

FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
August 2008	August 2008	v	Financial Reporting
Revision No.	Date Revised	Chapter	Title:
1	July 1, 2019	4	School Activity Accounts (Principal Accounts)

HISTORY

Most school districts have cash funds or bank accounts at individual schools under the control of school principals or club advisors. These funds present a unique control challenge to school districts given their decentralized nature and the production of financial records and reports by non-accounting personnel.

Historically, little attention has been given to accounting for activity funds in school districts. The nature of activity funds, however, makes them especially vulnerable to error, misuse, and fraud. In addition, activity funds often total to large sums of money, especially when capturing the amounts that flow through an educational organization in the form of school board funds, student-generated funds, receipts and disbursements related to athletics, and the myriad of co-curricular and extracurricular events sponsored by school districts. As a result, policies and procedures for improving controls over these funds and to promote the capturing all student activity-related monies in the district's financial records should be implemented.

Georgia law recognizes the importance of School Activity Accounts by requiring the following:

O.C.G.A. 20-2-962. Quarterly Reports by principals; audits by local boards.

The principal of each public school shall make a quarterly report to the local board of education immediately upon the end of each quarter of the fiscal year, and such report shall contain an account of all receipts and expenditures of such funds during the past quarter. The principal shall also make an annual report of the complete property inventory of the school. The local board may at any time during the school year inspect all receipts, expenditures, and property of each public school.

The Governmental Accounting Standards Board has adopted Statement No. 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2018. GASB

84 is effective for school district financial reporting beginning fiscal year 2020. This Handbook chapter has been revised to include the criteria of GASB 84 for school activity accounts classified as fiduciary funds in the financial analysis report and the prepared financial statements presented for audit.

TYPES OF ACTIVITY FUNDS AND PROPER CLASSIFICATION

School Activity Accounts are established to direct and account for monies used to support extra-curricular and co-curricular student activities. Generally:

- Extra-curricular activities encompass a wide variety of other *district-directed* activities, typified by organized sports, drama productions, music concerts and other non-academic interscholastic competitions.
- Co-curricular activities are any kinds of school-related activities outside the regular classroom that directly add value to the formal or stated curriculum. Co-curricular activities involve a wide range of student clubs and organizations.

A system of classification for purposes of program cost accumulation and reporting mechanism is necessary. (Accounting System)

Activity funds are unique to school districts. Two classifications are commonly recognized:

- District activity funds which belong to the school district and are used to support district programs. District activity funds should be included with all other district funds and reported as governmental funds.
- Student activity funds which belong to the students and support student clubs and organizations. Student activity funds remain under the control of the school principal and are accounted for at the school site.

Activity funds are categorized as either governmental funds or fiduciary funds. Effective July 1, 2019, any activity funds that are fiduciary in nature are classified as custodial funds, as defined by GASB Statement Number 84.

CONTROLS FOR ESTABLISHING AND MAINTAINING ACTIVITY FUNDS

Public trust demands an efficient system of accounting for all money received and expended through school activity fund accounts. The system of safeguarding and accounting for activity funds is dependent on the soundness and effectiveness of board of education policies and guidelines. The board has the responsibility of ensuring accurate accounting for all accounts, as well as ensuring activity funds are expended as intended by the policies in place for each activity.

The dispersed nature of student activity funds and the multiple site collections for some district activity fund revenues dictate a need for orderly controls on all activity funds. These controls include establishing lines of authority and a set of policies to guide the operation of all activity funds.

(Note: these guidelines are minimum controls on which local school districts may expand and are dependent upon the organizational structure of the school system.)

