

Significant Changes Made to

“Accounting Procedures for Kentucky School Activity Funds”

1. P. 6: Students third grade and above must sign the Multiple Receipt Form themselves.
2. P. 8: Fundraisers to cover staff payroll and other operating costs are not permitted, along with fundraisers to supplement the staff account (not permitted).
3. P. 8: Fundraising proceeds must benefit the entire group of students involved, regardless of participation in the fundraising activity. There will be no fundraisers tracked by individual students. (This is in IRS regulation and new to the Redbook.)
4. P. 10: Cake Walks (as a fundraiser) are considered gaming. (This is a decision made by the Department of Charitable Gaming and new to the Redbook).
5. P. 11: Signature stamps are not permitted to be used for indicating approval of school activity fund checks or any other documents.
6. P. 13: The whole Payment for Services section has been renovated. The biggest change is the addition of a list of steps to determine the employer/employee relationship. (Based on discussions with the IRS.)
 - a. Being able to pay a district employee as contract labor and issue both a W-2 and 1099.
 - b. Having to make a determination whether a job is being done by independent contractor or employee.
7. P. 16: The fixed asset section was changed to agree with the changes in the KDE Capital Asset Guide. (Workstations/laptops are not required to be capitalized, but should be approved by DTC/CIO.)
8. P. 16-17: New to the Redbook is to have a list of allowable and disallowable expenditures.
 - a. Charitable contributions as approved by the local board are allowed.
 - b. Cash awards, gift cards or prepaid credit cards are not allowed.
 - c. Gifts, services, or donations to district employees or external support/booster are not allowed.
 - d. District and school administrators cannot be reimbursed for travel expenses from the activity fund unless students are on the trip.
 - e. Expenditures related to professional development or staff development are not allowed.
9. P. 18: Information about Title IX has been expanded.
10. P. 18: There is new guidance on how to handle inactive account balances.
11. P. 19: There is new guidance on using electronic receipts and payments.
12. P. 19: No transfers or reimbursements are allowed from the school activity fund:

- a. To external support/booster organizations
 - b. To staff accounts
13. P. 20: All the reporting items are in one section with a listing of reports to submit to the central office each month. The appendix includes guidance that explains to the principal how to review the bank statement and what to look for and explains to central office staff how to review the monthly reports submitted by the schools. Carrying over excessive balances in these accounts year to year is discouraged since fundraisers are held for a specific purpose and should be used for that purpose. Fees are collected for a specific purpose and should be used for that purpose for the students that pay the fees.
14. P. 20: Specific directions are included on how to handle activity accounts with a negative balance at the end of the year and how to handle an activity fund with a negative balance at the end of the year.
15. P. 22-25: The whole section on external support/booster organizations has been revamped and strengthened. There are lots more details and lots more requirements.
- a. Written by-laws must exist.
 - b. FEIN must be submitted when list of officers is submitted.
 - c. District employees may serve as members or hold executive board positions, except for the treasurer or other officer with signing authority on the bank account.
 - d. The school activity fund shall not reimburse these organizations for any purchases.
 - e. These groups shall not pay or enhance district employees' salaries or stipends, but they can make donations to district/school to cover some of these expenses as long as the salaries paid are within the limits set by the board.
 - f. The school is given ideas for how to deal with support groups not complying with these guidelines.
 - g. The treasurer must be bonded.
 - h. Insurance for general liability must be carried with proof being submitted prior to commencing any fundraising activities.
 - i. Fundraising proceeds must benefit the entire group of students involved, regardless of participation in the fundraising activity. There will be no fundraisers tracked by individual students. (This is IRS regulation, not a KDE decision, but it is new to the Redbook.)
 - j. The IRS prohibits tax-exempt organizations from **requiring** participation in fundraisers. Likewise, support/booster organizations **may not** require an amount be "donated" in lieu of participating in a fundraiser.
 - k. Individuals choosing not to participate in a fundraiser cannot be excluded from benefitting from the fundraiser and cannot be penalized in any way.
 - l. Restrictions exist on district employees' involvement with handling cash for booster fundraisers.
16. P. 25-26: The whole section on school banks has been revamped and strengthened. There are lots more details and lots more requirements.
- a. Guidance is given about setting up the school bank and who can be the financial supporter.
 - b. Any dividends or interest for school bank accounts shall be reported on 1099.

- c. An agreement is mandated between financial institution and board.
 - d. Parents must sign a permission slip for students to participate in the school bank.
17. P. 27-31: The definitions section has been expanded. It went from 13 definitions to 57 definitions.
18. P. 32: There are two new forms:
- a. Student Refund/Disbursement Form (F-SA-14)
 - b. Donation Acceptance Form (F-SA-18)
19. P. 54: Appendix A – Segregation of Duties has been expanded with many more suggestions.
20. P. 57: Added an Appendix B – Fundraiser Types and Corresponding Forms Needed to assist school folks in knowing which forms to use for each type of fundraiser.
21. P. 59: Added Appendix C – External Support/Booster Organization Resources with references to the IRS website.
22. P. 63: Added Appendix D – Other Resources with extra information about electronic receipts and payments and school banks.
23. P. 64: Added Appendix E – Recommended Report Review Procedures to give detailed instructions on how to review financial records of the school activity fund.