

**Elements of Local School  
Accounting II**

LSFM Certificate Program  
November 2016  
Hyatt Regency Hotel  
Birmingham, AL

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Elements of Local School Accounting II

- Board Policies and Procedures
- Accounting Procedures
- Payroll Procedures/Issues

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Lines of Authority

- Education is a State function executed through local boards.
- Superintendent, Board, and CSFO all have statutory roles in handling funds.
- Principals, Bookkeepers, and Directors do not.

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### Lines of Authority

- For local administrators, authority (and responsibility) related to finance is by delegation from Superintendent and Board.
- How?
  - Board policies
  - Local school finance manual
  - Directives
  - Day-to-day interaction

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### Board Policies/Procedures

- State laws relating to school finance
  - Title 16 Alabama Code- Education
    - Chapter 13- Finance
  - Title 39- Public Works Law
  - Title 36- Alabama Ethics Law
  - SDE Administrative Code
  - AG Opinions

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THE ALABAMA LEGISLATURE Code of Alabama 1975

<ul style="list-style-type: none"> <li>Title 16 ALABAMA BUSINESS AND NONPROFIT ENTITIES CODE</li> <li>Title 17 COUNTIES AND MUNICIPAL CORPORATIONS</li> <li>Title 17 COURTS</li> <li>Title 17A CRIMINAL CODE</li> <li>Title 17 CRIMINAL CORRECTIONAL AND DETENTION FACILITIES</li> <li>Title 17 CRIMINAL PROCEDURE</li> <li>Title 17 EDUCATION</li> <li>Title 17 ELECTIONS</li> <li>Title 17 EMINENT DOMAIN</li> <li>Title 17 FIDUCIARIES AND TRUSTS</li> <li>Title 20 FOOD, DRUGS AND COSMETICS</li> <li>Title 21 HANDICAPPED PERSONS</li> <li>Title 22 HEALTH, MENTAL HEALTH, AND ENVIRONMENTAL CONTROL</li> <li>Title 23 HIGHWAYS, ROADS, BRIDGES AND</li> </ul>	<ul style="list-style-type: none"> <li>Chapter 1 GENERAL PROVISIONS</li> <li>Chapter 2 DEPARTMENT OF EDUCATION</li> <li>Chapter 3 STATE BOARD OF EDUCATION</li> <li>Chapter 4 STATE SUPERINTENDENT OF EDUCATION</li> <li>Chapter 5 ALABAMA COMMISSION ON HIGHER EDUCATION</li> <li>Chapter 6 ALABAMA EDUCATION STUDY COMMISSION</li> <li>Chapter 6A PROGRAMS FOR IMPROVING EDUCATION</li> <li>Chapter 6B EDUCATION ACCOUNTABILITY PLAN</li> <li>Chapter 6C SCHOOL GRADING SYSTEM AND LEGISLATIVE SCHOOL PERFORMANCE RECOGNITION PROGRAM</li> <li>Chapter 6D ALABAMA ACCOUNTABILITY ACT OF 2013</li> <li>Chapter 6E EDUCATIONAL ACCOUNTABILITY AND INTERVENTION ACT OF 2013</li> <li>Chapter 7 ALABAMA EDUCATIONAL TELEVISION COMMISSION</li> <li>Chapter 7A ALABAMA EDUCATIONAL TELEVISION FOUNDATION AUTHORITY</li> <li>Chapter 8 COUNTY BOARDS OF EDUCATION</li> <li>Chapter 9 COUNTY SUPERINTENDENTS OF EDUCATION</li> <li>Chapter 10 BOARDS OF SCHOOL TRUSTEES</li> </ul>
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### Board Policies/Procedures

- Local board policies
  - Rules and regulations
- Local board procedures
  - LS Finance Manual
  - Purchasing Manual

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### Lines of Authority

- **Board of Education.** The board of education should **adopt policies** to govern the establishment and operation of all activity funds. The district's auditors should review these policies for sound accounting and reporting principles.
- **Superintendent.** The superintendent should be directly responsible to the board of education for **administering all board policies**.
- **Chief Financial Officer.** The chief financial officer should have overall **responsibility for accounting for and reporting all funds, including district and student activity funds, to the board.** The chief financial officer is also responsible for implementing and enforcing appropriate internal control procedures.
- **Principal.** The principal at each school site is normally designated the activity fund supervisor for that school building. The activity fund supervisor 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.

