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To my wife, children, and mother
whose cooperation and patience
made this study possible

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CHAPTER I

THE PROBLEM

Introduction

The people of the United States believe in support of public education to a greater extent than do the people of any other nation. Americans, in general, believe that every individual is entitled to the opportunity to climb just as far up the ladder of success as his ability and ambition will permit. Fundamental to this concept is the belief that education is a vital aid to social and economic success. Individuals who have undergone extended schooling, and are now enjoying the advantages of that schooling, generally desire an equal or greater educational opportunity for their children. Many parents, whose formal education terminated prior to completion of elementary school or high school, also believe that extensive education is the key to success. These people are frequently determined to provide for their children the advantages which appear to be inherent in large amounts of education.

It is commonly recognized that the economic and political development of any nation depends primarily upon sound education of its people. With chaotic world relations in prospect for many years to come, an efficient educational system is essential if the United States is to successfully exert economic and political leadership among all nations.

Confidence in education has made schooling an important element in the American way of life. The school system is quite often the largest business in a community. Almost every resident of the community is affected directly or indirectly by it. Regarding the extent of education, Reeder states:

> To conduct this immense business more than one million teachers, janitors, bus drivers, clerks, and other employees are required. This huge army of employees has under its tutelage, administration, and supervision more than thirty million pupils. Approximately one person in every five of the population now gives his working hours to study, teaching, administration, supervision, or some other phase of schoolwork, and there are few homes which do not have at least one representative regularly in school either as a pupil or as an employee.[1]

Only infrequently do schools engage in activities which produce revenue. Instead, they perform a service designed to increase the effectiveness with which individuals participate in the affairs of the community. However, schools cannot operate without spending money and it is public money which keeps them functioning. The operation of a school system costs each taxpayer whether or not he has children to be educated. It is apparent, then, that anything that affects the schools either directly or indirectly, also affects almost every adult person. Public education, as a large and complex business, must be expertly managed if it is to pay dividends in educational service. Budgeting and financial

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[1] Ward G. Reeder, The Fundamentals of Public School Administration (New York: The Macmillan Company, 1951), p. 3.

accounting are important functions in the administration of schools, and when adequately performed, they facilitate better educational service. It is undoubtedly true that all persons should be concerned about the budgeting and financial accounting phases of the operation of an educational system.

Concepts of School Budgeting and Accounting

There are many concepts of budgeting, all similar in some respects, yet different when applied to the financial activities of individuals, business firms, or public institutions. Certain of the many concepts are discussed in this section to provide a background for the consideration of budgeting as applied to the operation of school systems.

To an individual or a family, a budget is a plan for the distribution of available income so that the maximum benefit will be derived. The individual members of a family may differ; their needs, their tastes, and their talents sometimes vary greatly, yet distribution of family income should be equitable. A family, planning together, can develop a budget that will be fair to all and at the same time allow the maximum amount of satisfaction to each member for each dollar of family income expended. To the individual or family, then, a budget is a systematic plan for the spending and saving of money.

A study of the development of budgeting shows that it had its origin in business and industrial organizations. By intelligently planning future business activities, and carefully estimating income and expense, the management of a business or industrial concern can predict how much profit will be realized during the ensuing fiscal period. As a result of pre-planning and estimating, those phases of operation of the business which appear to be unprofitable may be revised or discontinued. As the work of producing and selling progresses, results can be compared with the estimates to determine the extent and causes of variations from the predicted outcomes.

Executives of business and industrial firms have found that pre-planning and the comparison of anticipated results with actual outcomes is conducive to successful management. Business men who are concerned with budgeting in business or industrial enterprises, in general, accept the concept of budgeting advanced by Neuner.[2] That concept is based upon the idea that a budget is an intelligently prepared estimate of future business conditions, including probable income and expense. Such an estimate is designed to aid management in the co-ordination of the selling, production, and administrative functions of business.

Budgeting procedures apply in yet another way in the case of municipalities which collect and spend money in order to provide public services. Many limitations are placed on the collecting and spending of this money. Neither action can be legally accomplished until a budget has been prepared and approved by the prescribed authorities as designated by law. The approval of the budget constitutes sanction for the collection of the revenue, rendering of the services, and disbursing of the money. In municipal accounting a budget has been defined as:

> A plan for financing an enterprise or government during a definite period, which is prepared and submitted by responsible

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[2] John J. W. Neuner, <u>Cost Accounting Principles and Practice</u> (Chicago: Richard D. Irwin, Inc., 1951), p. 455.

> executives to a representative body (or duly constituted agent) whose approval and authorization are necessary before the plan may be executed.[3]

According to this definition the chief function of the budget for a municipality appears to be to facilitate the authorization for spending public money. Undoubtedly, the primary function of a budget for a municipality should be to give direction to the program of public service for which the money is to be expended.

If a school system is properly operated, careful consideration is given each year to the educational services the community needs and desires to obtain. Planning the educational services to be purchased, calculating the cost thereof, and determining the means of financing expenditures is commonly known as school budgeting.

Although the foregoing concept of school budgeting appears to be commonplace, various writers express the concept in quite different terminology. Typical of the definitions are these:

> A budget is an estimate of the proposed expenditures for a given period or purpose and the proposed means of financing them.[4]

> A budget is a systemized statement which forecasts the probable expenditures and the anticipated revenues of an individual, an organization or an institution during a stated period of time.[5]

> From a technical standpoint, a school budget may be defined as a financial plan of a school's program for a given period of time--usually one year--indicating amounts and sources of anticipated

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[3] W. K. Newton, "Outlines of Municipal Accounting," Mimeographed, University Book Exchange (Norman, Oklahoma, 1950), p. 7.

[4] Texas Educational Agency, Bulletin 545, A Guide to Budgeting, Accounting, and Auditing of School Funds (Austin, 1953), p. 3.

[5] W. G. Reeder, The Fundamentals of Public School Administration (New York: The Macmillan Company, 1931), p. 166.

revenues and amounts and purposes of proposed expenditures. A non-technical definition of the school budget might be stated as follows: A school budget is the fiscal interpretation or reflection of the school's policies and activities.[6]

A school budget is the working plan for providing funds required to make available the competent individuals, the plant facilities, the essential services and needed materials which will achieve the educational objectives undertaken for the year.[7]

Regardless of the way in which various writers express their ideas, they, in general, agree with the functional view indicated by Mort and Reusser[8] that a school budget is an expression in dollars and cents of the educational program to be offered. It must at all times reflect the nature and character of the educational activities that are to be supported by the community. There is general agreement also that there are three parts to a well formulated school budget: (1) an educational plan, (2) an expenditure plan, and (3) a financing plan.

It is apparent that a school budget provides an estimate of receipts, reveals the amount of the tax levies, and when approved, constitutes authorization for expenditures. However, meeting the legal requirements relative to school appropriations is all that is accomplished when the budget is prepared by a professional accountant not otherwise connected with the school system.

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[6] John Guy Fowlkes, "School Policies and the Budget," The School Executive, LXVII (November, 1947), p. 45.

[7] D. Ross Pugmire and Jess Burkett (ed), "Practical Approaches to Designing and Financing School Programs to Meet Current and Increasing Educational Needs of the Community," Proceedings of the OCPEA Workshop in Educational Administration, July 7-11, 1952 (The Committee for the Co-operative Program in Education Administration of the Oklahoma Association of School Administrators, University of Oklahoma, Norman, February, 1953), p. 29.

[8] Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, 1951), p. 160.

School budgeting procedures become most significant when the school superintendent, with the co-operation of school board members, principals, teachers, and laymen, prepares the budget and uses it throughout the year as a guide for educational procedures. In a survey sponsored by Phi Delta Kappa[9] it was found that broad participation of laymen and teachers in budgeting, increases the likelihood that the planning will result in better educational programs. Broad participation in school budgeting results in the spreading of knowledge relative to school planning. Thus, desirable public relations are maintained and taxpayers develop confidence in the school administrators as they perceive what is actually to be provided from school funds.

There are several values inherent in proper budgeting procedures each of which is dependent upon the manner in which the budget is prepared and used. Careful consideration of the school budget provides an overview of the entire educational program, because the educational, financial, and spending plans are presented in their entirety. Budget procedures performed annually necessitates critical analysis of both old and new educational procedures. Such analysis is most beneficial when it constitutes a self-examination by administrators, teachers, and laymen. This element in budgeting is not present when the school budget is prepared by a professional accountant.

School budgeting can develop cooperation and goodwill within a school system. Group planning enables persons in charge of the business

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[9]"Some Effects of Finance Policies and Practices on the Public School Program," The Phi Delta Kappan, XXXIII, No. 1 (September, 1951), p. 43.

activities to learn much about educational requirements. It enables members of the educational staff to become better acquainted with some of the problems of financing school activities and to gain greater knowledge of the functions of other departments in the school system. Increased understanding of the total school program and group action relative to budget problems are likely to result in better cooperation within the school system.

There are additional values which may result from sound school budgeting techniques. Budgeting may stimulate planning so that long-range goals may be reached as well as those which are established for the year ahead. A well-developed school budget may also improve the over-all accounting procedure because the cycle of planning, accounting, and reporting is specified for each educational unit.

The discussion in this section indicates that there are several desirable procedures in school budgeting. However, it is apparent that only a few of the desirable outcomes are gained when school officials avoid the task of preparing the budget and employ an accountant to do the job. School budgeting should be educational planning. It should be more than a periodic accounting procedure in which figures are assembled into financial statements by accountants.

Much of the value of school budgeting is lost unless the budget is supported by an adequate accounting system. School financial accounting has been defined as: "A system of records wherein school activities are measured in dollar amounts which are recorded and classified to ensure adequate information for analysis and reports."[10]

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[10] Michigan State Department of Education, Financial Accounting for Michigan School Districts, Bulletin No. 1022 (Lansing, 1950), p. 53.

The principal purposes of a school accounting system as summarized by the Minnesota School Financial Accounting Committee are:

1. To provide a definite, well-organized record of all financial transactions in accordance with recognized governmental accounting procedure which will show where the money comes from, how much is available, and what it is used for;
2. To safeguard the people of the district and those administering public school funds by means of clear records of all financial transactions, periodic audits, and financial reports;
3. To form a basis on which to make financial and educational plans for the future;
4. To provide uniform data for reporting to county, state, and federal agencies.[11]

Some discussion of the functions of a school financial accounting system is necessary for an understanding of the importance of adequate financial accounting for a school system. Acceptance by a school board of the responsibility for administering the business affairs of a local school system implies recognition of an obligation to the taxpayers of the district and of the state. Proper administration of the school system necessitates adequate accounting for all school funds. When public funds are used, the taxpayer has a right to detailed information relative to the manner in which the funds are utilized. An adequate and informative record enables patrons of the school to become informed and prevents dissatisfaction and criticism because of lack of information relating to school expenditures. Such a record also provides protection to school officials in cases of controversy.

Adequate accounting systems contribute to intelligent educational planning by local school officials. They also contribute to school

[11]Minnesota Department of Education, Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts (St. Paul, 1952 Revision), p. 11.

financial planning on state and national levels and provide data upon which state legislatures and the national congress can base decisions regarding financial aid to schools. In addition, adequate accounting systems provide accurate and informative data for reports to local, state, and federal agencies and facilitate school budgeting.

A school accounting system should possess the quality of uniformity. Uniformity in accounting systems facilitates comparative studies among different schools or for different years within a single school system. Uniformity in accounting terminology and accounting systems throughout a state would make the adjustment of school administrators to new positons less difficult. It would eliminate the need for adjustment to a new and radically different system of financial accounting whenever a superintendent changes positions. It would also simplify annual audits since the auditor would not have to spend time studying the accounting system of every school he audits. Uniformity on a national scale would extend the values derived in the individual states.

Financial accounting for schools is a form of municipal accounting. It is similar to the accounting required for city and county governments in that public money is collected and expended for the purpose of rendering public service as contrasted to the profit motive of private enterprises. However, it appears that the similarity ends there. Services rendered by school systems are different from those performed by municipalities in general. The sources of revenues and the nature of expenditures in school systems are quite different from those of cities or counties. Schools are required to make detailed financial reports revealing the function and character of all expenditures. City and county financial records are designed primarily to safeguard the expenditure of public money and to aid in the preparation of budgets.

Cities and counties usually employ professional bookkeepers and accountants in sufficient numbers to maintain all financial records that are deemed necessary. Only in a relatively few large school systems are accounting operations performed by professional personnel. Actually, the budgeting and accounting phase of the work of school administrators is often considered as incidental. This is perhaps the most notable difference between school system accounting and that of cities and counties.

It appears that school budgeting and accounting may be regarded as a special form of municipal accounting. Thus, the basic principles of municipal accounting are utilized in the development and maintenance of school accounting systems. There is much evidence, however, that the actual application of the accounting principles in school operation is different from that in cities and towns. It should be noted that the financial accounting for large school districts may be quite similar to that of other municipalities. However, the differences are magnified for the school districts with small numbers of students and limited funds. The great majority of school systems in Oklahoma may be considered under the latter category.

Status of Budgeting and Accounting in Oklahoma School Systems

As previously indicated, authorities on school administration agree that the first step in the preparation of a school budget should involve formulation of the basic plan of the educational program to be supported. The plans for expenditures and for financing should be developed only after the educational services the school district desires to offer have been determined. If there are insufficient monies to support the desired educational program, it becomes necessary to reduce or eliminate certain of the services set forth in the educational plan. There is no other way to bring the educational, expenditure, and financing elements into focus.

In 1948 Kline[12] discovered that only two of 77 Nebraska school budgets which he studied contained statements relative to the educational programs for which funds were appropriated. This was true even though approximately three-fourths of the school superintendents reported that the statement of educational requirements is the most important part of the budget. Although no comparable data are available concerning the budget circumstances in Oklahoma, it is undoubtedly true that similar conditions prevail as in Nebraska.

