

1 EDUCATION AND WORKFORCE DEVELOPMENT CABINET

2 Kentucky Board of Education

3 Department of Education

4 (Amendment)

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
10 Board of Education the management and control of the common schools. KRS 156.200 requires
11 the 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 all school funds including funds derived
15 from fundraising activities sponsored under the auspices of the school and does not mean funds
16 raised or received by organizations which do not come under the direct supervision of school
17 authorities.

18 Section 2. District Responsibilities. (1) A district board of education shall have the
19 responsibility for administration and control of all activity funds and comply with "Accounting
20 Procedures for Kentucky School Activity Funds", which is also known as the "Redbook".

21 (2)(a) [~~The August 2007 edition of the Redbook shall be used until June 30, 2013.~~]

1 ~~_____~~(b) The March 2013 edition of the Redbook shall be used [~~beginning July 1, 2013~~]through
2 July 31, 2019.

3 (b) The August 2019 edition of the Redbook shall be used beginning on August 1, 2019.

4 Section 3. Audits. (1) Activity fund internal accounts shall be audited annually by a
5 certified public accountant, and a report shall be made to the district board of education.

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

8 (3) Recommendations and exceptions listed in the audit shall be reviewed by staff of the
9 Department of Education.

10 (4) A copy of the school audit report shall be on file in both the office of the principal and
11 the office of the superintendent of the local school district. It shall be open for public inspection in
12 both locations.

13 Section 4. Incorporation by Reference. (1) "Accounting Procedures for Kentucky School
14 Activity Funds", August 2019[~~2013~~], is incorporated by reference.

15 (2) This material may be inspected, copied, or obtained, subject to applicable copyright
16 law, at the Department of Education, Division of District Support, 300 Sower Boulevard, 4th
17 Floor[~~15th Floor, Capital Plaza Tower, 500 Mero Street~~], Frankfort, Kentucky, Monday through
18 Friday, 8 a.m. to 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(5).

(Date)

Wayne D. Lewis, Ph.D.
Commissioner of Education

(Date)

Hal Heiner, Chairperson
Kentucky Board of Education

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on July 29, 2019 at 10:00 am, in the State Board Room, Fifth Floor, 300 Sower Boulevard, Frankfort, Kentucky. Individuals interested in being heard at this hearing shall notify this agency in writing by 5 workdays 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 cancelled. 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 through July 31, 2019. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to:

CONTACT PERSON: Deanna Durrett, General Counsel, Kentucky Department of Education, 300 Sower Boulevard, 5th Floor, Frankfort, KY 40601, phone 502-564-4474, fax 502-564-9321, email regcomments@education.ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

702 KAR 3:130

Contact Person: Deanna Durrett, Deanna.Durrett@education.ky.gov

Phone number: 502-564-4474

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation amendment makes necessary updates to the Accounting Procedures for Kentucky School Activity Funds (aka “Redbook”) which establishes a uniform accounting method for the receipt and expenditure of school activity fund monies. The Redbook was last updated in 2013.

(b) The necessity of this administrative regulation:

Since the last amendment of this regulation in 2013, Kentucky Department of Education staff, school district finance officers and school district auditors have identified necessary changes to accounting and reporting processes, as well as best practices, that have been incorporated into the amendment.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

KRS 156.070 charges the Kentucky Board of Education with the management and control of all common schools, and requires the state board to promulgate administrative regulations for the efficient management and control of the schools. KRS 156.200 requires the Commissioner of Education to ensure that all school district financial and educational accounts are accurately and neatly kept. This regulation establishes uniform policies and procedures for the proper accounting of school activity funds.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

KRS 156.070 charges the Kentucky Board of Education with the management and control of all common schools, and requires the state board to promulgate administrative regulations for the efficient management and control of those schools. KRS 156.200 requires the Commissioner of Education to ensure that all school district financial and educational accounts are accurately and neatly kept. This administrative regulation sets forth uniform accounting procedures to ensure all school districts handle school activity funds properly and in accordance with accounting standards.

(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:

The regulation amendment updates the Accounting Procedures for Kentucky School Activity Funds also known as the “Redbook” which districts use for the proper reporting of revenue and expenditures related to school activity funds.

(b) The necessity of the amendment to this administrative regulation:

The Redbook has not been updated since 2013 and over time auditors and school districts have identified accounting and reporting issues and best practices that are included in the updated edition.

