

PTO Accounting Procedures

These accounting procedures serve as a collection of best practices and a standard by which the PTO Council and all Clayton School District PTO's should operate. They were created to ensure integrity and consistency within our organization. These procedures will be reviewed every 5 years to make sure they reflect the current standards of our District.

Internal Controls

Basics of Internal Control

Any organization which takes in money should establish processes to ensure the funds are handled correctly and used for the intended purpose. In finance parlance, these processes are known as internal controls.

The internal control system should include procedures and policies to help ensure:

1. Resources are guarded against waste, loss and misuse.
2. Reliable data is obtained, maintained, and fairly disclosed in financial reports.
3. Resource use is consistent with laws, regulations, and internal procedures and policies.

Effective internal controls assume that the PTO Board and members have reasonable assurance that:

1. They understand the extent to which the entity's operations objectives are being achieved.
2. Published financial reports are being prepared reliably.
3. Applicable laws, regulations and policies are being complied with.

The internal control system is intertwined with an organization's operating activities, and is most effective when controls are built into the organization's infrastructure, becoming part of the very essence of the organization.

Some organizations, by virtue of their size, are not able to implement basic controls such as having two parties handle certain duties. This is known as segregation of duties. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control.

What Internal Controls Cannot Do

Internal control is not an absolute assurance to the board about the organization's achievement of its objectives. It can only provide reasonable assurance, due to limitations inherent in all internal control systems. For example, breakdowns in the internal control structure can occur due to simple error or mistake, as well as faulty judgments that could be made at any level of oversight. In addition, controls can be circumvented by collusion or override. Finally, the design of the internal control system is a function of the resources available, meaning that there must be a cost-benefit analysis in the design of the system.

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Financial Cycles

Cash Receipts

To protect PTO officers and volunteers from accusations of fraud, accounting practices dictate that all funds received be handled in an efficient and prudent manner.

- Upon receipt of funds, verify amounts received.
 - Together two people should count cash and checks and document such in the accounting records; especially when large deposits are received at one time. This should be done by a PTO officer or event chair. No money should leave the event without being counted or put in a locked place until this procedure can be completed.
 - Please see examples of cash control forms the attached documents
- Endorse all checks “For Deposit Only.”
- Prepare and deposit cash and checks in a timely manner. Delays result in bounced checks and inaccurate accounting reports.
- A PTO treasurer should be responsible for all deposits.
- All funds, cash and checks, should be stored appropriately in a locked container and never left unattended.
- Cash in sheet should be completed for all start up cash.
- Start up cash will be provided by the PTO treasurer at the request of the event chair, and all cash at the end of any event is to be turned in to the Treasurer for counting. Treasurer will deposit start up cash and back it out of final reporting.

Cash Disbursements

PTO treasurers should maintain complete and accurate records of all expenses to ensure spending is within budgeted constraints. Accounting practices recommend:

- All expenses included in the voted on annual budget shall be considered approved. Any spending in excess of \$200 over the approved budget requires a PTO vote or the approval of 2 officers.
- Secondary approval is an officer other than the treasurer.
- Checkbook and bank password are stored in a secure location.

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Reimbursements

- Purchases for School District Employees use or for the use of the school shall be obtained through established District purchasing procedures. These purchases should be discussed with the school's Principal. The PTO treasurer should work directly with the school's secretary to submit purchase orders through the PTO's respective District account. Monthly, the District will provide the PTO with an invoice detailing charges paid during the year. Upon payment of the invoice to the District the PTO treasurer should charge expense accounts appropriately.
- In order to be reimbursed by the PTO, individual must submit an itemized receipt or paid invoice.
- In alignment with District policy, sales tax should not be reimbursed. All individuals purchasing items on behalf of the PTO should use the current Tax Exempt letter, available from the PTO or PTO Council treasurer.
- All payments for individual services should be processed through the District. Treasurers can work with the office secretary to submit a Purchase Order if time allows. This allows the District to track payments for individual servicers for the purpose of tax reporting.

Bank Accounts and Investments

Bank accounts should be established in the name of the Clayton School District Parent-Teachers Organization Council, D/B/A (specific school) PTO and addressed to the specific school building. Monthly bank reconciliations should be performed by the treasurer and reviewed, along with the physical bank statement, by another qualified officer at least quarterly.

Current statements will be available for viewing at each PTO meeting upon request.

Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Cash in the bank should be sufficient to cover one year of budgeted expenses (i.e. a reserve). Any cash in excess of this reserve could be prudently invested. The investment should ensure the preservation of principal; remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated; and designed with the objective of attaining a market rate of return throughout economic cycles.