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### Lines of Authority

**Principal.** The principal at each school site is normally designated the activity fund supervisor for that school building.

**Local School Accountant/Bookkeeper-** should have overall responsibility for accounting and reporting for student activity funds at the school level.

**Sponsors-** The sponsor of each student organization is responsible for supervising all activities of the organization, including approving student activity fund transactions. Sponsors should be employees of the district and under the direct control of the activity fund supervisor.

**Parent Support Organization Officers-** The officers of each support organization is responsible for the activities of the organization and assurances they follow their bylaws and established laws, regulations and board policies for the operations of the organization.

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### Local School Financial Policies

- The principalship carries with it the full responsibility for all financial matters relating to the school.
- The principal must be familiar with all policies of the BOE so he/she will not permit practices which are contrary to policy.
  - Local School Accountant/Bookkeeper

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### Local School Financial Procedures

*“When it comes to what the important issues are for school principals, school finance is not at the top of the list”*

*“But they should know something about the topic.”*

*-Former principal and current superintendent*

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### General Policies for the Establishment and Operation of Activity Funds

- General policies relating to student and district activity funds should be in writing and be distributed to all activity fund supervisors, sponsors, and accounting personnel.

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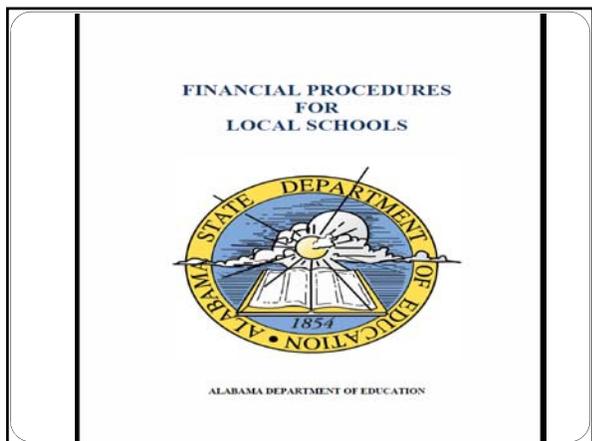
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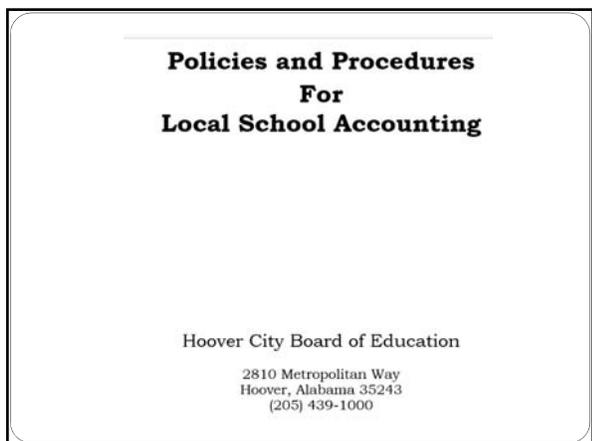
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### Fiduciary Responsibility of the Principal

- Ultimately it is the Principal's responsibility to ensure that funds are collected and disbursed in accordance with local board policies.
  - Task delegated to LS Bookkeeper
- The Principal should be familiar with the Financial Procedures for the School District to have a basic understanding of the accounting regulations for schools.

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### Budgeting and Finance

*If principals rely on secretaries/bookkeepers to stamp their signature on documents or log in and approve request on their behalf, the principal should know that they are still responsible.*

*"You can delegate the task but not the responsibility"*

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### Local School Financial Policies

- Are your local board financial policies in writing?
- Do you have a copy?
- Does your district have a local school accounting manual?

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### Elements of Local School Accounting II

- Board Policies/Procedures
  - Fundraisers
  - Camps/Athletic Events
  - Purchasing/Inventory
  - Extended Day Programs
  - Loans
  - School Related Organizations

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### Fundraiser/Sales/Commissions

- **Fundraisers**
  - Prior approval
  - One person designated to be in charge
  - Procedures for collection, receipting and depositing of money
  - Accountability for total number of items purchased—details for amounts not collected, spoiled or stolen items must be maintained
  - A “Report of Fundraising Activity” should be completed at the conclusion of each activity and filed for audit purposes

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### Extracurricular Camps and Clinics

- How do you handle camps and clinics in your district
  - Band Camp
  - Athletic Camp
  - Cheerleading Camp
- Is it a fund raiser for the activity? (charge fee)
- Is it held on the school campus
- Do you pay personnel to run the camp

