

Accounting Bulletin #2002-01

SUBJECT: Accounting for Student Activity Funds

Effective Immediately

Date: July 17, 2002

Updated accounting guidance for the proper classification of Student Activity Funds established within the guidelines of 24 P.S. 5-511 of the PA School Code.

Chapter 5 of the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools released May 2001 provides guidance to LEA's that effective with GASB Statement #34 implementation Student Activity Funds would be accounted for in the Special Revenue Fund type. Since the release of the Manual, our office has received numerous requests to revisit this issue. In March of this year, we began an exhaustive review of various reference books and solicited opinions from members of the school business community regarding this direction. As a result, we are amending our guidance to reflect the following.

The GAAFR "Blue Book" recommends accounting for Student Activity Funds as either an Agency Fund, as was the case per Statement #34, or a Special Revenue Fund. There are several criteria to be applied when deciding where to account for this activity. The most important criteria is the ownership of the funds (moneys) involved. If the funds belong to the school, our initial interpretation, then a Public Purpose Trust Fund would be the correct placement. Activity Funds that are not established within the guidelines of Section 5-511 would be accounted for in this Fund. If the funds belong to the students and the school has oversight responsibility, then an Agency Fund would be more appropriate. Section 5-511 clearly states that the "funds shall not be the funds of the school district but shall remain the property of the respective class, organization, club, society, or group." This would preclude the use of a Public Purpose Trust Fund. Our office sought and obtained a legal opinion from the Department of Education that concurs with our assessment of fund ownership. Based upon this opinion, the Comptroller's Office will amend its guidance to allow Student Activity Funds, established under the provisions of the aforementioned section of the School Code to be treated as an Agency Fund.

On a related note: Our office strongly suggests that all LEAs establish a school-wide policy dealing with dormant account balances. These are accounts where there has been no activity for at least one year or the class affiliated with this account has graduated. The Auditor General's Office is in agreement with our office that leftover funds should NOT revert back to the General Fund as previously reported in Chapter 10 of the Accounting

Manual. Absent any direction from the members of the class or organization or an overall policy dealing with these accounts, these funds should be turned over to the Student Body Account to be used for school related purposes only.

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfin@pa.gov