

**FINANCIAL PROCEDURES  
FOR  
LOCAL SCHOOL  
ACTIVITY FUNDS II**

May 2019

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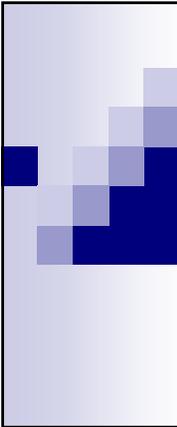
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**PAYROLL**

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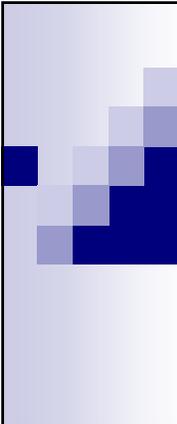
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**Payroll  
Procedures**

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## Payroll Procedures

- Payroll is processed monthly using an exception-based method<sup>1</sup>
- Payroll checks are issued the last working day of the month unless otherwise notified by the Payroll Department<sup>2</sup>
- Direct Deposit<sup>3</sup>
- Printed Payroll Checks<sup>4</sup>

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## Payroll Procedures

- Contact the Payroll Department immediately following the notification that an employee will not be returning<sup>1</sup>
- Responsibility of the employee to sign in/out daily<sup>\*</sup>
- An employee must take some form of leave when not performing his/her normal job function<sup>2</sup>
- Extra Pay<sup>3</sup>
- Dual Employment<sup>4</sup>

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## MISCELLANEOUS ITEMS

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# Disposition of Records

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**Disposition of Records**

- Records destruction and disposition is the process by which public records are retained (stored) and destroyed (various methods)
- Retention periods are based on a record's legal, administrative, fiscal, historical, and aesthetic value

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**Disposition of Records**

- Records should be retained beyond their RDA retention periods if
  - The records are needed for pending audit or litigation purposes,
  - The agency has a continuing administrative need for them, or
  - The records are essential to reestablish agency operations after a disaster.

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## Disposition of Records

### ■ Retained

- Paper
- Electronic (e-mail, text messaging, voicemail, word processing documents, spreadsheets, web content, databases, scanned images )<sup>1</sup>

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## Disposition of Records

### ■ Destroyed<sup>1</sup>

- Shredding
- Landfilling<sup>2</sup>
- Burning
- Recycling
- Deletion of Electronic Records

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## Disposition of Records

### ■ Steps

- Consult the Boards of Education retention schedule ([archives.alabama.gov](http://archives.alabama.gov))
- Ascertain whether litigation or other hold prevents the legal destruction of records
- Complete "Local Government Records Destruction Notice"
- Ensure the appropriate supervisor or records liaison signs off on the destruction notice

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## Disposition of Records

### ■ Steps, continued

- Submit the "Local Government Records Destruction Notice" to ADAH<sup>1</sup>
- Receive a "Letter of Eligibility"<sup>2</sup>
- Securely destroy records through shredding or some other secure means

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## Disposition of Records

### ■ Records Retention Label

- RDA Record Number
- Records Title
- Date Span
- Date of Last Audit
- Contents may be destroyed after...

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## Fixed Assets

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## Fixed Assets

### ■ Ownership

- All property belongs to the State of Alabama and is under the control of the BOE and the Superintendent
- An item purchased with funds raised by school-related organizations becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)

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## Fixed Assets

### ■ Ownership, continued

- An item purchased with funds from the ETF becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)
- An item gifted to the school or a member of the faculty becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)

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## Fixed Assets

### ■ Ownership, continued

- An item purchased with funds from donations becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)
- An item purchased with funds from a grant becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)<sup>1</sup>
- An item purchased with personal funds may follow the teacher in or out of the school district

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## Fixed Assets

- Capitalized and non-capitalized fixed assets are to be recorded at cost<sup>1</sup>
- Donated fixed assets are to be recorded at estimated fair market value

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## Fixed Assets

- Capitalized Equipment
  - Costs \$5,000 or more per unit<sup>1</sup>,
  - Retains its original shape and appearance with use,
  - Under normal conditions is expected to serve its intended purpose for longer than one year, and;
  - Is non-expendable (more feasible to replace than to repair)

