inasmuch as the building principal should serve as chief faculty counselor and the chief school officer would have general supervision of the entire system and would be responsible for the decisions of the chief faculty counselor and the faculty advisers.

In order to establish the responsibility of the auditor and to make available to this office adequate evidence of all financial transactions, the auditor shall receive once each quarter from the central treasurer, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the auditor will call in the ledgers kept by the activity treasurers at least twice a year in order to compare the balance as shown on the central treasurer's report with the balance recorded in the ledger of the activity treasurer. He/she should also examine various transactions and paperwork to determine if correct procedures are being used. He/she shall certify on these pages as to the accuracy of the entries posted and the available balances listed.

In the event that the ledgers of the activity treasurer do not agree with the ledger kept by the central treasurer, the auditor shall base his/her investigation on the supporting evidence kept by the activity treasurer and the central treasurer in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, canceled checks, and bank statements. The entries in the central treasurer's books and activity treasurer's ledgers are in the final analysis, based on forms, bearing not only the signature of the activity treasurer, but also the counter signature of the faculty adviser.

3) CHIEF FACULTY COUNSELOR (the building principal)

It shall be the duty of this officer to coordinate the financial planning of all projects of the various pupil organizations in his/her building; to consult with the faculty advisers; to appoint a faculty adviser for each activity in his/her building on a year-to-year basis; and to submit to the board of education for approval all new activity organizations initiated by the students. He/she shall investigate all problems and disputes concerning the student organizations under his/her jurisdiction and shall effect action that will enable these problems and disputes to be resolved.

4) FACULTY ADVISER (appointed by the Chief Faculty Counselor)

It shall be the duty of these officers to guide and advise the pupil officers in planning extraclassroom activities and the planning of financial budgets. The advisers shall assist the activity treasurer in the preparation of statements of income. He/she shall audit these statements and sign them as acknowledgments of verification of the income statement to be attached to deposit slips. The adviser shall guide the student treasurer in posting his/her account ledger and from time to time shall check the balancing of the activity treasurer's accounts and the completeness of their supporting evidence. The faculty adviser shall supervise expenditures by insuring that funds are available before approving each proposed purchase and by signing all pay orders drawn on the central treasurer for disbursement of funds. The faculty advisor is responsible for determining which of the activities of his/her organization are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the central treasurer. The faculty adviser shall

constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

Each faculty adviser shall receive a copy of board policy governing the conduct and operation of extraclassroom activity funds and shall sign a declaration that they have received, read, and understand said policy and declare that the activities of the club shall be conducted in accordance with said board policy prior to appointment. Failure to adhere to board policy may result in termination.

5) ACTIVITY TREASURER (elected by the pupils of each organization)

The activity treasurer shall receive all monies raised by his/her activity and shall immediately deposit such funds with the central treasurer. Duplicate deposit slips shall be made out and signed by both the adviser and activity treasurer. One of these is to be retained by the central treasurer, and one, after being signed by the central treasurer, is to be returned to the activity treasurer together with a central treasurer's receipt.

The activity treasurer shall pay all bills by issuing pay orders signed by himself/herself and the faculty adviser. This form is to be made in duplicate and is an order for on the central treasurer to issue a check for payment of the invoice, which shall be attached to the pay order. The central treasurer will keep one copy of the pay order and return the other copy to the activity treasurer. The central treasurer will then send the check to the vendor involved after posting.

The activity treasurer shall keep a ledger showing all receipts and expenditures and indicating a daily running balance. He/she shall file all supporting data, chronologically, as evidence for the entries made in the ledger.

6) INDEPENDENT AUDITOR

The independent auditor is appointed by the Board of Education to make an annual audit of all School District finances and should be required to include the extraclassroom activity fund as a part of his/her annual audit. This audit should include a statement of receipts, disbursements, and balances for each activity together with a reconciliation of cash.

PROCEDURES IN HANDLING FUNDS

PREAUDIT OF RECEIPTS

Confusion and sometimes loss of funds can be traced more often to a lax checkup and recording of money taken in than to any other single cause. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording, and depositing of receipts.

Extraclassroom activities funds are derived from a number of sources such as admissions, membership dues, sales and campaigns, and donations. The procedures used in collecting and pre-auditing (checking) these several types of receipts will naturally vary. So far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on the face of it, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and an estimate should be obtained as to the amount of sales tax that will be collected. *An Individual Project Profit or Loss Statement* shall be prepared to enable those collecting money to prepare a complete report and to verify the money turned over to the treasurer. (Attached) In addition, it will afford protection for those handling funds, facilitate a check and serve as documentary evidence that can be used for accounting purposes. A pre-audit of receipts should make only reasonable allowances for errors in making change.

