

# ACS TRAINING FOR ADMINISTRATORS BUDGETS/FINANCES/PROCEDURES JULY 19, 2017

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# Lines of Authority

***Board of Education.*** The Board of Education adopts policies to govern the establishment and operation of all activity funds. The district's auditors reviews these policies for sound accounting and reporting principles. The Board approves the budget and financial statements as recommended by the Superintendent.

***Superintendent.*** The Superintendent is directly responsible to the Board of Education for administering all Board policies and recommends the budget and financial statements to the Board for approval.

# Lines of Authority, cont'd

**Chief School Financial Officer.** The Chief School Financial Officer has the overall responsibility for accounting for and reporting all funds, including district and student activity funds, to the Board. The Chief School Financial Officer is also responsible for implementing and enforcing appropriate internal control procedures as well as monitoring and managing the financial resources.

**Principal.** The Principal at each school is the activity fund supervisor and has overall responsibility for the operation of all activity funds, including collecting and depositing activity fund monies; approving disbursements of student activity fund monies; and **adequately supervising all bookkeeping responsibilities**. The activity fund supervisor should be a signatory to all disbursements, including checks drawn on the activity fund.

# Fiduciary Responsibility of the Principal

- ▶ The most important thing to be aware of is that the ***principal carries the full responsibility*** for all financial matters relating to their school.
- ▶ Principal's must be familiar with the local school accounting policies so that he or she does not permit practices that are contrary to the policies.
- ▶ The principal has the **ultimate responsibility for any shortages** resulting from the failure to follow, or to require others to follow, the financial procedures for handling school monies.
- ▶ The Principal should work with the bookkeeper and staff when preparing the local school annual budgets.
- ▶ There have been situations where principals have been required to **personally repay funds related to audit findings.**

# Local School Activity Funds

Activity funds are established to direct and account for monies available and used at the local school level.

Activity funds are unique to school districts. The distinction is based on the purpose of the funds, that is, the programs and activities supported by the funds .

The classifications which are commonly recognized are:

- **district activity funds**
- **student activity funds**
- **parent support or school related organization funds**



# Local School Activity Funds

There are two categories of funds at the school

- Public
- Non Public

# Public Local School Funds

- Funds received from public (tax) sources /appropriations for the general operations of the local school under the control and direction of the Principal
- Public funds are restricted to the same legal requirements as system funds at the district level.
- Funds are generally classified as “public” when the following criteria are met:
  - Money generated school-wide
  - Money used for all students instead of individual group
  - Money controlled by the Principal or a school employee

# Public Funds - Revenue

- Admissions
- Appropriations
- Concessions
- Commission
- Dues & Fees – Required
- Fines & Penalties
- Fund Raisers\*
- Grants
- Sales
- Donations\*



\*In specific situations, these may be considered Non-Public



# Public Funds - Expenses

- Professional Development
  - Refreshments for Open House where public would attend
  - Pregame meals for student athletes and coaches
  - Academic incentives for students
  - Athletic and band uniforms
  - Landscaping
  - Maintenance furnishing and decorations for the school
- ❖ Principals should review the monthly activity reports. Deficit balances are not allowed in public activities.

# Non-Public Local School Funds

- Funds received by an organization's or club's sponsor or officer are not usually used for the general operations of the school.
  - Parent-Teacher Associations (PTAs)
  - Parent-Teacher Organizations (PTOs)
  - School foundations
  - Athletic booster clubs
- Non-Public funds are restricted to the intent and authorization of various organizations (their officers and members), and are not under the direct control of the Principal, although he/she has the authority to prohibit inappropriate expenditures.
- Funds are generally classified as “non-public” when the following criteria are met:
  - ❖ Money generated by a particular group
  - ❖ Money used for that particular group
  - ❖ Money controlled by the students and/or a parental organization

# Non-Public Funds - Revenue

- Dues & Fees – Self imposed by clubs or classes
- Fund Raisers\*
- Donations\*
- Accommodations\*
- Other\*

