Chapter 14 – Student Activity Accounting

Uniform Financial Accounting and Reporting Standards
Chapter 14

Manual for Activity Fund Accounting (MAFA)

Minnesota Department of Education
Division of School Finance

This manual is established to provide accounting and best practices guidance to Minnesota school districts regarding extracurricular student activities and identifying requirements of the schools according to Minnesota Statutes, Minnesota Rules and other authoritative guidance. Charter schools and other entities with student activity accounts are required to follow the guidelines of this manual.

This version of the MAFA manual is **effective for Fiscal Year 2020 (July 1, 2019)** and subsequent years unless revisions are deemed necessary.

The structure of this manual is to:

1. Provide the local Board of Education (hereafter “the Board” or “board”) with responsibilities of the Board;
2. Provide guidance and identify “best practices”;
3. Provide suggested documents and forms to maintain internal control over the management of student activity accounts; and
4. Provide Minnesota Statutes, Minnesota Rules and other authoritative guidance, which relate to the authority of this manual.

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Introduction

Extracurricular activities are defined as all direct and personal services for pupils for their enjoyment that are managed and operated under the guidance of an adult or staff member. Student activity accounts are for extracurricular activities where funds are raised **by** students and **for** students that are currently enrolled and participate in the activity. Each approved student activity account must have an advisor who is charged with the oversight of the student activity account. The advisor's role is to advise and guide the student activity yet not influence or direct the decisions of the students. Student activity funds may not be used for general district operations, except as described elsewhere in this manual.

The board, by authority of Minnesota Statutes, section 123B.49, subdivision 4, must assume direction and control of student activities. By taking control, the board must also receive, disburse, and account for all funds of such activities in the same manner as all other revenues and expenditures of the district as directed by the Uniform Financial Accounting and Reporting Standards (UFARS) manual. Statutes and other required practices govern financial accounting and reporting requirements for Minnesota public schools. The UFARS Manual for Minnesota schools contains the legal authority and the financial accounting system for all educational programs and the MAFA Manual is a chapter in the UFARS Manual.

This chapter of the UFARS Manual governs student activity accounting. The following statutes and rules govern student activity accounting:

- Minnesota Statutes, section 123B.49
- Minnesota Statutes, section 127A.17
- Minnesota Statutes, section 123B.77
- Minnesota Rules, part 3545.0800, subparts 4 and 5

Minnesota Statutes, section 123B.77, subdivision 1, Uniform financial accounting and reporting standards states:

> *Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.*

Minnesota Rules, part 3545.0800, subpart 4, School district accounting principles states:

> *The "Manual for the Uniform Financial Accounting and Reporting Standards for Minnesota Schools," issued by the Department of Education, must contain the standards for budgeting, accounting, and reporting. Amendments to the principles contained in this manual must be approved by the commissioner of education.*

Minnesota Rules, part 3545.0800, subpart 5, Student activities accounting principles states:

> *The "Manual of Instructions for Uniform Student Activities Accounting for Minnesota School Districts," issued by the Department of Education, must contain the accounting and reporting standards for extracurricular student activities. Amendments to the generally accepted accounting principles contained in this manual must be approved by the commissioner of education.*

Note: All legal citations referenced in this document are stated in their entirety in Appendix C of this document.

Note: Within this manual, the use of the term "must" indicates a requirement and use of the term "should" indicates a best practice and is strongly recommended.

Chapter I – Student Activity Determination

Student activities are authorized under Minnesota Statutes, section 123B.49. The board should determine if the student activity is co-curricular or extracurricular prior to the granting authority for the activity.

Co-Curricular Activities (Non-Athletics) (UFARS Program Code 291)

Minnesota Statutes, section 123B.49, subdivision 3

Co-curricular activities means school sponsored and directed activities designed to provide opportunities for pupils to participate, on an individual or group basis, in school and public events for the improvement of skills. Co-curricular activities are not offered for school credit, cannot be counted toward graduation and have one or more of the following characteristics:

- They are conducted at regular and uniform times during school hours, or at times established by school authorities.
- Although not offered for credit, they are **directed or supervised by instructional staff** in a learning environment similar to that found in courses offered for credit.
- They are partially funded by public funds for general instructional purposes under direction and control of the board.

When the board determines a student activity is co-curricular in nature, the board must take charge of and control all co-curricular school activities of the teachers and children of the public schools in the district under the supervision or direction of the school board. Co-curricular activities are accounted for in the General Fund as reported in UFARS.

The board must adopt rules and regulations for the conduct of co-curricular activities in which the schools of the district or any class or pupils therein may participate.

All money received as a result of such activities must follow district policies using either a centralized or decentralized system of accounting. The money must be deposited into the general fund to be disbursed for expenses and salaries connected with the activities, as authorized by the board with properly allowed itemized claims.

Participation in co-curricular activities by teachers or pupils in the school are permitted only by consent of the Board.

Extracurricular Activities (UFARS Program Code 298)

Minnesota Statutes, section 123B.49, subdivision 4

a) The board must take charge of and control all extracurricular activities of the teachers and children of the public schools in the district. Extracurricular activities are defined as all direct and personal services for pupils for their enjoyment that are managed and operated under the guidance of an adult or staff member. The board shall allow all resident pupils receiving instruction in a home school as defined in section 123B.36, subdivision 1, paragraph (a), to be eligible to fully participate in extracurricular activities on the same basis as public school students.

b) Extracurricular activities have all of the following characteristics:

   1. they are not offered for school credit nor required for graduation;
   2. they are generally conducted outside school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities;
   3. the **content of the activities is determined primarily by the pupil participants** under the guidance of a staff member or other adult.

c) Any or all costs of these activities may be provided from school revenues and all revenues and expenditures for these activities shall be recorded in the same manner as other revenues and expenditures of the district.
d) The teachers or pupils in the district must not participate in such activity, nor shall the school name or any allied name be used in connection therewith, except by consent and direction of the Board.
e) A school district must reserve revenue raised for extracurricular activities and spend the revenue only for extracurricular activities.

Outside Organizations

All financial activity of outside organizations, including banking, accounting and reporting must not be managed, accounted or reported by the district, nor are they part of the school district's General Fund 01. However, the district business office may provide guidance to the groups listed below regarding the processing of transactions between the district and these groups. These groups **cannot** use the district's tax identification number. Examples of such groups include, but are not limited to, the following:

- Booster Club
- Parent Teacher Organizations (PTOs)
- Staff related accounts (Sunshine Funds)
- School Foundations

Due to potential conflicts of interest, school employees must not direct or influence the activities of the groups listed above or similar groups. For example, employees cannot be a controlling member on a board of these organizations.

Summary of Board Responsibilities

Characteristics of Student Activities	Student Activities Under Board Control (UFARS)
General Responsibility for Financial Accounting	The board may delegate authority to the district administration.
Budgeting	Both anticipated revenues and expenditures must be budgeted and approved by the board consistent with the procedures used for any other district funds.
Accounting	District must use the same accounting and control system as approved by the district for other district funds in compliance with UFARS. Funds must be accounted for and reported in Finance Code 301, Extracurricular Activities, and Fund Balance Account 401, Restricted/Reserved for Student Activities.
Receipts/Deposits	Include any donations, membership fees, admissions, or proceeds of any activity sponsored by the Board. Gifts and donations must only be accepted by the board.
Disbursements and Expenditures	Allowable expenditures include any expenditure deemed by the Board to be necessary and for a public purpose. Please review Minnesota Statutes, section 123B.49.
Payroll and Benefits	A student activity account must not pay district personnel, students, or other non-staff individuals.
Fund Balance	Individual student activity account balances are not required to be reported separately under UFARS. Student activities as a whole must use Fund Balance Account 401, Restricted/Reserved for Student Activities.
Reporting	Included with regular reports to the Board.
Termination or Dissolution	The board may terminate a program or activity as long as such action does not violate any other statute. It is recommended to use the activity purpose summary or equivalent to determine the disposition of funds or board policy if the form or equivalent is not available.
Auditing	Included with the district's annual audit, as part of the General Fund 01.

