ARKANSAS SCHOOL BOARD MEMBER: FUNDAMENTALS OF FISCAL OVERSIGHT & AUDIT TRAINING

Arkansas School Boards Association
New Board Member Institute
October 17, 2016
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Superintendent of Schools
Charleston Public Schools
Facts Concerning Public Funds

- The “public” has placed a great deal of trust in you to execute the necessary requirements of their school.
- When you are responsible for the appropriate use of taxpayer funds….. EVERYTHING CHANGES.
Topics to Know

- Financial Duties and Responsibilities
- Numbers Mean Everything to a School District
- School Funding 101
- Financial Relationships
- Trends State and Local
- Avoiding Fiscal Distress
- Audit Friend or Foe
What Every Board Member Needs to Know

- How are Arkansas schools funded?
- What does this mean to our school?
- What legal requirements are applicable to school boards?
- How much involvement should each board member have in district finances?
- How to spot financial dangers ahead?
Financial Duties and Responsibilities

- Attend meetings of the school board
- Determine the mission and direction of the district
- Understand and oversee district finances
- Approve curriculum and ensure excellent delivery of instruction
- Employ staff
- Obtain training and professional development
- Visit district schools and classrooms
- Adhere to state and federal laws
- Do “all other things necessary and lawful”
- Oversee district finances
- Review, adopt, and publish district budget
- Borrow money as necessary, but in no case shall the Board of Directors permit the school district to end the fiscal year with a negative balance
- Enter into contracts for goods and services
- Review and approve each annual financial audit
School Board Finance 101

- Know basic concepts of Public School Finance (Students=$)
- Keep informed of changes which effect public school finance (Federal, State, Local)
- Communicate to staff and community the information which effects school funding
How Arkansas Public Schools are Funded (Charleston)

- Federal Funds: 12.1%
- State Funds
  - Unrestricted: 42.4%
  - Restricted: 12.2%
- Local Funds: 33.3%
Federal Funds

- Restricted Funds—Must be spent on specific students or programs.
- Examples—
  - National School Lunch and Breakfast (USDA)
  - Title I
  - Title II
  - Individuals With Disabilities Act (IDEA)
  - Carl Perkins Act (Vocational)

- VI-B Special Education Funds—Requires district’s Maintenance of Effort. THERE IS NO LIMIT TO A DISTRICT’S SPECIAL EDUCATION COST!!
Requirements of Federal Funds

- Restricted to specific regulations and guidelines
- Timelines for fund expenditures
- Records must be maintained and well documented
- All records must conform to Federal Audit Standards
State Funds Unrestricted

- Uniform Rate of Tax
  25 Mills Uniform Tax for Maintenance and Operation @ 98% Collection

- Assessed Valuation X .025 Mills X 98%

Designed to establish a uniform base of statewide support form local property taxation
Primary Basis for Public School Funding

STUDENTS

FOUNDATION Aid is defined by Average Daily Membership based on the first 3 quarters of the prior school year.
Combination of Local Aid and State Foundation Aid

- Local funds per student is based on local assessed valuation X URT (25 mills).
- State funds bring total aid to adequacy level per student.
- Charleston 16-17 year:
  - local district----$1,523.58
  - state aid --------$5,122.42

Value Per 16-17 Student $6,646.00
Restricted State Funds

- National School Lunch (NSL) $526, $1,051, $1,576
- English Language Learns (ELL) $331
- Alternative Learning Environment (ALE) $4,560
- Facilities Partnership Funding*
Restricted Funds

- Targeted funds are based on needs which vary from district to district.
- Address Adequacy and Equity
- Restricted funds must be spent in specific areas as defined by the Arkansas Department of Education.
State Funding

- Developed by consultants and legislators in 2004
- Formula was Adopted by the Arkansas General Assembly in 2004
- Approved by the Supreme Court
- Reviewed biennially by General Assembly

Hearings are held throughout even numbered years to determine changes in the funding formula.
## Changes Effecting Public School Districts

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Property Tax Calculations

- Assessed Valuation
  1. Real Estate
  2. Personal Property
  3. Utilities and Carriers

- Tax Rate
  1. Uniform Rate of Tax 25 Mills
  2. Additional Maintenance and Operation Mills
     - Debt Service Mills

- Collection Rate
Local Funds

- Local funds provide support for public schools through property taxes.

Property Tax Terms

- Assessment
- Homestead exemptions
- Reappraisal 3 year/ 5 year
- Frozen assessments for those 65 and older and disable veterans
- Rollback
Property Tax Terms

- Ad Valorem Property Taxes
  1. Current Taxes
  2. Homestead Exemption
  3. Delinquent Taxes
  4. Excess Commission

- Other Local Revenue
  1. Payment in Lieu of Taxes
  2. Interest
  3. Mineral Leases
  4. Contributions
Financial Requirements Beyond Our Control

- Spend restricted funds as required.
- Spend the required 9% of Foundation Funding for facility maintenance and operation annually per ADE rules.
- Meet the requirements of Gifted/Talented programs.
- Meet the spending requirements of Special Education programs. The is NO LIMIT to Special Education cost....
Financial Requirements

- Educational Excellence Trust Fund increases must be devoted to salary schedule increases.

- Comply with minimum salary schedules

  1. Beginning Certified Salary = $31,000
  2. Increments of at least $450 (BA) / $500 (MA)
  3. Classified hourly rate of $8.50 (Jan. 1)
  4. District must offer insurance to all employees who work over 30 hours per week.
School Board Member Responsibilities

- Be informed about financial issues—ask questions
  1. Select Superintendent of Schools
  2. Business Manager/Bookkeeper
  3. Hire Personnel to Complete Tasks
- Review Monthly Financial Reports
- Review Audit Reports
- Ask Questions—Give your staff an opportunity to be accurate. Ask questions in advance of board meetings.

TRUST, BUT VERTIFY!
Financial Audit

Know the Warning Signs

- Lack of Internal Control
- Salary Schedule Beyond Financial Resources
- Excessive Number of Employees
- Spending Beyond Budgeted Amounts
  1. Building Projects
- Expenditures above Revenues
- Audit Findings
- Declining Enrollment
Audit Exceptions

- Bidding Procedure Requirements
- Travel Reimbursements
- Credit Card Expenditures
- Charge Accounts
- Declining Legal Fund Balance
- Inventory Control
Audit Exceptions

- Free and Reduced Lunch Eligibility
- Bank statements not reconciled
- Failure to obtain performance bonds for construction contracts
- Misstatements of over/under payroll payments
- Inappropriate invoices (FAXED INVOICES)
- Cashing employee checks from activity funds
Audit Exceptions

- District did not comply with A.C.A. 6-13-635 (b)(2)(C): Requires the district to approve in resolution all employees who received a 5% increase in salary/benefits and report to ADE. All districts that did not comply will be reported to the appropriate legislative committee.

- Inadequate Disaster Recovery Plan
REMEMBER THE KIDS