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All financial institutions and broker/dealers who desire to become qualified for investment transactions should supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Security Dealers (NASD) certification.
- Proof of state registration.
- Rating of BBB+ or higher

The following list represents the entire range of investment types that should be considered:

- Repurchase Agreements
- Certificates of Deposits
- United States Treasury Securities
- United States Agency Securities

Financial Reporting

One of the most effective compensating controls in an internal control environment is transparency in financial reporting. This includes:

- Creation of a detailed annual budget that is **approved by membership**. Voting must be completed by 1st PTO meeting of the school year (August).
- Approval of membership of any expected significant changes (over \$400) in the budget during the course of the fiscal year. Overages of \$200 - \$400 can still be approved by two members of the Executive Board, per the accounting procedures on Page 2.
- Providing membership with monthly detailed financial reports comparing actual expenditures to budget.

The detailed annual budget should include a summary of deposits and expenditures by category. The monthly detailed financial report should include a summary of deposits by category and a complete listing of all expenditures paid during the period reported. The treasurer should openly review the report as a monthly agenda item allowing for questions from membership.

The treasurer's report must be approved by a majority vote at each PTO meeting and published to the web in the monthly meeting minutes.

District In/Out (Clearing) Account

Each school PTO, and the PTO Council, has a clearing account with the District. This account is maintained by the District and a monthly statement is provided to the respective PTO Treasurer by the District's Office of Business and Finance by the 10th of each month. Timely payment to the District's Office of Business and Finance is appreciated. This account is used to make purchases primarily for the benefit of the District such as:

- Teacher/staff wish lists.
- Printing jobs performed by the District print shop.
- Postage for PTO mailings sent by the District.
- Special projects (such as building or site improvements).
- Equipment purchases.

Expenditures listed on the monthly statement should be coded to the appropriate expense category.

PLEASE NOTE: The District requests that the PTO does not reimburse any teachers or staff for purchases directly but allow them to be processed by the District through the clearing account.

General Accounting

Detailed activity records showing both income and expenses should be kept in an organized fashion. A computer program such as QuickBooks or Quicken is ideal.

In order to maintain the Council's tax-exempt status, for documentation during an IRS audit, or dealing with questions at a later date, the PTO treasurer must maintain copies of the following records for a period of seven years:

- Fundraising solicitations and advertisements.
- Receipts or other evidence of payments received in connection with fundraising activities.
- Monthly bank reconciliations.

Accounting for revenues and expenditures in the following categories is recommended to assist in the preparation of the year-end tax return. The example categories are all encompassing and may not be applicable to each school's individual PTO.

PTO Accounting Policies

These policies represent the best practices used by the PTO Council and the individual PTO's. We have adopted these policies district wide to provide consistency and transparency across the six schools.

- NSF (insufficient funds) fees are the responsibility of the individual who wrote the check and will be passed on to them. The treasurer is responsible for following up with the individual, and copying the president on the correspondence. An example email is included in Appendix III.
- PTO will not reimburse sales tax, and all purchasers will use the District's Tax Exempt letter.
- Brown Paper Tickets is the preferred online ticketing outlet to be used for all ticketed events that are sold online.
- PayPal will be the PTO's accepted online payment method.
- PTO will not provide building principals with lump sums of money unless the principal submits a specific proposal to the PTO and that proposal is approved by PTO voting members. Principals must then provide an itemized receipt or paid invoice.
- Decisions regarding whether or not to raise PTO funds must be made by a majority vote of a quorum of the PTO Executive Board.

PTO Accounting Appendix I – Accounting Categories

Revenue and Expense Categories Defined

- Contributions/Gifts:
 - Contributions from donors are amounts received from voluntary contributions; that is, payments for which the donor does not receive full retail value (fair market value) for the item. This would be funds received from an event such as:
 - Barnes & Noble Book Sale (donor in this case is Barnes & Noble)
 - e-Script (donor in this case is Schnucks or other store)
 - Target (donor in this case is Target)
 - Box Tops for Education (donor in this case is School Pop)
 - Funds for Excellence Campaigns
 - Raffles

- Special Events:
 - Special event/fundraising activities are when a buyer pays more for goods than their retail value. A special event can also produce both revenue and contributions. For example:
 - Scholastic Book Fair
 - Innisbrook Products
 - Visiting Author/Book Sales
 - Pancake Breakfast/Meals/Food Sales
 - Talent Shows
 - Brick Sales
 - Note Pad/Card Sales
 - These items have a retail value. Generally, the retail value is the cost the PTO pays the vendor.