Chapter II – Student Activity Accounting

The public expectation is that the board policy dictates best practices to ensure that the student activity funds are being accounted for appropriately. The board is responsible for developing and implementing internal controls to ensure appropriate management and accounting of receipts, expenditures and other assets related to student activities.

Student activities must be under board control and are required to follow the general accounting requirements in the UFARS Manual as noted by Minnesota statute.

Minnesota Statutes, section 123B.77, subdivision 1, Uniform financial accounting and reporting standards, states:

> *Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.*

Student activities expenditures must follow public purpose. Public purpose means an activity that meets all of the following standards:

- The activity will benefit the community as a whole.
- The activity is directly related to the functions of government.
- The activity does not have as its primary objective the benefit of a private interest.

Donations may not be made to individuals, recognized religious entities or organizations such as a booster club.

Student activity accounts are included in the district's annual external financial audit.

Activity Purpose

A statement of purpose must exist for each student activity account within Finance Code 301, Extracurricular Activities. An *Activity Purpose Summary* or equivalent must be completed for each student activity on an annual basis, signed by the advisor and principal or designee, and placed on file at a central location. The summary must include the name of the designated advisor, an acknowledgment of the receipt of a *Manual for Activity Fund Accounting (MAFA)*, and acknowledgment of responsibility for assuring that proper procedures are followed. The board will annually review and approve the list of student activities.

This Summary or equivalent must include the following elements:

- Date
- Name of activity
- Purpose of activity
- Grade of students who will benefit from the activity
- Acknowledgement that the advisor has received a copy of the Manual for Activity Fund Accounting (or District equivalent) and responsibilities related to the activity
- Instructions for disposal of the balance of the activity's funds upon termination
- Name of Advisor – printed, signature and date
- Name of Building Principal or designee – printed, signature or similar acknowledgement and date

Note: An email confirmation is acceptable in lieu of signatures if it contains an acknowledgment that the summary has been reviewed by the responsible parties (i.e., advisor, building principal or designee).

For an example of an Activity Purpose Summary see Appendix B.

Auditing

An annual audit is required to be completed by either a Certified Public Accountant (CPA) or the Office of the State Auditor. The audit must include student activity accounts as part of the regular district audit process. The school board must review and accept the district audit report. A copy of the audit report is required to be filed with the Minnesota Department of Education (MDE) and Office of State Auditor. The audit report must be made available to the public upon request per Minnesota Statutes, section 13.03, Access to Government Data.

MDE requires audits to be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The report is required to be in compliance with the Office of State Auditor's Minnesota Legal Compliance Audit Guide for School Districts or Minnesota Legal Compliance Audit Guide for Charter Schools.

Findings, which are a result of the audit, require a corrective action plan be included for each finding. Corrective action plans must contain the following elements:

- An explanation of any disagreement with the finding.
- Actions planned in response to the finding.
- The official responsible for ensuring the corrective action.
- A plan to monitor completion of corrective actions.
- The official responsible for monitoring the completion of the corrective action plan.

Reporting to Office of the State Auditor

If school district officials or external CPA auditors become aware of unlawful use of public funds or property, they are required to notify the Office of the State Auditor (OSA). Here is the link to report a concern (http://www.osa.state.mn.us/default.aspx?page=reportingfinancialconcern). Below is a summary of the reporting requirement from the OSA.

Mandatory Reporting Requirement for Local Government Officials and Employees: Minnesota Statutes, section 609.456, subdivision 1, states:

> *Whenever a public employee or public officer of a political subdivision, charter commission, or local pension plan, governed by sections 424A.091 to 424A.96 or Chapter 354A, discovers evidence of theft, embezzlement, unlawful use of public funds or property, or misuse of public funds by a charter commission or any person authorized to expend public funds, the employee or officer shall promptly report to law enforcement and shall promptly report in writing to the state auditor a detailed description of the alleged incident or incidents. Notwithstanding chapter 13 or any other statute related to the classification of government data, the public employee or public officer shall provide data or information related to the alleged incident or incidents to the state auditor and law enforcement, including data classified as not public.*

Mandatory Reporting Requirement for Public Accountants: Minnesota Statutes, section 6.67, states:

> *Whenever a public accountant in the course of auditing the books and affairs of a political subdivision or a local public pension plan governed by chapter 354A or 422A or Laws 2-13, chapter 111, article 5, sections 31 to 42, discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties and affairs, the public accountant shall promptly make a report of such discovery to the state auditor and the county attorney of the county in which the governmental unit is situated and the public accountant shall also furnish a copy of the report of audit upon completion to said officers. The county attorney shall act on such report in the same manner as required by law for reports made to the county attorney by the state auditor*

Banking

If a separate checking account for student activity accounts is maintained, it must be at a board–approved depository and should have its own check sequence. Official depositories are approved by the board annually.

Caution: All accounts (including student activity bank accounts) under the district's federal tax identification number at each financial institution are aggregated for purposes of Federal Deposit Insurance Corporation (FDIC) insurance and for determining if deposits are fully insured or if additional collateral is required.

Reconciliation of student activity bank account(s) must be completed monthly and in a timely manner.

Borrowing

Student activity accounts must not borrow money from any individual or other outside organizations (i.e., a booster club). Student activity accounts must not loan money to school employees, activity members or any other individual or organization. Transfer of funds between student activity accounts should be agreed upon by the students and advisors.

Fund Balance Account 401 cannot be transferred to Fund Balance Account 422 to support non student activity operations.

Centralized versus Decentralized

A student activity account may have either a centralized or decentralized system of accounting as established by district administration. This decision should be made prior to the execution of any transactions. Under either system, the chart of accounts and code structure must be in compliance with UFARS. Under either system, the software vendor must be on the Approved Finance Systems Certified for UFARS Reporting found in the UFARS manual Overview Chapter.

Under a centralized system, the district business office maintains the accounting system, which includes: maintaining the bank account(s) (either as a separate account or pooled with other district funds), recording receipts, and issuing checks, recording checks and reconciling bank accounts.

Under a decentralized system, the district business office establishes the accounting procedures and the administrators maintain the student activity accounts. Each location must include proper segregation of duties to assure funds and assets are accounted for according to best practices. For example, the person who completes the bank reconciliation cannot create the bank deposit, deliver the bank deposit or issue checks. Under this system, separate checking accounts may be used and maintained at each site. If separate checking accounts are used, a staff member at each site should be appointed as a responsible financial custodian. All checks issued must have supporting documentation and must have two signatures by approved district personnel.

Contracts

Minnesota Statutes, section 123B.09, subdivision 6, states:

> *…No contract shall be made or authorized, except at a regular meeting of the Board or at a special meeting at which all members are present or of which all members have had notice…*

Required payments under the contract must be made by the district following normal district processes.

Student activity accounts cannot advertise, solicit and award bids.

Vending Contracts

Proceeds of the revenue from vending contracts must not be deposited in any student activity account. Licenses permitting vending machine(s) on school property are the responsibility of the board and require direct and separate board action. In an opinion from the Office of the State Auditor (OSA) State of Minnesota, "Statement of Position Vending Machines" 2009-1005 Revised: February 2014, a vending machine contract is not considered as sales of goods and services but a license (often exclusive) to operate machines on school property (see Appendix D).