(c) How the amendment conforms to the content of the authorizing statutes:

KRS 156.070 charges the Kentucky Board of Education with the management and control of all common schools, and requires the state board to promulgate administrative regulations for the efficient management and control of those schools. KRS 156.200 requires the Commissioner of Education to ensure that all school district financial and educational accounts are accurately and neatly kept. This administrative regulation sets forth uniform accounting procedures to ensure all school districts handle school activity funds properly and in accordance with accounting standards.

(d) How the amendment will assist in the effective administration of the statutes:

KRS 156.070 charges the Kentucky Board of Education with the management and control of all common schools, and requires the state board to promulgate administrative regulations for the efficient management and control of those schools. KRS 156.200 requires the Commissioner of Education to ensure that all school district financial and educational accounts are accurately and neatly kept. This administrative regulation sets forth uniform accounting procedures to ensure all school districts handle school activity funds properly and in accordance with accounting standards.

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

The amendment updates the Accounting Procedures for Kentucky School Activity Funds or the “Redbook” as it is commonly known, and will impact all 173 Kentucky school districts.

(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:

(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:

Training on accounting procedures is currently provided to local school districts by the Kentucky Department of Education. The department will update the existing training to include any new requirements or changes accordingly.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

This amendment is not expected to have a fiscal impact on school districts. Training on accounting procedures is currently provided to local school districts by the Kentucky Department of

Education. The department will update the existing training to include any new requirements or changes accordingly.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):

The amendment provides for a uniform set of accounting procedures for local school districts to report the receipt and expenditure of school activity funds. This ensures that all funds are accurately accounted for according to acceptable accounting standards. This regulation promotes good policies and procedures and protects school funds and school personnel.

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

(a) Initially:

Any costs should be minimal and related to staff time in attending trainings. The Kentucky Department of Education provides training to local school district personnel on accounting procedures for school activity funds.

(b) On a continuing basis:

Any costs should be minimal and related to staff time in attending trainings. The Kentucky Department of Education provides training to local school district personnel on accounting procedures for school activity funds.

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

Kentucky Department of Education General 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 are no fees associated with the regulation amendment.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees:

There are no fees associated with the regulation.

(9) TIERING: Is tiering applied?

Tiering is not applied. This regulation applies to all public school districts. There are no fees associated with this regulation amendment.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

702 KAR 3:130

Contact Person: Deanna Durrett, Deanna.Durrett@education.ky.gov

Phone number: 502-564-4474

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?

The regulation amendment applies to School Districts. It establishes uniform accounting procedures for the receipt and expenditure of student activity funds. The regulation will not fiscally impact the 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, 156.160, 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.

(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?

This amendment will not generate any additional revenue. There is no fiscal impact expected from the amendment. Training on accounting procedures is currently provided to local school districts by the Kentucky Department of Education. The department will update the existing training to include any new requirements or changes accordingly.

(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?

This amendment will not generate any additional revenue. There is no fiscal impact expected from the amendment.

(c) How much will it cost to administer this program for the first year?

N/A. This is not a program. The regulation amends to update the accounting procedures for school districts student activity funds. There should be no new costs associated with this regulation.

(d) How much will it cost to administer this program for subsequent years?

N/A. This is not a program. The regulation amends to update the accounting procedures for school districts student activity funds. There should be no new costs associated with this regulation.

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

Revenues (+/-): N/A

Expenditures (+/-): N/A

Other Explanation:

The regulation amendment applies to School Districts. It establishes uniform accounting procedures for the receipt and expenditure of student activity funds. The regulation will not fiscally impact the districts.

SUMMARY OF CHANGES TO MATERIAL INCORPORATED BY REFERENCE

702 KAR 3:130. Internal accounting

The following documents are incorporated by reference:

(1) "Accounting Procedures for Kentucky School Activity Funds", August 2019. The document incorporated by reference consists of 66 pages. The document incorporated by reference establishes a uniform accounting method for the receipt and expenditure of school activity fund monies. The Redbook was last updated in March of 2013. The most noticeable changes are the inclusion of frequently asked questions incorporated throughout the document and updating the forms to better exemplify what is actually happening in each district and what auditors are looking for as internal controls. Most of the other changes are minor and reflect what districts may already be doing or what auditors are recommending districts incorporate as additional internal controls.