The budget form prescribed for use by Oklahoma school systems comprises financial statements and audit reports. Space is provided for detailed information relative to expenditures and over-all financing but no provision is made for the presentation of information pertaining to the educational program to be offered. Superintendents of school systems in Oklahoma who attended a workshop at the University of Oklahoma in 1952, recognized that there are weaknesses in the budgeting procedures now commonly utilized. Statements from the published proceedings of the

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[12] Barton L. Kline, "School Budgets Need Improvement," The American School Board Journal, CXIX (August, 1949), p. 44.

workshop indicate that educational planning is a neglected phase of school budgeting in Oklahoma:

> It was brought out in the discussion that budgetary procedures as generally practiced in Oklahoma are negative in approach. By this negative approach, we cut the pattern to fit the material and have no opportunity to evolve services that are needed in Oklahoma schools.
>
> It was agreed that budget making and budget practices as terms are meaningless unless the administration takes a positive approach in planning the educational program which is needed in the community.
>
> It was agreed that the matter of securing revenue to finance the educational plan comes after the plan is made to satisfy the needs.[13]

Experience gained by the author in preparing 40 school budgets for small independent school districts in Oklahoma from 1951 to 1955 substantiates the point of view indicated above. Little evidence was encountered of educational planning as an aspect of budget preparation. Budget forms were completed by the author from financial records kept by the school treasurers and from statistical records obtained from the offices of county superintendents. Ordinarily the individual school superintendent became involved in the procedure only when the budget for the school was nearing completion and the total amount available for immediate appropriation was known. The superintendent then decided how the total funds available for appropriation should be divided among the four appropriation accounts of the General Fund (Teachers' Salaries, Maintenance, Transportation, and Capital Outlay). Decisions concerning allocations of funds were generally made quickly by means of telephone conversations.

The limited experience of the author in preparing budgets for school systems reveals that members of boards of education sign budget

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[13] Pugmire and Burkett, op. cit., p. 35.

forms but usually take no part in the development of the budget. Seldom do members of boards of education ask questions concerning the budgets that they sign. Likewise, classroom teachers seldom if ever concern themselves with, or are invited to participate in budget preparation.

There are several factors that tend to make educational planning, as the first step in budget making, haphazard in Oklahoma schools. Certain school administrators reason that since there is never enough money available to support a desirable school program they would merely be wasting time if they planned such a program. They reason further that it is best to find out first how much money can be made available and then use it as wisely as possible. It should be noted that the limited amount of money available for state-aided schools in Oklahoma can be used for essentials without placing a definite, detailed educational plan in writing.

A second reason why educational planning by school administrators is neglected in the budget preparation procedure may be that routine duties are so pressing that the administrators tend to neglect that which is not specifically required of them. In the typical small high school the principal is kept busy as a full-time teacher or coach so that the superintendent often must deal with such matters as admittance slips for students; discipline cases; conferences with pupils, teachers, or patrons; purchasing of supplies and equipment; and so forth. If a financial report is required, even the busiest superintendent will see that it is prepared. However, because the educational plan portion of a budget is not required by any higher official, the busy superintendent tends to use all of his available time for other duties.

It is generally recognized that the budget form prescribed for use in the public schools of Oklahoma is so complicated that it requires the services of a professional accountant who has had experience in school auditing. At the workshop in educational administration at the University of Oklahoma in 1952, R. L. McLean, a member of the State Board of Education, made the statement that: "The budget forms in use in this state are extremely long and complicated."[14] This complexity discourages study of budget content by lay members of local boards of education. It may also be noted that school systems in which the school officials neglect to prepare an educational plan for the budget and have the financial elements prepared by an auditor, are not likely to gain all of the educational benefits attributed to proper budgeting procedures.

McLean indicated elements of weakness in the accounting systems used in Oklahoma Schools when he stated that:

> Many of the problems encountered in the financing of schools in this state are traceable to the accounting system, or lack of a system. Too many devious methods of accounting are employed in the schools of Oklahoma. They give no thought to uniformity nor to any apparent purpose whatever.
>
> It is a sad indictment of our systems of accounting that only a small percentage of reports received by the state department reflect a true picture of the status of the reporting school. Only a few schools of the state can present an actual cost analysis by unit or function. In fact, no detailed, clear-cut informative accounting system is kept. Without such a system, no school can possibly reflect in its reports the use made of materials purchased. Reports that are made from inadequate systems of accounting cannot have very much meaning in the study of cost analysis. Such reports are of little value to a study of comparative costs among school systems.[15]

Legislation of the state of Oklahoma pertaining to school budgeting stipulates specifically that General Fund receipts (as contrasted

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[14] Ibid., p. 41.

[15] Ibid., p. 42.

to the Bond Fund, Building Fund, or special cash accounts such as Indian Enrichment money) must be appropriated to four accounts, namely: Teachers' Salaries, Maintenance, Transportation, and Capital Outlay. School treasurers, in maintaining accounting systems, generally utilize these four account classifications to ensure that expenditures will not exceed appropriations. However, financial reports required by the State Board of Education contain other classifications.

The United States Office of Education requires each state department of education to file a financial report relative to the financial operations of the schools of that state. The financial reports from the various states are compiled into a nation-wide report for distribution to persons or groups who can make use of such information. In order to complete its report to the United States Office of Education, the Oklahoma State Board of Education requires an annual financial report from each school district. The state form includes financial information classified under eight primary accounts and certain subsidiary accounts. The eight primary accounts are titled in terms of the purposes for which money is expended. The accounts are: Administration, Instruction, Plant Operation, Plant Maintenance, Other School Services, Fixed Charges, Capital Outlay, and Debt Service. Expenditures from the eight accounts are classified in the annual reports in terms of whether the expense was for elementary education or for secondary education.

Records maintained by means of the four appropriation accounts appear to be inadequate as sources of data for either the state or nation-wide financial reports. Often the classification of expenditures from the four accounts in terms of the eight purposes constitues only a guess by the superintendent. The state-wide financial report to the United States Office of Education consists of an accumulation of guesses from the individual local school systems. It is obvious that such a report is also inaccurate and therefore of doubtful value for comparative or cost analysis purposes.

The need for improvement in budgeting and accounting for Oklahoma schools is widely recognized. This was evidenced in an announcement in the form of a letter to all school superintendents in Oklahoma in July of 1953. The letter is quoted in part:

> There is evidence that improvements are needed in the processes of budgeting, accounting and reporting the financial activities of the schools in Oklahoma. Several OCPEA groups have asked that the problem be studied with the State Department of Education to determine what improvements are needed and to make recommendations. This committee wants the assistance of superintendents and school boards throughout the state and invites all of you to attend a work conference to study the problem. It is the hope of the committee that such a conference will promote fuller understanding of the problem and give guidance toward a practical solution. It is possible that out of this effort can come a system of budgeting, accounting, and reporting which will meet established standards of uniformity, adequacy and simplicity.[16]

During the fall of 1953, work conferences were conducted with boards of education and superintendents of schools from various areas of Oklahoma participating. A summary of reports of the conferences was compiled. It is interesting to note that most of the participants of the conferences expressed a desire for revision of the present system of financial budgeting, accounting, and reporting in Oklahoma. The two

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[16] Mimeographed letter from Al Harris, Chairman, Special Committee of OCPEA and President of Oklahoma Association of School Administrators (July, 1953).

major requests for changes were in regard to uniformity and simplicity. Almost all groups which studied the problem of financial budgeting, accounting, and reporting requested that there be uniformity between the budget form, the accounting system, and reporting forms. There was an equally urgent request for simplicity of the budget form in order that the budget can be better understood and interpreted by laymen.[17]

While it is commonly recognized that budgeting should be an important part of school administration and, rightly performed, it promotes better educational facilities and services, it is undoubtedly true that in the small independent school districts of Oklahoma the task of making the budget is left almost entirely to an accountant not otherwise connected with the school system. Specifically, the need for a study of the budgeting and accounting procedures for Oklahoma school systems is reflected in three ways:

> 1. The budget form now in use is believed to be unnecessarily long and complicated even though it does not indicate the educational program the budget is designed to support. The complexity of the budget form makes it unsuitable for study by board members, teachers, and patrons.
> 2. There is little co-ordination between the budget form now prescribed for Oklahoma school systems, the accounting systems usually maintained, and the required financial reports.
> 3. There is little comparability between financial reports among the various schools of the state because of lack of a uniform accounting system.

Statement of the Problem

The problem of this study is to facilitate improvement in the budgeting and accounting procedures for the public schools of Oklahoma.

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[17] The Oklahoma Cooperative Program in Educational Administration, Summary of Reports of the Area Joint Work Conferences of Boards of Education and Superintendents of Schools, Fall—1953, ed., Kelly Askew (University of Oklahoma, 1953).

As such it consists of three major parts:

1. Identification of fundamental principles of budgeting and financial accounting for public school systems.
2. Revision of the budget forms used in Oklahoma school systems to permit the application of sound principles of budgeting and accounting.
3. The establishment of a uniform financial accounting system which will simplify budget preparation, facilitate reporting of financial data and provide reliable statistics for comparative purposes at both the state and national levels.

Authorities in the field of educational administration commonly regard school budgeting, accounting procedures, and the reporting of financial data as three parts of the total fiscal control problem. It is generally recognized that weaknesses in financial reporting are often corrected through the use of good budget forms and accounting procedures. Thus, the primary purpose of this study is to effect major improvements in the budget forms phase of fiscal control in small independent school systems in Oklahoma.

Delimitation

The data in this study pertain primarily to budgeting and accounting requirements of the small independent school systems of Oklahoma rather than to the special requirements of the few large systems in cities such as Oklahoma City or Tulsa.

A small independent school system is defined, for the purposes of this study, as a system offering instruction in grades 1 through 12 and employing not less than 6 nor more than 40 teachers. Such school systems have major budgeting and accounting problems but usually function without extensive facilities for detailed budgeting and accounting control.

This study is restricted to the budgeting of and accounting for school district funds used for current expense purposes and controlled directly by local boards of education. It does not involve the handling of student activity or other special funds.

Sources of Data

The information and data included in this study were obtained from the following sources:

1. General literature in the field.
2. Budgeting and accounting forms and handbooks obtained from other states.
3. Oklahoma State Constitution and laws and regulations affecting the budgeting and accounting procedures in public school systems.
4. Recognized authorities on school budgeting and financial accounting in Oklahoma.
5. United States Office of Education publications pertaining to public school financial accounting.[18]

Much of the information from recognized authorities on school budgeting and financial accounting in Oklahoma was obtained as the author participated in a number of meetings of the OCPEA Special Committee for "Financial Budgeting, Accounting and Reporting." The committee was appointed to work with the Finance Division of the State Department of Education in developing a budget instrument, a voucher instrument, ledger forms, and report forms to be recommended to the State Board of Education for use in all of the school districts in Oklahoma.

[18] Federal Security Agency, Office of Education, Washington, D.C; Financial Accounting for Public Schools, Circular No. 204 (Washington: Government Printing Office, 1952); United States Department of Health, Education, and Welfare, Office of Education, Washington, D.C., The Common Core of State Educational Information, Handbook No. 1, Bulletin 1953, No. 8 (Washington: Government Printing Office, 1953); United States Department of Health, Education, & Welfare, Office of Education, "Third Preliminary Draft of Financial Accounting Handbook (December, 1955), Mimeographed.

The committee was composed of a cross section of the group interested in the outcome of the project. It included business managers from large school systems, superintendents from large and small school systems, a county superintendent, a certified public accountant engaged in the educational field, the directors of school finance in Oklahoma, and two college professors of educational administration.

Procedure

The first step undertaken in this study was the identification of desirable practices and procedures in budgeting and accounting for school systems. This was attempted by a survey of pertinent literature. Literature surveyed for suggestions included doctoral studies, professional books in the field, publications from the national and state departments of education, and relevant magazine articles appearing in leading educational magazines during the past 20 years. Practices and procedures in public school budgeting and financial accounting were identified and considered to be desirable in terms of:

1. The opinions of national authorities in the field.
2. The opinions of persons considered to be leaders in school administration and school finance in Oklahoma.
3. The judgment of the author based on his experience as an accounting major in college, as a municipal auditor, and as an administrator for a small independent school system for the past 9 years.

The second step was the identification of the legal requirements pertaining to public school budgeting and financial accounting in Oklahoma. This information was obtained from an analysis of the Oklahoma Statutes, Title 68, concerning Revenue and Taxation;[19] Bulletin No. 145-H

[19] Oklahoma Statutes, 1951, II, pp. 496-718.

of the Oklahoma State Department of Education Entitled, "The School Finance and Transportation Laws Including the State Board of Education Regulations for Administration;"[20] The Oklahoma School Code as Enacted by the 1949 Legislature of the State of Oklahoma and Subsequently Amended by the 1951, 1953, and 1955 Legislatures;[21] and parts of the Constitution of the State of Oklahoma[22] affecting budgeting and financial accounting for public school systems.

The third step in this study involved the formation of a school budget instrument which permits the application of sound principles of budgeting and accounting and yet conforms to present Oklahoma legal requirements concerning public school budgeting and financial accounting. Much research went into the development of the budget form recommended in this report. The budgeting and accounting forms from a majority of the states were reviewed critically for desirable features that might be adapted for use in Oklahoma. Bulletins from the United States Office of Education were used as a guide for determining standard account classifications and terminology for use in the budget instrument. Interviews were conducted with auditors from public utility companies, certified public accountants engaged primarily in municipal auditing, the State

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[20] Oklahoma Department of Education, The School Finance and Transportation Laws Including the State Board of Education Regulations for Administration, Bulletin No. 145-H, 1955-57 (Oklahoma City, 1955).