Disbursements

Disbursements should follow district policies and procedures.

Disbursements must not be paid with cash.

Blank checks must be properly controlled and safeguarded at all times by personnel designated by the superintendent. Blank checks, investment instruments and proof of collateral must be kept in the school's safe, a locked fireproof cabinet or equivalent.

Check requests must follow district policies and procedures, which should include approval by a student representative, the advisor and the building principal (or his/her designee). See Appendix B for a sample *Check Request Form*. For elementary student activity accounts, the student representative approval is not required. Approval is evidenced by signatures or email approval.

All checks should have two signatures to ensure internal control over the disbursement of funds. Checks must not be pre-signed and payee and amount must be filled in prior to signatures. All check requests must be accompanied with appropriate supporting documentation in order for a check to be prepared. Checks which need to be voided must have VOID printed across the face of the check. For issued checks, the amount of the voided check must be recorded in the check register as a negative expenditure, not as a receipt. Voided checks must be kept on file as a reconciling item.

Outstanding checks must be reviewed at year-end. Any checks outstanding for more than three years should be disposed of under the unclaimed property guidelines. For more specific guidance, visit the Minnesota Department of Commerce for Unclaimed Property Guidelines. In addition, a copy of the Minnesota Unclaimed Property Act can be found by visiting the Minnesota Unclaimed Property Act webpage. The Act is found in Minnesota Statutes, sections 345.31 to 345.60.

Cash boxes may be obtained through normal district process on an as needed basis. Checks may be issued to the responsible party when a cash draw is needed for an event. In this situation, a corresponding deposit back into the student activity fund should be made on a timely basis.

Donations to a Student Activity

Minnesota Statutes, section 456.03, requires the board to approve all donations. Student activity accounts may accept donations (cash and non-cash), pending the final approval by the board.

Only the board may accept donations of equipment or non-cash items. Upon acceptance, the equipment or non-cash item becomes the property of the district. At no time may a district employee or student assign, imply, or state a value to an in-kind or non-cash donation.

Equipment

Capital and non-capital equipment purchases funded by a student activity group become the property of the district. Payments for equipment need to be processed and paid by the district via normal district processes. The payments may be made directly from Finance Code 301, Extracurricular Activity.

Fundraising

All school-sponsored fundraising activities should contribute to the educational experience of the students enrolled in school. These activities and projects should never be in conflict with the instructional program.

Student activity fundraising must have the approval of the board, either directly or through policy and procedures. Contracts associated with fundraising must be board-approved prior to that activity occurring.

In best practices for fundraisers, a review document with the information listed below assists the board to make a comprehensive decision about district fundraising.

- Name of school and activity
- Description of fundraising activity
- Explanation of why funds are needed and amount needed
- Approximate date of fundraiser
- Whether or not the fundraiser involves sales tax
- Whether or not the fundraiser involves a contract that needs board-approval

Fundraising is not allowed for the direct benefit of an individual(s) or a family(ies). The student activity may plan, organize and participate in the fundraising activity. However, the students cannot accept donations on behalf of the individual(s) or family(ies).

Fundraising projects encompass a wide range of activities, including, but not limited to: sale of food items, sponsorship of dances and entertainment, out-of-school sales of advertisement, gift items, magazines and car washes. The district and school personnel must make several decisions, including:

- The extent to which the community will be inundated with sales;
- What sales are appropriate for which clubs and organizations;
- What limits, if any, should be set for accumulation of funds;
- What purposes are appropriate for use of funds; and,
- What happens if a trip or other fundraising objective is canceled?

See Appendix E, a memo from Department of Revenue (DOR) dated September 20, 2019, regarding Fundraising Sales for Schools – Law Change. There are special sales tax exemptions for some types of fundraising by schools. For specifics, please refer to Minnesota Sales Tax Fact Sheet 111 (http://www.revenue.state.mn.us/businesses/sut/factsheets/FS111.pdf).

Inactive/Discontinued Activity Accounts with Remaining Cash Balances

For either inactive or discontinued accounts, follow the instructions on the *Activity Purpose Summary* or equivalent, which provides instructions for disposition of an activity and the related funds upon termination.

Any student activity account, which has been inactive for a maximum of one fiscal year, must be disposed of, unless the advisor submits a plan to the board (or designee) indicating why the activity has been inactive and why it should not be terminated.

For student activity accounts related to a graduated class, any funds remaining in the account after graduation must be disposed of as indicated on the A*ctivity Purpose Summary* or equivalent, in a timely manner. For transactions occurring after graduation, it is acceptable for the advisor and building principal (or designee) to approve transactions. Student signatures are not required after graduation as long as the remaining account

balance is being disposed of in accordance with the termination instructions on the *Activity Purpose Summary* or equivalent (see Appendix B for an example).

Inventory

For student activity accounts maintaining inventories, use of an inventory system is required. A physical inventory must be made at fiscal year-end. Please work with your external CPA auditor to determine the appropriate inventory system.

Negative Balances

No individual student activity account can have a negative balance at the end of the fiscal year.

Payroll Costs

A student activity account must not pay district personnel, students, or other non-staff individuals. Student activity funds must not subsidize the cost of a specific staff person's salary or benefits, either directly or indirectly.

Fundraising cannot be developed with the intent to pay for salaries and benefits; nor can student activity accounts transfer funds to the unassigned general fund to pay for salaries and benefits.

Receipts/Deposits

Deposits should be compiled by following proper segregation of duties procedures. Deposits should be counted by individuals, other than those who are reconciling the student activity cash account or depositing funds at the bank. Upon receipt, all checks must be endorsed "For Deposit Only."

All money collected by students/advisor must be listed on a Deposit/Receipt Summary form or equivalent (see Appendix B) that includes deposit date, name of activity or activity account number, description of deposit, the coin, currency, checks and total deposit amount, plus student, advisor and/or individual counting funds signatures fields (i.e., secretary/bookkeeper).

A list of the check number and the amount of each check included in each deposit should be kept on file. For example, it could be included on bank deposit slips or on a separate spreadsheet.

Bank deposits must be completed, at a minimum, weekly and in the form in which the funds were received.

All funds held prior to deposit must be in a locked safe or other secure, limited access location as designated by district administration. Making change, cashing checks or otherwise substituting legal tender within the deposit is unallowable. Also, student activity accounts cannot cash personal checks from a cash box, or make change from a cash box without a purchase (i.e., making change for a patron).

Returned checks (NSF) should be redeposited using a separate deposit slip indicating "not entered as a receipt." Checks may be returned to the district due to a closed account, stopped payment, insufficient funds, refer to maker, etc. The district should contact the issuer of the check to recover the funds. When checks are deemed as

uncollectable, a negative receipt should be recorded in the activity account to reverse the original revenue that was generated in that activity account. The returned check is filed with the bank statement for the audit trail. The bank fee for the returned check is charged to the student activity account that originated the revenue.

Reporting

The student activity account reporting serves a dual purpose by providing activity account status to the student activity advisor(s) and to the board.

Student activity advisors should review financial activity on an ongoing basis to assure accuracy within the account. The review should include receipts, disbursements, and account balances.

Reporting to the board must consist of a summary statement of receipts, disbursements and current balances for each student activity account. This report must be provided to the board for their review at least once per fiscal year, though more frequent reporting is encouraged.

Student Activity Accounting Guidance

All expenditures must benefit the students participating in the student activity who are currently enrolled. Local school boards may be more restrictive than the lists below. In addition, the school board may decide to cover other allowable costs in General Fund 01, Finance Code 000.

