

**STATEMENT OF CONSIDERATION**  
**Relating to 702 KAR 3:130**  
**Internal Accounting**

**Kentucky Department of Education**

**Amended After Comments**

- (1) The public hearing on 702 KAR 3:130 scheduled for December 21, 2012 at 10:00 a.m. in the State Board Room, Kentucky Department of Education was held with no verbal comments received.

- (2) The following people submitted written comments:

<u>Name and Title</u>	<u>Agency/Organization/Entity/Other</u>
Leslie McIntosh, Ed.S., Principal	Old Mill County Elementary
Kim Sego, Principal	Bullitt County Schools (Bullitt)
Johnna Lee DeJarnett, Assistant Superintendent	Crossroads Elementary
Sally Nesler, Finance	Bullitt County Schools (Bullitt)
Dennis C. Chambers, C.P.A., Chief Financial Officer	McCracken County Schools
Ramona L. Taylor, Finance Secretary	(McCracken)
Ronald B. Mays, Ph.D., Finance Officer	Mayfield Independent Schools
Julian Tackett, Commissioner	(Mayfield)
Janice Jackson	Russell Independent Schools
John Fogle, Staff Attorney	(Russell)
	Todd County Central High School
	Todd County Schools (Todd)
	Graves County Schools (Graves)
	Kentucky High School Athletic
	Association (KHSAA)
	Kentucky PTA (KY PTA)
	Kentucky School Boards
	Association (KSBA)

- (3) The following people from the promulgating administrative body attended this public hearing or responded to the written comments:

<u>Name and Title</u>
Kevin C. Brown, Associate Commissioner and General Counsel
Hiren Desai, Associate Commissioner
Kay Kennedy, Director
Susan Barkley, Assistant Director
LaTonya Bell, Branch Manager
Chay Ritter, Branch Manager
Carol Buell, Educational Financial Analyst

Karen Conway, Educational Financial Analyst  
Jeff Coulter, Educational Financial Analyst  
Ken Smith, Educational Financial Analyst  
Amy Peabody, Assistant General Counsel

### Summary of Comments and Responses

- (1) Subject Matter: Procedures for the receipt and deposit of funds collected
  - (a) Comment: Ms. DeJarnett (McCracken), Ms. Nesler (Mayfield), Ms. Taylor (Todd), and Mr. Mays (Graves) all stated that the administrative regulation's prohibition that "the school treasurer shall never collect money directly from a student or parent" is unrealistic or impractical and that it will be difficult to exercise compliance. Commenters stated that teachers will be interrupted to accept funds in place of the school treasurer and that the school treasurer is better equipped to receive money than other staff members. In addition, Mr. Mays commented that it is unreasonable to require that all deposits be made on the day of receipt.
  - (b) Response: Changes have been made in response to these comments however, the prohibition remains in the administrative regulation. Cash is the asset most at risk for embezzlement or misappropriation, therefore the internal control procedures surrounding the receipt and deposit of cash are critical to safeguarding public and student assets. A statement "the school treasurer shall not issue a receipt to student or parents and prepare the deposit of the funds to maintain proper segregation of duties" has been added to the requirement at issue to provide a clear explanation of the internal control protected by the prohibition. In addition, clarifications were made to other items in the "Receipts" section of the Redbook. No changes were made in response to Mr. Mays' comment regarding depositing because the Redbook already allows for exceptions when the total amount to deposit is less than \$100 and when evening events occur.
- (2) Subject Matter: Procedures for collecting money from a group of students
  - (a) Comment: Mr. Chambers (Russell) and Ms. McIntosh (Bullitt) stated that the administrative regulation's requirement for students in third grade and above to sign the multiple receipt form is an unnecessary burden and they ask that this requirement be deleted from the Redbook.
  - (b) Response: No change has been made in response to these comments. Cash is the asset most at risk for embezzlement or misappropriation, therefore the internal control procedures surrounding the receipt and deposit of cash are critical to safeguarding public and student assets. A signature on the multiple receipt form verifies that the amount of money recorded is indeed the amount of money remitted by the payer. Previously, the administrative regulation required the student signature regardless of grade level. Therefore, the requirement has already been reduced to the lowest acceptable standard.
- (3) Subject Matter: Procedures for fundraising