FOR EXAMPLE: As a Special Event, the PTO announces that anyone who contributes at least \$10 can choose to receive a book worth \$6 retail value. The person who gives \$10, and chooses to receive the book, is really purchasing the book for \$6 and also making a contribution of \$4.

- ❖ The \$10 would be reported under Gross Special Events Revenue.
- ❖ The cost, generally the same as the retail value of \$6, would be reported under Special Events Revenue and Special Events Expense. (If the retail value is known and different than the cost, put the actual retail value under Special Events Revenue and the actual cost under Special Events Expense.)
- ❖ The \$4 would be reported under Contributions net of Special Events Revenue.

PTO Accounting Appendix I – Accounting Categories (Cont'd)

- Program Services:
 - Program Services are those activities that the PTO was created to conduct and which, along with any activities subsequently added, form the PTO's current purpose of furthering the educational and social development of the students and to provide assistance to the parents.
 - Program Service Revenues are normally not significant.
 - Program Service Expenditures are normally the bulk of the PTO's expenditures. For example:
 - Open House
 - Curriculum Nights
 - Staff Appreciation/Principal Discretionary/Wish List
 - Books/Music
 - Class Pictures
 - Library/Facility/Garden Improvements
 - Scholarships
 - Equipment
 - Cultural Experiences
 - Parties (Ice Cream/Pool/Pizza/Birthday/Roller Skating)
 - School Picnic
 - Yearbooks
 - Birthday Cards/Graduation Gifts
 - Fieldtrips

- Membership Dues – Amounts received for membership

- Interest Income – Interest income from bank or investment accounts

- Other Income:
 - Any income not specifically broken out as detailed above.
 - For any amount listed as “other”, please provide detail.
 - There will rarely be any income defined as “other”.

- Fundraising Expense:
 - Report as a fundraising expense all expenses incurred in publicizing fundraising events, soliciting donations and preparing and distributing fundraising materials. These would include:
 - Advertising expenses for local media or such.
 - Printing of flyers to promote a fundraiser.

- Other Expenses to list separately:
 - Supplies purchased for the PTO including office supplies and software.
 - Postage and shipping expenses.
 - Printing and publication expenses not used for advertising. For example, directories and newsletters.

PTO Accounting Appendix II – Annual Tax Preparation for District

Necessary Documentation for Preparing the Tax Return Information

1. Completed Summary Sheet.

A summary sheet and instructions are sent by the School District each year. The beginning balance on this form must equal the ending balance of the previous year. The ending fund balance should equal your bank account balances. The sheet also lists the total revenue by each source and the total of each expense by source. From these figures the year-end balance is computed.

2. List of donors giving \$5,000 or more over the course of the year.

If a donor meets this qualification, please provide their name, address and tax identification number (social security number for individuals and Federal ID numbers for entities). Although the tax return is public information, this list of donors is not.

3. Copy of July 31 bank statement and reconciliation, or period covering this date.

4. Copy of accounting reports (i.e. QuickBooks or Quicken) - summary and detail reports.

5. Any other significant changed information or unusual activity.

This form will be submitted to District CFO by no later than December 15 of the year after the completed Fiscal Year.

Miscellaneous

- The following documents can be obtained by contacting the School District of Clayton's Office of Business and Finance at (314) 854-6024:
 - Clayton School District PTO Council Exemption from Missouri Sales and Use Tax on Purchases and Sales letter.
 - Clayton School District Parent-Teacher Organization Council 501(c)(3) determination letter.
 - Federal Identification Number.

- The IRS requires acknowledgement of contributions over \$25. Sample language for deductibility of contributions is available on the District website.

Appendix III – Sample NSF Email

Dear Mr. and Mrs. xxx,

A personal check in the amount of \$85.00 (written for Funds For Excellence, PTO Care Fund, Room Party Dues and Yearbook) was returned by First Bank due to insufficient funds. The bank charges \$12.50 for each returned check. Per PTO policy, you are responsible for both the original amount as well as the returned check fee. Please remit to the (School Name) office a check for \$97.50 to cover the costs. Should you have any questions, please contact me, (name) PTO Treasurer, (School name) PTO Treasurer, at the e-mail address above.

Your prompt attention to this matter is appreciated.

PTO Treasurer Name

Appendix IV – Sample Cash Collection and Cash Box Forms

Examples below.

Appendix V – Sample Donation Thank You letter

Example below.

Appendix VI – Sample Reimbursement Request Form

Example below.

Appendix VII – PTO Tax Exempt Letter

Included below.

Event/Date: _____

Cashier Names: _____

The starting and ending total amounts are required, as well as any additions/subtractions to the cash box.