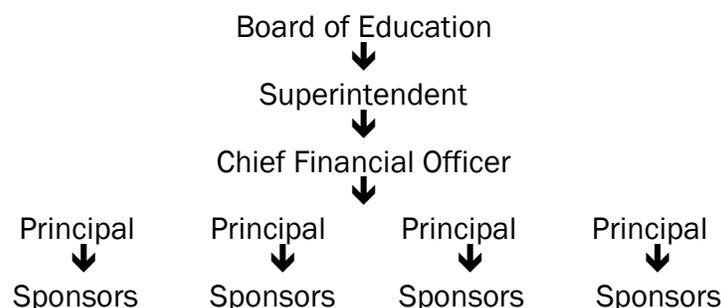
Lines of Authority

Proper control begins with the appropriate recognition of lines of authority over all monies handled by the district. The local board of education should adopt a set of guidelines and regulations that include minimum requirements (see figure 1) for the approval and oversight of the activity funds. Below is an example of minimum requirements, with the assumption of the illustrated organizational structure:

- *Board of Education.* The board of education should adopt policies to govern the establishment and operation of all activity funds. The district's auditors should review these policies for sound accounting and reporting principles.
- *Superintendent.* The superintendent should be directly responsible to the board of education for administering all board policies.
- *Chief Financial Officer / Finance Director.* The chief financial officer should have overall responsibility for accounting for and reporting all funds, including district and student activity funds, to the board. The chief financial officer is also responsible for implementing and enforcing appropriate internal control procedures.
- *Principal.* The principal at each school site should be the designated activity fund supervisor for that school building. The activity fund supervisor has overall responsibility for the operation of all activity funds, including collecting and depositing activity fund monies; approving disbursements of student activity fund monies; and adequately supervising all bookkeeping responsibilities. The activity fund supervisor should be a signatory for all disbursements, including checks drawn on the activity fund should the disbursement function be decentralized.
- *Sponsors.* The sponsor of each student organization is responsible for supervising all activities of the organization, including approving student activity fund transactions. Sponsors should be employees of the district and under the direct control of the activity fund supervisor.

Lines of Authority

Figure 1



General Policies and Procedures for the Establishment and Operation of Activity Funds

Policies relating to student and district activity funds should be in writing and distributed to all activity fund supervisors, sponsors, and accounting personnel. A useful set of general policies includes at least the following:

- Each activity type should be established and approved by the board of education. Specific board approval of a club/organization is required if a separate checking account is maintained.
- All activity funds are required to be supervised by an employee of the school district. The activity advisor is approved by the principal of each school, or the superintendent of the school district when necessary. The activity advisor is responsible for adhering to the procedures set by the district, and the principal is responsible for supervising the activity advisor.
- All activity funds should be subject to sound internal control procedures, including segregation of duties for key functions.
- All activity funds should be accounted for on the same fiscal year basis as all other school district funds.
- All activity funds are subject to an external audit and must also be subject to well-defined procedures for internal auditing or review of the activity on a regular basis, no less than annually.
- All employees responsible for handling and recording activity fund monies should be bonded by the district.
- Each school system should have a Board approved policy designating the activity funds supervisor. In most districts, this person will be the building principal.
- Each activity fund supervisor (principal) should maintain a checking account for the School, where the disbursement function is decentralized.
- Someone other than the fund supervisor (principal) should be authorized to sign checks, either the superintendent or chief financial officer.
- Depositories for student activity funds should be approved by the board of education and be further subject to the same security requirements as all other board funds. (i.e. collateralization of deposit requirements.)
- School Activity Accounts should not be used for salary supplements or similar payments to compensate school employees for any activity related to school resources or students if the activity accounts are decentralized from the payroll process. Employee compensation must always go through the district's payroll process and is subject to both employer and employee deductions.
- All activity funds should operate on a cash basis, meaning that no commitments or indebtedness may be incurred without board approval.