- (a) Comment: Ms. McIntosh (Bullitt) stated that the requirement that fundraising proceeds benefit the entire group of students regardless of participation in the fundraising activity and that fundraising proceeds cannot be tracked by individual student is unfair to students.
  - (b) Response: No change has been made in response to these comments. This requirement was driven by Internal Revenue Service regulation 26 C.F.R. 1.501(c)(3)-1 prohibiting such activity in tax-exempt organizations.
- (4) Subject Matter: Procedures for the sale of tickets at events requiring an admission fee
  - (a) Comment: Mr. Mays (Graves) stated that it is impractical to prohibit the school treasurer from selling tickets at events. He stated the funds can be adequately safeguarded by involving a second person in the verification of the funds being deposited. He also stated that requiring two people to sell and collect tickets is not financially responsible, necessary, or always feasible. In addition, Mr. Tackett (KHSAA) stated that requiring tickets to be attached to the ticket reconciliation form is impractical for reconciliation purposes.
  - (b) Response: No changes have been made as a result of these comments. Cash is the asset most at risk for embezzlement or misappropriation, therefore the internal control procedures surrounding the receipt and deposit of cash are critical to safeguarding public and student assets. The school treasurer cannot sell tickets at an event because the school treasurer will be preparing the deposit of those funds and the two duties must be performed by two separate individuals to maintain proper segregation of duties. The previous version of the administrative regulation required two individuals participate in the selling and collection of tickets and also required the first and last ticket of the roll be attached to the ticket reconciliation to provide documentation of the ticket number series. Therefore, the updated version of the Redbook maintains those requirements already in place.
- (5) Subject Matter: Procedures for expenditures
  - (a) Comment: Ms. Jackson (KY PTA) stated that there seems to be some conflict in language between the administrative regulation's expenditures section and the external support/booster organization section regarding the use of the school's sales tax exemption.
  - (b) Response: A change has been made as a result of this comment. The word "External" was removed from Expenditures, General Guidelines, Item 6.
- (6) Subject Matter: Procedures for cash advances and travel reimbursements
  - (a) Comment: Mr. Tackett (KHSAA) stated that the administrative regulation's provision requiring student presence on a trip for school activity fund reimbursement of school and district administrators travel should be revised to "students are on the trip or the travel is directly related to the planning and execution of student activities."
  - (b) Response: A change was made as a result of the comment. This provision of the administrative regulation prohibits only travel reimbursement paid from school activity funds if administrators are traveling without students. School and district

administrators' travel without students is permitted but must be funded by a source other than school activity funds. Clarification was made to specifically allow for school activity funds' expenditure for expenses for trainings which are required for sponsors/coaches of a student group.

(7) Subject Matter: Examples of allowable expenditures

- (a) Comment: Mr. Fogle (KSBA) stated a concern that the allowance of charitable contributions with school activity funds may not align with the constitutional requirement that expenditures of school funds have an educational purpose.
- (b) Response: A change was made in response to this comment. Many student groups accept donations or raise funds specifically for the purpose of a charitable contribution. These activities promote citizenship. Clarification was made that charitable contributions and donations are allowable only with funds collected specifically for that purpose; otherwise, school activity funds shall not be used to make charitable contributions.

(8) Subject Matter: Examples of disallowed expenditures

- (a) Comment: Mr. Mays (Graves) stated that the administrative regulation should permit the expenditure of school activity funds for renovation or maintenance of school facilities because other funds are not available and students would benefit. Mr. Tackett (KHSAA), Ms. Sego (Bullitt), and Ms. McIntosh (Bullitt) stated that administrative regulation should permit the expenditure of school activity funds for professional development because other funds are not available and professional development benefits students.
- (b) Response: Changes were made as a result of these comments however the prohibitions remain a part of the administrative regulation. The previous version of the administrative regulation prohibited the expenditure of school activity funds for operational expenditures and the two types of expenditures mentioned by the commenters are operational in nature. Therefore, the current version of the Redbook simply clarifies a requirement already in place. Definitions of "maintenance" and "professional development" were included in the current version of the Redbook to clarify the specific types of expenditures which are disallowed. Clarification was made to specifically allow for school activity funds' expenditure for expenses for trainings which are required for sponsors/coaches of a student group.