[21] Oklahoma Department of Education, The Oklahoma School Code as enacted by The 1949 Legislature of the State of Oklahoma and Subsequently Amended by the 1951, 1953, and 1955 Legislatures (Oklahoma City, 1955).

[22] Oklahoma Statutes, 1951, I, pp. 43-136.

Director of School Finance, and the State Examiner and Inspector. These interviews provided much practical information especially concerning legal requirements relative to school budgeting.

The resulting budget instrument was mimeographed, distributed to, and discussed with selected school administrators including members of the Oklahoma Cooperative Program in Educational Administration committee on school budgeting, financial accounting and reporting. The instrument was studied at a regular meeting of the committee and suggestions for improvement were made by members of the committee. Further conferences were held with the Director of School Finance and with the State Examiner and Inspector. The proposed budget instrument was modified according to accepted suggestions and again presented at a special meeting of the OCPEA committee. Numerous changes were made in the proposed instrument before it was incorporated in this research report.

In the fourth step, accounting classifications and ledger forms were devised to relate directly to the budget instrument and existing financial reporting requirements. An attempt was made to arrange the accounting forms to provide the financial information needed by small independent school districts in the simplest and least time consuming form possible.

The fifth and final step of this study involved the preparation of this research report. The succeeding chapters of this report are concerned with the analysis and organization of data and the presentation of a proposed budget instrument and accounting system for adoption and use by public schools of Oklahoma. Chapter II briefly reviews related studies in public school budgeting and accounting. Chapters III and IV present data in the form of principles of budgeting and financial accounting for public schools. In Chapter V is set forth the budget instrument and a related system for uniform financial accounting. A summary of this investigation and conclusions are provided in Chapter VI.

CHAPTER II

RELATED STUDIES

Public education has long been a unique characteristic of the American way of life. Although public support of elementary schools is found in most foreign countries, the United States is one of the few nations with a public school system ranging from the elementary school through the university. Public support of education in the United States arises from the belief that the welfare and progress of the nation and its people can best be assured through universal education.

The foundation of the American system of public education was laid in the early national period during and immediately following the American Revolutionary War. By the provisions of the Ordinance of 1785, the lands of the Western Territory were surveyed into congressional townships six miles square, each township having thirty-six lots one mile square. The Ordinance reserved lot 16 of every township for the maintenance of public schools within the township. The principle in this precedent was followed when states were admitted to the Union under the Federal Constitution. Some states received more than one lot of each congressional township. All of the states, including Alaska Territory, received almost 100,000,000 acres from these grants. Thus, public education in the United States received early encouragement by the national government which, in giving the land to the individual states, recognized in effect that the states had the primary responsibility for the general support of public education. Provisions for the support of public education were made in many of the state constitutions and education flourished to the extent that by 1900 the public high school was accepted as a legitimate extension of educational facilities at public expense. While public education in the United States has prevailed for approximately 150 years and universal education has been available through high school for over 50 years, formal budgeting and accounting for schools is a relatively new field.

Formal budgeting for municipalities in general is a rather new development. The first budget for the national government was made in 1921. Interest in school budgeting began about the same time. In recent years it has become increasingly apparent that the budgeting and accounting procedures recommended by the earlier experts were not being followed. Since about 1948 a renewed interest in school budgeting and accounting has been indicated by the number of doctoral studies and magazine articles in the field. It should be noted also that major research studies in public school accounting have occurred during this period.

The first significant study pertaining to public school budgeting was completed in 1922 by Twente.[1] His study involved an investigation of budgetary facts for the state of New York and budgetary practices as reported by superintendents of schools in a nation-wide inquiry. The

[1] John Wesley Twente, Budgetary Procedure for a Local School System (Published Doctor's dissertation, Columbia University; Montpelier, Vt.: Capital City Press, 1922).

prevailing budgetary procedures as revealed by the study were analyzed in terms of standards accepted by experts in educational finance. Twente reported a great variation in budgeting procedures among the states and among the various schools in a single state. His investigation clearly revealed the need for more desirable budgetary practices in line with the standards accepted and recommended by experts in school financial management. He proposed principles and plans for budgetary procedure in a local school system. Following is a brief statement of the budgetary principles advocated:

It is the responsibility of boards of education to:
1. Limit appropriations to income.
2. Act as the reviewing and adopting authority.
3. Approve finances to provide for execution of policies adopted.

It is the responsibility of the superintendent to:
1. Direct the compilation, presentation, and defense of the budget.
2. Counsel his staff.
3. Take the board and the public entirely into his confidence.

In regard to budget estimates and the budget:
1. Time should be given for its intelligent consideration.
2. It must be binding on the administration.
3. No reviewing body should have the power to decrease the amounts estimated.
4. Uniformity in forms is essential to good procedure.
5. Unit costs are most desirable.
6. A large surplus of funds for any one item is undesirable.
7. Financial comparisons with other comparable systems are important.
8. Monthly financial statements should be given.
9. The educational and financial records of the board of education should be submitted to an independent audit at regular intervals.[2]

Many of the principles relating to good budgeting procedure advocated by Twente in 1922 are considered desirable by present day authorities.

[2] Ibid., pp. 131-133.

Another early study and still perhaps the most extensive concerning budgeting practices was completed by DeYoung[3] in 1932. Data were gathered by means of a questionnaire sent to all school systems in the United States which were located in cities ranging in population from 5,000 to 100,000 (1930 census); from personal interviews by the writer with officials of 20 schools; and from letters and newspaper clippings. A 22-page guide was used to aid in the interviews. In all, information concerning budgeting practices was received from 821 school systems. Results of the investigation were reported under four major headings: (1) preparation of the budget, (2) presentation and adoption of the budget, (3) administration of the budget, and (4) appraisal of practices and budgets. DeYoung reported numerous significant findings concerning public school budgeting in 1930. Those findings, while too extensive for listing in this study, formed the basis for his book copyrighted in 1936 and again in 1946.[4] The author recognizes the great contribution to the knowledge of public school budgeting that has been made by DeYoung.

At approximately the same time as DeYoung's investigation a study was being conducted by Ward[5] concerning the administration of school budgets in independent districts in Oklahoma. Ward completed his study in 1933. It includes many facts concerning the actual incomes and

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[3] Chris A. DeYoung, "Budgetary Practices in Public School Administration" (Unpublished Doctor's dissertation, Northwestern University, 1932).

[4] Chris A. DeYoung, Budgeting in Public Schools, (Chicago: John S. Swift Co., Inc., 1946).

[5] John Ward, "The Administration of the School Budgets in Independent Districts in Oklahoma" (Unpublished Doctor's dissertation, The University of Oklahoma, 1933).

expenditures of 342 independent school systems in Oklahoma during the school year 1929-30. Data for the major portion of the study were obtained from the annual financial reports and budgets filed at the state capitol.

Data were displayed in over 100 tables in which the incomes and expenditures of the several school systems were presented in comparable form. The total number of schools in the study were divided into 11 groups with comparable average daily attendance. No attempt was made to develop fundamental principles or methods of budgeting for public schools.

Ward's research pointed up specifically the inequalities of educational opportunities existing among the school districts studied. It emphasized also possible flaws in the accounting and reporting systems of the schools involved by revealing extreme variations in the per cent of total expenditures reported for each major division of expenditure. The study indicated that school budgets should be more carefully prepared and more surely administered. It pointed up the importance of a reliable and uniform system of financial accounting and reporting of public school funds.

As a result of his study Ward stated several conclusions, only one of which bears directly upon this problem:

> Expenditures per pupil in average daily attendance for budget items, both major and minor, show enormous variations in many school systems. Under normal conditions, in school districts confronted with practically the same situations, there would appear to be scarcely any reason why such great variations should occur. School budgets must be prepared more carefully, administered more scientifically, comparable financial data must be at hand, and school administrators must be more skillful in their correct interpretation.[6]

[6] Ibid., p. 554.

An investigation of budgetary procedures in 72 municipal and other independent schools in New Mexico was completed by Tolle[7] in 1938. The statistical data for the study were applicable to the school year 1934-35. Tolle's study involved determination of:

1. The existing constitutional and statutory provisions for public school budgetary procedure in the state of New Mexico.
2. The relationship of existing procedures to accepted standards for school budgeting.
3. The changes necessary to make existing budgetary procedures conform to accepted standards.

He made a careful analysis of the statutes of New Mexico concerning school budgeting. His data relative to prevailing practices and procedures were secured by means of a questionnaire. His investigation revealed that budgeting, as practiced in 1934-35 in 72 schools in New Mexico, only partially conformed to accepted standards. In none of the schools were the standards for the elements of budget form, preparation, justification, adoption, and administration adequately achieved.

On the basis of his study in 1938, Tolle made certain recommendations. Those pertinent to the present study are summarized as follows:

1. A budget form should be adopted which will provide for a statement of the educational policies which the budget is to support and promote.
2. The superintendent should be assigned definite responsibility for compiling the budget, establishing its justification, and carrying out the provisions of the adopted budget.
3. The power to adopt school budgets should rest in the county, municipal, and other independent boards of education.
4. School budget hearings should be held.
5. Income estimates should be based on a detailed analysis of all sources from which income may be expected.
6. Expenditure estimates should be based on unit costs, while estimates for personal service should be based on salary schedules.

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[7] Vernon Otis Tolle, "Budgetary Procedure in the Municipal and Other Independent School Units of New Mexico" (Unpublished Doctor's dissertation, University of California, 1938).

7. An appropriate accounting system should be adopted and followed.

8. The state educational budget auditor should be an employee of the state board of education and should be a member of the state department of education.

In 1948 Kline[8] completed a study of budgets and budgetary procedures in 77 school systems in Nebraska located in cities of 1,000 to 40,000 population. His study consisted of an analysis of budgets and budgetary procedures in terms of practices approved by school administrators.

He discovered that only two of the 77 budgets analyzed were accompanied by statements of the details of the educational programs for which financial support was provided. He found this to be true even though approximately three-fourths of the school superintendents involved in his study reported that a statement of the educational program is the most important part of a school budget. While 79.0 per cent of the superintendents indicated that the preparation of a budget should be a continuous process, only 42.7 per cent reported that, in actual practice, it is continuous. His investigation revealed further that all respondents agreed that an adequate accounting system is necessary if proper budgeting is to be accomplished. However, except in large school systems, practices in budget preparation and administration are not commensurate with the sums of money involved or the number of persons affected. In none of the budget reports studied was there evidence that

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[8] Barton L. Kline, "Application of the Principles and the Statutory Requirements of Budgetary Procedure to Budgetary Practices in Article XXV Schools in Nebraska" (Unpublished Doctor's dissertation, Colorado State College of Education, 1948).

the financial needs of other local government agencies were considered in conjunction with the financial needs of the school system.

Kline came to the conclusion that principles of budgetary procedure as taught in college classes in school administration are not carried over into on-the-job practice. As a partial remedy, he suggested that state superintendents of public instruction should provide improved budget forms, should provide guides for interpreting educational programs, should demonstrate how the financial programs of various governmental units may be integrated, and should provide a standard device for indicating unit or department costs. He recommended, further, that a clear statement of the educational program should be required as an element in the preparation and administration of a school budget.

An investigation of the budgetary process in public schools of Wyoming was reported by Thomsen[9] in 1953. His study was made as the first step in rectifying undesirable conditions then existing. Data were secured from the budget documents of 30 selected public schools, from questionnaires completed by the school superintendents and clerks of the school boards, and from research studies pertinent to the subject. The conclusions reached by Thomsen may be summarized as follows:

1. In only a few Wyoming school districts were the budgetary practices in 1951 in accord with those recommended as being desirable.
2. In most respects the budgetary procedures in large school systems were better than those followed in smaller systems.
3. Budgets generally were inadequate as to inclusion of explanatory or descriptive materials.
4. The budget form used in the common schools of Wyoming was inadequate.

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[9] Robert R. Thomsen, "An Analysis of Budgetary Procedure in Wyoming Schools" (Unpublished Doctor's dissertation, University of Wyoming, 1952).

On the basis of his investigation, he made several recommendations in regard to the form of a school budget. Four of his recommendations are pertinent to the present study:

1. Forms and worksheets should be devised to facilitate the collection and summarization of necessary data.
2. Provisions must be made within the budget document for adequate classification of receipts and expenditures.
3. The budget document should contain a summary of the educational needs of the school child as the focal point toward which all activities are directed.
4. Adequate clerical facilities should be provided to perform the detailed work involved in assemblying and summarizing budgetary data.

In almost all of the studies pertaining to public school budgeting the authors recognize the necessity for a good accounting system in order to intelligently prepare and administer a budget. Although the interdependence of budgeting and accounting is recognized, no attempt appears to have been made to study the two kindred problems as one. In recent years there have been several investigations concerning financial accounting for public schools. Research studies involving the analyzation and improvement of financial accounting systems for public schools and the auditing of those accounts are pertinent to this study.

In 1946 Good[10] developed a uniform financial accounting system which he recommended for use in school systems in the state of Nebraska. His accounting system was based upon ideas expressed by authorities in the fields of school administration and accounting and the best features of accounting practice in school systems and in business and industry.

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[10] Leonard Francis Good, "A Uniform Financial Accounting System for Nebraska Schools" (Unpublished Doctor's dissertation, University of Nebraska, 1946).

He developed his uniform accounting system in accordance with specified criteria set forth in writings in the field of accounting and school administration. The criteria were examined and approved by 13 county superintendents. When the proposed uniform financial accounting system for Nebraska schools was completed it was presented to the 13 county superintendents for their judgment and recommendations. In compliance with suggestions from the county superintendents, a handbook of accounting instructions was developed to facilitate the use of the system.

On the basis of his study, Good recommended that his proposed system be adopted in Nebraska and that the State Department of Education supervise the establishment of the system in the schools and be responsible for a yearly audit of each school's accounts. He recommended further that school accounting systems should be sufficiently uniform throughout the United States to make feasible the comparison of elements in various reports.