- A system of purchase orders and vouchers should be applied to all activity funds that requires written authorization for payment and should be strictly enforced.
- A system for receipting cash should be adopted that includes using pre-numbered receipt forms for recording cash and other negotiable instruments received.
- All receipts should be deposited intact. That is, all receipts should be deposited in the form in which they are collected and should not be used for making change or disbursements of any kind.
- All receipts should be deposited daily to adhere to best business practices. Each district should prepare a plan detailing how undeposited funds will be secured until a deposit can be made. In no event should undeposited funds exceed 5 days from the date of the receipt.
- Most fund accounting software now includes laser printing of checks, purchase orders and other district issued documents. Accordingly, these documents are printed on blank stock and check or document numbers are software assigned in numerical order. The Board approved signatures are electronically printed on the checks and the software tracks the last and next document numbers. In the event the user assigns the check or document numbers, a perpetual check number log should be maintained to provide an audit trail.
- Bank statements for activity funds should be reconciled as soon as they are received. The reconciliation should be prepared by an individual that is independent of the receipt and check issuance processes. The school district should ensure the school level accountants do not prepare their own bank reconciliations, allowing for adequate segregation of duties.
- Using activity fund receipts to cash checks to accommodate individuals, to make any kind of loan, to pay any form of compensation directly to employees, or to extend credit should be strictly prohibited.
- Monthly financial reports on all activity funds should be prepared and submitted to the administration and the board of education. (State Law 20-2-962 requires at least quarterly reporting).
- A full reporting of activity funds should be included in the district's annual financial statements. The detail of each activity that is summarized on the general ledger should be available for internal and external audit review.
- Student activity fund monies should benefit those students/activities who have contributed to the accumulation of such monies, for the purposes defined for each activity/club. The policy should address the use of funds raised by each activity in the event the activity ceases to exist in future periods. Specifically, how are the funds allowed to be spent, and can the funds be transferred to supplement other activities and clubs.

- A board-approved process, or board-designated approval process should be specified for all fundraising activities, and any fundraising event should require advance approval. Please note that this requirement does not automatically translate to the Board having administrative control of the activity. The policy should specify the level of approval required. If the Board is simply approving the students' decision for fundraising activities, administrative control does not lie with the Board.
- A board-approved process, or board-designated approval process should be specified for all field trips or competitions attended by an activity. Please note that this requirement does not automatically translate to the Board having administrative control of the activity. The policy should specify the level of approval required. If the Board is simply approving the students' decision for fund-raising activities, administrative control does not lie with the Board.

SEGREGATION OF DUTIES RELATED TO ACTIVITY FUNDS

The volume of activity fund transactions and the amounts on deposit are substantial in most school districts. Because significant amounts of activity fund cash receipts are collected as currency, not checks, internal control procedures designed to safeguard monies collected should be especially emphasized. Although the foregoing general principles are helpful in addressing concerns about safeguards, additional attention should be given to segregating the duties related to activity funds. Specifically, three critical duties should be segregated for internal control purposes:

- (1) signing checks in a decentralized disbursement environment
- (2) maintaining fund accounting records
- (3) reconciling bank statements.

The segregation of duties demands that more than one person be involved in satisfying accounting procedures. As a rule, although the school principal is appointed as activity fund supervisor, other positions normally carry out the actual work of processing the activity. It is particularly important to identify, describe, and monitor the duties of the activity fund accountant in relation to the segregation of duties.

The activity fund accountant is typically assigned the task of collecting activity fund monies. Associated tasks include preparing the deposit slip and depositing monies. In addition, maintaining the activity fund accounting records generally falls to this same person, as does preparing checks for disbursements. These tasks demand adequate training and require the accountant to have a thorough knowledge of fund structure; the differences between district and student activity funds; and the process of accounting, auditing, and reporting. As described earlier, the activity fund accountant should be bonded.

The work of any individual handling money should be subject to appropriate checks and balances. Signature controls are an important aspect of accounting procedures. Recommended signatures are the principal of the school and someone other than the activity fund accountant. The district should develop written procedures indicating the proper authorizations for the expenditure process. Procedures should indicate which positions are

responsible for entering invoices to be paid, authorizing the disbursing of funds, and also the authorizing signature, along with the school principal, is affixed to the check.

Reconciling accounting records for the activity funds is a critical aspect of a system of checks and balances. A third person (someone other than the accountant or activity fund supervisor) should be responsible for reconciling bank statements and verifying receipts and expenditures. Essential to this process are internal accounting controls over the activity fund cash collections. Adequate procedures should be established for completing an audit trail that creates sufficient documentary (physical) evidence for each step in the flow of transactions within the activity fund. These procedures include using pre-numbered forms and receipts, purchase orders and vouchers, and a perpetual inventory of pre-numbered forms and receipts and tickets; depositing receipts intact; and making timely deposits. State-specific statutory controls, such as quarterly reporting and the types of allowable funds sources, should be strictly observed when disbursing student and district activity funds should be strictly observed.