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## Fixed Assets

- Examples of Capitalized Equipment
  - Buses, Service Vehicles, Drivers Ed Cars
  - Furniture and Fixtures
  - Lab equipment
  - Computer Hardware and Software
  - Athletic Equipment
  - Tractors and Mowers

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## Fixed Assets

- Real Property
  - Land<sup>1</sup>
  - Land Improvement
    - Exhaustible (deteriorate over time) greater than \$50,000 (excavation, grading, site work)
    - Inexhaustible (does not deteriorate with use or passage of time) regardless of price (parking lot, fencing, sidewalk)
  - Building greater than \$50,000<sup>2</sup>
  - Building Improvement greater than \$50,000<sup>2</sup>

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## Fixed Assets

- Non-Capitalized Equipment
  - Costs less than \$5,000 per unit<sup>1</sup>,
  - Retains its original shape and appearance with use,
  - Under normal conditions is expected to serve its intended purpose for longer than one year, and;
  - Is non-expendable (more feasible to replace than to repair)

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## Fixed Assets

- Examples of Non-Capitalized Equipment
  - Sewing Machine
  - Office Printer
  - Chromebook
  - Microscope
  - Pitching Machine

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## Fixed Assets

- Monthly Procedures
  - Identify items to be tagged<sup>1</sup>
  - Tag placement
  - Occasional spot checks
  - Record inter-campus transfers
  - Record additions and disposals
  - Produce reports
  - Reconciliation

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## Fixed Assets

- Physical Inventory<sup>1</sup>
- All acts of vandalism against school property should be reported to the Superintendent, or his/her designee, immediately
- Misuse of school property should be reported to the Superintendent, or his/her designee, immediately<sup>2</sup>

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## Fixed Assets

- Third Party Request for Use of Equipment<sup>1</sup>
- Theft of school property should be reported to the Superintendent, or his/her designee, immediately<sup>2</sup>
- Change in Location<sup>3</sup>

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# Disposition of Fixed Assets

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## Disposition of Fixed Assets

- **Obsolete Designation**
  - The definition of obsolete inventory is an item which is no longer usable in the service for which it was purchased and cannot be utilized safely or economically in any other matter

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## Disposition of Fixed Assets

- **Surplus Designation**
  - The definition of surplus inventory is an item in good repair that is no longer needed or used.

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## Disposition of Fixed Assets

### ■ Methods of Disposal

- Sealed Bids<sup>1</sup>
- Public Auction
- Recycle
- Sale to another local unit of government at fair market value
- Donation to another local unit of government

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## Audits

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## Audits

Audit reports are records created and maintained to document the findings of the independent auditor on the financial activities and operations of a local school. Information available in these records includes school name, audit period, findings, comments, recommendations, schedules, and exhibits.

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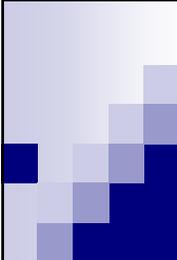
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**STATE  
INSTRUCTIONAL  
SUPPORT FUNDS**

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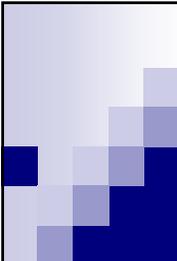
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**Budgeting  
Requirements**

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- State Instructional Support Funds**
- Classroom Materials and Supplies
  - Technology
  - Professional Development
  - Library Enhancement
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## Classroom Materials and Supplies

- Funds allocated from the State for “Classroom Materials and Supplies” must be used for classroom materials that are used either by the classroom teacher or students in the teacher’s respective classes<sup>1</sup>
- All funds allocated and expended shall be consistent with the latest plans for professional development and technology developed at the local school level by the principal and faculty and submitted by the local board of education to the State Superintendent.

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## Technology

- It shall be permissible to expend these funds on audio visual equipment used in the classroom for instructional purposes, and the stands, carts and cabinets used to hold or store them IF consistent with the latest plans for technology developed at the local school level by the principal and faculty and submitted by the local board of education to the Superintendent.