ADMISSIONS

Pre-numbered tickets shall be used so that the auditor may by reference to the beginning and ending numbers determine the amount that should be collected. A different color should be used for each occasion, thus making it difficult for anyone to use old tickets, and ticket collectors shall destroy each ticket by tearing it in two, giving one part to the customer and retaining one.

RECEIPTS FROM SALES, CAMPAIGNS, ETC.

Pupils collecting monies should, whenever possible, issue pre-numbered receipts in duplicate, the original to be given to the purchaser and the duplicate to the pupil treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example, a candy sale, the activity treasurer with the assistance of the adviser should prepare a statement (attached) whereby the exact amount to be realized by the sale is determined in advance. Each salesman should be given a statement showing the amount he is to receive. After the sale, each salesman should then turn in that amount in cash and unsold goods. Salesman, on an Inventory Control Sheet shall log inventory distributed for sale and returned. (Attached)

INVENTORY

Inventory items held for resale must be adequately safeguarded in a secure location and properly accounted for, including an accounting of and reconciliation of amounts on hand at all times.

DONATIONS

Gifts or donations are usually made in lump sums and should be recorded in the minutes of the activity. The activity treasurer should issue a receipt and deposit the gift with the central treasurer.

RECEIPT OF MONEYS

Upon receiving money, the activity treasurer will take the following steps:

- 1) Ensure that if the money received is from a fundraising event, that a completed profit/loss statement is on file or accompanies the money received.
- 2) Count the money received and reconcile with the individual project profit or loss statement that is involved in the transaction. The faculty adviser should sign the statement next to the signature of the activity treasurer, check any activity treasurer receipts involved, place the receipts in a bank deposit bag, and place the bag in the school vault until the next school day. No activity money should be taken home by anyone.
- 3) Prepare the deposit slip, obtain the signature of the faculty adviser on the deposit slip following his/her review, and deposit the funds with the central treasurer.
- 4) Return all funds used for making change.
- 5) Receive the duplicate deposit slip signed by the central treasurer.
- 6) Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received.
- 7) File chronologically the supporting data consisting of the duplicate deposit slip, and, if applicable, the profit or loss statement. These forms provide the evidence for the entries made in the activity treasurer's books.

PAYMENTS

When merchandise is to be purchased, the adviser is responsible for being sure the purchase is proper in all respects. When the goods are received and the bill arrives, the activity treasurer, under the faculty adviser's supervision, checks the goods and bill to see that there are no discrepancies. When it is determined that the bill is correct, the following steps are taken:

- 1) The payment order is prepared in duplicate and signed by both the activity treasurer and faculty adviser.
- 2) The final audited bill is attached to the original pay order form and both are given to the central treasurer.
- 3) The central treasurer records the consecutive pay order number on the forms and prepares the check.
- 4) The central treasurer makes the entries in his/her books and files both the original pay order and the bill as evidence for the entries.
- 5) A copy of the pay order will be sent to the activity treasurer.
- 6) The activity treasurer makes the necessary entry in his/her books indicating to whom the check is made out and the reason. The central treasurer then sends the check to the vendor. The central treasurer to give evidence for the entry files the pay order.

ADVANCES

To provide ways and means for financing certain types of activities which do not lend themselves to the usual procedures, it is suggested provision be made for "advances." For example, to provide the necessary cash for student organization activity trips, the activity treasurer of the group will draw a payment order in the same manner as when paying for a purchase except that in explaining the payment he will state that the check is to be drawn to himself, giving essential facts regarding the trip. A detailed statement of estimated expenditures and the like should accompany this order. Such a payment order should be pre-audited and approved the same as any other payment order. After audit and approval, the central treasurer will draw the necessary voucher check. The activity treasurer will thus secure the requested cash. After the trip, the activity treasurer shall file with the central treasurer a detailed statement of actual expenditures and turn over any balance not accounted for. The statement should, of course, be audited and approved by the faculty adviser.

The use of the "advance" procedure shall be very carefully limited and closely supervised. The device should be used only in case of real need, and not merely for convenience.

In order to avoid confusion in the case of advances for making change for admission tickets sold and to avoid inflation of accounts, a "service account" shall be set up. This account is charged with the advance and credited with the return of the money. Then the exact amount of net receipts can be credited to the activity.