(9) Subject Matter: Procedures for the transfer of school activity funds

- (a) Comment: Mr. Mays (Graves) stated that transfers of school activity funds to external support/booster groups should be permitted under the administrative regulation because booster groups can spend the funds more efficiently.
- (b) Response: No change was made as a result of this comment. Transferring school activity funds to external support/booster organizations would allow circumvention of the administrative regulation, resulting in school activity funds' expenditure for disallowed purposes or in an unauthorized manner.

(10) Subject Matter: Procedures for external support/booster organizations

- (a) Comment: Ms. Jackson (KY PTA) stated the administrative regulation's requirement for booster groups to submit all monthly bank statements and the required detail in the annual financial report are burdensome. She stated that the recommendation that booster groups transfer funds to the school for expenditure conflicts with PTA suggested fiscal practices; that allowing districts to impose additional requirements on booster groups beyond the requirements in the Redbook would be even more laborious for volunteers; and that the revised administrative regulation's definition of "PTA" is inconsistent with the KY PTA by-laws. Mr. Mays (Graves) stated that booster groups should be permitted to pay game officials directly to eliminate an additional burden on school bookkeepers. Mr. Mays and Ms. McIntosh (Bullitt) stated that school employees sometimes need to handle booster group fundraising monies when their children participate in the fundraisers and when booster group funds are brought into the school to be passed on. Ms. Jackson (KY PTA) and Ms. McIntosh stated that district employees should be permitted to be officers of booster groups with check signing authority because it is difficult to recruit volunteers outside the school system to fill those positions. Ms. Taylor (Todd) stated that the requirement that booster groups bond their treasurer and carry liability insurance will reduce participation in booster groups.
- (b) Response: Changes were made as a result of some of these comments. The requirement for monthly bank statements to be submitted at year end was eliminated and the specific requirements for the annual financial statement were reduced and now align with the requirements for the budget. The recommendation that booster groups transfer funds to the school for expenditure was eliminated although the option to do so remains in the Redbook. Districts may impose additional requirements on booster groups beyond this administrative regulation per KRS 156.070. The definition of "PTA" was modified in the administrative regulation to coincide with the by-laws of the PTA. Game officials must be paid by the school to facilitate the proper issuance of Internal Revenue Service Forms 1099 and to prevent individuals from attempting to circumvent those requirements. The prohibition that district employees shall not handle funds during a booster group fundraiser was eliminated. However, district employees shall not be involved with the receipting, depositing, committing, or disbursing of external support/booster organization funds and district employees shall not have signature authority on the external support/booster organization bank accounts, in order to maintain fiscal and managerial separation of the two legally separate entities. Loss of that separation would classify the external support/booster organization as a part of the school district reporting entity under accounting standards. The requirement that booster group treasurers be bonded was eliminated. The requirement that booster groups carry liability insurance remains a requirement because district liability policies do not cover external organizations.

(11) More detailed information in the Redbook

- (a) Comment: Ms. DeJarnett (McCracken) commented that she appreciated the more detailed information in the updated version of the Redbook.

- (b) Response: No change was made in response to this comment.
- (12) Notation of cash or checks in the Redbook
  - (a) Comment: Ms. DeJarnett (McCracken) commented that she is happy to see the addition of columns to note cash or checks on page 40 of the Redbook.
  - (b) Response: No change was made in response to this comment.
- (13) Purchase order form.
  - (a) Comment: Ms. DeJarnett (McCracken) commented that the new version of the purchase order, page 41 of the Redbook, does not include a place to put the amount paid, the date paid, or check number and that the previous version of the form did include these items. She commented that these aspects of the form should be included in the new version of the form and there should be a place to notate the sub account, if applicable, on the form.
  - (b) Response: Changes were made as a result of this comment. The requested fields were added to the purchase order form.

