

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

Arkansas School Boards Association

New Board Member Institute

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# 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”

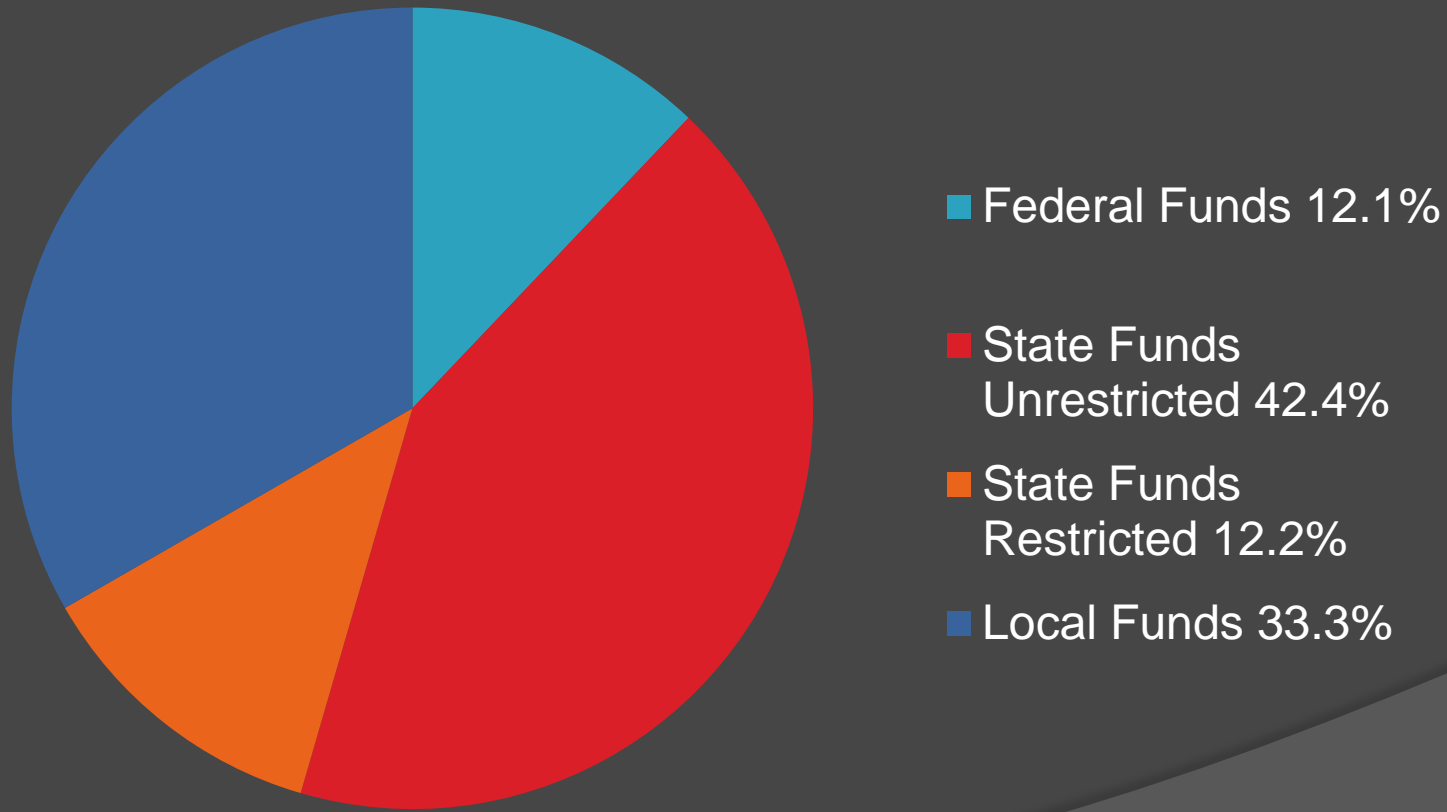
- **Oversee district finances**
- **Review, adopt, and publish district budget**
- **Borrow money as necessary, but in no case shall the Board of Directors permit the school district to end the fiscal year with a negative balance**
- **Enter into contracts for goods and services**
- **Review and approve 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)

## Funds





# 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 for 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
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# 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

## Difference

11/12	\$6144	
12/13	\$6267	\$123
13/14	\$6394	\$127
14/15	\$6521	\$127
15/16	\$6584	\$63
16/17	\$6646	\$62

# 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 Continued

- 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. There is NO LIMIT to Special Education cost....

# Financial Requirements

continued

- ④ Educational Excellence Trust Fund increases must be devoted to salary schedule increases.
- ④ 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 VERIFY!**

# 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