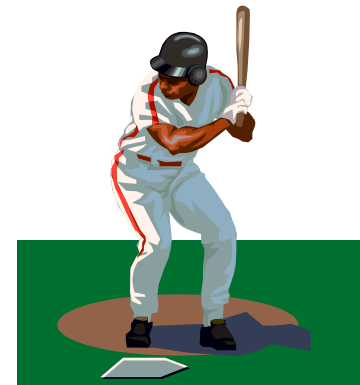
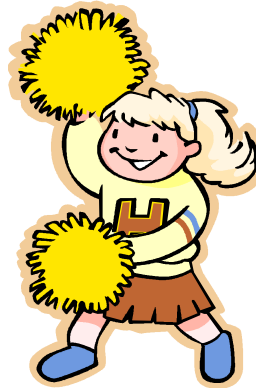


\*In specific situations, these may be considered public funds

# Non-Public Funds - Expenses

- Food for social gatherings
  - Prom entertainment
  - T-shirts for club members or faculty
  - Donations to organizations
  - Transfers to other non-public activities
  - Travel expenses for clubs
  - Faculty appreciation gifts
  - Flowers for funerals
- ❖ Financial records must be included in the school books and classified as non-public funds and follow the same legal requirements as the school.
- ❖ Principals should review the monthly activity reports. Deficit balances are not allowed in non-public activities.

# School Related Organizations



# Booster Clubs

1. Booster Clubs help promote, support, and improve extra curricular activities for the students of the Alexander City Schools.
2. Parent Volunteers should be aware of the Policies and Procedures. (Refer to Booster and Support Organization Guidelines)
3. A school employee may not hold a leadership role (President) or lead the fundraising or maintain the accounting records for Booster Organizations. If an employee does so the funds become PUBLIC funds.
4. Booster Club Accounts (all money collected ) must be deposited with the school bookkeeper. Boosters are not allowed to have outside checking or savings accounts. (Alexander City Schools Local Board Policy)

# Specific Requirements

- ❑ Parent organizations such as PTAs and PTOs are not allowed to maintain their own financial records.
- ❑ Again, a school employee may not hold a leadership role in a parent organization, i.e., President or Treasurer, if the funds are to remain “non-public”.

# Local School Fiscal Responsibilities

## ☐ Deposits/Receipts

- Teachers issued receipt form at the beginning of each school year & turned back in to the bookkeeper at the end of each school year
- Money receipted promptly (daily)
- Funds should be turned in to the bookkeeper daily; funds should never be left in a teacher's classroom
- Deposits made daily; funds must not be held for days or weeks at a time; on the rare occasion when this is impossible, funds must be secured in the school safe
- Teacher receipt forms maintained for audit



# Local School Fiscal Responsibilities

## ❑ Purchasing/Expenditures

- Principal should approve all expenditures that will be paid from school funds.
- No expenditures should be made prior to the issuance of a purchase order.
- The purchase order allows the Principal to approve expenditures prior to purchase. ***Failure to follow this procedure will result in the teacher/staff having to pay for the expense personally.***
- The purchase order also provides protection to the vendor for not charging Alabama sales tax on the school's purchases.
- Must always have an invoice prior to making a payment
- All payments must be made by school check or Board approved Purchasing Card
- Checks should never be written to CASH.
- Sales tax should not be paid on purchases; exceptions include meals and lodging
- School employees may never use the school tax exempt status for personal purposes

# Local School Fiscal Responsibilities

## ❑ Expenditures

- Purchases made by individual schools from funds other than those raised by taxation or received through appropriations from state, municipal, or county sources are generally exempt from the bidding requirements of the Alabama Competitive Bid Law
- However, if any portion of the expenditure is derived from a governmental source, such purchases will come under the state bid requirements
- Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have, in writing, the approval of the School Superintendent or CSFO before the services begin.