#### Summary of Statement of Consideration and Action Taken by Promulgating Administrative Body

The Kentucky Department of Education has responded to comments from the public regarding proposed amendments to 702 KAR 3:130. A number of the comments requested elimination of specific procedures or more specific language to better explain the actions required of schools and external support/booster organizations. In many instances, suggestions provided by commenters were adopted, and led to the identification of other areas of the regulation requiring modification, including clarification of the receipting procedures and additional definitions.

Several commenters requested that less stringent receipting procedures be adopted to allow the school bookkeeper to collect money directly from parents and students. Since the receipting procedure is integral to maintaining proper segregation of duties in the cash function, the request was not adopted; however, language has been added to clarify the receipting procedures and their role in segregation of duties.

Commenters requested changes to the "external support/booster organization" section of the Redbook, to lessen some of the requirements. Many of the requests were adopted and clarifying language was added.

As a result of the comments regarding professional development, a definition of "professional development" was added as well as clarification that required trainings for coaches/sponsors of student groups are not considered professional development and are therefore expenditure of school funds for these trainings is specifically allowable. A definition of "maintenance" was included and an item was clarified on the disallowed expenditures listing as a result of the comment regarding maintenance expenditures. The requests to allow school activity funds to be

expended for professional development and maintenance were not accommodated because the prohibition on expenditure of school activity funds for operational expenditures already appears in the administrative regulation.

Commenters questioned the legality school activity funds' expenditure for charitable contributions and whether those disbursements complied with "educational purpose" required by the Kentucky Constitution for school funds. Additional language was added to specify that charitable contributions can only be made from school activity funds which were raised for that specific purpose.

The agency proposes the following changes to the material incorporated by reference:

Page 6

Receipts Section

General Guideline Subsection

Number 1(a)

After "The school treasurer shall never collect money directly from a student or parent", insert the following:

"the school treasurer shall not issue a receipt to students or parents and prepare the deposit of funds to maintain segregation of duties."

Page 6

Receipts Section

General Guideline Subsection

Number 2

Insert the following:

"A pre-numbered receipt".

Delete the following:

"Pre-numbered receipts".

After "shall be issued", insert the following:

"to the payer".

After "and all receipt numbers shall be accounted", insert the following:

"for (if electronic receipts are issued print a copy for the payer)"

Page 7

Receipts Section

General Guideline 7

After "retain a copy of all checks to be deposited.", insert the following:

"The deposit slip shall note the receipt numbers included in the deposit."

Page 7

Receipts Section

General Guideline Subsection  
Number 8

After “validated by the bank”, insert the following:  
    “and the employee initials the deposit ticket”

Page 7

Receipts Section

General Guideline Subsection  
Number 9 (b) –

Insert: “Money”.

Delete: “The money shall be secured in the school safe or night depository if”.

After “for evening events”, insert the following:  
    “shall be placed in a night depository or night drop”.

Page 10

Receipts Section

Charitable Gaming Subsection  
Number 2

After “KRS Chapter 238”, delete: “(<http://dca.ky.gov/Pages/default.aspx>)”.

Page 11

Expenditures Section

General Guideline Subsection  
Number 6

Insert: “Support”.

Delete the following:  
    “External support”.

Page 14

Expenditures Section

Payments for Services Subsection  
Number 18

After “consistent basis”, delete: “,”.

Page 14

Expenditures Section

Payments for Services  
Number 20

After “without incurring liability”, delete: “,”.

Page 17



Expenditures Section

Allowable Expenditures Subsection

Number 9

After "Charitable contributions", insert the following:

"and donations made with funds collected specifically for that purpose".

Delete the following:

"as approved by the local board".

Page 17

Expenditures Section

Allowable Expenditures Subsection

Insert the following as a Number 12:

"12) Expenses for trainings which are required for sponsors/coaches of a student group."