Appropriate expenditures for student activity accounts include, but are not limited to, the following:

- admission and participation fees for the entire group, not specific individuals within the group
- entertainment for specific student activity events, including contracted services (i.e., disc jockey for prom)
- food
- lodging
- supplies and materials
- clothing for students participating in the student activity
- transportation
- travel expenditures

Inappropriate expenditures for student activity accounts include, but are not limited to, the following:

- assemblies not representative of the student activity purpose
- employee compensation, gifts or awards
- faculty meetings or events
- labor or service payments (staff salaries or independent contractors acting as staff)
- library books
- office supplies
- office or school furniture (for instructional use)
- textbooks
- gift cards
- gift certificates
- field trips which are curricular in nature
- scholarships
- personal items for coaches, advisors or other staff members

Donations

Appropriate donations should meet the mission and vision of the student activity as determined by the students and may include, but are not limited to the following:

- Donations that the student activity determines after the students have realized a surplus fund balance should be recorded in the General Fund 01 with Finance Code 301; and
- Donations that the students have pre-determined to raise funds for a non-profit organization (i.e., culinary club does a Second Harvest food drive or the Spanish club does a fundraiser for Puerto Rico Hurricane Relief) should be recorded in the Custodial Fund 18.

Inappropriate donations from the student activity accounts include, but are not limited to the following:

- donations to individuals
- donations to religious activities
- donations to booster clubs
- donations to parent teachers organizations
- donations to school foundations
- donations to scholarship funds

Student activity accounts cannot donate or make payments to faculty, staff, individual students, or any individual person.

Appendix A – Best Practices

District policies and procedures must be followed. In addition, the following are recommended best practices; districts are encouraged to use these guidelines and procedures.

Best Practice Guidelines

- Districts may develop a student activity handbook incorporating all requirements of this MAFA manual. The district handbook may include other local policies and procedures.
- All employees responsible for handling and recording activity fund monies should be bonded by the district.
- Minutes should be maintained for all meetings of individual student activities, which may include a list of approved disbursements.
- Internal audit of student activity accounts is completed at least once per year by the business office.
- Annual training is recommended for all individuals involved with student activity accounts (may include advisors, building principals, business office staff, and students). Possible topics for the training could include review of the MAFA manual, including appendices, and district policies and procedures as applicable.

Best Practice Procedures

- A fundraiser accountability form is included for use but is not required (see Appendix B).
- Pre-numbered receipts, pre-numbered tickets, ticket control log, or a point of sale device such as a cash register, should be utilized for all funds collected.
- At the completion of each event, a reconciliation of the financial activity should be completed to assure funds are accounted in a timely manner. Assure unused numbered tickets are secured and safeguarded in the school's safe, locked fireproof cabinet or equivalent.
- Assure there are at a minimum two individuals to count deposits. Both persons should be present when the deposit is counted. The school secretary or bookkeeper should not be the only person counting the money and completing the deposit summary form. Consider investing in a coin and currency counter to assist in making accurate deposits.
- Bank deposits should be made daily.
- A formal policy should be adopted for handling deposit overages/shortages.
- Upon receipt of a returned check from the banking institution, at least one written attempt is made to recover the amount of the check. External collection agencies may be used for returned checks.
- All checks should have two signatures to ensure internal control over the disbursement of funds.
- Checks are mailed the same day as they are signed.
- A purchase order system may be used.

Appendix B – Forms

Activity Purpose Summary

Student Activity Purpose Summary *Exhibit 1*

District Name and Number

Date: _____Name of Activity: _____

Purpose of Activity:

_____

_____

Grade of Students who will benefit from Activity: _____

Student Activity Guidance

Student activities are in nature by the students and for the students. The Advisor role is limited to advising only. The students should be making the decisions regarding the allocation of funds.

Student activities are not permitted to pay staff or contracted staff related costs. The student activity cannot donate funds to the district that will then be used to pay for staff-related costs.

All expenditures must benefit the students participating in the student activity who are currently enrolled. ***(Districts should customize this list based on local policies and procedures, if more restrictive)***

Appropriate expenditures for student activity accounts include, but are not limited to, the following:

- Admission and participation fees for the entire group, not specific individuals within the group
- Entertainment for specific student activity events, including contracted services (i.e., Disc Jockey for prom)
- Food
- Lodging
- Supplies and materials
- Clothing for students participating in the student activity
- Transportation
- Travel expenditures

Inappropriate expenditures for student activity accounts include, but are not limited to, the following:

- Assemblies not representative of the student activity purpose
- Employee compensation, gifts or awards
- Faculty meetings or events
- Labor or service payments (staff salaries or independent contractors acting as staff)
- Library books
- Office supplies
- Office or school furniture (for instructional use)
- Textbooks
- Gift cards
- Gift certificates
- Field trips which are curricular in nature
- Personal items for coaches, advisors or other staff members
- Scholarships

Appropriate donations should meet the mission and vision of the student activity as determined by the students and may include, but are not limited to, the following:

- Donations that the student activity determines after the students have realized a surplus fund balance should be recorded in the General Fund 01 with Finance Code 301.
- Donations that the students have pre-determined to raise funds for a non-profit organization (i.e., culinary club does a Second Harvest food drive or the Spanish club does a fundraiser for Puerto Rico Hurricane Relief) should be recorded in the Custodial Fund 18.

Inappropriate donations from the student activity accounts include, but are not limited to, the following:

- Donations to individuals
- Donations for religious activities
- Donations to booster clubs
- Donations to parent teachers organizations
- Donations to staff related accounts
- Donations to school foundations
- Donations to scholarship fund

I, _____ (advisor) have read and understand the attached rules and policies. I acknowledge my responsibilities for assuring proper procedures are followed.

_____	_____	_____
Advisor's Name (printed)	Advisor's Signature	Date of Submission
_____	_____	_____
Building Principal's name (printed)	Principal's Signature	Date of Approval

Upon termination of the above named activity, any unobligated funds that remain in the account will be transferred to:

_____

_____	_____	_____
Advisor's Name (printed)	Advisor's Signature	Date of Submission
_____	_____	_____
Activity Student Representative Name (printed)	Principal's Signature	Date of Approval

Business Office Use Only

Restricted Fund Balance Code: _____

Course Code Assigned (if used): _____

Appendix B – Forms

List of Officers

{District Name and Number}

Exhibit 2

{School Name}
Student Activity Fund
List of Officers
School Year

Date: _____ Name of Activity: _____

	Print Name:	Signature:	Grade:
Advisor			
President			
Vice-President			
Treasurer			
Secretary			
Other			
Other			

Appendix B – Forms

Meeting Minutes

{District Name and Number}

Exhibit 3

{School Name}
Student Activity Fund
Meeting Minutes
For School Year

Meeting Date Name of Activity:

Advisor Present: _____

Members Present: _____

Members Absent: _____

Revenues (Dues, Monetary Gifts, Deposit Receipts…):

Expenditures (Check Requests..):

Other Items Discussed/Voted on (Transfers In/Out…):

Minutes Approved By (print): _____ Advisor and _____ Student Representative

Minutes Approved By (Signature): _____ Advisor and _____ Student Representative

Appendix B – Forms

Funds Transfer Form

{District Name and Number}

Exhibit 4

{School Name}
Student Activity Fund
Funds Transfer Form

Date: _____ Name of Activity: _____

Transfer Amount: _____

Activity Name & Codes: From _____ To _____

_____ _____

Reason for transfer of funds: _____

_____

1st Advisor (from) signature _____ Date _____

Student signature _____ Date _____

2nd Advisor (to) signature _____ Date _____

Student signature _____ Date _____

Principal's Signature _____ Date _____

Appendix B – Forms

Fundraiser Accountability Report

{District Name and Number}

Exhibit 5

{School Name}
Fundraiser Accountability Report

Activity: Dates of Fundraiser to

Advisor: _____ Student Representative _____

Fundraiser:

Disbursements				
Date of Check	Check Number	Amount	Vendor	Invoice Number
		$		
Total ❷		**$**		

Receipts		
Date of Receipt	Receipt Number	Amount
		$
Total ❶		**$**

Calculation of Net Profit	
Total Receipts ❶	$
Total Disbursements ❷	$
Net Profit (❶ minus ❷)	$

Reconciliation of Merchandised Purchased to Merchandise Sold:

Total units purchased	$	{must agree to vendor invoices & total disbursed from above}
Total units sold at $ _____ a unit:	( )	{must agree to total receipts from above}
Total units returned for credit:	( )	
Total units over / short:	$	

Note: Attach copies of whatever is needed to support the information on this form, including merchandise given to students, sold by students, monies collected by students and merchandise returned, unsold or damaged.