# Local School Fiscal Responsibilities

- Bank Statements and Reconciliations
  - Bookkeeper performs monthly bank reconciliations
  - Principal or designee reviews reconciling items and approves
  
- Expenditures
  - Purchase Orders approved for all goods and services
  - Invoices reviewed for payment
  - All expenditures paid by check or other approved payment procedure
  - Monthly check register reviewed
  
- Monthly Financial Reports
  - Principal Activity Reports
  - (Receipts, Disbursements, & Cash Balance)
  - (Encumbrances/Open Purchase Orders)
  - (Public and Non-Public Activities)

# Local School Income/Revenue

## Gate Receipts

- Financial Accounting Form is required prior to each event
- Sport/activity
- Date
- Beginning ticket number
- Price per ticket
- Signed by the sponsor and bookkeeper
- Same form is returned to the bookkeeper after the event along with remaining roll of tickets

## Concessions

- Concession Form is required prior to each event where concessions are sold
- Sport/activity
- Date
- Amount of beginning cash for change (if applicable)
- Signed by the sponsor and bookkeeper
- After event, return completed form with the amount of money

# Local School Income/Revenue, cont'd

## ☐ Ticket Sales

- ✓ Tickets should be sold at all events where admission is charged
- ✓ Pre-numbered tickets should always be used
- ✓ Tickets are always kept in the bookkeeper's office
- ✓ A Report of Ticket Sales form is issued prior to the event when tickets are issued
- ✓ Do not use cash collected or change cash to cash any checks
- ✓ Attorney General Opinion: the local school board could authorize complimentary passes to certain individuals provided the granting of the passes "furthers and enhances school purposes." A Principal cannot issue any complimentary passes without the express authority of the local school board. Public employees and officials and their family members receiving a complimentary pass are responsible for compliance with the State Ethics Law.

# Local School Income/Revenue, cont'd

## ☐ Fundraisers

- ✓ Must be approved by the principal and superintendent via the Fundraiser Request form
- ✓ No fundraisers may sell foods during the school day that do not meet the USDA Healthy Snack requirements
- ✓ Raffle tickets must be pre-numbered and must have bookkeeper sign off on the beginning number
- ✓ All unsold tickets must be returned to bookkeeper
- ✓ Approved fundraising activities must comply with financial procedures for school funds, i.e. receipting, depositing, purchasing
- ✓ All cash prizes for fundraisers/contests/scholarships must be awarded through purchase order procedure

# Local School Income/Revenue, cont'd

## ☐ Commissions and Contracts

### ✓ Contracts/Agreements for commission sales

- School pictures
- Class rings
- Yearbooks
- Book fairs
- Vending machines
- Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have, in writing, the approval of the School Superintendent or CSFO before the services begin

# Local School Income/Revenue, cont'd

- ❑ Commissions and Contracts, cont'd
  - ✓ Should be written to provide school with substantially the same net income as if the school handled all of the activity
  - ✓ Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have, in writing, the approval of the School Superintendent or CSFO before the services begin
  - ✓ Controls should be established to document the products stocked in each vending machine and the income from each machine
  - ✓ School employee will verify stocked items
  
- **Again, foods that do not meet the USDA Healthy Snack requirements may not be sold during the school day**



# Local School Income/Revenue, cont'd

## ❑ Concessions

- ✓ Include concessions, school concessions, and school stores
- ✓ Must have an inventory of items purchases, items sold by sales price and items unsold
- ✓ Do not cash checks with concession funds
- ✓ Do not make payments from cash collected

## ❑ Common issues

- ✓ Teachers no turning in receipts/money on time
- ✓ Teachers receipt books/sheets not retained or lost
- ✓ Master receipting after bank deposits
- ✓ Deposits not being made in a time manner

# Local School Income/Revenue and Expenditures

## ❑ Revenue Common issues

- ✓ Teachers not turning in receipts/money on time
- ✓ Teachers receipt books/sheets not retained or lost
- ✓ Master receipting after bank deposits
- ✓ Deposits not being made in a timely manner

## ❑ Expenditure Common issues

- ✓ Expenditures made with incomplete or no purchase order
- ✓ Expenditures do not contain proper supporting documentation
- ✓ Expenditures paid prior to approval of purchase order
- ✓ Improper coding in the accounting system
- ✓ Sales tax paid on purchase

# RECEIPTS/DEPOSITS CHECKPOINTS

## ❑ BANK STATEMENTS

- Should be opened and initialed by Principal prior to Bookkeeper reconciliation. (Verify your signature on check images)

## ❑ MASTER RECEIPTS

- Should match bank deposits for receipts written

## ❑ CHECK BOOK

- Check amounts on bank statement should match check stubs.