Page 17

Expenditures Section

Disallowed Expenditures Subsection

Number 4

After "such as the PTA or PTO.", delete the following:

"The other organizations shall pay for the incentive directly and money for these expenditures shall not be deposited in the school activity fund bank account."

Page 17

Expenditures Section

Disallowed Expenditures Subsection

Number 10

Delete the following:

"Payment of an individual's personal bills, unless that was the purpose of a fundraiser."

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 11

Insert: "10".

Delete: "11".

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 12

Insert: "11)".

Delete: "12)".

After "buildings or grounds", delete the following:

"unless approved on a Fundraiser Approval (Form F SA 2A)".

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 11

Insert: "12)".

Delete: "13)".

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 11

Insert: "13)".

Delete: "14)".

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 11

Insert: "14)".

Delete: "15)".

Page 18

Expenditures Section

Disallowed Expenditures Subsection

Number 11

Insert: "15)".

Delete: "16)".

Page 20

Reporting Section

Account Balances Subsection

Number 5(b)

After "finance officer's signature", insert the following:

"to transfer general fund monies".

Delete the following:

"of approval".

After "maintained at the school", delete the following:

“level and is due by June 30”.

Page 21

Reporting Section

Monthly Reports Subsection

Number 7

After “List of”, delete: “1099”.

After “payments”, insert the following:

“made to non-employees for federal compliance”.

Delete the following:

“(at the end of each calendar year)”.

Page 21

Reporting Section

Monthly Reports Subsection

Number 8

After “List of donations”, delete the following:

“(at the end of each fiscal year)”

Page 22

External Support/Booster Organizations Section

Initial paragraph

After “(i.e., PTA, PTO, booster organizations, etc”, insert: “.”

After “is a separate legal entity”, insert the following:

“and is responsible for adherence to IRS guidelines and Title IX regulations”

Page 22

External Support/Booster Organizations Section

General Guidelines Subsection

Number 6

After “organization”, insert: “should”.

Delete: “must”.

After “The by-laws”, insert: “should”.

Delete: “must”.

Page 23

External Support/Booster Organizations Section

General Guidelines Subsection

Number 13

After “pay or enhance salaries”, insert: “or”.

Delete: “/”.

After “stipends”, insert the following:

“for any district employee”.

Delete the following:

“, incentives nor purchase gifts”.

Page 23

External Support/Booster Organizations Section

Insurance Subsection

Number 1

After “organizations”, insert the following:

“should”.

After, “be bonded.”, delete the following:

“Documentation of the bond must be submitted to the principal prior to commencing any fundraising activities”.

Page 23

External Support/Booster Organizations Section

Insurance Subsection

Number 2

After “district liability insurance.”, delete the following:

“Contact the district finance officer and the insurance carrier for recommended minimum coverage amounts. Amounts may vary by type of events in which the group will be involved.”

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 7

Insert the following:

“District employees shall not”.

Delete the following:

“School staff cannot”.

After “external support/booster organization by”, insert the following:

“ordering or”.

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 8

Delete the following:

“District employees should not handle funds during any fundraiser conducted by an external support/booster organization.”

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 9

Delete: "9)".

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 10

Insert: "9)".

Delete: "10)".

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 11

Insert: "10)".

Delete: "11)".

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 12

Insert: "11)".

Delete: "12)".

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 13

Insert: "12)".

Delete: "13)".

Page 24

External Support/Booster Organizations Section

Fundraising Subsection

Number 14

Delete the following:

"14) It is recommended that external support/booster organizations donate funds to the school for expenditure."

Page 25

External Support/Booster Organizations Section

Reporting Subsection

Number 2

After “an annual financial report”, delete the following:

“and copies of all monthly bank statements”.

After “at a minimum,”, delete the following:

“receipts from admissions, fundraisers, dues, concession sales, and other categories, expenditures by payee,”.

After “cash beginning balance,”, delete: “and”.

After “cash ending balance”, insert the following:

“, and revenues and expenditures by category, (i.e., admission revenues, concession revenues, items for resale, supplies)”.

Page 27

Definitions

Accounts Payable

Insert the following:

“Goods or services that have been”.