Appendix B – Forms

Change Order Request

{Bank Name}

CHANGE ORDER REQUEST

Exhibit 6

Cash (COD)	$
Check Payable to (Bank)	$

{District Name and Number}

Order Date _____ Delivery Date(s) shown below

School/Facility _____ DISTRICT # _____

Ordered By _____

Date:	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Pennies					
Nickels					
Dimes					
Quarters					
Ones $1's					
Fives $5's					
Total $	$ -	$ -	$ -	$ -	$ -

- Orders can be placed by the day or for the entire week, the change order must be placed by XX:00 X.M.

Special Instructions:

-

Appendix B – Forms

Deposit/Receipt Summary Form

{District Name and Number}

Exhibit 7

{School Name}
Student Activity Fund
Deposit/Receipt Summary Form

_____

Date: _____ Name of Activity: _____

Advisor: _____ Student Representative _____

Receipts from where/what: _____
_____

Coin total	$
Currency total	$
Check(s) total	$
Total Deposit	$

Student Activity Fund: _____

Signature of Depositor: _____

Counted By: _____ and _____

Date of Deposit: _____

Bookkeeper Signature: _____

Note: All currency is to be facing the same direction in bundles as follows:

20's on groups of $100
10's on groups of $100
5's on groups of $100
1's on groups of $ 50

(If bills do not add up to $100's or $50's, please keep like bills together)

Appendix B – Forms

Check Request Form

{District Name and Number}

Exhibit 8

{School Name}
Student Activity Fund

Check Request Form

Student Activity Fund: _____

Date: _____ Amount: _____

Date check needed: _____

Check Payable To: _____

_____

_____

Description of Disbursement: _____

_____

_____

_____

_____

_____

_____

_____

_____

_____

Approval Signatures:

Student Treasurer: _____
Activity Advisor: _____
Principal: _____

♦♦♦ **Appropriate Supporting Documentation Must Be Attached** ♦♦♦

Processed by: _____
Check Number: _____
Date: _____

Appendix B – Forms

Bank Reconciliation

{District Name and Number}

Exhibit 9

{School Name}
Student Activity Bank Reconciliation

Month Ending: _____ Checks Used This Month: From # _____
Thru # _____

Ending Balance per Bank	-	(a)

Outstanding Checks:		
Payable to:	Check #	Amount
		-
		-
		-
		-
		-
		-
		-
		-
		-
		-
		-
		-
		-
		-
Total Outstanding Checks:	-	- (b)

Outstanding Deposits		
Receipt #	Date	Amount
		-
		-
		-
Total Outstanding Deposits:	-	- (c)

Other Reconciling Items		
Description	Date	Amount
		-
		-
		-
Total Other Reconciling Items	-	- (d)

Adjusted Bank Balance	-	=(a)-(b)+(c)+(d)

Balance Per Checkbook		
Difference	-	

Appendix B – Forms

Fund Reconciliation

{District Name and Number}

Exhibit 10

{School Name}

Student Activity Fund Reconciliation

Name of Activity: _____

Month Ending: _____

Beginning Balance	-	(a)

Deposits made:		
Receipt#	Date	Amount
		-
		-
		-
		-
		-
		-
		-
		-
Total Deposits:	-	- (b)

Checks issued:		
Payable to:	Check #	Amount
		-
		-
		-
		-
		-
		-
		-
		-
		-
Total Checks:	-	- (c)

Other: Transfer In/Out		
Description	Date	Amount
		-
		-
		-
Total Other Reconciling Items	-	- (d)

Ending Balance:	-	=(a)+(b)-(c)+(d)

Prepared by: _____

Title: _____

Date: _____

Appendix B – Forms

Schedule of Student Activity Funds

{District Name and Number}

Exhibit 11

{School Name}
Schedule of Student Activity Funds
July 1, 20XX through June 30, 20XX

Activity Account	Beginning Balance	Receipts	Disbursements	Transfers	Ending Balance	Comments
Student Council	-	-	-	-	-	
Yearbook	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Club	-	-	-	-	-	
Total Columns	-	-	-	-	-	

Appendix C – Minnesota Statutes, Rules and Other Authoritative Guidance

For the most current version, please see the Minnesota Legislature – Office of the Revisor of Statutes.

Extracurricular Activities; Insurance

Minnesota Statutes, section 123B.49

Accounting, Budgeting and Reporting Requirement

Minnesota Statutes, section 123B.77

General Powers of Independent School Districts (bequests; donations; gifts)

Minnesota Statutes, section 123B.02, subdivision 6

Expenditures; Reporting

Minnesota Statutes, section 123B.76

Definitions for Pupil Fees

Minnesota Rules, part 3500.1050

General Policy – Free and Public Education

Minnesota Statutes, section 123B.35

Authorized Fees

Minnesota Statutes, section 123B.36

Prohibited Fees

Minnesota Statutes, section 123B.37

Hearing

Minnesota Statutes, section 123B.38

Collection of Sales Tax

Minnesota Department of Revenue

Uniform System of Records and of Accounting; Commissioner

Minnesota Statutes, section 127A.17

Modified Accrual Accounting and Other Accounting Requirements

Minnesota Rules, part 3545.0800, subparts 4 and 5

Appendix D – Statement of Position Vending Machines

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 ((651) 296-4755 (Voice) Fax)
state.auditor@osa.state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REBECCA OTTO
STATE AUDITOR

Statement of Position
Vending Machines

Vending machines present unique legal compliance challenges. In the past, some public officials have viewed the expenditures of vending machine proceeds as not being subject to "public purpose" requirements and as not needing statutory authority. This view may be based in part on the concept that funds generated by vending machines were from nontax revenues and therefore not subject to the same legal requirements. However, the Minnesota Attorney General has been clear that the public purpose requirements apply to all public expenditures, even if the money was received from non-tax sources.[1]

Revenues received by the public entity from the proceeds of vending machine sales or from granting the license under the written contract are public funds and should be deposited in the general fund like any other operating revenue.

For the purpose of compliance auditing, the Office of the State Auditor divides vending machines into two groups: those entirely within an employee work space and those accessible to the public.

Vending Machines Accessible by Employees Only

Vending machines accessible only to public employees, such as in an employee lunch room, can be handled informally. For instance, the public entity could allow its employees to handle all aspects of the vending machine operations, including setting the price of items, stocking product, and collecting money. The public entity could allow its employees, through a formal or informal employee group, to enter into an agreement with a vending machine company where the employees receive cash. If the employees handle the pricing and stocking and receive profits from the vending machines, then the funds generated do not become public funds and are not subject to an audit. We consider this situation to be an analogous to one in which the employer provides a refrigerator for the use of employees.