PREPARATION AND REVIEW OF MONTHLY ACTIVITY FUND REPORTS

O.C.G.A. 20-2-962 requires the principal of each public school to make a **quarterly** report to the board of education immediately upon the end of each quarter of the fiscal year and include all receipts and expenditures of the past quarter. Financial Review recommends a monthly report of cash receipts and disbursements of the activity fund should be prepared and reviewed by the activity fund supervisor (principal) and submitted to the school district office. Column headings should include the following:

- Beginning cash balance,
(which should agree with the ending cash balance on the prior month's report)
- Cash receipts
- Cash disbursements
- Ending cash balance
- Unpaid purchase orders
- Unencumbered cash

The activity fund accountant also should prepare a monthly financial report for each student organization, showing the organization's cash receipts and disbursements. These reports should be reviewed by the activity fund supervisor (principal) and advisor. Each advisor should then compare the report prepared by the activity fund accountant with the advisor's records. Any discrepancies should be resolved immediately. Additionally, the school finance office should periodically perform internal audits of the reports and supporting records.

ACCOUNTING FOR THE SCHOOL ACTIVITY ACCOUNTS IN THE SCHOOL DISTRICT ACCOUNTING RECORDS

Application of GASB Statement 34 to School Activity Funds

GASB Statement 34 made significant changes in financial reporting for all governments, including school districts. However, GASB 34 did not *ADD* the requirement for including school activity accounts. School activity accounts have always been required to be included in the

school district's financial statements, but GASB 34 is the first statement to add penalties for failing to include them in the district wide financial statements.

The purpose of the government-wide statements is to provide a broad overview of the entity. Because fiduciary fund resources are not available for use by the government, fiduciary activities are excluded from the entity-wide financial statements. In accordance with the new reporting model, fiduciary activities, which may include student activity funds, are reported only in the fund financial statements. The impact of Statement 34 on district and student activity funds is summarized below:

- If student activity funds are classified as fiduciary (custodial) funds; they are not reported in the government-wide financial statements. Instead, these balances are reported only in the fund financial statements.
- District activity funds that are classified as governmental (special revenue) funds are consolidated with all governmental activities in the government-wide financial statements. District activity funds will also be presented in the governmental fund financial statements.
- Fiduciary funds are presented in the fund financial statements by fund type. Student activity funds, as custodial funds, report no operating activity and are, therefore, presented only in the statement of fiduciary fund net position. Effective with the implementation of GASB Statement 84 in FY 2020, the custodial funds will report a Statement of Changes in Fiduciary Net Position. This statement will include the total additions and deletions of the custodial fund activity.

Account Classifications for Revenues and Expenditures

Many school districts and individual school sites derive significant revenue from enterprise activities and alternative sources: vending machines, school stores, class ring sales, and a wide variety of fundraising activities such as magazine sales, candy sales, and school pictures. In addition, large sums of money are generated through interscholastic sports in the form of gate receipts and other contributions. These revenues are typically associated with activities conducted at the school level that generate revenues to be used for the benefit of the school. In many instances, particular student organizations oversee one or more such enterprise activities. In other instances, the district administers the revenues for its own programs. If a student organization is in charge of the administrative operations of an enterprise activity, the money should be accounted for through that organization's separate activity fund. If the district determines the use of the funds, the money should be accounted for with other district funds in the district's governmental fund accounts. However, in all instances, the funds should be recorded on the district's financial records.

Expenditures of the activity funds must be reported using the same format as all other expenditures of a school district and follow the defined chart of accounts for school districts. Expenditures generally include costs of activity events such as conferences, competitions, and field trips. An activity will also have expenditures related to the cost of fundraisers and supplies. The district should determine if the costs are for activities directly related to instruction, community service, or fundraising. Most expenditures of activity accounts are reported in functions 1000 – Instruction; 3200 – Enterprise Operations; or 3300 – Community Services. Other functional categories may apply, depending on the type of activity of the student organization or club.