Delete: “Services”.

After “received”, insert the following:

“but that have not been paid for by month or”.

Delete the following:

“or merchandise received for which the product(s) has been invoiced by”.

Page 28

Definitions

Insert a new definition after definition for “**Ledger**”:

“**Maintenance** – Activities concerned with keeping the physical plant open, comfortable, and safe for use and with keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the school vicinity.”

Page 29

Definitions

Insert a new definition after definition for “**Procurement**”:

“**Professional Development**—Includes such activities as seminars and conferences, continuing professional education, courses for college credit, and other activities related to the ongoing growth and development of personnel.”

Page 29

Definitions

Purchase Order (Form F-SA-7) Definition

After “goods or services which”, insert: “indicate”.

Delete: “indicates”.

Page 35

Forms

Form F-SA-2B

After “Fundraiser”, delete “Date”.

After Sponsor and Principal signature lines, insert the following:

“**Date of Fundraiser** \_\_\_\_\_ **Date Submitted** \_\_\_\_\_”.

Page 41

Forms

Form F-SA-7

At the bottom of the form, to the right of the “Authorized by:” and “Approved by:” sections, insert the following:

“**Amount Paid:** \_\_\_\_\_

**Date Paid:** \_\_\_\_\_

**Check Number:** \_\_\_\_\_”.

1    **Education and Workforce Development Cabinet**

2    **Kentucky Board of Education**

3    **Department of Education**

4    **(Amended after comments)**

5    **702 KAR 3:130. Internal accounting.**

6    RELATES TO: KRS Chapter 45A, 61.410, 66.480, 156.029, 156.076, 156.160, 156.200,  
7    158.290, Chapter 160, 161.540, 161.560, 342.640, 424.260

8    STATUTORY AUTHORITY: KRS 156.070, 156.160

9    NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.070(1) gives the Kentucky Board  
10   of Education the management and control of the common schools. KRS 156.200 requires the  
11   Kentucky Board of Education to regulate accounting procedures and reports of local school  
12   districts. This administrative regulation establishes uniform procedures for the accounting of  
13   school activity funds.

14   Section 1. Definition. "Activity funds" means [~~:(1) Means~~] all school funds including funds  
15   derived from fund raising activities sponsored under the auspices of the school[;] and does [~~(2)~~  
16   ~~Does~~] not mean funds raised or received by organizations which do not come under the direct  
17   supervision of school authorities.

18   Section 2. District Responsibilities. A district board of education shall have [~~:(1) Have~~] the  
19   responsibility for administration and control of all activity funds [;] and comply [~~(2) Comply~~]  
20   with "Accounting Procedures for Kentucky School Activity Funds".



1 Section 3. Audits. (1) Activity funds internal accounts shall be audited annually by a certified  
2 public accountant.

3 (2) Audit reports shall be reviewed and accepted by the local board of education and appropriate  
4 action taken.

5 (3) Recommendations and exceptions listed in the audit shall be reviewed by staff of the  
6 Department of Education, and a report shall be made to the local board of education [~~district~~  
7 ~~Board of Education~~].

8 (4) A copy of the school audit report shall be on file in both the office of the principal and the  
9 office of the superintendent of the local school district where it shall be open for public  
10 inspection.

11 Section 4. Incorporation by Reference. (1) "Accounting Procedures for Kentucky School  
12 Activity Funds", November 2012 [~~August 2007~~], is incorporated by reference.

13 (2) This document may be inspected, copied, or obtained, subject to applicable copyright law, at  
14 the Department of Education, Division [~~Office~~] of District Support [~~Services~~], 15th Floor,  
15 Capital Plaza Tower, 500 Mero Street, Frankfort, Kentucky, Monday through Friday, 8 a.m. to  
16 4:30 p.m.

This is to certify that the chief state school officer has reviewed and recommended this administrative regulation prior to its adoption by the Kentucky Board of Education, as required by KRS 156.070 (4).

