

Financial Procedures for Local School Activity Funds Public and Non-Public

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AASBO – LOCAL SCHOOL PROGRAM
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Financial Procedures for Local School

- Available from Alabama Department of Education web site – www.alsde.edu
- Locate Department Offices upper left
- Under Office of LEA Support select LEA Fiscal Accountability
- Select Local Schools (yellow tab)
- Select Procedures (tab)
- Select Local School Financial Procedures

FINANCIAL PROCEDURES
FOR
LOCAL SCHOOLS

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ALABAMA DEPARTMENT OF EDUCATION

Public vs. Non-Public



Public Funds

- Funds received from public (tax) sources.
- Funds received from non-tax sources but used for public purposes.
- Any funds subject to the direct control of the school principal.

Public Funds – Revenue

- | | |
|--------------------------|---|
| • Admissions | • Grants |
| • Appropriations | • Sales |
| • Concessions* | • Donations* |
| • Commissions | • Accommodations* |
| • Dues & Fees – Required | • Other* |
| • Fines & Penalties | • *In specific situations, these may be considered Non-Public |
| • Fund Raisers* | |

Public Funds – Allowable Expenditures

- Professional Development Training
- Refreshments for an open house at a school where the public would attend
- Pregame/Postgame meals for student athletes and coaches (NOT Principals or spouses)
- Meals for faculty and staff for a meeting that extended into lunch hour and food had to be provided for the meeting to continue
- Membership in professional organizations

Public Funds – Allowable Expenditures

- School landscaping, maintenance, furnishings, and decorations
- Expenditures for pictures for school office
- Expenditures for flower arrangement for school office
- Transportation to events related to a school sponsored activity
- Academic incentives for students
- Athletic and band uniforms for students participating in school activities

Public Funds – Expenditures Unallowable

- Food items for teachers or teachers lounge
- Beginning of year breakfast with faculty & staff
- Faculty & staff Christmas luncheon
- Coffee & cups for employees
- Lunches for teachers for school closing activities
- Planned lunches for faculty & staff



Public Funds – Expenditures Unallowable

- Gift Items for Staff
 - Faculty Appreciation Gifts
 - Holiday Gifts
- Flowers for sickness, death, secretary week, etc. for staff or their family
- Dues to private clubs (Rotary, Kiwanis)
- T-Shirts for office staff
- Staff Holiday parties / Christmas gifts



Public Funds – Expenditures Unallowable

- Alcoholic beverages
- Scholarships for Students (to be used after graduation)
- Food items for social gatherings
- Meal expenditures for employee spouses
- Championship rings
- Christmas cards
- Donations to various organizations



Non-Public Funds

- NOT received from public (tax) sources.
- NOT used for public purposes.
- Subject to the intent and authorization of the organization's members, officers, and sponsors and not used for general operations of the school.
- The Principal does not direct the use of these funds.

Non-Public Funds – Revenue

- Concessions*
 - Dues & Fees – Self imposed by clubs or classes
 - Fund Raisers*
 - Donations*
 - Accommodations*
 - Other*
- *In specific situations, these may be considered Public funds

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Non-Public Activity Accounts

- The Principal cannot use or transfer non-public activity funds without the approval of the organization’s officers or sponsor.
- Monthly reports should be provided to the organization’s officers or sponsor reflecting the operations and balances of the activity.

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Public vs. Non-Public

- You can transfer non-public to public, but NOT public to non-public
- You cannot purchase “stuff” (clothing, food, flowers, coffee, etc.) for teachers or other staff from public funds
- If non-public receipts are commingled with public receipts, the all become public
- A non-public account is not allowed to have a deficit.
- When in doubt, it’s probably public!!!

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Food Purchases

Numerous questions arise surrounding the purchase of food items or refreshments from Public Funds.

- All-day Professional Training Meetings – YES
- Open Houses - YES
- After-school Staff Meetings – NO
- Staff meeting day before school starts/end of year – NO
- Candy – NO
- Food (such as pizza party) for students to reward, motivate, or act as an incentive for instructional purposes – YES
- Meeting goes past the meal hour and it would impede the progress of the meeting to stop – YES
- Athletic Recognition Banquets – YES (for coaches & students)



Academic Incentives

Public funds can be used to promote educational excellence by students.

- Excellence includes
 - Attendance
 - Honor rolls
 - Test scores
 - Other academic achievements

Academic Incentives

- Incentive awards procedure
 - Action required for a student to receive an incentive
 - Relationship of the required action to educational excellence
 - Description of the planned incentive
 - Value of the planned incentive
 - Process for determining the incentive recipients.
- For incentives of significant value, signed documentation of the student's receipt of the incentive should be maintained. This should include signatures of the student, school official, and a witness.

Constitutional Amendment No. 558

- May expend public funds for the recognition of significant academic achievement or contributions to education.
- May expend public funds to promote educational excellence by students, faculty, staff, and the public.
- Recognitions may be in the form of trophies, plaques, academic banquets, and other honors.



GIFT CARDS

- Example – Book Fair:
 - Profit from school book fair is no longer paid to the local schools in cash/check.
 - Profit from fair is given to the school in the form of a Barnes & Noble gift card.
 - Vendors who give store credit or gift cards instead of monetary donation to a school.
- These should be treated as public funds and even recorded on school's books.

Boosters – Audit Finding

The Financial Procedures for Local Schools as provided by the Alabama Department of Education contains guidelines for school-related organizations. These guidelines require athletic activities to be under the control of the school principal. Several athletic booster accounts are maintained outside of the school's financial records. As a result, these booster accounts are not under the control of the school principal to ensure proper accountability

- The Board of Education will encourage booster organizations with significant amounts of receipts related to athletic events to be maintained in the related local school's accounting records.

Boosters – Audit Finding

Section 94 of the Constitution of Alabama 1901, as amended by Amendment 558, prohibits the Board from giving public money to a private person, corporation or association. The Financial Procedures for Local Schools, as provided by the Alabama Department of Education, defines gate receipts from athletic events as public funds and that the receipts are subject to the control of the school principal. Additionally, all of a school's money is required to be receipted and deposited in the school's bank account. At the High School, none of the gate receipts for baseball games were deposited into the school's bank account. This was discussed with the School Principal who stated that baseball game gate receipts were retained by the baseball booster organization, of which the financial activity is not reflected on the school's books.

- The Board of Education will require gate receipts to be deposited into the athletic funds at the local school.

Deficits Activity Accounts – Audit Finding

Section 94, Constitution of Alabama 1901, states the Board cannot lend its credit, or grant public money or a thing of value to any individual, association, or corporation. Several of the schools are using public funds to finance operations of their non-public activities. The following schools had deficit cash balances in their non-public activities at September 30, 2015:

- The Academy \$(641.70); K-8 School \$(2,327.46); Elementary School \$(1,311.46); High School \$(33,546.04); Middle School \$(4,303.29)

Deficits Activity Accounts – Audit Response

- The Finance Dept. conducts training and workshops for principals and bookkeepers on a continuous basis. Every principal has been told of the importance of monitoring all expenditures made from their local accounts and the importance of making sure funds are available prior to committing those funds. Principals have also been informed that they are responsible for all monetary transactions occurring at their school and that they cannot spend monies from activities where no funds exist.
- Beginning November 2016, Finance local school accountants will make a minimum of four visits to each and every school within a twelve month window to review the school's backup information to their monthly financials, to monitor school practices, and to provide further one-to-one training as needed for the bookkeeper, secretary, and/or principal

QUESTIONS



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