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## Technology

- It shall be permissible to expend these funds on electronic game devices<sup>1</sup> used in the classroom for instructional purposes IF consistent with the latest plans for technology developed at the local school level by the principal and faculty and submitted by the local board of education to the Superintendent.

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## Technology

- It shall be permissible to expend these funds on computers and peripherals used in the classroom for instructional purposes IF consistent with the latest plans for technology developed at the local school level by the principal and faculty and submitted by the local board of education to the Superintendent.

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## Technology

- These funds may be transferred from one teacher to another with proper authorization
- The budget committee may recommend and the faculty adopt during the budget process the pooling of these funds

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## Professional Development

- Funds allocated from the State for "Professional Development" may be used to cover the cost of sub pay, registration fees and other conference expenses, and purchase books and periodicals, IF consistent with the latest plans for professional development developed at the local school level by the principal and faculty and submitted by the local board of education to the Superintendent.

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## Professional Development

- These funds may be transferred from one teacher to another with proper authorization.
- The budget committee may recommend and the faculty adopt during the budget process the pooling of these funds.

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## Library Enhancement

- Funds allocated from the State for "Library Enhancement" may be used to cover the cost of books and periodicals as well as instructional software subscriptions. It shall be permissible to expend these funds on instructional equipment which is actually utilized with students in the classroom as well as the furniture to store them (storage carts), IF consistent with the latest plans for professional development developed at the local school level by the principal and faculty and submitted by the local board of education to the Superintendent.

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## Library Enhancement

- These funds may be transferred from one teacher to another with proper authorization.
- The budget committee may recommend and the faculty adopt during the budget process the pooling of these funds.

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## Unallowable Expenditures of State Instructional Support Funds

- Field trip costs
- Transportation
- Furniture and fixtures
- Extracurricular expenses
- Teacher Membership Dues

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## Suggested Timeline – Local School

- March 1 Begin discussions regarding wants & needs<sup>1</sup>
- March 1 Begin staffing
- April 15 Budget requests due
- April 15 Request budget committee volunteers<sup>2</sup>
- April 20 Faculty elects budget committee
- April 25 Committee meets and a proposal is drafted
- May 1 Faculty votes on proposed budget
- May 15 Committee signs State Budget forms
- May 25 Budgets submitted to the Central Office

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## Suggested Timeline – Central Office

- June 15 CO budgets Federal, State and Local funds for district
- Aug 15 First of two hearings held for the public
- Aug 30 Second of two hearings held for the public
- Sep 5 BOE approves budget
- Sep 10 Superintendent submits budget to State Superintendent of Education

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## Budget Committee

- Four (4) teachers & the school principal, or principal's designee
- Teachers elected annually by a secret ballot vote<sup>1</sup>
- Committee elects a chairperson & a recording Secretary
- Committee may form advisory committees<sup>2</sup>
- Committee to propose budget<sup>3</sup>

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## Approval by Teachers

- Proposed budget submitted to teachers at an annual meeting (may be at the beginning or end of the school year, or both)
- Teachers must have at least two (2) work days to review the proposed budget
- Teachers vote by secret ballot
- Majority vote of the teachers voting at the school before any part of the proposed budget is implemented

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## Approval by Teachers

- If not approved, returned to committee for reformulation, taking into consideration the teachers' recommendations
- Revised budget proposed by committee is submitted to a secret ballot vote of the teachers
- If the revised proposed budget is not approved by a majority vote of the teachers, the process will continue until a budget is approved

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**Unspent Funds**

Any funds appropriated for classroom instructional support not expended according to this section by the end of each fiscal year shall revert to the Education Trust Fund.<sup>1</sup>

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**Teacher Transfer**

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.

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**Proration**

In the event proration of the Education Trust Fund is declared by the Governor, each school system shall nevertheless insure that at least 80 percent of its allocation per teacher for classroom instructional support shall be expended according to this section. No portion of a teacher's classroom instructional support money shall be withheld until and unless the Governor officially declares proration of the Education Trust Fund.