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Terry Holliday, Ph.D.  
Commissioner of Education

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
David Karem, Chairperson  
Kentucky Board of Education

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this proposed administrative regulation shall be held on December 21, 2012, at 10 a.m. in the State Board Room, 1<sup>st</sup> Floor, Capital Plaza Tower, 500 Mero Street, Frankfort, Kentucky. Individuals interested in being heard at this meeting shall notify this agency in writing five working days prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until January 2, 2013. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to Kevin C. Brown, General Counsel, Kentucky Department of Education, First Floor, Capital Plaza Tower, 500 Mero Street, Frankfort, Kentucky, 40601, phone 502-564-4474, fax 502-564-9321.

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation: 702 KAR 3:130

Agency Contact Person: Kevin C. Brown

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes uniform procedures for the accounting of school activity funds.

(b) The necessity of this administrative regulation: This administrative regulation was necessary to continue the Kentucky Board of Education's authority over accounting procedures and reports of local school districts.

(c) How this administrative regulation conforms to the content of the authorizing statute: This administrative regulation provides a specific definition for "Activity Funds" and incorporates by reference the "Accounting Procedures for Kentucky School Activity Funds" as required by KRS 156.200.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This regulation provides the specifics for the accounting of activity funds and establishes uniform procedures to account for those funds.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This amendment incorporates updates to the existing "Accounting Procedures for Kentucky School Activity Funds" as incorporated by reference to assist in compliance with KRS 156.200.

(b) The necessity of the amendment to this administrative regulation: This amendment is necessary to update the requirements of activity fund accounting within schools to ensure compliance with changes in accounting and auditing guidance as well as updates to other statutes impacting school activity funds.

(c) How the amendment conforms to the content of the authorizing statute: This amendment conforms to the authorizing statute by specifying the accounting requirements of the school activity funds.

(d) How the amendment will assist in the effective administration of the statutes: This amendment will provide specific direction to schools and districts for the implementation of the requirements of the uniform procedures and reports of school activity funds.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Superintendents, principals, teachers,

finance officers, bookkeepers and students of local school districts in Kentucky, and supporting staff in the agency. This also impacts outside certified public accountants performing the audits, and fundraising organizations that are under the auspices of the school.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including: The proposed amendment will have minimal impact on most school districts as the updated requirements in this amendment reflect the current practices and the current technology in place in most school districts and will ensure consistent and updated practices and procedures in all school districts across the state.

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Most school districts will not have to take any actions or will take minimal actions to train school staff on the changes to the regulation which may already be in place in their districts.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): Most school districts will not have any or will have minimal additional administrative expenses as a result of the proposed amendment because most school districts already have these practices and technology in place in their districts.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): School revenue generated from fundraising activities will be properly recorded and spent in accordance with the established statute and regulation; there will be tighter controls of activity funds to aid in the prevention of loss of those funds; and there will be greater accountability of outside support/booster organizations to local school districts.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: The proposed amendment may result in minimal additional administrative costs.

(b) On a continuing basis: The proposed amendment does not result in additional costs.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Existing state and local funds.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: There will not be an increase in fees or funding because of this amendment.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish fees or directly or indirectly increase any fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering was not appropriate in this administrative regulation because the administrative regulation applies equally to all public K-12 schools.

## FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation Number: 702 KAR 3:130  
Contact Person: Kevin C. Brown  
Phone number: 564-4474

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? School districts

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 156.070, KRS 156.160, and KRS 156.200

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. Minimal additional administrative expense to school districts

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? None

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? None

(c) How much will it cost to administer this program for the first year? The proposed amendment may require minimal additional administrative costs for the first year.

(d) How much will it cost to administer this program for subsequent years? The proposed amendment will require no additional cost.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation:

Summary Page - Incorporation by Reference

702 KAR 3:130. Internal Accounting.

(1) The following document is incorporated by reference:

(a) "Accounting Procedures for Kentucky School Activity Funds," November 2012 [~~August 2007~~]

(2) This document serves to establish uniform procedures in accounting for activity funds.

(3) The document incorporated by reference consists of (65) [~~(40)~~] pages.