# Standardized Account Codes – LEA Manual

1 2 3 4 5 6 7 8 9 10  
--|\_|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----

1. **FUND TYPE & ACCOUNT GROUP:** 12 = Public; 32 = Non-Public
2. **ACCOUNT TYPE:** 3 = Fund Balance; 4 = Revenues; 5 = Expenditures
3. **ACCOUNT CODE:** Revenue or Expenditure Category
4. **OBJECT:** Specific Expenditure Purpose
5. **COST CENTER:** School Identification Number
  - 0030 = Jim Pearson Elementary
  - 0040 = Stephens Elementary
  - 0050 = Radney Elementary
  - 0010 = Alexander City Middle
  - 0020 = Benjamin Russell High
6. **FUND SOURCE:** 7101 = Public; 7501 = Non-Public
7. **APPROPRIATION YEAR:** 0 = Current Year
8. **PROGRAM:** 1200 = Elementary; 1500 = Secondary
9. **SPECIAL USE:** Additional Detail When Desired (typically 0000)
10. **ACTIVITY/PROGRAM MODIFIER**

# MONTHLY REPORTS

- Monthly Financial Reports are due to Central Office by the 2<sup>nd</sup> Monday of each month
- Board reports are due a week before each Board meeting
- Board packets must include ALL local school accounting records
- CSFO must submit financial records to SDE monthly

# MONTHLY REPORTS

## 3 Reports & What They Should Mean To Principals

Bank Statement

Principals Report

Bank Reconciliation Report

# MONTHLY REPORTS

## ❑ Bank Statement

- Allows principals to verify signatures on check images, timely deposits, proper paid vendors and amounts, insufficient fund (returned) checks, overall bank balance for your school

## ❑ Principals Report

- Allows principals to see monthly available balances of each activity within their school - All activities should carry a positive balance

## ❑ Reconciliation Report

- Allow principals to see outstanding checks as well as checks that have cleared for the month and also to check for other reconcilable items

# MONTHLY REPORTS

## CHECKPOINTS

**BOOKKEEPERS MUST BALANCE AND RECONCILE BANK STATEMENT PRIOR TO GENERATING AND SENDING REPORTS TO CENTRAL OFFICE.**

**Check Dollar Amounts on the Following:**

- 1. Bank Statement - (Manual Reconciliation)**
- 2. Principals Report – Balance Current MTD Column**
- 3. Reconciliation Report –Ending Book Balance**

**ALL 3 AMOUNTS SHOULD BE THE SAME**

*(Unless Change Cash is outstanding)*



# **Local School Budget Process**

# Mission of Budget Process

***The mission of the budget process is to help make informed choices about the services and needs of a particular activity or local school function as well as overall planning for general operations.***

# Budgeting for Activity Funds

- ❖ Budgeting is the process of planning resources and prioritizing needs of an organization. For a governmental entity, the budget represents the legal authority to spend money.
- ❖ The budget also provides an important tool for the control and evaluation of resources and the uses of those resources. It is a tool to evaluate financial performance by comparing budgeted and actual operations. Bottom line, the budget is linked to financial accountability.

# Budget Responsibilities

- ❑ Delegate responsibilities for the budget (Teamwork)
  - The educational decisions and the expenditure of approved budget funds must be controlled by the appropriate sponsor.
  - The local school office (administrators' and bookkeepers') responsibility is to assist with the organization and administration of the budget, to monitor and track spending within established guidelines.

# **Budgeting Classroom Instructional Support (CIS) Funds**

# Elements of CIS

- Student Materials
- Technology
- Library Enhancement
- Professional Development
- Common Purchases

# CIS Then and Now

	<b><u>2008-2009</u></b>	<b><u>2017-2018</u></b>
Student Materials	\$400/unit	\$421.51/unit
Technology	\$250/unit	\$211.51/unit
Library Enhancement	\$175/unit	\$30.43/unit
Professional Development	\$35/unit	\$77.55/unit
Common Purchases	<u>\$125/unit</u>	<u>\$0/unit</u>
Total CIS	<u>\$985/unit</u>	<u>\$741.00/unit</u>
Textbooks	\$57.50/ADM	\$54.52/ADM

# It's the law...not the CSFO



- ❑ Ala. Code 1975, §16-1-8.1
- ❑ Student Materials (Teacher Fee) allocations may not be used to supplement common purchases (Ala. Code 1975, §16-1-8.1 (13)) note: \$200 per unit for common purchases was appropriated in 2008; therefore, teachers are to receive the full teacher fee allocation.
- ❑ Student Materials (Teacher Fee) allocations are not subject to a vote by the budget committee.