Yates[11] completed a master's thesis in 1949 in which he advocated an accounting system appropriate for use in small independent school districts in Oklahoma. The study includes a comprehensive summary of the Oklahoma school laws relating to the responsibility of certain school officials for school financial accounting and reporting. The method of recording receipts and expenditures and preparing financial statements presented was based on the records kept by the officials of the public schools in the cities of Norman and Purcell. The enactment of the Oklahoma School Code in 1949 made much of his work obsolete.

[11] Millage Eugene Yates, "The Accounting System and Reports for a Small Independent School District in Oklahoma" (Unpublished Master's thesis, University of Oklahoma, 1949).

An analysis and critical evaluation of the financial accounting systems that were prescribed or made available for use in the public schools of the United States was reported by Holmgren in 1950.[12] Criteria for judging the effectiveness of the various accounting systems were developed from a study of literature in the field, recommendations of the United States Office of Education, and a study of municipal accounting textbooks.

Accounting systems of the several states were evaluated in terms of these criteria. Holmgren concluded that most of the state departments of education appeared to have prepared inadequate material for the instruction of local school officials in the correct use of financial records and reports. He reported that only 11 states provided accounting handbooks and only five of them had been revised or issued since 1940.

Holmgren found evidence that integration of budgeting and accounting was important and reported finding the following methods in use for achieving such integration:

1. Use of common terminology in the budget and accounting form.
2. Presentation of a general discussion of budgetary procedures in the accounting handbook.
3. Directions from state departments of education for developing and using the budget.
4. Requirement of monthly reports of unencumbered balances.
5. Provision of space for the budgeted amounts in the accounting forms.
6. Introduction of a copy of the budget into the minutes of local board of education meetings.[13]

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[12] Marvin Edward Holmgren, "State Public School Accounting Procedures" (Unpublished Doctor's dissertation, University of Minnesota, 1950).

[13] Ibid., p. 112.

His study indicated that budget practices improved as the result of improved accounting procedures.

Holmgren summarized the accounting procedures of the various states in terms of the criteria he developed for the purpose of judging a desirable accounting system for public schools. He then proposed an accounting system and an accounting handbook for use in the public schools of Minnesota. His proposed system was in accordance with the criteria which he felt defined a good system of accounting for public school finances.

In a study closely related to budgeting and accounting for school systems, Seidel[14] examined the current practices in auditing public school funds in California and established principles and procedures as a guide to the auditing of school finances. Final evaluation of the principles and procedures which he recommended was made by a selected jury of certified public accountants who had recently completed audits for school districts in California.

As auditing is a part of the total fiscal procedure for school systems, along with budgeting, accounting, and reporting, it is interesting to note the principles for school fund auditing as determined by Seidel's investigation. The following list of principles and recommendations are abstracted from Seidel's study:

1. Authority and responsibility for the audit should be definite.
2. There should be an annual audit.
3. The audit should be an independent external audit.
4. There should be a written contract for the audit.

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[14] Vaughn Drips Seidel, "Auditing Public School Funds in California" (Unpublished Doctor's dissertation, University of California, 1950).

5. Bidding for an audit contract is unsatisfactory.
6. There should be a written audit report.
7. The written audit report should contain: (a) a certificate of audit, (b) financial statements and schedules, and (c) the auditor's comments and opinions.
8. The auditor should not consider educational policy.
9. The auditor should be qualified.
10. The minimum audit should consist of a preliminary review of: (a) the financial transactions of the school system for the year, (b) the revenues, receipts, assets, liabilities, and reserves, and (c) the budget accounts.
11. Laws should be enacted to assure every school district an adequate external audit.
12. Proper qualifications for school auditors should be established.
13. A handbook providing directives and procedures on public school auditing should be published for school auditors.

Angel[15] made a study of internal school finance with reference to extra-curricular account funds. Certain phases of the problem are applicable to the study of budgeting and accounting of board of education funds. The object of Angel's study was to identify successful and desirable procedures in accounting for extra-curricular funds and to present them in a form designed to aid in the improvement of practices in other schools.

The data were gathered from a review of 450 periodical articles concerning student activity accounts and from a normative-survey questionnaire sent to four schools in each state. The four schools chosen from each state to participate in the survey were recommended by their state departments of education because of their known good record in managing student activity accounts. In addition to supplying data for a handbook on desirable practices for school activity accounting, the survey

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[15] Grover La Marr Angel, "The Management of Internal School Finance with Reference to Extra-Curricular Activity Funds" (Unpublished Doctor's dissertation, George Washington University, 1952).

revealed trends which indicate similarity between the accounting problems met in student activity accounts and the problem involved in this study. Among others he noted a trend toward:

1. Use of the budget system for individual organizations.
2. Establishment of a central budget which pools all activity so that money from the larger revenue producing activities may be used in the support of the smaller, non-revenue producing activities.
3. Giving special attention to the preparation of budgets and the holding of hearings before their adoptions so that the pupils may get more educational experiences.
4. Establishment of a centralized account plan with the use of standardized procedures. These include: (a) required requisitions for the purchase of goods, (b) invoices and requisitions for the payment of bills, and (c) payment of bills by check.
5. Adoption of more stringent accounting methods following the act of 1941 by the federal government which required a payment by schools of a tax on admissions to all revenue producing activities.
6. The practice of having extra-curricular funds audited at least annually.
7. Publication of financial statements in local papers and school papers and placing them on school bulletin boards.[16]

Doctoral studies form only a part of the research and reports concerning budgeting and financial accounting for public schools. Valuable contributions have been reported through articles in professional magazines. References to such contributions are made in later portions of this report as data are pertinent to the topics being discussed.

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[16]Ibid., p. 61.

CHAPTER III

PUBLIC SCHOOL BUDGETING

Introduction

The early history of public schools in the United States indicates that financial affairs of school systems were usually conducted by lay members of local boards of education. It was common practice for local school boards to perform functions such as the employing of teachers, establishing of salaries, and purchasing of school supplies and equipment. The school superintendent was concerned only with the direction of the academic phases of the educational program and did not become involved in a major way with the financial management of the school system. In recent years, however, the pattern of public school financing has changed drastically. The financing of local school systems is affected by the extent of state and federal aid, nature of the minimum programs established in school sites, and the varied specific requirements for securing and using available school funds. Today the financial structure for school support is extremely intricate. It has become increasingly apparent that lay members of boards of education are not prepared, nor do they have the time, to maintain financial records and perform the innumerable other duties that are necessary in the financial management of independent school systems. The financial management of a school system today requires the services of an individual with specific preparation for the task. That individual in a small school system is the superintendent of schools.

Since the advent of universal public education and the increasingly complex scientific and industrial era, the planning of a suitable educational program to fulfill the varied and rapidly changing needs of all students has become complicated. Therefore, charting the educational course for a school system also requires the services of an individual with specific preparation for the task. That individual in the small system is again the superintendent of schools.

School budgeting provides a means for charting an intelligent educational program which is commensurate with available and possible financial resources for its support. Huggett[1] reports that it is almost impossible to outline any sort of planned program for the future unless there is a budget. Schools and other governmental agencies need a guide to use in getting the most for their money and in securing proper allocation of funds. Without such a guide it is easy to overspend when an unforseen demand arises or to spend excessive amounts of money for favorite or spectacular enterprises at the expense of equally important phases of the regular school program. The complex educational program and financial structure of a school system today makes it imperative that these elements of educational administration be based on a carefully designed budget. In speaking about the responsibilities of local school authorities for good budgeting practices, Henry F. Alves said:

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[1] Albert J. Huggett, Practical School Administration (Champaign, Illinois: The Garrard Press, 1950), p. 153.

> Our communities have a right to expect us to provide a complete financial forecast of both expenditures and receipts which is based on the educational plan and which takes into account past experience, present conditions, and future needs. Schools must be responsive to ever-changing needs of a society that is becoming increasingly complex.[2]

Authorities commonly agree that today it is the superintendent of schools who must take the leadership in all phases of school budgeting.

Functions of a School Budget

In Chapter I of this report, concepts of school budgeting are presented which appear to indicate that budgeting involves: (1) planning the educational services to be purchased, (2) calculating the cost thereof, and (3) determining the means of financing the expenditures. DeYoung defines school budgeting in the following manner:

> The ideal school budget may be defined as a complete financial forecast of both expenditures and receipts based on the educational plan. It takes into consideration past experience, present conditions, and future needs.[3]

DeYoung's definition emphasizes that careful consideration must be given to both the educational and the financial sections of a budget.

Britton designates the significant elements of a desirable school budget by stating that the budget should be a revelation of:

1. Educational policies, practices, and objectives,
2. The reasons therefor,

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[2] D. Ross Pugmire and Jess Burkett (ed.), "Practical Approaches to Designing and Financing School Programs to Meet Current and Increasing Educational Needs of the Community," Proceedings of the OCPEA Workshop in Educational Administration, July 7-11, 1952 (The Committee for the Co-operative Program in Educational Administration of the Oklahoma Association of School Administrators, University of Oklahoma, Norman, February, 1953), p. 29.

[3] Chris A. DeYoung, Budgeting in Public Schools (Chicago: John S. Swift Company, Inc., 1946), p. 8.

3. The immediate and expected school needs, and
4. The proposed means of their fulfillment.[4]

In order to clearly indicate the primary functions of school budgets, authors commonly refer to them as being composed of three parts. The three parts are the educational plan, the expenditure plan, and the financing plan. The financing plan is often referred to as the "revenue plan" and the terms are used interchangeably. The three parts must be integrated to form a desirable school budget.

The intent of the educational plan, as a part of the budget, is to answer the question, "What educational services should the school district buy?" It should reveal the scope of the school program proposed for the ensuing year by presenting both the immediate needs of the school system and the long-range educational objectives. Formation of the educational program may require that the board of education make numerous policy decisions relative to such academic matters as: (1) What portion of the teaching effort should be expended for college preparation courses? (2) What inducements should be offered in order to attract and hold outstanding instructors? (3) What types of vocational education should be offered? (4) What cultural and recreational learnings are needed by all students in this community? In effect, resolving these issues calls for statements of educational policy to be recorded directly in the budget, at least in summary form.

Thomsen reports that the section of the budget devoted to the educational plan should:

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[4]Ernest R. Britton, "Is Your Budget Justified?" The School Executive, LXII (February, 1943), p. 36.

> . . . have its attention centered upon the objectives, ideals, emphases, and standards to be achieved, and the major policies adopted to carry out the purposes, especially those relating to curricula, services, organization, personnel, materials, and housing.[5]

DeYoung supports the same point of view in discussing the educational plan when he states:

> In brief the educational plan, as the work program of the budget, lays out the work to be done, the policies to be followed, and the points of emphasis. It gives the budget builder a basis on which to justify his requests for expenditures and receipts to meet these requirements.[6]

It is the consensus of authorities in school administration that the budget document should describe completely the educational plans for the year ahead. The budget instrument should provide this information although, in common practice, it is omitted except in some of the budgets of very large city systems. In 1948 Kline[7] reported that only two of 77 Nebraska school budgets which he studied contained statements relative to the educational program for which funds were appropriated. The budget instrument prescribed for use in Oklahoma school systems does not provide for a statement pertaining to the educational program planned for the school district.

There is justification for the use of much time in the development of the educational plan of a school budget. Schools exist primarily for the educational well-being of children and the only reason for school expenditures is to provide desirable educational circumstances.

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[5] Robert R. Thomsen, "Analysis of Budgetary Procedure in Wyoming Schools" (Unpublished Doctor's dissertation, University of Wyoming, 1952), p. 92.

[6] DeYoung, Budgeting in Public Schools, p. 26.

[7] Barton L. Kline, "School Budgets Need Improvement," The American School Board Journal, CLIX (August, 1949), p. 44.

It follows then that the primary purpose of school budgeting is to facilitate educational opportunities for children. Only to the extent that the budget expedites educational achievement can it be justified. Therefore, its preparation should involve a careful consideration of the educational needs of the school district. The educational plan is the most important part of the budget and constitutes the basis for expenditure and financing programs.

The spending plan of the budget should be an analysis of the cost of the educational program proposed. Its purpose is to translate the educational program accurately in terms of dollars and cents. Speaking of the spending plan, Gores reports:

> . . . the dollars should be firmly tied to needs and services so that if cuts must come the appropriation body will focus its attention on what needs will remain unmet rather than on what dollars will be saved.[8]

Information concerning the cost of the proposed educational program should be so displayed in the budget that upon final approval it will be clear to all concerned what services are being purchased and what services or needs are eliminated because of lack of funds. Such knowledge is likely to result in a careful study of past expenditures and incomes which may make possible an extension of the educational services offered through a better administration of funds.

The financing plan of the budget reveals what funds will be available to meet anticipated expenditures in the spending plan. It presents estimates of receipts from all sources and indicates the tax levies. Pre-determined estimates of receipts should not be allowed to

[8] Harold B. Gores, "Social Aspects of the School Budget," *The School Executive*, LXX (January, 1951), p. 60.

constitute the basis on which the budget is developed. To determine property valuations, establish tax rates, and stipulate the amount of funds available before developing the educational program to be supported is, in effect, "putting the cart before the horse." Such a negative approach tends to focus attention on the cost of the school system and not on the educational facilities to be provided. When cost of the school operation is allowed to become the primary consideration, the likelihood of improvement in educational services is limited. According to Pittenger:

> Budgets which start with an estimate of income seldom enter seriously into the field of educational planning and usually practically repeat the previous year's budget. If improvement is to be made from one annual budget to another, it must come from an effort to improve the program of education.[9]

Continued adequate financial support is dependent upon both a sound educational program and efficient public relations. When these two elements of budgeting are present the probability of obtaining needed increases in appropriations is enhanced.

