

# Understanding Local School Accounting

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STATE OF ALABAMA DEPARTMENT OF EDUCATION

AASBO – LOCAL SCHOOL CONFERENCE

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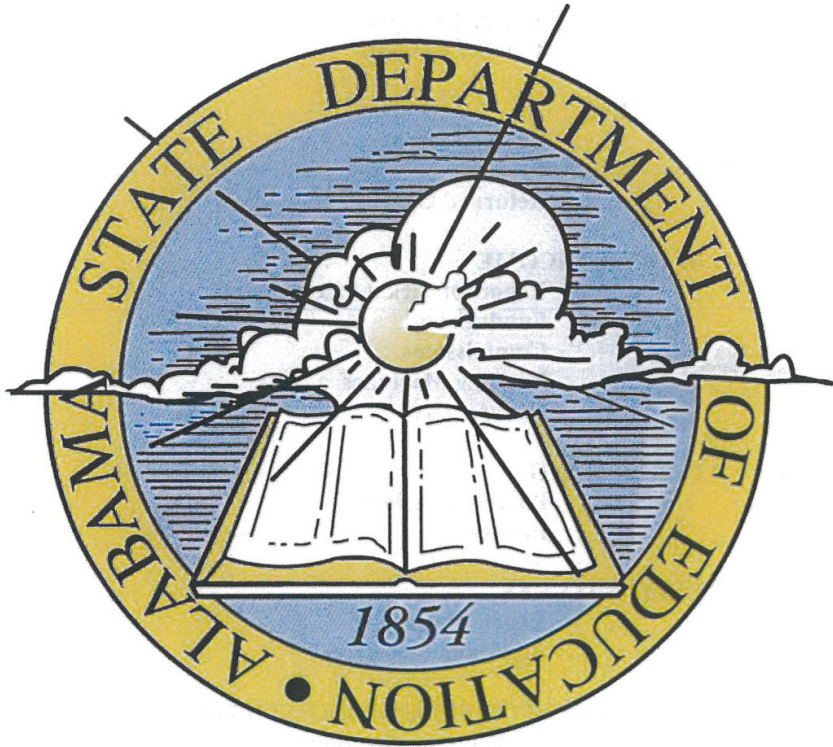
# Financial Procedures for Local School

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- Available from Alabama Department of Education web site – [www.alabamaachieves.org](http://www.alabamaachieves.org)
- Teachers & Administrators Offices upper right (red box)
- LEA Fiscal Accountability (alphabetical listing)
- Local Schools – Procedures (Page Navigation or scroll)
- Local School Financial Procedures

# FINANCIAL PROCEDURES FOR LOCAL SCHOOLS

APPROVED JUNE 10, 2010



ALABAMA DEPARTMENT OF EDUCATION



# Public vs. Non-Public

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# Public Funds

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- 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

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

# Public Funds – Allowable Expenditures

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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

# Non-Public Activity Accounts

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- 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.

# Public vs. Non-Public

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- 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!!!

# Food Purchases

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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

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- Public funds can be used to promote educational excellence by students.
- Excellence includes
  - Attendance
  - Honor rolls
  - Test scores
  - Other academic achievements

# Academic Incentives

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- 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

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- 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.



# Deficits Activity Accounts – Audit Finding

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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

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- 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

# School Organizations

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# Student Organizations

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- Operated by the student officers, members, and faculty sponsor.
- Income is recorded by receipts and funds are deposited in the school bank account.
- Principal approves purchase orders, signs checks, and is responsible for maintaining the financial records for student organizations.
- 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.

# Athletics

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School athletics are under the control of the school principal.

Athletic funds are maintained in the school bank account and include:

- Gate receipts
- Game programs
- Vendor advertising
- Parking \*
- Athletic concessions \*



# Booster Organizations

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- Primarily athletic boosters and band boosters but has expanded to cheerleader boosters, choral boosters, academic boosters, and alumni associations.
- Subject to poor financial management practices, theft and misappropriation of funds.
- Involvement of school employees in booster organizations should be limited.