# Classroom Instructional Support Funds

**PERMISSIBLE EXPENDITURES.** Monies allocated for classroom instructional support may be spent for classroom instructional support purposes only, to be used either by classroom teachers or students in each teacher's respective classes. It shall be permissible to expend these monies on instructional equipment and electrical equipment which is actually utilized with students in the teacher's classroom.

**UNSPENT FUNDS.** Any funds appropriated for classroom instructional support but not expended according to this section by the end of each fiscal year shall revert to the Education Trust Fund.

**TRANSFER WITH TEACHER DISALLOWED.** Classroom instructional support monies are to be expended on behalf of students at a specific school and are not transportable with the teacher if the teacher is transferred to another school.

**ANNUAL AUDIT.** All expenditures for classroom instructional support and related documents by each county and city board of education shall be subject to audit by the Examiners of Public Accounts/Private CPA Firm.

# Budget Committee

- ❑ Each school must have a budget committee.
  
- ❑ The budget committee should be comprised of 5 members
  - Principal (or designee)
  - 4 Teachers
    - Elected Annually
    - Voting by Secret Ballot
    - Majority Vote

# Budget Committee

- ❑ The committee should elect:
  - chairperson
  - secretary
  - responsible for keeping minutes and actions taken to approve the budgets during the secret balloting process.
  
- ❑ The committee *may* form advisory committees.
  
- ❑ The committee must propose a budget for CIS, excluding student materials/teacher fee.
  
- ❑ Budgets for Library Enhancement funds are to be developed in consultation with the school's media specialist.
  
- ❑ Professional Development and Technology budgets should be consistent with the system's PD and Technology Plans.

# Approval of Budgets

- Proposed budgets should be submitted to teachers at a called meeting.
- Teachers must be given at least two workdays to review the proposed budget prior to taking a vote.
- Voting must be by secret ballot.
- Budget must be approved by majority vote.

# Approval of Budgets

- ❑ If the proposed budget is not approved, the budget committee shall submit another proposed budget for review and consideration by the teachers, and this procedure continues until a budget is approved following the above procedures/requirements.
- ❑ Implementation of the proposed budget can only occur after approval by majority vote.

# Approved Budgets

- ❑ A report on the approved budget will be submitted to the CSFO on forms provided by the State Department of Education.
  
- The following must be maintained for audit:
  - ❖ budget committee minutes
  - ❖ proposed budgets
  - ❖ revised proposed budgets
  - ❖ secret ballots for committee members
  - ❖ secret ballots for each proposed budget
  - ❖ secret ballots for each revised proposed budget
  
- ❑ All expenditures for CIS and related documents are subject to audit by the State Examiners of Public Accounts.

# Annual Audit

- County systems – Examiners of Public Accounts
- City systems – CPA firm
- Financial Statements/Reports
- Legal Compliance with Laws and Regulations
- Federal Funds

# ALABAMA BID LAW

*State Law requires that certain expenditures of city and county school boards are subject to competitive bidding.*

*Expenditures for labor, services, or work, and the purchase or lease of materials, supplies, equipment, or other personal property involving \$15,000 or more are subject to competitive bidding*

**Code of Alabama 1975;**  
[Section 16-13B-1, et.al]



# ALABAMA BID LAW

*Law requires that a contractual agreement be entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.*

# ALABAMA BID LAW

- **A few exemptions from the bid law:**
  - Utilities
  - Purchase of Insurance
  - Professional services (Attorneys, Architects, Physicians, etc.)
  - Civil Service Employment Contracts
  - Fiscal/Financial Advice or Services

# ALABAMA BID LAW

- **A few exemptions from the bid law (cont.):**
  - Products made or manufactured by the blind/visually impaired under the supervision of the AIDB
  - Paying Agents/Trustees
  - **Purchases or goods made as a part of the purchasing cooperative sponsored by the National Association of Counties (NACo) – (State Bid List)**
  - Several others as indicated in section 16-13B-1

# ALABAMA BID LAW

**\$15,000 ?**

Not per item

Not per month

Not per your school per year

Collectively per the *entire* school district each fiscal year.