GASB 61 and Potential Component Units

School districts and student groups are also increasingly benefited by affiliated organizations that support curricular, co-curricular, and extra-curricular activities. Affiliated organizations include groups such as Parent-Teacher Associations (PTA's), Parent-Teacher Organizations (PTO's), school foundations, athletic booster clubs, and so on. Contributions by these groups often include supplies, materials, equipment, and even school facilities, such as weight training rooms.

In the case of revenue from affiliated organizations such as booster clubs and foundations that support the schools, board authorization to receive such funds is needed. In some cases, based on the requirements of GASB Statement 39 and GASB 61, *determining whether certain organizations are component units*, these affiliated organizations may be reflected in the financial statements of the school district as discretely presented component units. Whether or not the organizations are included as component units, decisions regarding allocation of the donations should be made based on whether the curricular or co-curricular program is the primary beneficiary, as well as on the basis of fundamental fairness in resource allocation. Due to disbursement control issues, the actual accounting of receipts and disbursements for these affiliated organizations should not be maintained by school district employees.

GOVERNMENTAL OR FIDUCIARY DETERMINATION

Prior to July 1, 2019

Prior to GASB Statement 84, the distinction between the two fund types was based on the *purpose* of the funds, that is, the programs supported by the funds. The following test was considered when determining fund type:

- District Activity Funds (*Governmental Funds 500 or 505*) belong to the district, are used to support its co-curricular and extra-curricular activities and are administered by the school district. Authority for approval of disbursing district activity fund monies, however, rests only with the school board. In other words, the district determines how the district activity fund monies are spent and the district programs that receive support. *This control may be delegated to the local school principal.*
- Examples of Authorized District Activity Funds:
 - Athletics
 - Band Uniforms
 - Book Fair
 - Lyceums
 - Music Concerts
 - School Plays
 - School General Fund
 - Special Field Trips

- Student Activity Funds (*Agency Funds – 705 or 759*) support activities that are based in student organizations. Students not only participate in the activities of the organization, but also are involved in the administrative function of managing and directing the organization's activities. *An important distinction is that disbursing monies from the student activity fund may be subject to approval by the student organization, rather than by the principal or board of education.*

- Examples of Authorized Student Activity Funds:
 - Art Club
 - Auto Club
 - Cheerleaders Club
 - Chorus Club
 - Class of 200X
 - Class of 200Y
 - Class of 200Z
 - Debate Club
 - Drama club
 - Foreign language Club
 - Journalism Club
 - Marching Band
 - National Honor Society
 - Pep Club
 - Photography Club
 - Student Council

Subsequent to July 1, 2019 – effective with the implementation of GASB Statement No 84

Per GASB Statement Number 84, *Fiduciary Activities*, an activity is considered a fiduciary activity if all the following criteria are met:

- a. The assets associated with the activity are controlled by the government;
- b. The assets associated with the activity are not derived either: (1) solely from the government's own-source revenues or (2) from government-mandated nonexchange transactions or voluntary nonexchange transactions except for pass-through grants for which the government does not have administrative involvement or direct financial involvement;
- c. The assets associated with the activity have one or more of the following characteristics: (1) the assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government. (2) the assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals. (3) the assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

Based on these requirements, a school district must consider whether an activity fund is governmental or custodial in nature. Key questions to ask relate to whether the government (i.e., school district or school) has administrative control of the activity fund.

The following Q&A included in the of the GASB 84 – Fiduciary Activities Implementation Guide, dated December 17, 2018, help demonstrate the difference between activities which are governmental funds and custodial funds:

Example 1

4.17.

Q—A school board is responsible for establishing the fees charged by student clubs to their members. The clubs are not legally separate from the school district. Assuming that the school board has no other policies in place related to the disbursement of funds for various student clubs, does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. Footnote 1 of Statement 84 provides examples to consider in determining whether a government has administrative involvement. The establishment of fees related to the generation of funds is analogous from a revenue standpoint to the example provided regarding determining eligible expenditures. In other words, establishing specific guidelines on how the resources can be spent is analogous to establishing guidelines on the amount at which fees are set. In that scenario, the school board is establishing the amount at which fees are set, and, therefore, the school district does have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is *not* met.