Authorities in school administration believe that there are several important functions to be performed by school budgeting. However, the amount of service rendered by the budget in increasing the educational opportunities in a school system depends largely upon its proper development and use. Church[10] reports that what makes one budget better than another is the way in which it is prepared, presented, and administered. The "financial" type budget which is completed by an accountant and then

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[9] Benjamin F. Pittenger, Local Public School Administration (New York: McGraw Hill Book Company, Inc., 1951), p. 433.

[10] Harold H. Church and Lee M. Thurston, "Budgets Can Be Useful," The Nation's Schools, XXXIII (January, 1944), p. 26.

receives but little consideration from school officials does not accomplish any significant educational function. Such a budget does give authorization for the collection of revenues and the expenditure of money for school purposes. In addition to fulfilling legal requirements, the budget prepared in its entirety by an accountant will provide historical financial statements of receipts and expenditures for the preceding year and it will also indicate tax levies. Few additional values are realized from such a school budget.

Careful development and use of a school budget which involves an educational plan, a spending plan, and a financing plan may result in a number of advantages in achieving the best educational facilities for children in the school system. A list of functions which a school budget that is properly developed and used may perform is presented below. This list was developed by the writer after extended study and analysis of the functions of school budgets as reported by authorities in the field. While some writers listed only 3 or 4 functions to be performed by school budgets, others listed 15 or more such functions. There is general agreement among authorities that a school budget should perform the important functions summarized below. A properly developed budget document used as a guide:

1. Facilitates instruction by stimulating educational planning and the calculation of means to purchase as much of the desired educational program as possible after duly considering the financial resources existing in the district for school support.
2. Provides an overview of the entire school program by presenting a summary of the educational plan, the spending plan, and the financing plan in one document.
3. Facilitates more orderly planning and less opportunistic action because the budget is an educational and financial plan prepared in advance to be used as a guide throughout the year.

4. Makes possible the analysis of details by leading to a periodic critical analysis of both the educational program and the finances necessary to operate the program. This self-examination might easily be overlooked without a budget.

5. Develops cooperation and goodwill within a school system when it is done through group planning. Better cooperation is possible when each member of an organization has an overview of the work and problems of the entire organization. Working together on the budget gives administrators a better understanding of the work and needs of the classroom teachers and enables the teachers to gain a better understanding of the problems of school finance.

6. Acquaints the public with needs of the school system and may stimulate confidence among taxpayers in the administration of the school system. A detailed expenditure forecast is a powerful force in convincing taxpayers that the amount of school tax represents actual needs. It may therefore serve to secure better school support.

7. Aids in the economical administration of the school by serving as a guide for spending the school's money in a sensible, efficient manner. The financial forecast aids in securing the proper allocation of funds and full value to the school district for every dollar expended.

8. Improves financial accounting procedures because a good budget cannot function properly without a correspondingly good system of accounting.

9. Projects the school program into the future for at least one year and may stimulate planning so that long-range goals may also be reached through accurate annual estimates.

10. Aids in bringing into focus the educational policies, practices, and objectives of a school system by regularly bringing them under surveilance.

The foregoing list of functions which may be accomplished by a school budget make it apparent that budgeting is an important element in school administration. The extent of improvements which may be made in the educational services of a school district depends to a large extent upon how carefully the school budget is planned and administered.

In carefully planning the school budget much attention must be given to its format. The essential elements of the format are presented in the next part of this report.

Format of the Budget

It is evident that the content and magnitude of budgetary documents must vary from state to state because of differences in the laws pertaining to school finance. In 1930, DeYoung[11] found that budget documents varied greatly and that the length of a budget document did not reflect its quality. Of four budget documents, which DeYoung believed were superior to other budgets surveyed in his study, the shortest document contained 8 pages while the longest consisted of 221. Even though budgets vary greatly in length, there are certain principles pertaining to format which should apply in all cases. One of the most inclusive lists of requirements concerning the general make-up of school budget instruments was compiled by Grose.[12] His list was developed after an analysis of 382 budgetary documents developed in cities of over 10,000 population located in forty-six states and a survey of the professional literature in public-school finance for the 25 years preceding 1941. According to Grose a school budget document should:

1. Be convenient for use and filing.
2. Be attractive in appearance, inviting attention of those who see it.
3. Contain directory devices so that its contents may be easily found.
4. Contain complete identification data revealing what it represents in terms of place, organization, persons responsible for it, and the time period covered.
5. Be durably bound and covered to withstand immediate use and to meet requirements for filing.
6. Be duplicated by some efficient method of making legible copies.

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[11] Chris A. DeYoung, "Budgetary Practices in Public School Administration" (Unpublished Doctor's dissertation, Northwestern University, 1932), p. 411.

[12] Herman C. Grose, "Budget Building," The School Executive, LX (February, 1941), p. 31.

7. Present the contents so they may be easily read.
8. Be on paper of such quality as to give a dignified appearance and permanent character to the finished product.[13]

Items 6 and 7 in the foregoing list have received considerable emphasis in recent professional literature. Authorities strongly urge that information be disseminated by means of distribution of copies of the actual budget. Copies should be provided for all members of the board of education, the school treasurer, the county clerk, county superintendent, and the state department of education. Additional copies should be distributed by the local school superintendent to interested school patrons.

In a more recent study extending over a period of two years the Minnesota School Financial Accounting Committee[14] developed recommendations pertaining to the form of the budget document. The recommendations developed by the committee are more specific and inclusive than those presented by Grose. However, there are no conflicting points of view in the recommendations. The Minnesota School Financial Accounting Committee in 1952 made the following recommendations regarding the form, arrangement, and supplementary materials to be used in preparing the budget document:

1. Prepare multiple copies of the budget document, either typewritten or machine duplicated.
2. Include a title page showing the title, the name of the district, the fiscal year, and the date of presentation.
3. Number the pages of the document and include a table of contents.

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[13] Ibid., p. 31.

[14] Minnesota Department of Education, Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts (St. Paul, 1952 Revision).

4. Include a letter of transmittal written by the superintendent, in which some of the highlights of the budget are pointed out.

5. Place the educational program wherever it most appropriately fits into a particular budget document, that is, at the beginning of the document or interpersed between various parts of the financing and spending programs.

6. Include a section giving child accounting data, such as pupil attendance compared by years and estimates of probable attendance.

7. Show the assessed valuation of the district, the assessed valuation per pupil unit, and trends in the assessed valuation.

8. Include near the beginning of the document one or two summary pages showing total receipts, total expenditures, and cash balances by funds and summarizing General Fund receipts and disbursements by major classification.

9. Arrange the receipts and disbursements by funds into two columns to show: (a) Actual receipts and disbursements of the previous year, and (b) Budget estimates for the coming year.[15]

The two foregoing lists represent the consensus of authorities concerning the format of desirable school budget instruments.

At this point, it is apparent that a good school budget will reveal the justification for all proposed expenditures. In turn, it is also apparent that dissemination of authentic budgetary information serves to gain support for school programs. The budget must, therefore, be presented in such form that it can be easily read and understood by laymen. Perhaps Burke summarized this in the best possible manner when he stated that, "The budget document itself should contain all essential information and should be simple, interesting, and widely distributed."[16]

Basic Principles and Responsibilities in School Budgeting

The process of budget preparation is simple in theory but in actual practice it requires careful attention and the expenditure of much

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[15] Ibid., p. 84.

[16] Arvid J. Burke, Financing Public Schools in the United States (New York: Harper & Brothers, 1951), p. 444.

time and energy. Its development entails certain responsibilities and duties and specific principles must prevail if the budgetary procedure is to be satisfactorily accomplished. In the succeeding pages of this section, space will be devoted to consideration of the basic principles of school budgeting and specific responsibilities connected with the preparation, presentation, adoption, and administration of a school budget.

Principles of Budget Preparation

Authorities commonly enumerate a number of principles which they believe are fundamental in the development of a school budget. These principles, as presented in magazine articles, textbooks pertaining to school administration, and research studies in the field were reviewed and analyzed by the author. Principles were listed, tabulated, and arranged in logical order. The principles which appeared to be most important to the authorities were then summarized and restated in broad terms. Thus, from a list of over 20 principles of school budgeting expressed by authorities in school administration, six broad, inclusive, general principles of school budgeting were developed. They are presented with extended explanations in the following pages.

PRINCIPLE I. The annual budget for a public school system should represent the actual needs of the school system for the ensuing year, estimated as honestly and accurately as possible, and justified in terms of anticipated educational returns to the community.

The annual school budget should reflect the true educational needs of the community, not merely those educational needs which it is assumed can be financed. School budget requests based on the amount of money which it is assumed will be available for the ensuing school year will generally be approved without protest by any reviewing group. However, in approving all requests in such a budget, the approving agencies have reason to believe that the school system is adequately financed. Thus, the likelihood of arrangements for essential additional financial aid is remote.

On the other hand, budgets which reflect actual educational needs may be far in excess of immediately anticipated revenues and the requests will have to be adjusted to coincide with anticipated revenue figures. The budget which adequately describes the desired educational program should make immediately evident what educational services are provided in the budget, as well as what services must be omitted because of lack of financial support. The process of deciding what educational services will have to be omitted tends to induce a comparison of values in an attempt to use limited funds to the best advantage. Budgeting for what is needed, regardless of what can be immediately financed, also calls attention year after year to unmet educational obligations.

State aid formulas for schools are based on existing laws and usually cannot be changed quickly. Meanwhile in a period of rising prices the cost of a school system may have increased to a large extent in a short period of time, whereas financial arrangements for supporting the school system remain stagnant. A budget should reflect true educational services to be rendered, changes in the school population, and changes in price levels. Burke states that in 1947, a year of rising costs, school budgets should have reflected:

1. A high level of production, relatively full employment, and even labor shortages, with intense competition for persons possessing the same abilities and qualifications as teachers.

2. A salary and wage level in private employment of at least double the pre-war level.

3. Salaries of persons in Civil Service possessing the same qualifications as teachers 30 per cent higher.

4. A consumer price index at least 40 per cent above pre-war prices.[17]

Burke further reports that failure of the budget requests to indicate true expenditure needs of school systems means that in any revision of laws and state aid formulas expenditure requirements are usually underestimated. For example, it is reasonable to request salaries for teachers that are commensurate with Civil Service or other professional positions requiring similar periods of preparation for job efficiency. Salary schedules based on the amount of salaries paid for comparable skills in industry may be far out of line with current state aid formulas and with available funds. However, by placing the increased amounts in the budget, public attention may be repeatedly called to the fact that teaching salaries based on an old law are inadequate. Therefore, it appears best to budget for what is needed regardless of what can be financed. An informed public can best remedy shortcomings of existing laws pertaining to school finance.

The budget for a school system should never include a request for funds which cannot be completely justified in terms of sound educational policies. While it is good procedure to make budget requests for all that is needed, the common practice of "padding" the budget is frowned upon by school authorities. The making of requests for amounts in excess of needs is a form of dishonesty. It misinforms the public about school

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[17] Arvid J. Burke, "Let the Budget Tell Your Story so That State Aid Formulas Can Be Based On An Accurate Estimate of Present and Future Needs," The Nation's Schools, XXXIX (February, 1947), p. 45.

needs and places the reviewing authorities in a position of trying to guess how much the needs are exaggerated. Thomsen indicates that "The requested appropriations should represent actual needs, estimated as honestly and accurately as possible, and justified in terms of educational returns to the community."[18] Reeder[19] recommends that superintendents develop budgets that reflect actual needs and then be ready to substantiate in every way possible the financial requests.

Budgeted amounts which represent a sharp increase or decrease in appropriation requests, as compared to prior years, require special explanations and justifications. Such justifications should be factual, with careful avoidance of technical educational or financial terminology. DeYoung observed that "The best justification is not a defense but an explanation. The items must be thoroughly substantiated by clinching statistics and common sense."[20]

Explanatory justifications may be written or oral. However, the detailed budget instrument should furnish most of the supporting evidence. The budget should be presented to the adopting agency with a message which explains all of the large sums and major increases or decreases. Extensions to the educational program should also be explained. Oral explanations and justifications are commonly made in session with the adopting body.

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[18] Thomsen, op. cit., p. 90.

[19] Ward G. Reeder, The Fundamentals of Public School Administration (New York: The Macmillan Company, 1951), p. 368.

[20] DeYoung, Budgeting in Public Schools, p. 255.

It is apparent from this discussion of Principle I, that three elements are involved: (1) the educational needs of a school system, (2) the manner of estimating the cost of those needs, and (3) the justification of appropriation requests. Evidence has been presented to support the point of view that the annual budget for a public school system should represent the actual needs of the school system for the ensuing year, estimated as honestly and accurately as possible, and justified in terms of anticipated educational returns to the community.

PRINCIPLE II. The budget should be inclusive with properly proportioned allocations to various educational elements.

The school budget should present the complete plan of the educational program for the ensuing school year and the proposed means of financial support for the program. It should function for both current expenditures and capital outlays, providing for all financial transactions that are expected to take place in the ensuing fiscal year. It should reveal all the estimated revenues to be received during the entire fiscal year and the estimated cost of the complete educational program. The expenditure estimates as well as revenue estimates should be based upon several determinable factors and the details of the factors should be shown in the budget.

Items of anticipated revenue other than current taxes should be clearly indicated. To prevent details from obscuring the financial picture, schedules should be made of the details and only totals carried to the basic financial statements required for all funds. Sinking fund schedules should be included showing the bonds to be paid during the coming year and deposits required for interest and debt retirement. All statistics which have a bearing on anticipated income or the justification of proposed expenditures should be included in the budget instrument. Supporting evidence should be arranged in logical order near the statement or schedule that it supplements.