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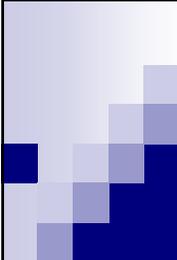
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Guidelines for Financial Operations of School-Related Organizations

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**Leading Legislation**

- The School Fiscal Accountability Act of 2006
- Alabama State Department of Education *Guidelines for Financial Operations of School-Related Organizations* adopted in November 2007
- Alabama State Department of Education *Financial Procedures for Local Schools* adopted in June 2010

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**Support Organization Funds**

- Funds generated by a particular group<sup>1</sup>
- Funds used for that particular group<sup>2</sup>
- Funds controlled by officers of the particular group<sup>3</sup>

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## School-Related Organizations

- Student Organizations
- Athletics
- Parent Organizations
- Booster Organizations

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## Student Organizations

- Student officers and faculty sponsor operate the organization
- Principal acts in a fiduciary capacity over the organization's funds
- School's accounting records contain a separate account to record financial operations of organization<sup>1</sup>

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## Athletics

- Coaches and school employees cannot maintain a separate bank account that supports, or benefits from, a school extra-curricular activity<sup>1</sup>
- Principal acts in a fiduciary capacity over the funds
- School's accounting records contain a separate account to record financial operations of a particular sport<sup>2</sup>

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## Parent Organizations

- Parent officers operate the organization
- Principal acts in a fiduciary capacity over the organization's funds
- School's accounting records contain a separate account to record financial operations of organization<sup>1</sup>

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## Booster Organizations

- Parent officers operate the organization
- Principal acts in a fiduciary capacity over the organization's funds
- School's accounting records contain a separate account to record financial operations of organization<sup>1</sup>

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## Fiscal Accountability

We have a fiduciary responsibility to our stakeholders to present fairly and with full disclosure the financial position and results of financial operations of our funds and activities.

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## School Activity

- Both parties mutually assent to the fiduciary control of the principal
- A school employee, who is associated with the activity supported by the organization, serves/holds a leadership position in the organization, or
- A school employee leads fundraising or maintains the accounting records for the organization<sup>1</sup>

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## School Activity

- The organization collects admission to the school function
- The organization operates a concession stand on school property at the school function<sup>1</sup>
- The organization collects parking fees for the school function<sup>2</sup>

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## School Activity

- The organization operates a training camp that includes students of the activity it supports
- The organization operates an exhibition or competition that includes students of the activity it supports

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## Off the Books

- The organization has obtained an employer identification number (EIN) from the IRS
- The organization provides proof of a fidelity bond for the treasurer<sup>1</sup>
- The organization provides a report of the annual audit of the organization to the school<sup>2</sup>

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## Off the Books

- The organization makes its financial records available to the school's auditors and authorized school employees upon request
- The organization provides required reports<sup>1</sup>
- The organization will not provide any payment or benefit to a school employee<sup>2</sup> in violation of the Alabama Ethics Law

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## Lines of Authority

- Board of Education<sup>1</sup>
- Superintendent<sup>2</sup>
- Chief School Financial Officer (CSFO)<sup>3</sup>
- Principal<sup>4</sup>
- Sponsors<sup>5</sup>
- Organization Officers<sup>6</sup>

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## Role of the Organization

Support organizations shall organize and function in a way that is consistent with the District's philosophy, objectives, and adopted Board policies, in accordance with affiliated governing bodies and regulations, as applicable.

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## By-Laws

- How good are your by-laws?
- Are they fair and democratic?
- Do they distribute the power in your organization in a fair way?
- Do they allow members enough of a voice in how the organization is run?

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## By-Laws

- Article I - Name of Organization
- Article II - Purpose of Organization<sup>1</sup>
- Article III - Membership and Dues<sup>2</sup>
  - Eligibility for Membership<sup>3</sup>
  - Voting Rights<sup>4</sup>
  - Termination of Membership
  - Private Benefit Clause

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## By-Laws

- Article IV - Officers
  - List of Officers and Duties<sup>1</sup>
  - Terms of Office<sup>2</sup>
  - Election of Officers<sup>3</sup>
  - Nominating Committee<sup>4</sup>
  - Eligibility<sup>5</sup>
  - Training<sup>6</sup>