Example 2

4.18

Q—A student club is established in accordance with the school district’s operating policies. The club is not legally separate from the school district. The students of the club conduct fundraising events, the proceeds of which are deposited into a savings account held by the school district. The student club president, with the members of the club, establishes how the resources can be spent and approves disbursements from the account. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—No. Footnote 1 of Statement 84 provides examples to consider when determining whether a government has administrative involvement. In assessing whether a government has administrative involvement, a “substance versus form” consideration is appropriate. For example, the government’s role would have substance if the school board, school administrator, or faculty advisor (who is representing the school district) establishes how the resources can be spent through approved policies. In that scenario, the students (the beneficiaries) are establishing how the resources can be spent, and, therefore, the school district does not have administrative involvement and the criterion in paragraph 11c(2) of Statement 84 is met.

Example 3

4.20

Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to how the resources of the club can be spent. The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club. Approval, rejection, or modification of the spending is strictly at the discretion of the

faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district’s role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school district representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor’s approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.

Example 4

4.21

Q—A school board establishes and approves a policy related to the disbursement of funds for various student clubs that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs can be spent. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district’s role is considered to be substantive because the school has established specific guidelines on how the resources can be spent in an approved policy.

Example 5

4.22

Q—Assume the same facts as in Question 4.21, except that the policy that applies to all clubs only addresses issues such as the authorized account signers and the prohibition of spending for illegal activities. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—No. The school district does not have administrative involvement. The school district’s role is not considered to be substantive because the school has not established specific guidelines regarding how the resources of the clubs can be spent.

Example 6

4.23

Q—Assume the same facts as in Question 4.21, except that the state establishes specific guidelines on how the resources can be spent through administrative policy. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district’s role is considered to be substantive because the school district is required to follow the specific guidelines established by the state, through legislation or policy, regarding how the resources can be spent.

Key Considerations When Determining Whether or Not an Activity Fund is a Governmental Fund or a Custodial Fund (GASB Statement 84, paragraph 11c):

1. Are the assets administered through a trust in which the school district or school is not the beneficiary, or the benefits are provided to an outside recipient, or legally protected from the school district or school's creditors?
2. Are the assets for the benefit of individuals and the school district or school has no administrative or direct financial involvement?
3. Are the assets for the benefit of an organization that is not legally part of the school district or school?

SCHOOL ACTIVITY ACCOUNTS RECORDED ON THE ANNUAL FINANCIAL REPORT

As stated earlier, School Activity Accounts are required to be reported with the District's financial statements. This information is to be reported in total only and can be accomplished by a journal entry at year-end. Integration of the principal accounts into the School District's financial accounting system is not required. All underlying worksheets and documentation pertaining to these accounts should be retained for audit. In no instance is the District *required* to book each school activity account transaction in the District level accounting records. (Accounting System).

Year-to-date reports for each school, or the district, can be totaled and recorded in the District's financial statements at year-end. It is perfectly acceptable for just the totals of each account to be posted to the District books and the account detail maintained at each individual school. However, all detail transactions along with copies of invoices and receipt documentation at the school level must be maintained according to the records retention policy for local and state audit purposes.

The journal entries to record this activity would follow the following format (Note – the function code used should be the one pertaining to transaction recorded. Function 1000 is used for illustration purposes only):

Governmental Funds (500)

20-500 - XXXX - 101	X,XXX.XX	
20-500 - XXXX - 799	X,XXX.XX	
20-500 - XXXX - 1920		X,XXX.XX
20-500 - 9990 -1000-610-XXXX (School Code)		X,XXX.XX

Student Activity Funds (705)

20-705 -XXXX - 101	X,XXX.XX	
20-705 -XXXX - 799		X,XXX.XX
20-705 -XXXX - 1225		X,XXX.XX
20-705 -9990- 1000-610-XXXX (School Code)		X,XXX.XX

Effective for FY 2018, Expenditures for School Activity Accounts must be recorded at the school facility code level for DE 46 reporting. This requirement is necessary to meet the reporting requirements of O.C.G.A. §20-14-49.11, per HB 139 passed during the 2017 legislative session. Therefore, the district must not consolidate the expenditure transactions of the schools prior to posting for transmission for the DE 46. The various activities/student sponsored organizations can be consolidated by school for year-end reporting, however, the school must maintain the accounting records to document the individual activity of each separate club/organization.