Vending Machines Accessible by the Public

For vending machines located in the public areas of public buildings, formal contracting procedures are applicable if the public entity does not own the vending machine. If the

[1] S*ee* Op. Atty. Gen. 107-a-3 (Jan. 22, 1980) and Op. Atty. Gen. 159-a-16 (Nov. 16, 1949).

Reviewed: February 2014 2009-1005
Revised: February 2014

This Statement of Position is not legal advice and is subject to revision.
An Equal Opportunity Employer

public entity does not own the vending machine, there should be a written contract between the public entity and the owner/operator of the vending machine. Such a contract would grant the owner/operator the license to operate the vending machine on public property. All the terms of a licensing agreement should be addressed in the written contract, including the time period, distribution of proceeds of vending machine sales, liability for injury caused by the vending machine, and who will carry insurance for personal injury or property damage.

Some public entities have entered into contracts with employee organizations that, in turn, operate the vending machines. The contractual payments made by the employee organization to the entity are public funds subject to an audit. The money collected from the vending machine by the employees under this type of contract, however, is not public money. This does not present an audit issue, as long as the terms of these contracts are reasonable.

Internal Controls

Regardless of their location, vending machines generally produce a constant flow of revenue. Individual revenue amounts received each week or month may be modest, but the amounts produced over a long period of time can be large. Therefore, internal controls appropriate to any cash-handling function should be in place.

For small operations, vending machine companies may divide the cash received by the machine at the time it is restocked. An employee of the public entity should be present for this process, and a written receipt of the money received by the public entity should be prepared and signed by the vending machine employee. As with all cash transactions, regularly rotating the person responsible for receiving cash can provide a level of internal control. A sudden change in the amount of revenue received from the vending machine is a red flag.

The potential for loss can be high, even in a small vending machine operation. It is therefore worthwhile, from time to time, to review the internal controls associated with the handling of cash from vending machines.

Reviewed: February 2014 2 2009-1005
Revised: February 2014

Appendix E – Fundraising Sales for Schools

Date: September 20, 2019

To: School Fundraiser Administrators

From: Justin Nieman, Assistant Commissioner, Minnesota Department of Revenue

Fundraising Sales for Schools – Law Change

The Minnesota Department of Revenue is sending you this letter to update you on a change that may impact your sales tax obligations. During the 2019 legislative session, there was a change made to Minnesota Statutes, section 123B.49, subdivision 4, which requires all funds from extracurricular activities to be deposited with the school district.

Minnesota Law

Minnesota Statutes, section 297A.70, subdivision 13, provides a sales tax exemption for fundraising sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption does not apply to sales by school organizations for extracurricular activities when the proceeds from fundraising activities are either:

- Deposited with the school district treasurer
- Recorded in the same manner as other revenues and expenditures of the school district

A 2019 law change made to Minnesota Statutes, section 123B.49, subdivision 4, provided that all costs and revenues from extracurricular fundraising activities will need to be recorded in the same manner as all other expenditures and revenues of the district.

While this law change did not specifically remove the sales tax exemption for school organizations, the exemption is no longer available for fundraising sales made by schools and school-run groups for extracurricular activities. As a result, all schools and school organizations must collect sales tax and all applicable local taxes on taxable sales unless another exemption applies.

The sales tax collected should be reported on the sales and use tax return filed by the school or school district. If you do not already have a Minnesota ID number, go to the Minnesota Department of Revenue website and type "register for a tax id number" into the Search box.

Exemptions Still Available

Schools may still consider selling items that are exempt from sales tax. This includes items such as:

- Candy – a separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups (Minnesota Statutes, section 297A.70, subdivision 13(a)(4))
- Clothing – such as bandanas, hats, scarves, and t-shirts are not subject to sales tax
- Coupon books – sales of coupon books, discount cards, or punch cards are not taxable
- Food items – such as bread, nuts, popcorn are not subject to sales tax as long as the food items are pre-packaged and not made by the seller

There are also exemptions specific to schools that are not impacted by the change to Minnesota Statutes, section 123B.49, subdivision 4. These exemptions are for:

Prepared food, candy, and soft drinks served at a public or private elementary, middle, or secondary school (Minnesota Statutes, section 297A.67, subdivision 5). Examples include: spaghetti feed or pancake breakfast as long as they are served on school premises.

- Tickets or admissions to regular season school games, events, and activities (Minnesota Statutes, section 297A.70, subdivision 11)
- Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League (Minnesota Statutes, section 297A.70, subdivision 11a)

Taxable Sales

Because all funds must now be deposited with the school district, sales that were previously exempt from sales tax because they qualified for the fundraising exemption are now taxable unless they qualify for one of the previously listed exemptions currently available to you.

Some examples of taxable sales include:

- Admission to recreational areas (see Fact Sheet 123)
- Books (other than textbooks)
- Flowers
- Garage sales
- Gift wrap
- Greeting cards
- Water bottles or coffee mugs
- Wreaths

These are examples of common sales that schools may use to raise funds for extracurricular activities. For information about whether other sales are taxable:

- Visit the Minnesota Department of Revenue
- Email us at salesuse.tech@state.mn.us

Other Nonprofit Organizations

Organizations that are organized and operated separately from the school or school district, including organizations such as PTAs, PTOs, and booster clubs, do not need to collect sales tax on the first $20,000 in sales if they meet certain conditions.

If the organization is not required to deposit their funds with the school district treasurer and has its own Minnesota Tax ID number, they may sponsor certain school activities that still qualify for the fundraising exemption under Minnesota Statutes, section 297A.70, subdivision 13 paragraph (a)(1).

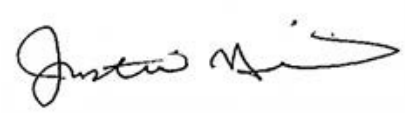
Nonprofit organizations that meet the required criteria can make fundraising sales without charging sales tax on the first $20,000 in fundraising sales in a calendar year. If you exceed $20,000 in fundraising sales, you must start charging sales tax on any additional fundraising sales for that calendar year. The $20,000 limit is based on each Minnesota Tax ID number.

For example, a booster club sells wrapping paper and raises $21,000. You do not need to collect sales tax on the first $20,000; however, you would need to collect sales tax on the remaining $1,000.

Questions

If you have questions or need additional assistance with this matter, please contact the Sales & Use Tax Division at 800-657-3777 or salesuse.tech@state.mn.us.

Sincerely,



Justin Nieman

Assistant Commissioner

Minnesota Department of Revenue

CC: Pam Evans, Director, Sales and Use Tax Division

Appendix F

GASB No. 84 Fiduciary Activities Questions and Answers

The Governmental Accounting Standards Board (GASB) states the objective of GASB Statement Number 84 (GASB No. 84) is to "improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported." **The requirements of this Statement go into effect for Fiscal Year (FY) 2020, effective July 1, 2019.**

GASB published the *GASB Implementation Guide of GASB 84 for Fiduciary Activities* in June 2019. Given the short time frame for implementation, the GASB subcommittee decided it was important to distribute a question and answer (Q&A) document for Minnesota school districts as quickly as possible. The GASB subcommittee, a subcommittee of the Advisory Committee on Financial Management (Advisory Committee), is comprised of Minnesota Department of Education (MDE) Financial Management staff, several certified public accountants (CPAs) from Minnesota school district audit firms, business managers, region representatives and accountants.

Minnesota Statutes, section 123B.49, *Extracurricular Activities; Insurance* has been updated to align with GASB 84.

These questions and answers were developed by the GASB subcommittee to assist with implementation of GASB 84 Fiduciary Activities. MDE will update this document as needed for general questions, which will be included in the Uniform Financial Accounting and Reporting Standards (UFARS) Manual Chapter 14. For student activities, the questions are sorted into two categories: student activities currently ***not*** under board control and student activities currently under board control.