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Extracurricular Camps and Clinics-Defined

- Local Camp-
  - Involves only district students
  - No fees are charged
  - Employees of the district do not receive compensation
- Camp Fundraiser-
  - May not be limited to district students
  - Fees are charged
  - Employees of the district do **not** receive compensation

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Camps-Defined

- Open Event Camp—
  - not limited to district students
  - fees for participation are charged
  - employees of the district receive compensation for coordinating or working the camp
  - may be sponsored or run by third party

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Accounting for Camps

- **Procedures/Board Policy**
  - Prior approval according to policy
    - Superintendent/Board/Designee
  - Individual designated as event coordinator
  - Proper accounting records should be maintained
    - Receipt log listing all participants (master roster including any fees that are waived)
    - All receipts from the camp run through the school bookkeeper
    - All expenditures are paid through the schools books (check)
    - Normal procedures followed

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Extracurricular Camps and Clinics on School Campus

- General Guidelines
  - Any payment to school employees must be processed through district's payroll department
    - Compensation reasonable and set prior to event
  - Reconciliation of event should be completed at conclusion of camp/ clinic
  - If various athletic camps are conducted on school property, all proceeds should be deposited in the athletic program (i.e., public funds)
    - These camps use school property, utilities, school liability insurance and often, school personnel

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Extracurricular Camps and Clinics on School Campus

General Guidelines

- Charges for facility use and other administrative fees should be consistent based on board policy.
- Guidelines regarding expenses paid on behalf of a camp should be consistent with previous procedures.
- Use of non-school personnel
  - Payment for services
    - W2/1099
    - According to IRS regulations
  - Background check on any non-employees working in camp ?

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Extracurricular Camps and Clinics on School Campus

- Camps run by third parties-
  - Prior board approval
  - Board Attorney Review Contract
    - Liability insurance/issues
    - Facility use fee

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### Extended Day Programs

- **Public Funds**
  - All transactions accounted for in school books
  - Must follow procedures for receipting and expenditures of funds
  - Self supporting
- All employees should be approved by board and paid through payroll
  - Should be board approved salary schedule
  - Be cautious of wage and hour issues

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### Purchasing/Inventory

- Local schools should follow board policy for the purchase of good and services.
  - Requisition completed identifying items to be purchased
  - Verification of available funds
  - Purchase order issued prior to purchase signed by principal

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### Competitive Bid Law

- Local schools do not have to comply with the bid law (\$15,000) when they are using funds other than those derived from taxation or appropriation from the Board (i.e., donations or non-public fund raisers).
- For this exception to apply, no public funds may be used to supplement the purchase of goods or services.
- May have board policy more restrictive

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### Inventory/Fixed Assets

- When a school purchases an item which meets the Board's policy for a fixed asset, the school must report the item to the central office so that it can be added to the Board's fixed asset listing
- The school should conduct a physical inventory at the end of every school year and submit any changes to the central office.
- The school must follow board policies in the disposal of property/equipment
  - Item no longer usable
  - Asset is stolen
  - Sale or public auction

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### Capital Asset

- Cost \$5,000 or more per unit and meets all the following criteria:
  - 1) Retains its original shape and appearance with use, and
  - 2) under normal conditions is expected to serve its intended purpose for longer than one year, and
  - 3) is non-expendable; that is, if the item is damaged or some of its parts are worn out, it is more feasible to repair the item than to replace it with a new unit.

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### Legislative Monies

- Must be used for an educational purpose
- Competitive Bid Law does apply
- Are considered PUBLIC funds
- Records of expenditures should be maintained at local schools (should be handled at system level)

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### Who Are Public Officials and Public Employees?

**A Public Official is:**

"Any person elected to public office, whether or not that person has taken office, by the vote of the people at state, county, or municipal level of government or their instrumentalities, including governmental corporations, and any person appointed to a position at the state, county, or municipal level of government or their instrumentalities, including governmental corporations. For purposes of this chapter, a public official includes the chairs and vice-chairs or the equivalent offices of each state political party as defined in Section 17-13-40."

**A Public Employee is:**

"Any person employed at the state, county, or municipal level of government or their instrumentalities... For purposes of this chapter, a public employee does not include a person employed on a part-time basis whose employment is limited to providing professional services other than lobbying, the compensation for which constitutes less than 50 percent of the part-time employee's income."