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## By-Laws

- Article IV – Officers, continued
  - Voting
    - ▣ Month of Election
    - ▣ Definition of quorum<sup>1</sup>
  - Installation
  - Transfer of Records<sup>2</sup>
  - Termination of Officer<sup>3</sup>
  - Vacancies<sup>4</sup>

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## By-Laws

- Article VI - Meetings<sup>1</sup>
  - Regular Meetings
  - Special Meetings<sup>2</sup>
  - Annual Meeting<sup>3</sup>
  - Date, Time, and Agenda for Meetings<sup>45</sup>
  - Conduct of Meetings
  - Adequate Notification
  - Summary of Proceedings<sup>6</sup>

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## By-Laws

- Article V – Executive Board
  - Composition of Executive Board<sup>1</sup>
  - Date, Time , and Place of Meetings<sup>2</sup>
  - Roles and Responsibilities

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## By-Laws

- Article V – Committees
  - Standing (Operational) Committees
    - ▣ Membership and Attendance
    - ▣ Nominating<sup>1</sup>
    - ▣ Fundraising<sup>2</sup>
    - ▣ Communications
    - ▣ Budget
  - Special Committees<sup>2</sup>

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## By-Laws

- Article VII - Finances<sup>1</sup>
  - Fiscal Year
  - Budget Committee
  - Authorization of Expenditures
  - Carryover Funds<sup>2</sup>
  - Reserve Funds<sup>3</sup>
  - Excess Funds<sup>4</sup> (amount to be voted on by general membership)
  - Suspected Fraud<sup>5</sup>

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## By-Laws

- Article VIII - Amendment Procedure<sup>1</sup>
  - Amendment Proposal (Who?)
  - Amendment Proposal (How?)
  - Notification Requirement
- Article IX - Dissolution<sup>2</sup>
  - Distribution of Excess Funds
- Article X - Parliamentary Authority (typically Robert's Rules of Order)<sup>3</sup>

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## Land Improvements

- Organizations do not have authority to enter into any type contract related to use of Board property and/or equipment<sup>1</sup>
- Plans must be submitted to the Superintendent BEFORE a purchase of goods or services is made or a contract is signed, regardless of the financing<sup>2</sup>

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## Loans to School-Related Organizations

- A School Board cannot loan an organization money<sup>1</sup>
- An organization cannot borrow money in the school's or Board's name<sup>2</sup>
- An organization cannot obligate future revenues of an organization

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## Investments

- Support Organizations may not maintain investment accounts separate from the school's funds<sup>1</sup>
- Support Organizations are not to accumulate large balances from one fiscal year to another
  - Money is raised by a particular group for a particular group<sup>2</sup>
  - Large balance is to be determined on a case by case basis<sup>3</sup>

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## Fundraisers

- Must comply with federal, state and district guidelines<sup>1</sup>
- Shall be for purpose of supporting school program or group activity for which the organization was formed
- Must obtain approval of principal for all fundraising events prior to start of event<sup>2</sup>

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## Fundraisers

- Revenues must benefit group as a whole, not individuals<sup>1</sup>
  - Cannot solicit funds for personal gain
  - All participants must benefit equally
  - May use incentives to encourage participation
- At the completion of the fundraiser, must complete a result of activity form<sup>2</sup>

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## Fundraisers

- Cannot mandate a student participate in a fundraiser
- There can be no negative repercussions for not participating in a fundraiser
- Student may “opt out” of fund raising activity(s)<sup>1</sup>
- Like-kind exchanges are allowable with the proper documentation<sup>2</sup>

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## Fundraisers

- Food and beverage sales must be *Smart Snack* approved<sup>1</sup>
- Cannot directly support political activities by providing campaign donations or placing advertisements in support of a particular candidate<sup>2</sup>

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## Self-Imposed Dues and Fees

### Self-Imposed Dues and Fees

- If membership includes game tickets, must transfer 100% of ticket price to admissions<sup>1</sup>
- If membership includes parking pass, must transfer 75% of parking fee to public parking<sup>2</sup>