Background

GASB has provided the following summary to GASB Statement No. 84 to help readers understand the purpose of this statement:

> *The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.*
>
> *This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.*
>
> *An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position…*
>
> *…This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria…*
>
> *…This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.*

Fiduciary Activities

Does GASB 84 affect other financial activities?

Yes. Local Educational Agencies (LEAs) should review and update all local policies to ensure they are not in conflict with GASB 84. This GASB statement may affect other financial activities at the LEAs in addition to student activities. The requirements of this Statement go into effect for FY 2020, effective July 1, 2019.

Will Agency Fund 09 remain in the UFARS manual?

No. Agency Fund 09 was inactivated on July 1, 2019. All LEAs will need to determine if the current activity in the Agency Fund 09 belongs in the General Fund 01, Trust Fund 08 or **Custodial Fund 18** (new fund for FY 2020 and beyond).

How does GASB define Custodial Funds?

Per GASB 84 paragraph 18, "*custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The external portion of investment pools that are not held in a trust that meets the criteria in paragraph 11c (1), should be reported in a separate external investment pool fund column, under the custodial funds classification."*

The UFARS manual currently includes the following Fiduciary Funds: Post-Employment Benefits Irrevocable Trust Fund 45 and Trust Fund 08. In addition, MDE will add Custodial Fund 18 for FY 2020.

What are some examples of activities that will be required to use Custodial Funds?

For UFARS Custodial Fund 18, GASB 84 section B28 states, "Fiduciary activities that are not required to be reported in pension (and other employee benefits) trust funds, investment trust funds, or private-purpose trust funds should be reported in custodial funds."

An LEA could use Custodial Funds for the following examples if the entity has no administrative or direct financial involvement, or the activity is not administered through a qualifying trust:

- The entity is a fiscal host of a grant or flow-through funds
- Scholarships without a legally binding trust agreement
- Assets of the employees (i.e., Deferred Compensation/457)

This list is not meant to be an all-inclusive list of Custodial Fund activities. Please consult with your auditor for questions regarding financial activities that may need to be recorded in the Custodial Fund.

How does an LEA know if they have administrative involvement?

A government has administrative involvement with the assets if, for example, it: (a) monitors compliance with the requirements of the activity that are established by the government that does not receive the direct benefits of the activity, (b) determines eligible expenditures that are established by the government that does not receive the direct benefit of the activity, or (c) has the ability to exercise discretion over how assets are allocated.

How does GASB 84 affect the way scholarships are recorded?

To account for scholarships, MDE added Finance Code (FIN) 340, Scholarships, and Balance Sheet Account Code 402, Restricted/Reserved for Scholarships. When there is administrative involvement and no formal trust agreement, use General Fund 01 with Finance Code 340 and Balance Sheet Account Code 402. When there is a legal trust agreement associated with the scholarship, use Trust Fund 08 with Finance Code 340 and Balance Sheet Account Code 402. When the requirements of a fiduciary activity are met, use Custodial Fund 18 with Finance Code 340 and Balance Sheet Account Code 402. These codes are effective July 1, 2019.

For further information, please review GASB 84 and consult with your auditor.

General Questions for Student Activities

How does GASB 84 apply to student activities?

Student activities are subject to administrative involvement, therefore, they are not considered to be fiduciary activities.

How does GASB 84 affect outside organizations (i.e., Booster Clubs, PTOs, PTAs, etc.) and their relationship with LEAs?

Outside organizations such as Booster Clubs, Parent Teacher Organizations (PTOs) and Parent Teacher Associations (PTAs) are separate entities that have their own tax identification (ID) number and are not allowed to use the LEA's tax ID number. GASB 84 does not affect the financial relationship between the LEA and the outside organizations because they are not part of the LEA.

Would a Special Revenue Fund be appropriate for student activities?

No. The requirements of UFARS necessitates the activity be recorded and reported in the General Fund 01.

Will there be a specific Finance Code to record student activity revenues and expenditures?

Yes. Finance Code 301, Extracurricular Activities, was added to the UFARS manual for FY 2020. Finance Code 301 should be used with the following Program Codes: 292, 294, 296 and 298. Note: salaries and benefits will not be allowed with Finance Code 301. Refer to FY 2020 UFARS Manual, Chapter 4 – Finance Dimension, and Chapter 10 – Permitted Code Combinations (UFARS Manual).

Are there other program codes available to use with Finance Code 301, Extracurricular Activities?

Please see the UFARS Manual, Chapter 10, restricted grid for Finance Code 301.

Will there be a specific Fund Balance Account for student activity fund balances?

Yes. Fund Balance Account 401, Restricted Reserved for Extracurricular Activities, was added for FY 2020. This Fund Balance Account should be used with Finance Code 301, Extracurricular Activities. Refer to the UFARS Manual Chapter 8 – Balance Sheet Accounts.

Will Chapter 14 – Student Activities Accounting, remain in the UFARS Manual?

Yes. UFARS Manual, Chapter 14, will provide guidance for student activities accounting. MDE has updated Chapter 14 in the UFARS Manual.

Is there a list of allowable and unallowable expenditures for student activities and donations?

Yes. See *Appendix G, Student Activity Accounting Guidance*.

Can student activities pay for staff salaries and benefits?

No. Salaries and benefits will be processed through General Fund 01, Finance Code 000. Student activity accounts are not responsible for salaries and benefits of staff providing services for that activity.

Can student activities pay for contracted services?

Yes. The school board or school board policies will determine who must approve all contracts. The student activity account would record the transaction in General Fund 01, Finance Code 301.

When recording fees or fundraising revenue, how do LEAs determine when to use Finance Code 000 or Finance Code 301, Extracurricular Activities?

The school board approves fees, such as: student activity participation fees, gate receipts, etc., in compliance with Minnesota Statutes, sections 123B.34 to 123B.37. Fees that are approved by the school board are recorded as General Fund 01, Finance Code 000. Student activity revenues generated by fundraising, admissions, dues, etc., that are not established by the LEA's board would be recorded in General Fund 01 with Finance Code 301.

Does the sales tax exemption for fundraising still apply once the student activity funds are rolled into the General Fund?

Districts should reference the Minnesota Department of Revenue, Sales Tax Fact Sheet 111, *Sales Made by Schools*, section starting on Page 3 (https://www.revenue.state.mn.us/businesses/sut/factsheets/FS111.pdf). Districts should contact the Minnesota Department of Revenue with specific questions regarding fundraising activities for sales tax questions. For Department of Revenue sales tax memo see Appendix E.

How do LEAs account for the funds when individual students are conducting fundraising for a group activity (i.e., trip to Greece for any currently enrolled high school student)?

The LEA's policy would determine eligibility and the procedure to account for this fundraising activity. Minnesota Statutes, section 123B.49, subdivision 4(a) states, "*Extracurricular activities means all direct and personal services for pupils for their enjoyment that are managed and operated under the guidance of an adult or staff member.*"

How should LEAs handle student activity fundraising for charitable organizations?

The LEA must review the student activity and determine whether it is in compliance with Minnesota Statutes, section 123B.49. The LEA's policy would determine the appropriateness of the fundraising activity.

Donations to charitable organizations that do not meet the requirements of a fiduciary fund or where the LEA has administrative involvement would be recorded in General Fund 01. Donations that meet the requirements of the Fiduciary Fund would be recorded in Custodial Fund 18.

UFARS Manual, Chapter 14, will provide guidance for student activities accounting. MDE updated Chapter 14 in the UFARS Manual.

Can districts use unapproved software to record the student activity accounting?

