

## Budget Preparation for Local Schools/School Districts

ALABAMA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (AASBO)

LOCAL SCHOOL FINANCIAL MANAGEMENT CERTIFICATION PROGRAM

MARCH 8, 2016

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## Talking Points

- What is a budget?
- Why we budget?
- What is the budget process?



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## Budgeting for Activity Funds

- Budgeting is the process of planning resources and prioritizing needs of an organization. In most cases, 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. Bottomline, the budget is linked to financial accountability.

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## Budgets

- Provide a financial plan for the organization
- Important at all levels of any organization
- Critical element for success
- Assess financial condition
- Create roadmap for future



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## Mission of Budget Process

***The mission of the budget process is to help decision makers make informed choices about the services and needs of a particular activity or local school function.***

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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 School Financial Officer.** The chief school financial officer should have 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.

**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.

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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.
- The Principal should be familiar with the Financial Procedures for the School District to have a basic understanding of the accounting regulations for schools.
- The Principal should work with the bookkeeper and staff when preparing the local school annual budgets.

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### Key Players To The Budget

The Budget involves a TEAM of people.

- Administrators
- Counselors
- Teachers
- Support Staff
- Parents



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### 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.

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### Budget Responsibilities

Key Ingredients:

Knowledge – Prior and Current

Communication – Teamwork

Commitment – Accuracy

Continuous Improvement

Monitoring and Tracking



The key ingredient is **COMMUNICATION!**

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### Finance Matters/Budget Process General Outline

Example: Madison County Board of Education

April – Staffing Meetings (Directors and Principals)

March – May – Monitoring and Tracking Legislative Session (State Funds)

May – Local School Budgets

June – Personnel Cost Entries

July – Departmental Meetings and Non-Personnel Cost Entries

August – Federal Programs and Final Budget (1<sup>st</sup> Budget Hearing)

September – Board Approval and Submission to SDE (2<sup>nd</sup> Budget Hearing)

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### Requirements for Budget Hearings Section 16-13-14 Code of Alabama

(As amended by Act 97-624)

- Each board shall –
  - Hold at least two open public hearings
  - Hearing held during a scheduled board meeting
  - At a time and place convenient for the public
  - The board shall publicize the date and time of each hearing in the local media

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### Purpose/Public Hearing

- Planning
- Accountability
- Public Awareness
- Public Information
- Public Input
- Public Support



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### Budget Overview – Fund Types:

- General Fund – State and Local Sources
- Special Revenue Funds – Federal Programs and Public Local School Funds (Appropriations, Admissions, Concessions, Dues and Fees, Fund Raisers, Grants, and Donations)
- Debt Service Funds – State and Local Funds Set Aside for Annual Debt Payments
- Capital Projects Funds – State Fleet Renewal Funds, State Capital Funds, and Local Bond Proceeds
- Fiduciary Funds – Local School Non-Public Funds (Club Fees, Fund Raisers, Donations, and Accommodations)

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### Activity Fund Accounting/Budgeting for Local Schools

Historically, little attention has been given to accounting for activity funds in school districts. The nature of activity funds, however, makes them especially vulnerable to error, misuse, and sometimes fraud. In addition, activity funds often generate total large sums of money, especially when capturing the amounts that flow through a school district in the form of school board funds, student-generated funds, receipts and disbursements related to athletics, and the numerous co curricular and extracurricular events sponsored by school districts today.

The good news is we are seeing a change statewide. School districts as well as local school administrators and staff are doing a much better job planning, budgeting, and tracking local school accounts.

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### 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 supported by the funds .

The classifications which are commonly recognized are:

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




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### 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:

- A) Money generated school-wide
- B) Money used for all students instead of individual group
- C) Money controlled by the Principal or a school employee

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### 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

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### Non-Public Activity Funds

**Parent Support Organization 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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### Non-Public Local School Funds

- Funds received by an organization's or club's sponsor or officer not usually used for the general operations of the school.
- 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:
  - A) Money generated by a particular group
  - B) Money used for that particular group
  - C) Money controlled by the students and/or a parental organization

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### 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

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### Local School Public Funds

	2013 <u>Actual</u>	2014 <u>Actual</u>	2015 <u>Actual</u>	2015 <u>Budget</u>
REVENUES	\$11,338,392	\$11,068,765	\$10,748,069	\$11,876,965
<small>(Charges for Services, Admissions, Appropriations, Concessions, Dues &amp; Fees, Fund Raisers, Grants, Sales, Accommodations, Donations, Interest, and Transfers from General Fund)</small>				
EXPENDITURES	\$11,257,395	\$10,840,398	\$10,708,208	\$11,556,659
<small>(Instructional Materials/Supplies, Travel/Training, Contracts/Purchased Services, Library Services, Telephone, Maintenance/Repairs, Equipment, and Extended Day)</small>				

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### Local School Non-Public Funds

	2013 <u>Actual</u>	2014 <u>Actual</u>	2015 <u>Actual</u>	2015 <u>Budget</u>
REVENUES	\$3,075,119	\$2,363,872	\$2,326,673	\$2,623,446
<small>(Concessions, Club Fees, Fund Raisers, Donations, &amp; Accommodations)</small>				
EXPENDITURES	\$2,593,464	\$2,354,810	\$2,296,942	\$2,620,176
<small>(Instruction/Materials Supplies, Travel/Training, Contracts/Purchased Services, Student Support Services/Rentals, Printing and Binding, Association Dues, Land and Building Repairs, Tractors/Mowers, Transfers Out to Public Funds)</small>				

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### Summary – Elements of the Budget Process

**Develop a Budget Consistent with Goals**

- Develop a process for preparing and adopting a budget/communication
- Evaluate financial resources and prioritize needs
- Prepare budget based on decisions from team

**Evaluate Performance**

- Monitor, measure, evaluate, and report
- Adjust or amend if necessary

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Contact Information:

Karen O'Bannon, CSFO  
Madison County Schools  
[kobannon@madison.k12.al.us](mailto:kobannon@madison.k12.al.us)  
(256) 852-2557, ext. 61500



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