TRANSFER OF FUNDS FROM ONE ACTIVITY TO ANOTHER

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a payment order. The treasurer of the activity managing the donation will upon proper authorization draw a payment order stating all essential facts. The central treasurer will then affect the necessary transfer in his accounts, and no money will actually change hands.

BONDING OF THE CENTRAL TREASURER

The board of education shall require the central treasurer of the extraclassroom activity fund to be bonded for no less than the amount of the average cash balance of the fund.

INVESTING EXTRACLASSROOM ACTIVITY ACCOUNT MONIES

The central treasurer may entrust a portion of the fund in a time deposit account, a certificate of deposit, a savings account, or other investment approved by the board of education. The investment of this money must be authorized by the board of education and shall be credited to each activity account based on its prorata principal investment.

CLOSING OUT OF INACTIVE ACCOUNTS

Prior to the termination of a student organization, all funds will remain in the custody of the Central Treasurer for six months and then disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws.
- 2) Transferred to the general student organization or student council.
- 3) An account that is inactive for two years should be terminated with the monies transferred to the activity representing the general student organization or student council.

GRADUATING CLASS ACCOUNTS

Upon graduation, all funds in the Senior Class Treasury will be disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws.
- 2) Transferred to the general student organization or student council.

SALES TAX

A school district is not exempt from the provisions of the Sales Tax Law whenever it becomes the vendor of services or property ordinarily sold by private persons. Each faculty adviser should know which of the activities his organization undertakes are subject to sales tax and take steps to see that all sales tax information is accurately recorded and sent to the central treasurer. Below are selected events (not all inclusive) and their taxability status:

Sale of Candy Bars

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. However, the exemption does not apply to candy or sodas and soft and fruit drinks, which contain less than 70% natural fruit juice.

Spaghetti Dinners

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. However, the exemption does not apply to catered situations, where the students of the club would be serving, assisting in serving, cooking, or otherwise providing services with respect to the food items in question.

Bake Sales

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, beverages sold for human consumption. This provision exempts bake sales from the collection of sales tax.

Vending Machine Sales

Where tables, chairs, benches, etc. are provided where the vending machine operations are conducted, the sales through the vending machine are taxable. Where no eating facilities are provided, the sales are exempt from NY sales tax.

Food or Beverage in a Heated Space

All sales of prepared food sold in a heated state (where the food is maintained at a temperature warmer than surrounding air temperature), such as pizza, barbecue chicken, popcorn, coffee, tea, etc. are subject to sales tax.

Purchases of Prepared Food for Resale

The purchase of the prepared food is subject to NY sales tax, and sales tax must be collected upon the subsequent resale. (Sales tax paid on initial purchase may be taken, as a credit against tax required to be collected upon subsequent resale).

Admission Charges

Exemption is provided from NY sales tax for admissions to dramatic or musical arts performances, which do not include variety shows, magic shows, circuses, ice shows, and similar performances. Included in the exemption is an admission charge to choreographed performances to music, which may exempt color guard admissions. Admission charges for entertainment or amusement are taxable, such as social dances.

Sale of Newspapers/Periodicals

Exempt from NY sales tax.

Sale of Yearbook

Taxable under provisions of NY Tax Law, however if the entire cost of the yearbook is underwritten by the Board of Education, the sale of the yearbook becomes an exempt transaction. Advertising space sold in the yearbook is not taxable.

Sweatshirt, T-Shirt, Jacket Sales

Tax Law §1101 (b) (5) provides that property purchased for resale is expressly excluded from NY sales tax (BUT ONLY IF A RESALE CERTIFICATE IS ISSUED TO VENDOR). Tax Law §1105 (a) provides that sales tax is imposed on the sale of tangible personal property.

When a student organization purchases merchandise for resale, vendors are required to collect the sales tax unless they receive a Resale Certificate (NYS Sales Tax Form ST-120) from the buyer.

ACCOUNTING RECORDS AND THEIR USE

A) The central treasurer should keep the following records:

1. Register of Receipts (Control)

On this form he will record chronologically all receipts from whatever activity or source. This record should include the date, from where the money was received, receipt number, amount, and activity to be credited.

2. Register of Disbursements (Control)

On this form he will record chronologically all payments for whatever activity or purpose. This record should include the date, person receiving payment, check number, amount, and activity to be charged.

3. Central Treasurer's Receipt and Expenditure Ledger

There shall be a separate account for each activity. Postings shall include: date, person to whom payment is made, or from whom money is received, and receipt or voucher number. One column is used for recording receipts, one for payments and one for balances. The central treasurer will keep such an account for each activity.