For administrative purposes authorities favor detailed budgets. However, for the purpose of submitting them to groups for approval it is considered good policy to present only the most significant elements. Exhibiting the numerous smaller items may lead to endless discussion of relatively insignificant matters and a complete disregard of the larger issues. The consensus of authorities is illustrated in the following quotations:

> A budgetary summary may be concise and free from details. The budget itself, however, must tell the complete story of a year's educational proposals and the anticipated costs thereof.[21]

> The tabulated material relating to receipts and expenditures covering a page or two may satisfy legal requirements, but is practically worthless as a budget. What is needed is a functional type of budget in which is clearly stated what is to be supported and how funds are to be obtained and expended.[22]

Liles states that it is necessary to have enough detail in the estimation of expenditures to insure fairness to all departments of the school. His opinion of the practice of estimating expenditures in a lump sum without first analyzing them in detail is expressed as follows:

> The lump sum basis has favor with the autocratic type of administrator since it is easy to prepare and tends to cover up inequities in distribution. A budget based on this principle is not scientifically constructed and is rather difficult to explain and justify

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[21] N. L. Engelhardt, "The School Budget as an Administrative Control," The School Executive, XLVII (November, 1947), p. 44.

[22] Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, 1951), p. 160.

> before the adopting authority. It is an arbitray procedure, and its use may be actuated by ignorance of more scientific methods or convenience. In the study made by the writer, one department head commented, "Our principal is science mad, and everything goes to the science department." The lump sum basis is a convenient tool in the hands of any administrator who desires to promote one area of education at the expense of others. When this basis results in a fair distribution of funds, it is either an accident or because some defensible means of arriving at the lump sum was consciously or unconsciously used.[23]

The budget should be properly proportioned. Due regard must be given to all educational activities of the school so that one phase of the school program will not be emphasized unduly at the expense of another. If an educational activity is worth maintaining, it should be encouraged by having a fair share of the appropriations. The secondary education program should not be glorified at the expense of the elementary program. The long-range educational program should be studied and expenditures planned so that a balance will be maintained between expenditures for current operations and capital outlay facilities.

> PRINCIPLE III. A uniform standard classification of accounts and terminology should be used, which is in accord with that utilized throughout the entire accounting and reporting system.

Authorities agree that a uniform standard classification of accounts and identical accounting terminology should be used for the budgeting, accounting and financial reporting phases of an educational financial management system. This point was emphasized as follows by the Municipal Finance Officers of the United States and Canada:

> In setting up a budget one of the most important steps is a proper classification of accounts. The classification will be dependent upon local laws and regulations. However, the classification used

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[23] Liles Parker, "Budgeting Procedures and Practices," American Business Education Yearbook, IX (Des Moines: Wallace Homestead Company, 1952), pp. 74-75.

> should be the same for the budget, the accounting system, and in the financial reports. In addition, the same terminology should be applied to these three fiscal activities. No matter how well drawn a budget is, or how good the accounting system may be, the value of each will be impaired unless comparisons of actual operations, as shown by the accounts, can be made with the budget.[24]

In as far as possible, standard character classifications, such as those adopted by the United States Office of Education should be used in order to attain uniformity nationally and permit accurate comparisons with school systems of other states. In adopting the accounting classifications for the budget, due regard should be given to the recommendations of the state department of public instruction and the United States Office of Education in connection with regular reports that are required by those agencies. Otherwise the accounting system will not provide reliable data for reports to state and national agencies.

No one classification of items is likely to suffice. For example, financial data may have to be classified in terms of: (1) type of school programs; such as nursery, kindergarten, elementary, junior high, senior high, (2) objects for which expenditures were made; such as salaries, travel, printing, supplies, and (3) educational functions; such as administration, instruction, operation, maintenance, auxiliary service, fixed charges, capital outlay, and debt services. When educational financial data are accumulated at the end of a fiscal year, the information should be capable of being used directly, without further

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[24] Municipal Finance Officers Association of the United States and Canada, Simplified Municipal Accounting, A Manual for Smaller Governmental Units (1313 East 60th Street, Chicago 37, Illinois, 1950), p. 128.

manipulation, for the budget and annual financial reports and for reports to other educational agencies for comparative purposes.

The information presented in the foregoing paragraphs substantiates the point of view that in preparing the school budget, a uniform standard classification of accounts and terminology should be used which is in accord with that utilized throughout the entire accounting and reporting system.

> PRINCIPLE IV. The public school budgeting process should be continuous, with the preparation of the annual budget document constituting one step in the long-range educational program.

Budget preparation is commonly considered by authorities in school administration to be a continuous process. The most significant phases of school budgeting should be completed prior to the beginning of the fiscal period for which the budget is being developed. These most significant phases consist of such activities as planning the desired educational program, adopting policies to make the program effective, preparing of estimates of income and expenditures, and consideration of the tentative total budget. The specific financial statements of income and expenditure involved in the budget procedure cannot be prepared until after the fiscal year has begun. When each of the phases of budgeting is adequately planned and completed in its proper time sequence, maximum educational values may be derived.

Each person who has a part in the budget preparation procedure should keep a file in which, throughout the year, information is placed that will be of aid in the actual building of the budget. Each teacher's file should contain catalogues, price lists, information on new equipment, and many other items. Since the superintendent is concerned with the over-all procedure, he should maintain a file folder for each of the major accounting classifications used in the budget instrument. Pertinent information should be placed in the folders throughout the year as the information becomes available.

Church has indicated that a continuous plan of budget preparation:

1. Requires less work.
2. Avoids errors and forgetfulness.
3. Provides the right kind of information at the time it is needed.
4. Avoids hurried considerations of budget requests during the active period of budget making.
5. Simplifies and makes more reliable the actual preparation of the budget.[25]

A good budget is dependent upon the accumulation of ample amounts of essential information throughout the year. To facilitate the accumulation of data, a calendar of the things to be done, with an indication of by whom and when they must be done, has been found to be a helpful and practical aid. The purpose of a budget preparation calendar is explained by Strayer as follows:

> Just as a semester or term schedule aids pupils, parents, and teachers in arranging assignments, examination and vacation trips, the calendar listing steps in budget planning serves the board of education, the superintendent of schools, and all the members of the school staff as a valuable reminder and guide.[26]

Budget preparation calendars cannot be standardized for all school systems but can best be developed for each school after a careful study of local requirements.

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[25] Harold H. Church, "Budget Making Need Not Be a Chore," The Nation's Schools, XLII (December, 1948), p. 31.

[26] George D. Strayer, Jr., "Making and Using a Budget Calendar," The School Executive, LXVII (November, 1947), p. 49.

Many plans for improvement in the educational system may be worked out on a long-range basis if the complete program cannot be financed in a single fiscal period. Thus, each year's budget may be a step in making long-range educational plans a reality. Long-range educational plans should be formulated well in advance of the development of specific annual budgets so that organized support may be obtained from school officials and patrons.

The evidence presented in this section makes it apparent that maximum educational benefits accrue from a continuous process of budget development. The preparation of the annual budget document should constitute merely one step in the long-range educational program.

PRINCIPLE V. The preparation of the school budget should be a cooperatively planned and cooperatively executed procedure.

The superintendent is the chief executive officer of the school system and thus has the primary responsibility for preparing the budget. However, the budget should be developed as a cooperative enterprise under the leadership of the superintendent. A primary principle of democracy dictates that all who are affected by decisions should have an appropriate part in making those decisions. The financial budget of a school system affects directly each member of the school staff and most members of the community. The over-all plan for the development of the school budget should, therefore, at the proper time provide for suitable contributions from principals, teachers, supervisors, and laymen.

The need for equipment, materials, and supplies for educational use is best known by the instructional staff and other employed personnel. Teachers and other employees can be kept informed on budget matters by directing pertinent literature to them and by holding occasional informative meetings. In helping with the budget preparation, teachers and other personnel can gain insight into the financial problems of the school system. In working cooperatively with the employed personnel, the administrators gain a greater understanding of the needs and problems involved in classroom instruction and other aspects of operation. This interrelation serves to create a healthful spirit of co-workership and co-operation among school personnel.

Church attributes a number of advantages to increased participation in budget preparation:

> 1. It promotes increased responsibility.
> 2. It eliminates dissatisfaction on the part of the teacher because the purchase was of his own choosing.
> 3. Makes the teacher more conscious of values and usually results in a more conservative use of materials and equipment.
> 4. Promotes an appreciation and understanding of the budget.
> 5. Stimulates a better and wider use of modern instruments of learning.
> 6. It puts the superintendent in partnership with the teacher.[27]

In many instances lay advisory bodies have been found helpful in developing educational programs, especially when they reflect a cross section of the community. The advisory board may have the responsibility of becoming informed regarding educational plans of the school district. Such plans could be reported to various community groups. School authorities could also become acquainted with the desires and suggestions arising in the various community organizations. The advisory body arrangement may be very effective in disseminating authentic budget information to the public. It may also result in better understanding of, and increased support for proposed educational plans.

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[27]Church, op. cit., p. 32.

The superintendent should assume a major role in budget preparation because the nature of his position makes him the best informed person regarding the entire school system. However, the best budgeting can be achieved when the superintendent, his staff, board members, and other lay groups cooperate in budget development activities, each contributing the part for which he is best fitted. Evidence to support this contention was found in a survey made under the auspices of Phi Delta Kappa.[28] The survey revealed that broad participation of representative lay citizens and members of the profession in budget preparation is likely to result in better educational programs.

Burke summarized the cooperative idea of budget preparation when he stated:

> A good budget is prepared and executed by a professionally trained educational administrator, with the assistance of all persons responsible for various phases of the program, persons familiar with educational needs of the community, and persons familiar with economic and public finance factors.[29]

> PRINCIPLE VI. The school budget should be so prepared that it can and will be interpreted properly to the public.

A budget should make the educational needs and anticipated expenditures of a school system readily comprehensible. It is not enough to make appropriation requests which the superintendent considers to be justifiable. The requests should be educationally sound and thoroughly understood by the public. This requires planned publicity of school budgetary information including the educational expenditures and

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[28] "Some Effects of Finance Policies and Practices on the Public School Program," The Phi Delta Kappan, XXXIII, No. 1 (September, 1951), p. 43.

[29] Burke, Financing Public Schools in the United States, p. 443.

financing arrangements of the school system. A clear statement of the educational needs of the school system will tend, in advance, to prevent criticism and secure public support for the budget. The adoption of measures designed to provide financial support of a school budget is assured, only when an informed public is enthusiastic about the educational program reflected by the budget. Objectors to the educational program will seek information to support their contentions, therefore, potential supporters of the program must likewise be well informed.

Howell advanced the following reasons for interpreting the school budget to taxpayers:

> 1. It is the public's money that is being expended.
> 2. The great majority of taxpayers, being unable to make studies of technical and statistical data, are forced to rely on a type of information that is not always to the best interests of the schools.
> 3. If the general public is to become acquainted with the progress of public education and the financial administration of the public schools it will be necessary to supply the layman with a brief, understandable statement of what the schools are doing and how much they are costing.[30]

To increase public knowledge and understanding of budget information, budget documents must be understood by laymen as well as by educators. In order to make proposed expenditures comprehensible to laymen, the presentation of information must be non-technical. There is today a tendency to utilize budget instruments with a format so technical that laymen have difficulty understanding them. The budget forms and presentations should be made for laymen, rather than accountants. In this regard, typical statements of authorities on school budgeting indicate that:

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[30] Harry M. Howell, "Interpreting the School Budget to the Taxpayer," The American School Board Journal, CIII (November, 1941), p. 44.

The public school budget should be as nearly self-interpreting to all who read it, as it is possible to make it.[31]

It should be printed or made up in permanent form so as to make possible its distribution to those interested.[32]

Descriptive material should be used throughout the budget document to aid in interpretation.[33]

Numerous methods have been utilized and found beneficial in dispensing budget information to the public. Howell[34] suggests the use of a budget brochure which tells the story of the school budget in a simplified fashion, using pictures and charts whenever possible. Ganzel[35] recommends making a digest of the budget with copies distributed for review and discussion purposes. Akerly[36] proposes a system that he terms "Performance Budgeting." Performance budgeting differs from traditional budgeting by requiring a brief, yet clear, explanation in support of each item of expenditure. The object is to make the budget understandable to all who read it. A performance budget report for schools might, for example, list under "Instruction" a dozen or more items with their costs. In addition an explanation would be provided regarding the nature of each item for which there is an anticipated expenditure. One such

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[31] Thomsen, op. cit., p. 90.

[32] Ira G. Flocken, "There Should Be A Budget," The Nation's Schools, XXVIII (October, 1941), p. 34.

[33] Grose, op. cit., p. 31.

[34] Howell, op. cit., p. 44.

[35] Dewey A. Ganzel, "A Plan for School Budgetary Procedures," The American School Board Journal, CI (July, 1940), p. 38.

[36] Harold E. Akerly, "For Better Public Relations Use a Performance Budget," The Nation's Schools, XLVII, No. 2 (February, 1951), pp. 37-39.

entry might be: "Pupil Transportation--$12,000.00--seven buses, with drivers and a mechanic, transporting 350 students to and from school for 175 school days."

An innovation in budget publicity is currently being tried by the schools of Boiceville, New York.[37] Essentially it amounts to a simplified digest of the proposed budget with a column showing expenditures estimated by the budgeting officials, with another column provided wherein the recipient of the digest is invited to make his own revisions, figure the tax levy, and even calculate how much his own taxes for school support will be.

Reeder recommends three additional means of dissemination of authentic budget information:

1. Give out information through the newspapers.
2. Hold a public hearing on the budget.
3. Give addresses or talks on the educational program and budget to educational and civic groups such as teachers, parent-teacher associations, labor organizations, granges, farm bureaus, and chambers of commerce.[38]

The prevailing concepts of education in a democracy today indicate that budget preparation activities should include the interpretation of proposed educational plans to the public. This principle of school budgeting necessitates the use of non-technical budget instruments as well as other means for disseminating budgetary information.