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### \*\*DO'S and DONT'S UNDER THE NEW ETHICS LAW\*\*

**I. DONT'S**

1. Don't ... use your official position to obtain personal gain for yourself or family member or any business with which you are associated. Section 36-25-5(a)
2. Don't ... as a member of a legislative body, vote for any legislation in which you know or should have known that you have a conflict of interest. Section 36-25-5(b)
3. Don't ... use or cause the use of equipment, facilities, time, materials, human labor, or other public property under your discretion or control for the private benefit or business benefit of you, any other person, or principal campaign committee (defined in section 17-5-2), which would materially affect your financial interest. Section 36-25-5(c)
4. Don't ... solicit a "thing of value" from a subordinate or person or business with whom you directly inspect, regulate, or supervise in your official capacity other than in the ordinary course of business. Section 36-25-5(e)

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### Contracts

- By law, the Board has the authority to contract
- Principals – no inherent right to execute a contract
  - Can be delegated right by Board or Superintendent (if that authority has been delegated to them)
  - **Board attorney or designee should review all contracts**
  - “Going rogue” and executing a contract anyway has risks
    - Personal liability for expenditure
    - Charge back
    - Loss of immunity
- Typical contracts – Prom, transportation, athletic equipment, maintenance, grass cutting, beauty pageant judging, cheerleader tryouts, etc.
- Remember, you may need contracts to establish that person contracted with is not an employee.

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### Loans

- Only the Board of Education can borrow money for a school.
- The loans must be approved by the members of the Board.
- Schools can not loan money to clubs, PTA’s, etc.
- Capital Leases – must also be approved by the Board.

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### Loans

- Loans entered into without Board approval are assumed to be personal loans by the originator and, as such, public funds can not be used to repay the loan.
- Remember, only the Board is authorized to borrow money.

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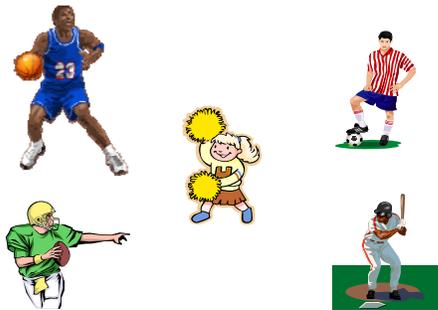
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### School Related Organizations



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### Working with Booster and Parent Support Organizations

- Parent support organizations provide an invaluable service to our school districts. Many of the student programs and activities could not exist without these organizations.
- These parent volunteers unselfishly give money and time to their local schools with the intent to make things better for their children.
- With any volunteer organization though there should be established guidelines and policies at the board level for the organization to follow.
- It is the Board's responsibility to insure these guidelines are being communicated and followed.

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### Activity Funds

- **Parent Support Organizations Funds- (School Related Organizations)** School districts and student groups are also increasingly benefited by affiliated organizations that support curricular, co curricular, and extracurricular activities.
  - Affiliated organizations include groups such as Parent-Teacher Associations (PTAs), Parent-Teacher Organizations (PTOs), school foundations, and athletic booster clubs. Contributions by these groups often include supplies, materials, equipment, and even school facilities, such as weight training rooms.
  - Financial records may be included in the school books and classified as non-public funds or may be maintained outside the school records depending on the board's policy. Additional procedures **should** be in place for those records maintained outside the school books

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### General Policies for the Establishment and Operation of Activity Funds

- General policies relating to student and district activity funds should be in writing and be distributed to all activity fund supervisors, sponsors, and accounting personnel.

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### School-Related Organizations

- State Department of Education guidelines issued 2007 (see attached)
- Any organization under control of school employee must be accounted for in school books
  - Athletics
  - Student clubs and organizations
- Best case
  - All organizations run through school books

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## Lines of Authority

- **Board of Education.** The board of education should adopt policies to govern the establishment and operation of all activity funds. The district's auditors should review these policies for sound accounting and reporting principles.
- **Superintendent.** The superintendent should be directly responsible to the board of education for administering all board policies.
- **Chief Financial Officer.** The chief financial officer should have overall responsibility for accounting for and reporting all funds, including district and student activity funds, to the board. The chief financial officer is also responsible for implementing and enforcing appropriate internal control procedures.
- **Principal.** The principal at each school site should be designated the activity fund supervisor for that school building. The activity fund supervisor 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.
- **SPONSORS.** The sponsor of each student organization is responsible for supervising all activities of the organization, including approving student activity fund transactions. Sponsors should be employees of the district and under the direct control of the activity fund supervisor.
- **Parent Support Organization Officers-** The officers of each support organization is responsible for the activities of the organization and assurances they follow their bylaws and established laws, regulations and board policies for the operations of the organization

