


**STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION**

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

MEMORANDUM

TO: School Business Officials

FROM: Hershula D. Davis, Audits Manager 
Office of Auditing Services

DATE: September 3, 2019

SUBJECT: Accounting and Financial Reporting for Fiduciary Activities - GASB Statement No. 84, *Fiduciary Activities* and Proposed Implementation Guide of GASB

The South Carolina Department of Education (SCDE), in conjunction with the SCDE Annual Audit Guide Committee, has reviewed the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and its draft implementation guidance for the potential effects on South Carolina school districts. The purpose of the guidance is to clarify, explain, and elaborate on the requirements of Statement No. 84, *Fiduciary Activities*. Paragraph 11 c (2) of Statement No. 84 states:

An activity is a fiduciary activity if “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.”

Included within the Questions and Answers section of the implementation guidance are questions and answers 4.21 and 4.22, which were included to clarify when a school district is considered to have administrative involvement in a school’s fiduciary activities and will affect the accounting and financial reporting for certain school district fiduciary activities for which the school district is considered to have administrative involvement. The questions and answers read as follows:

4.21 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 the club’s activities and how the resources 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



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faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11 c(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 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.

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

As a result of the Statement and the related implementation guidance, effective for reporting period ending June 30, 2020 and all reporting periods after, the funds for student activities for which the school district has administrative involvement can no longer be accounted for as pupil activity funds (fiduciary funds) but should be accounted for as special revenue funds. Certain school districts may have student activities that should still be classified as fiduciary in nature; this decision will be on a fund by fund, school district by school district determination.

GASB Statement No. 84 should be adopted and implemented as follows:

- a. When reporting student activity funds as SPECIAL REVENUE FUNDS:
 - i. Continue to use the 700 funds as you currently report.
 - ii. Report all revenues, expenditures and fund balances in the Other Special Revenue Programs column on your Special Revenue – Special Projects combining schedules. These fund numbers will now be reportable in the "Other Special Revenue Programs" column currently denoted "200s/800s." We will update this schedule to also include "700s."
 - iii. Include 700s "Student Activity Funds" as a group on the Special Revenue – Special Projects Subfund Code List.



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- iv. Do **NOT** report the revenues, expenditures and changes in fund balance on the Schedule of Receipts, Disbursements and Changes in Due to Student Organizations as in previous years.
- b. When reporting student activity funds as FIDUCIARY FUNDS (Pupil Activity Funds):
 - i. Continue to use the 700 funds.
 - ii. Report the Assets and Liabilities on the Statement of Fiduciary Net Position.
 - iii. Report Revenues, Expenditures and the change on the Schedule of Revenues, Expenditures and Changes in Due to Student Organizations.

If you have any questions, please contact me, Hershula D. Davis, at 803-734-6022 or hdavis@ed.sc.gov or, Melissa A. Myers, at 803-734-8453 or mmyers@ed.sc.gov.

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