# Parent Organizations

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## PTOs and PTAs

Included in the school financial records and the school bank account unless it meets ALL the following:

- An individual EIN number
- A separate mailing address
- No employee of the school leads the organization's fund-raising
- No employee of the school maintains the accounting records for the organization.

# Booster Organizations

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Included in the school financial records and the school bank account unless it meets ALL the following:

- An individual EIN number
- A separate mailing address
- No employee of the school leads the organization's fund-raising
- No employee of the school maintains the accounting records for the organization.
- No employee of the school, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization.

# Specific Requirements

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Parent organizations and booster organizations that maintain their own financial records must provide:

- Proof of employer identification number.
- Annual audit report.
- Financial records to the school's auditors and authorized school employees upon request.
- Required financial reports.
- Proof of a fidelity bond for the treasurer.
- Assurance that it will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the State Ethics Law.

# Public Activities

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Specific activities of a booster organization may come under the control of a school principal if:

- The organization collects admission to the school function
- The organization operates a concession operation on school property at the school function
- The organization collects parking fees for the school function
- 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

# Public Funds

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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

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Admissions

Appropriations

Concessions\*

Commissions

Dues & Fees – Required

Fines & Penalties

Fund Raisers\*

Grants

Sales

Donations\*

Accommodations\*

Other\*

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

# Fundraising

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Each school fundraising activity should be approved by the Principal.

A form requesting authorization for a fundraising activity must be approved by the Principal before the start of the fundraising activity.

Fund raising activities involving students should be supervised.



# Information Request

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The Local School Accounting Department is requesting information from School-Related Organizations, per State Examiners of Public Accounts for FY 2019 (October 1, 2018 – September 30, 2019). This information is due by Thursday, March 5, 2020. This is to ensure that organizations were in compliance with requirements issued by the Alabama State Department of Education (ALSDE). The requirements are contained in the “Financial Procedures for Local Schools” manual that has been adopted by the ALSDE and has been made available on the Montgomery Public Schools web-site since the summer of 2010. The section of the manual that deals with school-related organizations is attached.

All school-related organizations in Montgomery County Schools should have separate bank accounts, and the funds for said organizations should not be part of the schools’ financial accounting records. **In order to operate as a school-related organization, we must collect financial information as required by the State Department of Education and/or the State Examiners of Public Accounts.**

Attached with this memo are two forms. The “**School Form**” should be completed by the **principal** of each school. All school-related organizations that existed during the 2018-19 school year should be listed.

The “**Organization Form**” should be completed by the **current president** or **officer** of the organization. An “**Organization Form**” should be completed for each organization listed on the “**School Form**”. The “**Organization Form**” also lists additional information that must be submitted along with the completed form.

Most schools will have a PTA; however, most secondary schools would also have booster clubs and other organizations that support the school. Include all organizations that were formed and existed to support a program or auxiliary at the school. Please contact the Local School Department of the Finance Office if you have any questions.

# Letter to Principals

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Please do the following:

1. Provide each organization a copy of this memo and the attached form to complete. If an organization refuses to provide the requested information, please contact the LSA Department.
2. Complete the attached “**School Form**” listing all of the organizations.
3. Return the “**School Form**” and the “**Organization Form**” and supporting documents (if applicable) to the Local School Accounting Office no later than Thursday, March 5, 2020.

Thank you for your help and cooperation in this matter.

# Letter to Principals

Complete Section I or II below.

- I. The following is a list of all organizations that existed during the 2018-19 school year to provide support to my school (PTA's, booster clubs, etc.). An "Organization Form" for each one is attached.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

OR

- II. There were no organizations during the 2018-19 school year that existed to provide support to my school. \_\_\_\_\_ (Check here)

SCHOOL NAME: \_\_\_\_\_

SIGNATURE OF PRINCIPAL: \_\_\_\_\_ DATE: \_\_\_\_\_

**RETURN THIS COMPLETED FORM NO LATER THAN THURSDAY, MARCH 5, 2020. Attach an "Organization Form" for organizations listed in Section I.**

# School Form



In Montgomery Public Schools, school-related organizations have separate bank accounts, and the funds for the organizations are not part of the schools' financial accounting records. **In order to continue to maintain a separate bank account, each school-related organization must provide our office with information required by the State Department of Education and the State Examiners of Public Accounts.** A copy of the section of the SDE guidelines dealing with school-related organizations is attached.