# ALABAMA BID LAW

- Common Items subject to Bid Law:
  - Technology equipment
    - Computers, printers, smart boards, servers, etc.
  - Copier Lease Agreements
  - Lawn contracts
  - Heavy Duty Maintenance Equipment
  - Career Tech Machinery/ Equipment
  - CNP purchases
  - More...

# ALABAMA BID LAW

## 1. Purchase from the State Bid List

*Alabama Department of Examiners of Public Accounts website:*

<http://www.examiners.state.al.us/purchcoop.aspx>

## 2. US Communities website:

[www.uscommunities.org](http://www.uscommunities.org)

(Dilemma: vendor's price is less than state bid list or US Communities)

## 3. Go through the bidding process

# PAYROLL

- Common Issues
  - Improper record of time
  - Unapproved absences in AESOP
  - Absences are not reconciled with the TES time system
  - Subs are not reconciled with the TES time system and AESOP

# PAYROLL

## PROPER PROCEDURES

- Teachers/Staff swipe in daily in the TES time system
- Teachers/Staff should swipe in at the beginning of their day and swipe out at the end of their day
- Non-certified staff, contracted employees, and LPN nurses should swipe out at the beginning of their lunch break and swipe in when they resume work
- Subs should swipe in daily in the TES time system
- Subs and contracted employees should swipe in at the beginning of their day and swipe out at the end of their day
- Subs should swipe out at the beginning of their lunch break and swipe in when they resume work
- Times sheets need to be consistent with pay period
- Time sheets must be signed by the principal
- All absences should be requested through AESOP at least 2 weeks in advance when possible



# CONTRACTS for Purchased Services

## What is a Business Entity?

Business entity shall include, but not be limited to, the following:

*Any business entity that possesses a business license, permit, certificate, approval, registration, charter, or similar form of authorization issued by the state, any business entity that is exempt by law from obtaining such a business license, and any business entity that is operating unlawfully without a business license*

**AL Code [Section 31-13-3(2) 1975]**

# CONTRACTS

## Who is an Employer?

*Any person, firm, corporation, partnership, joint stock association, agent, manager, representative, foreman, or other person having control or custody of any employment, place of employment, or of any employee, including any person or entity employing any person for hire within the State of Alabama, including a public employer.*

**AL Code [Section 31-13-3(2) 1975]**

# CONTRACTS

## Employee or Contractor?

- IRS definition of **employee** – *anyone who performs services for another, and, the person for whom the services are performed can control what will be done and how it will be done.*
- IRS definition of **Independent Contractor** – *an individual is viewed as an independent contractor if the payer has the right to control or direct the result of the work and not what will be done and how it will be done.*

# CONTRACTS

- Common Issues
  - Local schools hiring individuals to perform duties not authorized by the Board
  - Local schools entering into contracts without Board approval

# CONTRACTS

## NOTIFICATION

- Superintendent is authorized to enter into agreements/contracts and pay individuals/ organizations for services performed
- Local schools do not have legal rights to hire contract workers

# CONTRACTS

## PROPER PROCEDURES

- Complete standard contract document including:
  - Name of party agreeing to perform task
  - Parties address, social security #, and contact #
  - Type of services to be performed
  - Agreed pay rate
  - Duration of completion time
  - Source of funds used to pay contractor
- Obtain approval from Superintendent and/or Board *prior* to work being performed

# Financial Procedures Manual

1. Copy on File in Bookkeepers Office
2. Alexander City Schools Website

<http://www.alexcityschools.net/>

Departments

Financials

Financial Procedures of Alexander City Board of Education of  
Education-Updated July, 2017

# Questions & Answers





# TEAM WORK

The achievements of an organization are the results of the combined effort of each individual.

Vince Lombardi