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## PRESS-REGISTER

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The following article is part of our archive

### Former Craighead teacher accused of stealing money from PTA

Home > Pacific Northwest News

### Former Stayton High School Booster Club member faces theft accusations

## The Times-Register

Fayette County's Newspaper  
Wednesday, December 9, 2014

Volume XXXV Number 49

PTO treasurer arrested in theft

Work continues at Berry park

Jeff Cook's Photo

### Ethics Commission says Decatur High coaches likely broke ethics law by accepting booster gifts

AP/WIDEWORLD - Atlanta - The Atlanta Ethics Commission has accused Decatur High School coaches of likely breaking ethics law by accepting booster gifts.

### Police: Booster club treasurer suspected of embezzlement

October 25, 2012 | By Lauren Williams

Police arrested a Costa Mesa woman suspected of embezzling money from a high school band booster club, police said.

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## Organization Guidelines

- All officers should go through annual orientation with CSFO/ Superintendents designee
- School principal or designee should sit in on all meetings
- Minutes should be maintained for all meetings
- A budget should be submitted annually



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**Other Suggested Guidelines**

- It is suggested that school district personnel not hold any official position within a booster club organization.
- Fund-raising at any school site is directly under the control of school authorities, such as the site administrator, and must be approved by at least the site administrator prior to any activity.
- Parent Organization/Booster Club must adhere to various district policies and guidelines as well as federal and state laws and regulatory guidelines.
- Any rules and regulations developed for the organization must conform to the law, the board of education's policies and regulations, and the school site's rules and procedures.

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**Financial Guidelines**

- It is recommended that all support organizations finances are maintained in the local schools books.
- Trained board employee maintaining all financial records
- Produce monthly financial reports for officers and members
- Financial information is reported in board monthly financials
- Internal controls in place for compliance with local, state and federal laws, board policies and guidelines
- Checks and balances over receipts and disbursements
- Audit of records included in district annual audit

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**Financial Guidelines**

- Financial records are maintained outside the school by individual parent support organizations
  - ***Not recommended***
  - Opens door for fraud and embezzlement
  - Subject to poor financial management practices, theft and misappropriation of funds
  - Adds additional cost and liability to organization
  - Adds additional filing requirements



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### Financial Guidelines

- Organizations that maintain their own financial records must provide:
  - Financial records to the school's auditors and authorized school employees upon request
  - Proof of a fidelity bond for the treasurer
  - Any financial reports required under its bylaws
  - The booster club must have its own minimum amount of liability insurance as determined by the school entity



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### Loans to Parent Support Organizations

- A School Board cannot loan an organization money.
- An organization cannot borrow money in the school or Board's name.
- Any loans obtained by support organization would be personal loans by individuals signing notes.
  - Many local banks might not understand.

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### Booster Work Projects

An organization cannot build a structure on Board property without Board approval

- Self-Performed
  - District Employees
  - Parent Support Organization
- Organization provides funding for project
  - In whole or partial

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### Booster Work Projects



- Procedures for capital projects
  - Any building, building/land improvement on a school district campus should be approved by the board of education.
  - Board employee should be in charge of project.
  - Must follow federal, state and local laws, codes, procedures and guidelines.
  - Should follow same process on all projects regardless of funding.



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### Facility Access

- Must follow board policies on third party use of facilities
  - Should be an contractual arrangement
  - Normally approved by BOE
    - City/YMCA etc.
  - Liability Issues/ Certificates of Insurance
  - Some districts have rental use policy.

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### School Fiscal Accountability Act

- **Duties of CSFO**  
 Personally notify, in writing , each local board member and the local superintendent of any financial transaction of the local board which the CSFO deems to be non-routine, unusual, without legal authorization or not in compliance with the fiscal management policies of the board. The president of the board must see that this notification is recorded in the minutes.

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**Local School Financial Procedures**

**Sources :**

*"What Principals Should Know About School Finance"*  
David Bein, ASBO International School Business Affairs June 2014

*"Financial Accounting for State and Local School Systems,"*  
National Center for Educational Statistics 2009 Edition

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November 2016

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