**You are requested to complete the information on this form for the 2018-19 school year. The reporting period should be from October 1, 2018 through September 30, 2019.** Please include copies of supporting documentation.

*Please note: If an organization was not fully compliant with these requirements for the 2018-19 school year, the Finance Office will work with them to become compliant. Strong efforts should be made to complete as many of the requirements as possible by March 5.*

# Organization Form

1. Name of school: \_\_\_\_\_
2. Name of organization: \_\_\_\_\_
3. Total REVENUES for the period: \$ \_\_\_\_\_
4. Total EXPENDITURES for the period: \$ \_\_\_\_\_
5. Employer Identification Number from IRS: \_\_\_\_\_
6. Has an audit for the period been completed? YES \_\_\_\_ NO \_\_\_\_  
(If YES, attach copy of audit to this form.)
7. Has an audit for the prior year been completed? YES \_\_\_\_ NO \_\_\_\_  
(If YES, attach copy of audit to this form.)
8. Were any financial reports prepared and given to the officers or general membership of the organization during the year? YES \_\_\_\_ NO \_\_\_\_  
(If YES, attach a copy of all reports to this form.)

9. Does the organization have a fidelity bond for its current treasurer? YES \_\_\_\_ NO \_\_\_\_  
(If YES, attach copy of fidelity bond to this form.)

10. Did the organization provide any direct payments for services to an MPS employee during the period? YES \_\_\_\_ NO \_\_\_\_

If YES, list name of persons and amounts paid: \_\_\_\_\_  
\_\_\_\_\_

11. Name of officers during period: PRESIDENT \_\_\_\_\_  
(October 1, 2018 – September 30, 2019)  
TREASURER \_\_\_\_\_

**Name of current officers:** PRESIDENT \_\_\_\_\_  
(October 1, 2019 – September 30, 2020)  
TREASURER \_\_\_\_\_

Are either of these persons MPS employees for 2018-19? YES \_\_\_\_ NO \_\_\_\_

Name of School: \_\_\_\_\_

Name of Organization: \_\_\_\_\_

Form completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Position held in organization: \_\_\_\_\_

# Organization Form

**RETURN THIS COMPLETED FORM TO YOUR SCHOOL AS SOON AS POSSIBLE. The school must provide it to the MPS Finance Office no later than MARCH 5, 2020. Contact the MPS Local School Accounting Department (223-6875/6/7) if you have any questions or need assistance.**

# Boosters – Audit Finding

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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

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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.



# Boosters – Audit Finding

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The Financial Procedures for Local Schools as provided by the Alabama Department of Education contains guidelines for school-related organizations. These guidelines require concession activities for booster organizations to be under the control of the school principal if the organization operates a concession on school property at a school function. Concession activities at several local schools were operated by the school's booster clubs on school property, however, the financial activities are maintained outside of the school's financial records. Therefore, these financial activities are not under the control of the school principal.

- The Board should ensure each school includes all concession activity accounts on the school financial records to ensure proper accountability.
- The xxx County Board of Education will work toward transitioning the concession activities for booster organizations to be under the control of the school principal by including these activities in the school financial records.

# Common Problems noted by the Examiners

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## Salary Supplements

All salary supplements paid to school personnel should be included in the employee's gross wages ..... even if supplements are paid by booster organizations.

IRS regulations do not permit an employer to send a Form 1099 to an employee, wages must be included on the W-2.

Payments to employees **MUST** go through the payroll process unless specifically approved by the CSFO.

# Contact Information

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First Contact: Your system's CSFO

Utilize SDE website: [www.alsde.edu](http://www.alsde.edu)

LEA Accounting – Team Accountant: 334-694-4617

Sonja Peaspanen: [speaspanen@alsde.edu](mailto:speaspanen@alsde.edu)



# QUESTIONS

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