There is, for the most part, concensus among authorities regarding the basic principles pertaining to school budgeting. The six principles

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[37] "Laymen Help Figure the Annual School Budget," The Nation's Schools, LV, No. 1 (January, 1955), p. 68.

[38] Reeder, op. cit., p. 371.

set forth in the foregoing pages are composite statements compiled from statements written by numerous authorities. For review purposes they are summarized here:

1. The annual budget for a public school system should represent the actual needs of the school system for the ensuing year, estimated as honestly and accurately as possible, and justified in terms of anticipated educational returns to the community.

2. The budget should be inclusive with properly proportioned allocations to various educational elements.

3. A uniform standard classification of accounts and terminology should be used, which is in accord with that utilized throughout the entire accounting and reporting system.

4. The public school budgeting process should be continuous, with the preparation of the annual budget document constituting one step in the long-range educational program.

5. The preparation of the school budget should be a cooperatively planned and cooperatively executed procedure.

6. The school budget should be so prepared that it can and will be interpreted properly to the public.

In most cases the responsibility for the application of the foregoing principles in the actual practice of budgeting is rather clearly defined. A fairly detailed explanation of the responsibilities and duties of various officials is presented in the next section of this report.

Responsibilities and Duties in Budget Preparation

The legal responsibility for the development of the school budget commonly rests with the local school board. However, it is generally agreed that the superintendent of a school should be responsible for the preparation of the budget document, its presentation for adoption, and its administration. This is true because of the superintendent's background of professional training and his position as executive officer of the board of education. Although the superintendent must exercise much leadership in the preparation of the budget, it is generally recognized that the most satisfactory budgetary procedures will involve the application of democratic processes. The superintendent's role as a democratic leader in the preparation of the budget is portrayed by Liles as follows:

> The democratic type of administrator conceives of his role as that of leader and not a dictator. He realizes that he cannot be an expert in all fields and that he cannot be thoroughly conversant with trends in all areas. He knows that he must depend upon all staff members to help him secure a realistic picture of the needs of his school. Therefore, since the financial budget directly affects the efficiency of every member of the school staff, each person affected should be given an opportunity to participate in the preparation and administration of the budget. Such persons are not only members of the school board, superintendents, and school principals, but also the department heads, the teachers, and the citizens of the community.[39]

Authorities agree that the procedure of school budgeting should utilize the services of the superintendent, principals, heads of departments, teachers, board members, and laymen. When budgeting is performed as a cooperative group enterprise there must be definite assignments of duties in order to promote efficiency. Anderson[40] indicates specifically the duties and functions of individuals or groups which may be involved in school budget procedures. The list of duties and responsibilities in budget making presented below is based primarily on the material presented by Anderson although some of the duties and responsibilities listed are adapted from the works of other authorities in school budgeting.

<u>Specific Duties and Responsibilities in Budget Making</u>

Duties and Responsibilities of the Board of Education:

1. Approve the educational plan.
2. Make policies to carry out the educational plan.

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[39] Liles, *op. cit.*, p. 70.

[40] Walter A. Anderson, "Functions in School Budget Making," *The School Executive*, LXVII (November, 1947), pp. 52-53.

3. Approve the budget.

4. Require sufficient periodical financial reports to insure that the budget is being properly administered.

Duties and Responsibilities of the Superintendent:

1. Supervise the building of the budget.

2. Designate the various helpers in budget preparation and direct and coordinate their work.

3. Organize opportunities for educational planning and discussion among the faculty members and other interested groups.

4. Direct the gathering of all facts which will be useful in planning the educational program and building the budget.

5. Give instructions and prepared forms for those who are to help in preparation of the budget.

6. Explain the over-all budgetary problem to those who are helping to build the budget.

7. Consider all budgetary requisitions and make the necessary revisions, informing interested members of the reasons for increases or decreases in budget requisitions.

8. Present the tentative budget to the board of education for consideration and adoption.

9. Publicize the budget and the educational program it supports.

10. Administer the budget.

Duties and Responsibilities of Principals:

1. Aid the superintendent in all of the budget building operations affecting his part of the school system.

2. Be responsible for supplying accurate educational data upon which the budget may be based.

3. Be the chief co-ordinator between the superintendent and the other faculty members. If all members of the school force deal directly with the superintendent the time he can give each one is likely to be too limited. The principal may have more time to thoroughly confer with teachers regarding their budgetary problems and wishes. He may also present to them the administration's viewpoint of the total budgeting problem and in so doing create better understanding, secure increased cooperation and an advanced educational program.

4. Aid in administering the budget for the departments under his supervision, that is, aid in submitting purchasing requisitions, care of materials, distribution of supplies, and so forth.

5. Stimulate faculty members under his supervision to continued planning in their departments for educational advancement.

Duties and Responsibilities of Teachers:

1. Keep professionally alert so that proper budget recommendations may be made for her own classroom.

2. Maintain a file in which is placed, throughout the year, information regarding supplies and equipment for her classroom so that at budgeting time an accurate and intelligent requisition can be made.

3. Make educational recommendations to the proper authorities, concerning, in particular, her own class offering.

4. Study the supplies or equipment needed for her room so that recommendations can be made to the purchasing agent and budgeting committee as to the best kind, brand, the quantity needed, and the probable cost.

Duties and Responsibilities of Heads of Departments:

1. In conjunction with the teachers of his department, plan the educational program desired and determine the equipment necessary to carry it out.

2. Gather budget requisitions and recommendations from his faculty members and present them to the budgeting committee.

3. Make decisions as to what items should be requested in the proposed budget and plan a long-range program of equipping his department if all the desired improvements and equipment cannot be obtained in one budget year. He should plan with the idea of obtaining most needed items first but fully equipping the department within a few years.

Duties and Responsibilities of Maintenance and Other Personnel:

1. Aid the superintendent by supplying information, making requisitions for supplies and equipment, and by making suggestions for improvements needed to best carry out the part of the school program for which the individual is responsible.

Duties and Responsibilities of Laymen:

1. Make known their desires for educational improvements to board members, or to some other person who can carry it to those responsible for budget making and approval.

2. Supply survey facts to school personnel when requested.

From the foregoing list of responsibilities and duties to be fulfilled by the various individuals or groups involved in budget making, it is apparent that the superintendent must assume responsibility for assembling pertinent data and drafting the tentative budget. However, he may be assisted in the clerical work by various individuals in less responsible positions. If he can be freed from the detailed work of assembling data, keeping records, and so forth, the superintendent may use his time more profitably for the school system in a supervisory capacity. It is false economy, in any school district, to pay an executive's salary for work that can be done by members of the clerical staff. Authorities in the field of school administration recommend that adequate clerical facilities and personnel be provided to perform the detailed work involved in assembling and summarizing data for the budget.

Within the organizational structure of a school district, the board of education is the policy formulating body and, as such, performs a most important role in budget development. The educational plan of the budget is based on decisions reached by the board of education. The decisions, in most cases, amount to educational policies. For example, the board of education must render decisions relative to such questions as: (1) Shall the district furnish free educational opportunities to all of its boys and girls and an adult program for the community? (2) Shall the district operate and maintain its buildings, grounds, and equipment on the basis of high standards? (3) What should the policy be in regard to class size? (4) What should be the program of class offerings and activities? These problems and many others are basic to the development of the educational plan portion of the budget. They relate directly to the cost of the school program and decisions must be reached concerning them before the school program can be translated into its cost elements. Thus, the board of education initiates its budgeting procedure by first establishing policies. The board of education is also responsible for revisions which must be made in the tentative budget and for the adoption of the budget in its final form.

Development and Use of the Budget

In analyzing the development and use of school budgets, Akerly points up the various phases of budgeting procedure which must be considered. The phases recommended by Akerly should be utilized in developing a calendar for budget preparation. The essential phases of school budgeting, in their proper sequence, are outlined by Akerly[41] as follows:

> 1. Preliminary discussion of the budget in relation to law, the local government and economic situation, and personnel participation.
> 2. Determination of the budget schedule.
> 3. Preparation of estimates.
> 4. Consideration of estimates and preparation of superintendent's tentative budget.
> 5. Board consideration of tentative budget.
> 6. Public consideration of the budget and adoption of budget for tax levy, or for submission to reviewing body.
> 7. The final revised budget document set up for budgetary cost accounting and for budgetary control.

Whereas the foregoing outline clearly indicates the sequential steps in the preparation of a budget, most school administrators consider school budgetary procedures in terms of three somewhat broader steps: (1) preparation, (2) presentation and adoption, and (3) administration. In this study the development and use of the budget will be considered under these three headings.

Preparation of the Budget

Preparation of the budget can logically be considered as consisting of four parts: (1) determination of the educational program needed in the community, (2) estimating the cost of the desired educational program set forth in part one, (3) determining the sources and amounts of funds available to support the program, and (4) effecting such adjustments in each of the first three parts as may be necessary to balance the budget.

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[41] Harold E. Akerly, "The Budget Procedure--Step-By-Step," _The School Executive_, LXVII (November, 1947), pp. 46-47.

Determination of the educational program.--The first step in the preparation of a budget is determination of the educational program needed in the community. This is true because the educational program is the work plan of the school system and its formation is considered the most important phase of school budgeting. Authorities recognize certain basic guiding principles which should be utilized in the development of a sound educational plan for the community. One such list of basic guiding principles for the formation of the educational program follows:

> 1. Each school administrative unit legally authorized to levy and collect taxes should first determine and approve an educational program which is adequate, flexible and functional based on the educational needs of the district.
> 2. The educational program should be expressed in terms of policies of clearly defined planned activities of the children and adults of an administrative unit.
> 3. All aspects of the educational program are interrelated, and policies concerning each phase should be planned in detail, and approved by the school board.
> 4. The consideration of the educational program should be immediate and continuous, and should be planned for three, five, or ten years in advance.
> 5. The ideal of administration should be to provide equitable opportunities for all the school children within the administrative unit.[42]

In every school district there exists, though perhaps in intangible form, an educational plan established in accordance with board of education policies. The educational plan may be handed down from year to year and guided chiefly by regulations of the state board of education through the accrediting agency. Policies supporting such an educational plan, and making it moderately effective, may be in the form of

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[42] Oklahoma City Public Schools, "The Educational Budget--A Statement of the Educational Policies and Program," 1955, p. 1, (Mimeographed).

unrecorded decisions rendered from time to time by the local board of education. However, when the educational plan is developed in such a nebulous fashion results are often unsatisfactory.

On the other hand, if the past and present educational plan is based on carefully developed and clearly stated policies, future planning is much more readily accomplished. The educational plan currently in operation is an excellent point from which to start development of the educational plan of the budget for the ensuing school year. The current educational plan should be clearly defined on the basis of stated policies of the board of education. When this is not the case, the first step should be to outline the educational program and make definite policies pertaining to it.

Assuming the existence of a more or less standardized educational offering, the formulation of each annual educational plan of the budget consists primarily of reviewing the current facilities and determining improvements or extensions to be made or any retractions deemed necessary. Decisions pertaining to anticipated changes should be made early so that they can be approved by the board of education in time for consideration in the expenditure planning. Approved changes to be made in the existing program should be placed in effect in accordance with appropriate board of education policies.

On the basis of extensive research, Gross states that the educational plan of the budget should:

1. Have for its basis a clearly defined philosophy of education.
2. Be expressed in terms of definite objectives and policies designed to attain those objectives.

3. Be formally approved by the board of education before budgetary provisions for the spending plan and financial plan are approved.

4. Be reviewed each year before the annual budget is made and any change in policy recorded.

5. Be included in the budgetary document in summary form.

6. Not be limited in position to the introductory part of the budgetary document but should be revealed throughout the document in the nature of explanatory and supplementary information, placed in proximity to the particular item interpreted.

7. Be expressed in non-technical language and judiciously illustrated by tables, charts and photographs, to the end that it can be easily understood by all who examine the budgetary document.

8. Be built around the educational needs of the community as the focal point to which all activities are directed.

9. Along with the financial resources of the district, be the dominant factor in formulating the spending plan and the financing plan.

10. Give first consideration to the educational needs of the community, but at the same time should be tempered to the known financial ability of the school district, with the ideal and practical combined to effect both a balanced educational program and a balanced financial program.[43]

Research studies have authoritatively established the fact that only a small percentage of school budgets contain definite statements of the educational programs involved. This is true even though it is commonly agreed that a statement of the education program should be included in every proposed budget. As a result, it is doubtful if sufficient consideration is given to the improvement of existing educational facilities in the school district. This long publicized deficiency of budget instruments commonly used, could be eliminated by including a section under the title "Educational Plan" in which the answered questions would clearly indicate the details of the proposed educational program of the school. There should be questions concerning both the school educational program and the basic school policies. The questions should be so

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[43] Herman C. Grose, "The Educational Plan of the School Budget," The American School Board Journal, CVIII (February, 1944), p. 23.

selected and formulated as to challenge the school administrators to seek improvement in educational planning.

Estimating the cost of the desired educational program.--The second step in the preparation of a school budget is the estimating of the cost of the desired educational program. An accurate estimate of expenditures is of significance in building a school budget because it facilitates bringing the educational plan and the means of financing portions of the budget into proper relationship. Writers in the field of school budgeting are in accord in stating that it is desirable to present expenditure data for the past year or more in the budget. Two authorities, Flocken[44] and Thomsen[45] recommend that expenditure data be shown for at least the past five years. However, in view of the rapid changes in school legislation and the cost of consumer goods, such a lengthy review of past expenditures hardly appears worthwhile.