No. Student activities must be rolled into General Fund 01. Therefore, they must follow all statutory requirements of UFARS including Minnesota Statutes, section 125B.05, State Information System. All financial transactions (including revenues, expenditures and journal entries) are required to flow through MDE-approved software. For a list of approved finance systems, please see the UFARS Overview Chapter.

If an audit opinion for student activities not under board control had been modified in the past, what will happen to the audit opinion for the district's financial statement since student activity funds will be reported within the General Fund 01?

The effect to the audit opinion will depend on the auditor's judgement of the materiality and financial impact of the student activities on the General Fund 01. Improved internal controls due to accounting for the activities within the General Fund 01 could also be a factor. It is important to communicate with your audit firm and begin discussions regarding the potential impact GASB 84 may have on the audit opinion in your district. Each district should review policies and procedures, including student activities, to make sure these align with GASB 84.

What steps can the district implement to obtain an unmodified opinion over revenue recognition of student activity funds?

Districts should work with their auditors to improve internal controls over cash receipts to reduce the risk of loss by implementing policies and procedures. Some examples include: inventory the items for sale; complete reconciliation of receipts of items sold and remaining inventory; use of numbered receipts; and balancing cash registers and cash drawers.

If the district is unable to develop sufficient internal controls to meet the requirements of revenue recognition, they may want to consider moving the fundraising activity to an outside organization, i.e., Booster Club or PTO to eliminate a modified opinion.

How may the ASBO Certificate of Excellence in Financial Reporting be affected by the change in student activity reporting?

An opinion modification would disqualify a district from receiving the certificate because an unmodified opinion within the independent auditor's report is a requirement to receive the certificate.

Student Activities Currently Not Under Board Control

How does GASB 84 affect school districts with student activities not under board control?

The requirements of GASB 84 and the related implementation guide indicate that student activities should be reported in the district's General Fund 01. Based on this guidance, Minnesota school districts will no longer be allowed to report student activities "Not Under Board Control" separate from the General Fund. The LEA **should review** all student activities to ensure they belong in the LEA's financial records. If it is determined the student activity should be in the LEA's financial records, the activity should be reported in General Fund 01 with Finance Code 301, Extracurricular Activities, and Fund Balance Account 401, Restricted/Reserved for Extracurricular Activities.

Is board action required to move the student activities from not under board control to under board control within the General Fund 01?

MDE encourages the LEA's board to adopt and acknowledge the accounting responsibility for the student activities, effective July 1, 2019. If there are current district policies governing student activities not under board control, the board policies will need to be updated and adopted by the board to reflect changes in statute and accounting practices.

How does the LEA transfer the student activity funds not under board control on July 1, 2019?

LEAs will need to review each student activity account not under board control to determine whether the activity belongs within the General Fund 01, Custodial Fund 18 or should not be part of the district's financial system (i.e., outside organizations such as Booster Clubs). This analysis should include any accruals (accounts receivable, accounts payable, unearned revenue, prepaids, etc.) to properly account for prior year-ending balances. On July 1, 2019, the prior year-ending balance may require a restatement of June 30, 2019, ending balances in the district's financial statements. Consult with your auditor.

If the student activities not under board control does not represent a fiduciary activity, it should be recorded in General Fund 01, Fund Balance Account 401, Restricted/Reserved for Extracurricular Activities. If the student activities not under board control does represent a fiduciary activity, it should be recorded in Custodial Fund 18. Districts may, for local purposes, choose to have sub-accounts within the fund balance for each student activity (i.e., student council, chess club or band). Consult with your auditor if the activity does not represent a general fund activity or fiduciary fund activity.

What can be done with obsolete student activity accounts (i.e., senior class graduates)?

This is addressed through the *Activity Purpose Summary* or equivalent, which can be found in UFARS Manual Chapter 14.

How would LEAs handle student organized dances (i.e., prom)?

The answer will depend upon board policy and fundraising activity. There may be a blend between Program Code 298 with Finance Code 000 and/or Program Code 298 with Finance Code 301. For example, students may have fundraising activities that will pay for the prom as a whole and a portion of the fundraising activity would be used to pay for disc jockey (DJ) services. The DJ expenditures would be recorded in General Fund 01 using Program Code 298 with Finance Code 301 Extracurricular Activities. The additional prom expenditures could be recorded in Finance Code 000 or Finance Code 301.

Student Activities Currently Under Board Control

How does GASB 84 affect LEAs with student activities currently under board control?

Even student activities that were under board control prior to FY 2020 (July 1, 2019) will be impacted by GASB 84. All student activities must be reported in General Fund 01. The student activities will be required to use General Fund 01, Finance Code 301 and Fund Balance Account 401, which is a restricted/reserved fund balance account. Therefore, the districts will need to reclassify beginning fund balances into the restricted/reserved account if they were previously reported as committed or assigned fund balances in the General Fund 01, effective July 1, 2019.

An analysis of the effect on beginning fund balance/net position should be performed for those LEAs who previously reported the assets of student activity accounts that were offset by a liability indicating it was owed to the activity when there was no specific liability (not allowed under GASB 84).

How does the LEA reassign the student activity funds under board control on July 1, 2019?

The LEA should follow their policies and procedures on how to reassign from Committed Fund 461 or Assigned Fund 462 within the General Fund 01 to General Fund 01, Fund Balance Account 401, Restricted/Reserved for Extracurricular Activities. LEAs may, for local purposes, choose to have sub-accounts within the fund balance for each student activity (i.e., student council, chess club or band).

Contact

Please send your questions or comments regarding this document to the MDE UFARS Helpdesk (mde.ufars-accounting@state.mn.us).

Appendix G – Student Activity Accounting Guidance

All expenditures must benefit the students participating in the student activity who are currently enrolled. Local school boards may be more restrictive than the lists below. In addition, the school board may decide to cover other allowable costs in General Fund 01, Finance Code 000.

Appropriate expenditures for student activity accounts include, but are not limited to, the following:

- admission and participation fees for the entire group, not specific individuals within the group
- entertainment for specific student activity events, including contracted services (i.e., Disc Jockey for prom)
- food
- lodging
- supplies and materials
- clothing for students participating in the student activity
- transportation
- travel expenditures

Inappropriate expenditures for student activity accounts include, but are not limited to, the following:

- assemblies not representative of the student activity purpose
- employee compensation, gifts or awards
- faculty meetings or events
- labor or service payments (staff salaries or independent contractors acting as staff)
- library books
- office supplies
- office or school furniture (for instructional use)
- textbooks
- gift cards
- gift certificates
- field trips which are curricular in nature
- personal items for coaches, advisors or other staff members
- scholarships

Donations

Appropriate donations should meet the mission and vision of the student activity as determined by the students and may include, but are not limited to, the following:

- Donations that the student activity determines after the students have realized a surplus fund balance should be recorded in the General Fund 01 with Finance Code 301.
- Donations that the students have pre-determined to raise funds for a non-profit organization (i.e., culinary club does a Second Harvest food drive or the Spanish club does a fundraiser for Puerto Rico Hurricane Relief) should be recorded in the Custodial Fund 18.

Inappropriate donations from the student activity accounts include, but are not limited to, the following:

- donations to individuals
- donations for religious activities
- donations to booster clubs
- donations to parent teachers organizations
- donations to staff-related accounts
- donations to school foundations
- donations to scholarship funds

LEAs should work with their auditors to determine the appropriate accounting practice to record charitable donations from these student activities.

Special Thanks to the MAFA Committee

Members of the Division of School Finance of the Minnesota Department of Education extend their appreciation to each member of the MAFA Committee for their work on this project.

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Members of the Division of School Finance of the Minnesota Department of Education extend their appreciation to each member of the GASB Subcommittee for their work on GASB Statement No. 84 Fiduciary Activities.

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