Other columns and lines are optional. For instance, it is often helpful to know the breakdown of the **starting** cash and notations about if it were appropriate to help plan the next time. (Did you wish you had more ones or quarters?)

Starting Cash

Den	x	Qty	=	Amount
\$20	x	_____	=	_____
\$10	x	_____	=	_____
\$ 5	x	_____	=	_____
\$1	x	_____	=	_____
		_____	=	_____
		_____	=	_____
		Total		\$ _____

Ending Funds (Cash & Checks)

Den	x	Qty	=	Amount
\$20	x	_____	=	_____
\$10	x	_____	=	_____
\$ 5	x	_____	=	_____
\$1	x	_____	=	_____
		_____	=	_____
		_____	=	_____
		Total		\$ _____
		Checks*	=	_____
		Total		\$ _____

*list checks individually on back of form

Initial Cash: _____
Signature of Treasurer or Officer Providing Box

Verification of Counter 1

Verification: _____
Signature of Cashier Accepting Box

Verification of Counter 2

Cash Additions/Subtractions

	Amounts (+ or -)	Signature
_____	\$ _____	_____
_____	\$ _____	_____

Note: do not include even change-making transactions (example: treasurer replaces a twenty with 20 ones.).

Any money added (treasurer brings more change) or taken from the cash box (treasurer collects large bills to store more securely elsewhere) should be noted here.

Additional Notes Provided: YES / NO (circle one) – see back of form for additional notes

Cash Collection Worksheet:

Event and Collection Date: _____

Counter Names: _____

Total Funds Counted (Cash & Checks)

Den	x	Qty	=	Amount
\$20	x	_____	=	_____
\$10	x	_____	=	_____
\$ 5	x	_____	=	_____
\$1	x	_____	=	_____
_____		_____	=	_____
_____		_____	=	_____
_____		_____	=	_____
_____		_____	=	_____
Checks*		_____	=	_____
		Total		\$ _____

* list checks individually on side or back of form

Verification of Counter 1

Verification of Counter 2

Total **\$ _____**

Additional Notes

List Checks

Check #	Amount
_____	_____
_____	_____

Example Donation Tax Letter

February 9, 2015

«donor_name»

«address»

«city», «state» «zip»

Dear «donor_salutation»:

Thank you for your 2014 contribution to the (School Name) PTO. Your gift allows us to continue our mission of creating a community of learners.

Our organization's purpose is to organize and manage activities that enrich the educational experience of our children, to provide for the exchange of information and ideas between parents, teachers, and administrators, and to raise funds necessary to support these goals.

Thank you for your confidence in our organization and your willingness to give. For more information about the (School Name) PTO, including volunteer opportunities and our playground campaign, please visit the PTO page on the (School Name) website, contact us at (PTO email) or call the school office at (314) 854-xxxx.

Sincerely,

(Name)

Treasurer

Please retain this letter as the receipt for your \$«**donation_amount**» contribution received «**donation_date**». No goods or services were provided to you in connection with or in exchange for this gift. The School District of Clayton Parent Teacher Organization d/b/a School Name Parent Teacher Organization is a non-profit charitable organization under Internal Revenue Code Section 501(c)(3).



XXX School PTO

Payment/Reimbursement Request: Please complete form, **attach receipt, invoice or bill**, and return to PTO mailbox. Per District standard, please tape receipts to 8½ x 11 blank paper.

Person/Committee requesting payment: _____

Email: _____

Phone: _____

Name and Mailing Address (if check is being delivered to you):

Describe items or services and purpose:

Amount requested: _____ Date needed: _____

Staff:

_____ I have not paid. I have a bill, invoice, or District Purchase Order.

_____ Please issue a check to vendor. Deliver to me so I can pay vendor in person.

_____ Please issue a check to vendor. Mail directly to vendor per attached invoice.

_____ Please have school office admin place order via PTO ASN - P.O. attached.

_____ **I have paid the following per attached receipts. Please reimburse via PTO ASN.**

\$ _____

PTO Volunteer:

_____ I have not paid. I have a bill or invoice.

_____ Please issue a check to vendor. Deliver to me so I can pay vendor in person.

_____ Please issue a check to vendor. Mail directly to vendor per attached invoice.

_____ I have paid per attached receipts or invoice and request reimbursement for:

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____ Total

Please accept \$ _____ of these expenses as a personal donation to PTO and provide tax letter for said value.

I certify that the expenses listed are appropriate PTO expenses:

Your Signature

Date

Approval Signature (PTO co-president or treasurer)

Date