4. Central Treasurer's Receipt

The central treasurer's receipt form shall be pre-numbered and made up in duplicate, the original to the activity treasurer and the copy retained by the central treasurer. Every cent taken in by the central treasurer shall be accounted for in this manner. In addition to serving as a deposit slip, this will also furnish the auditor with information needed for checking receipts.

5. Voucher Check

This document should be pre-numbered and issued in duplicate. Signatures need appear only on the original. The original is the check, and the central treasurer keeps the copy. The voucher part of the document should be in sufficient detail to clearly identify and describe the payment. It is to be used for posting purposes.

6. Interorganization Transfers

On occasion, one organization will want to transfer funds to another organization for services rendered or the general student organization may make appropriations to various activity organizations of the school. It is recommended that transfers of this kind follow the customary procedure for making withdrawals through preparation of a payment order.

After making the necessary entries in his books, the central treasurer instead of writing a check would use an interorganization transfer form. The original would be given to the activity treasurer whose organization will receive the funds and the duplicate copy would be sent to the organization paying the funds.

When the activity treasurer receives the form, he should make the necessary entries in the books and file the transfer form as evidence to support the form.

7. Central Treasurer's Report on Extraclassroom Activity Accounts

In accordance with Part 172.3 (b) of the Regulations of the Commissioner of Education the central treasurer of the extraclassroom activities fund shall submit a financial report to the board of education pertaining to the receipts and expenditures for all accounts in his custody.

B. The student activity treasurer should keep the following records:

1. Activity Treasurer's Receipt and Expenditure Ledger

The various extraclassroom activity organizations should prepare budget estimates of their needed income and expenses under the guidance and with the assistance of their faculty advisers. The final drafts of these budgets shall be prepared in quadruplicate and copies filed with the chief faculty counselor, the central treasurer, the faculty adviser, and the activity treasurer.

An average activity will need one sheet for its receipt and expenditure ledger. A more complex activity should use one sheet for its principal ledger and as many sheets as necessary for subsidiary accounts.

As an example of a complex activity, the yearbook activity account may use three sheets for subsidiary revenues (advertising, sales, and other) and four sheets for subsidiary expenses (printing, and layout, photography, artwork, binding). At a given point in time, the total of the subsidiary accounts will equal the balance on the principal ledger.

By contrast, a chess club activity may not need subsidiary accounts.

At regular intervals fixed by the chief faculty counselor, the activity treasurers shall balance their ledgers and present them for the examination of the faculty auditor. Space should be provided for the signature of the auditor indicating approval of the balance after verifying the records.

The faculty adviser shall supervise the posting of the activity treasurer's ledger when approving payment orders on the central treasurer. At the end of the school year, the activity treasurer's ledgers shall be turned over to the faculty adviser after the completion of the final audit and be placed on file for the inspection and guidance of succeeding officers.

Each student treasurer will keep such an account for his activity.

2. Deposit Receipt

The deposit receipt form shall be prepared in duplicate by the activity treasurer. A copy of the detailed statement of the source of the receipts being deposited, signed by the faculty adviser, shall accompany the deposit receipt and is filed with the central treasurer. The central treasurer shall acknowledge the receipt of these funds by signing and dating the receipt and entering the consecutive register number on the receipt. The original copy shall be filed with the central treasurer along with detailed statement or report of the income. The activity treasurer shall retain a copy.

3. Activity Treasurer's Receipt

The activity treasurer's receipt should be a pre-numbered form used by the treasurer of the activity for acknowledging receipt of money. If possible, these forms should be stamped with the name of the activity before the blanks are issued to the activity treasurer. This receipt and some other documentary evidence, such as a statement of admissions, shall together account for all the money taken in by the activity.

4. Payment Order

The activity treasurer shall prepare the payment order in duplicate whenever a payment or withdrawal is to be made. The activity treasurer shall secure the signature of the faculty adviser as recording approval of the contemplated expenditure.

The faculty adviser shall certify the amount of the balance available. This information shall be recorded on the payment order for the guidance of the central auditor when the transactions are being audited and for the purpose of confirming the proper posting of the activity treasurer's records. If the balance recorded does not agree with the balance shown on the central treasurer's ledger, the issuance of the check may be held up until the faculty adviser can determine the cause of the discrepancy.

The activity treasurer, after securing the approval of his faculty adviser, shall present the form.

All payment orders shall be accompanied by a final audited bill, which shall be filed with the central treasurer. The central treasurer shall acknowledge receipt of the payment order by entering his consecutive register number on the order and also by recording the number of the check issued in compliance with the properly drawn payment order. The activity treasurer shall retain a copy.