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## Donations

- Request a letter from the donor to reflect how the funds are to be used<sup>1</sup>
- Tax deductible under section 170(c)(1)<sup>2</sup>
- Funds received from a governmental entity , must be received at the district office<sup>3</sup>
- Donations in excess of \$1,000 MUST be approved by the CFO before they are received<sup>4</sup>

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## Grants

- Require submission of an application<sup>1</sup>
- Funds must be expensed in compliance with the submitted application<sup>2</sup>

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## Commissions

- The support organization must
- Promote,
  - Distribute,
  - Collect, and
  - Submit

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## Hiring Professional Fundraising Company

- Check referrals/background information<sup>1</sup>
- Schedule interviews (how conduct campaign)<sup>2</sup>
  - Solicit by phone, email, door-to-door or combination
  - Solicit money only or sell products/tickets
  - Will subcontractors be used for any part of campaign
  - Will telephone calls be scripted
  - Will calls be recorded or monitored

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## Hiring Professional Fundraising Company

- Ensure Data Security<sup>3</sup>
- Get bids<sup>4</sup>
- Negotiate Transaction Fees (flat fee versus percentage of collections)<sup>5</sup>
- Negotiate Commission<sup>6</sup>

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## Hiring Professional Fundraising Company

- Written Contract
  - Explain services to be provided
  - Explain financial responsibility of each party
  - Authorize or prohibit use of subcontractors
  - Identify compensation to be paid
  - Require review of all materials/scripts to be used<sup>1</sup>

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## Hiring Professional Fundraising Company

- Specify contract period
- Require compliance with FTC's Telemarketing Sales Rules and applicable state laws<sup>2</sup>
- Outline cancellation criteria for both parties
- Require periodic financial reports<sup>3</sup>
- Specify ownership of donor lists

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## Crowdfunding

- Considered a fundraiser
- Be mindful of what is being requested
- Must obtain prior approval of Principal<sup>1</sup>
- Campaign shall be in the name of the school
- Understand acronyms such as AON and KIA<sup>2</sup>
- Administrative Fee?

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## Crowdfunding

- How long funds held?
- Funds received or goods purchased on behalf of school?
- Monitor site throughout campaign
- Take campaign offline once goal reached
- Funds under control of Principal
- Comply with district policies and procedures
- If fundraiser includes hardware, software or web-based subscription purchases, must obtain prior approval form Chief Technology Officer

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## Crowdfunding

- If fundraiser includes land or building improvements, repairs or renovations, or new construction, must obtain approval from Superintendent and Coordinator of Operations<sup>1</sup>
- If fundraiser includes reward program, items received are property of HCS and inventory policies and procedures apply

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## Crowdfunding

- Checks should be made payable to the school, not the teacher
- All donations should be recorded by bookkeeper in accounting system at each school
- Pictures, videos and images of students posted on website must comply with policies and procedures

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## Raising Funds for an Employee

### Permissible methods

- Initiate a benevolence fund at a local church or bank
- Use philanthropic organizations and community parks
- Pay bills on behalf on the employee

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## Freedom of Information Act

- Upon written request, a BOE is required to disclose financial records under The Freedom of Information Act. Because no one organization is immune from public scrutiny, it is important that we remain in compliance with all legislation, regulations and standards to ensure the accuracy and completeness of our records.

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## Non-Compliance

- Strong controls allow for accountability to students, parents, employees, taxpayers, bondholders, vendors and regulatory bodies
- An *Acknowledgement of Non-Compliance Form* will be completed by the bookkeeper when a policy or procedure has not been properly followed

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## Consequences

- All receipts become public funds under the control of the Principal
- The Superintendent and/or Board have the authority to revoke an organizations ability to conduct activities in the district

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## Additional Resources

- Generally Accepted Accounting Principles
- Governmental Accounting Standards
- Code of Alabama
- Alabama Building Code
- Public Works Law
- Alabama Bid Law
- Alabama Ethics Law
- Alabama Immigration Law
- Child Nutrition Law
- Internal Revenue Service (IRS)

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## Contact Information

If at any time you have questions or concerns, please contact me:

Michele McCay  
mmccay@hoover.k12.al.us  
Office: 439-1012

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