School Activity expenditures by must be recorded with each school’s state school code as a segment in the account posted to the General Ledger prior to posting the journal entry if posting from external software or from subsidiary ledgers to an integrated accounting software. Please note, the school code is not always the same code as the facility code. The school code is the FTE-reporting code.

As noted in the sample transactions above, the LUA must record the expenditure transactions utilizing the state chart of accounts, including the school codes for DE 46 reporting. However, the LUA must summarize the school activities of each school prior to posting the journal entry for each facility. **It should also be noted that it is not required to post balance sheet accounts and revenues by school code; however, it may facilitate school level income statements and trial balance reporting at the local level.**

Accounting for School Activity Accounts (Principal’s Accounts)

School Activity Accounts (Principal Accounts) can generally be divided into two fund types.

- Student Activity Funds (Governmental Funds 500, or Fund 505 for a local charter school within a district)
- Student Activity funds (Custodial Funds 705, or Fund 759 for a local charter school within a district).

Additional fund types that are also used include:

- Principal Account Expendable Trust Fund (Fund 715) where the principle and earnings may be expended for purposes specified in the trust agreement.
- Principal Account Nonexpendable Trust Fund (Fund 725) where only the earnings on the principle may be expended and the principle must remain intact.

The determination of which fund type, depends in part on whether or not the school district or school has a direct administrative role in the activity represented.

Revenue Sources

- | | | | |
|----------------------|------|-----------------------|------|
| • Commissions | 1205 | • Fundraising | 1225 |
| • Concessions Sales | 1210 | • Gate Receipts | 1230 |
| • Club Dues and Fees | 1215 | • Miscellaneous Sales | 1235 |
| • Donations | 1220 | | |

Expenditure Functions

- 1000 – Instruction
- 2210 – Improvement of Instructional Services
- 3200 – Enterprise Operations
- 3300 – Community Service Activities

Program Numbers

(8000-8999 Local use) - Districts may assign a program number for each type fund. (i.e., 8001-All athletic funds in District) – **Alternately, an LUA may use Program Code 9990 for all School Activity Account Revenue and Expenditures for DE 46 Reporting.** Local use program codes as noted above may be used at the discretion of the LUA and rolled into 9990 for the DE 46 financial reporting to GaDOE.

Reporting of Balance Sheet, Revenues and Expenditures to GDOE will be in the Financial Reporting Format prescribed by State Board Rule 160-5-2-.21. The same chart fields should be populated.

- For balance sheet: Fund-Balance Sheet
- For revenues: Fund-Program-Source
- For expenditures: Fund-Program-Function-Object-School

Accounting for all activity funds is the responsibility of the school district.

SUMMARY

School Activity funds are Board of Education sponsored funds, similar to the general fund or special revenue funds. They are created for the purpose of accounting for monies related to co-curricular activities such as student organizations and athletics. Activity funds may be classified as fiduciary funds, based on the administrative involvement of the school district and/or school.

The collection, disbursement, and accounting for activity fund monies is usually centralized at the school level, with the school principal designated as the activity fund supervisor. The school level accountant normally manages the record-keeping of the activity.

As governments increasingly respond to the demands for fiscal and operational accountability and transparency, best practice dictates the creation of strong internal controls surrounding activity funds, *including assurance that all transactions are recorded and reported in district financial records.* Additionally, at a minimum, proper lines of authority combined with strong control practices, such as segregation of duties, multiple checks and balances, requirements for annual audits, and regular financial reporting, are the elements to protect against error and abuse.