When estimating expenditures for the ensuing year, Reeder suggests that the following factors be kept in mind:

> 1. Expenditures for the present year and the preceding one, two, or three years should be kept in mind. The best single basis on which to prophesy the future is the past. "The lamp of Experience," Patrick Henry once said, "Is the best guide to the future." Of course, history does not always "repeat."
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> 2. Changes in the cost of various services, materials, and commodities should be known. Thus, if the price of coal has increased 20 per cent since the budget for the present year was made, this increase would need to be kept in mind in making the budget for the next year. Decreases in prices should be similarly considered in making estimates. Of course, changes in prices during the next year must be estimated.

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[44] Flocken, op. cit., p. 34.

[45] Thomsen, op. cit., p. 93.

3. The size of the school enrollment also should be considered. If there is to be an increase in enrollment, such increase will sometimes necessitate an enlarged teaching force and other personnel, and additional housing facilities, equipment, and supplies.

4. Consideration should be given to whether any improvements calculated to secure a better educational product are desirable or necessary.

5. Finally, there should be a critical examination of expenditures made during the current year to ascertain any items which may be eliminated from the budget without crippling the efficiency of the schools. The fact that an item has always been in the budget does not necessarily mean that the item should remain. It is possible that the need for a certain service or material has passed away, that the money expended in providing such service or material could be saved or could be used on some other item with greater efficiency. In brief, possible economies in expenditures should always be considered.[46]

The costs of running a school are so varied that it appears impossible to give definite instructions for making all estimates accurately. However, there are some suggestions that may prove beneficial. School expenditures can be roughly divided into four groups: (1) salaries and wages, (2) utilities and other stabilized expenditures, (3) general instructional supplies, and (4) expenditures which do not recur each year. Methods of making expenditure estimates for these groups of expenditures are presented in the following paragraphs.

Salaries of school staff constitute a large precentage of the total cost of public school education. Salaries are commonly determined before final approval of the budget and can be accurately estimated. The request for salaries in the tentative budget should be an amount deemed necessary to secure and keep selected personnel. The estimated amount for salaries can be reduced or increased to actual contract amounts in the process of gaining approval for the budget.

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[46] Reeder, op. cit., p. 362.

Perhaps the next largest group of expenditures is for stable items which can be estimated from a study of cost data relative to operations for the previous year. Expenditures in this group include those for such items as utilities, insurance, and communication. The best index to use in estimating cost for expenditures which are much the same year after year is the cost for previous years plus information which indicates minor changes which must be made.

A third group of expenditures consists of items such as text-books, library books, educational supplies, and paper. The cost of these items fluctuates directly with the enrollment. To save time, budget requests for such items should be in terms of the rate of expenditure per student. The rate per student should be based on past experience in the district plus consideration for factors which change from year to year. It should be noted that a rate per student for some items is often more easily justified than is a lump sum total.

The "cost per student" basis is sometimes used to allocate funds for supplies and equipment to the various departments of a school. This method is recommended by Liles when he states:

> The cost per student basis is one of the fairest and most flexible bases for allocating funds to a department. Under this plan, the allocation to the business department automatically fluctuates with the number of pupils enrolled. The head of the department is thus assured of a constant flow of funds which enables him to set up long-range plans and work toward their accomplishment with assurance. The cost per student is not the same for any two areas of education so there must be justification shown for the cost per student allowed in the budget.[47]

Expenditures which are non-recurring cannot be accurately estimated without detailed information regarding the needs of the

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[47] Liles, op. cit., p. 74.

district for the coming year. Included in this group are expenditures for furniture, equipment, repairs, and proposed alterations or improvements to the school plant. Ford[48] indicates that in determining the expenditure estimate for future maintenance school administrators frequently just increase the amount expended in the preceding year by an addition of 5 to 10 per cent. However, he does not recommend that procedure because it is not directly related to actual needs. He does recommend that a survey of the school plant be made to determine the specific elements of maintenance required. The survey not only makes possible accurate budget estimates but also consists of preliminary planning for the summer work program.

Gores[49] recommends that budget estimations for equipment and supplies should stem directly from recommendations of teachers. To secure expenditure estimates from the classroom or department where the supplies or equipment will be used, authorities suggest the use of requisition sheets supplied by the superintendent's office. Huggett[50] reports that requests and estimates can be secured from teachers and other employees by a simple form entitled "Budget Requests." He suggests that the form consist of three columns headed "Article," "Proposed Use," and "Approximate Cost." The heads of departments or principals should collect the completed requests and the superintendent should attempt to incorporate them into the budget.

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[48] Willard S. Ford, "How Budgets Should Be Prepared and Followed," The American School Board Journal, XCIX (July, 1939), p. 45.

[49] Gores, _op. cit._, p. 60.

[50] Huggett, _op. cit._, p. 158.

In spite of careful estimation of expenditures it is impossible to anticipate all costs accurately months in advance. Many authorities, therefore, recommend that a contingency fund be set up in the budget. A contingency fund is an undistributed reserve amount set up to meet extraordinary needs which cannot be anticipated. Its purpose is to have money readily available for unbudgeted needs when they arise. The amount recommended for such a contingency fund ranges from 1 to 10 per cent of the budgeted funds.

There are four common ways of handling financial costs which have not been anticipated: (1) transfer of funds, (2) borrowing money on tax anticipation warrants, (3) supplemental estimates, and (4) contingency funds. The method used must be in accord with existing laws affecting school funds. The contingency fund method provides for taking care of emergencies with a minimum amount of effort. The disadvantages of maintaining a contingency fund are reported by Reeder to be:

> 1. Such a fund tends to make school officials estimate less carefully.
> 2. It may lead to extravagances as an unexpended balance at the close of a school year "burns the fingers" of some school officials, tempts them to spend the amount for things which are not necessary.[51]

The value of a contingency fund has been summarized by Ford as follows:

> A contingency fund should not be used as a substitute for careful budget preparation. It should make possible the financing of essential unanticipated needs and permit the normal functioning of the program without wasteful delay.[52]

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[51] Reeder, op. cit., p. 373.

[52] Ford, op. cit., p. 43.

<u>Determination of the sources and amounts of funds to support the educational program</u>.--The third step in the preparation of a school budget involves the determination of the sources and amounts of funds required to support the educational program. The budget instrument should indicate the sources and amounts of all receipts for at least two previous years. This should be used as a basis upon which to estimate receipts for the budget year. It will be found helpful if receipts and expenditures can be assembled in the budget in such a way as to permit easy comparison.

The problem of securing the funds required to support the expenditure program is essentially one of determination of the tax levy. The total amount of funds to be raised by a local tax levy should be calculated by first estimating the amount of county, state, and federal aid and local receipts from sources other than taxation. The sum of the above items should be subtracted from the total planned expenditures to determine the amount which must be raised through the local tax levy. In case the amount of funds needed from tax levies is more than can be raised under the tax limitations imposed, it will be necessary to look for other sources of revenue or to modify the educational plans to the extent that they may be financed without additional revenue.

State aid in some form is commonly provided to help local school districts maintain specified standard educational programs. To qualify for state aid, a school district must be unable to provide a standard program on the basis of local taxation. In most states regulations govern the extent of the local tax rate which must be maintained if districts are to qualify for state aid.

Formulas used to determine the amount of state aid received by individual school districts are different in various states. However, the general purpose of state aid is to equalize the educational opportunities within the districts of the state. Therefore, the factors which affect the amount of state aid for which a district qualifies are much the same throughout the United States. Local factors commonly utilized by state aid formulas are enrollment, enumeration, attendance, qualifications of instructors, and the amount of funds available from other sources. These factors affecting state aid must be calculated before the actual amount of state aid for which a district qualifies can be determined.

School districts receiving state equalization funds must reckon with a minimum expenditure plan. In Oklahoma it is referred to as the "minimum program." The distribution of state aid for school districts in Oklahoma is presented here as a typical illustration. In Oklahoma the amount of money that a school district may qualify for is determined by subtracting the amount of the minimum program income from the cost of the minimum program. Both the minimum program[53] and the minimum program income[54] are defined by statute. Surpluses and certain receipts are not chargeable as minimum program income and may be used for an enrichment educational program above the standard defined by the minimum program. Thus, the total anticipated revenue for supporting the educational

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[53] Oklahoma State Department of Education, The Oklahoma School Code as Enacted by the 1949 Legislature of the State of Oklahoma and Subsequently Amended by the 1951, 1953, and 1955 Legislatures, 1955, pp. 93-97.

[54] Ibid., pp. 97-98.

program of a school district may be estimated with considerable accuracy by calculating the cost of the minimum program and adding to it the total of all surpluses and anticipated receipts not chargeable as minimum program income. The cost of the minimum program is determined by applying the state aid formula. An illustrative example follows indicating the factors in estimating the total revenue available for the ensuing year in an Oklahoma school district:

Calculation of the Total Estimated Revenue Available for Current Expenditures for Ensuing Year in Oklahoma School Districts:

1. Total Minimum Program Cost		$______
2. Add:--Revenue not chargeable as minimum program income		
a. Net amount from local initiative millage (5 mills)	$______	
b. Cash surplus June 30 (or estimate)	______	
c. Vocational Reimbursements	______	
d. Probable federal aid	______	
e. Other anticipated revenue not chargeable as minimum program income	______	
Total revenue not chargeable as minimum program income		$______
3. Total estimated revenue for ensuing year		$______

The state of Oklahoma guarantees to each local district aid sufficient to support the minimum program. Items of income listed as "a" through "e" in the above illustration constitute receipts or balances not chargeable against the minimum program income. Thus, those funds may be used to enrich the minimum educational program as defined by law.

The distribution of miscellaneous incomes for school support is also regulated by law in each of the states. If the revenue source has a broader base than the local district, the distribution is likely to be on a per capita basis involving district enumeration, enrollment, or average daily attendance.

Receipts from the support of public schools may be classified as revenue and non-revenue receipts. Revenue receipts are those additions to cash or other current assets which do not increase any liability or reserve, nor represent the recovery of an expenditure. Examples of revenue receipts are state aid, reimbursement from Smith-Hughes and George-Dean vocational funds and other federal programs, local property taxes, and tuition from parents. Non-revenue receipts are amounts received which either incur an obligation that must be met at some future date or change the form of an asset from property to cash and, therefore, decrease the amount and value of school property. Non-revenue receipts may result from several sources such as exchanges of property for money, sale of bonds, proceeds of insurance adjustments, and refunds from duplicate payments.

Receipts are often budgeted and accounted for by means of separate accounting funds because of laws regulating the use of certain types of income. Ad valorem taxes may be levied to raise funds for particular purposes such as to erect buildings or to retire bonded indebtedness. Receipts from such sources must be budgeted and accounted for in separate funds. Some receipts, such as those derived from the Johnson-O'Malley Act, although used for current expenditures, are granted on the basis of contracts or agreements and must be budgeted and accounted for separately. However, the bulk of receipts for current expenditures are accounted for in a general fund and the major portion of educational expenditures are handled through that fund.

Effecting necessary adjustments in the budget.—On the foregoing pages information has been presented relative to the first three steps in budget preparation: (1) determination of the educational program needed in the community, (2) estimating the cost of the desired educational program, and (3) determination of the sources and amounts of funds available to support the program. The final step in budget preparation involves effecting such adjustments in each of the first three steps as may be necessary to balance the budget.

School districts are commonly required by law to limit current expenditures to a budgeted amount which cannot exceed the estimated revenue for the year. In other words, a school system is not permitted to obligate itself for amounts in excess of what can be paid within the fiscal year in which the debts are contracted. It is apparent, therefore, that regardless of the educational plans developed, the amount of the program that can be carried out is dependent upon the funds available for expenditures.

As presented earlier in this study, a desirable school budget contains three parts; the educational plan, the expenditure plan, and the financing plan. All of these must be brought into equilibrium in the final approved budget. A desirable school budget is, therefore, often compared to an equilateral triangle in which all sides and angles are equal. The spending plan of the budget is based on the educational plan which automatically makes two sides of the budgetary triangle equal. It then remains to effect such adjustments as may be necessary to bring the third side into balance. This is considered by authorities to be a very important phase of school budgeting. Technically, the legal responsibility for making the adjustments rests with the local board of education. However, from a practical standpoint, the superintendent must make the recommendations necessary to balance the budget. The recommendations should be made when the tentative budget is presented for adoption. The tentative budget should reveal the desired educational program, cost of the desired educational program, available resources to support it, and the adjustments which may be necessary to balance the three parts of the budget.

There are several means available by which balancing of the three parts of a budget may be effected. If the available revenue is found to be short, new sources may be recommended to provide funds. If the finances cannot be extended, the scope of the desired educational program may be curtailed or the desired amount of salaries, wages, and other expenditures may be lowered. In making adjustments, all three parts of the budget should receive careful consideration, so that the final budget is as nearly as possible balanced both educationally and financially. Speaking of this phase of budget preparation DeYoung reports:

> When the initial estimates for the receipts are compared with the estimated expenditures, one is not likely to find equilibrium. If the available income is greater than the proposed expenditures, a surplus will result. Then the expenditures can be increased to include some extended phases of work, or the receipts can be cut down. But if the available income proves less than the expenditure estimates, one or two things must happen: the income must be increased or the expenditures cut. The first of these may call for an increased local tax rate, while the second demands a careful reconsideration of the entire budget.
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> Matching receipts with expenditures does not, however, balance a school budget. Balance requires the unification of the three programs—the educational, the spending, and the financing.[55]

[55] DeYoung, Budgeting in Public Schools, p. 175.

Presentation and Adoption of the Budget

The tentative budget should be presented to the adopting group by the superintendent. As indicated earlier in this chapter, the completed budget must be accompanied by a program of interpretation; to the board of education, to the school staff, and to the public. The superintendent should be able to justify every element in the budget request. Major changes from the budget of the preceding year should be carefully explained. Huggett[56] suggests that controversial issues should be worked out in meetings of the board of education long before the tentative budget is completed. With all possible controversial items forseen and reconciled beforehand, the formal approval of the budget becomes a routine matter.

Authorities believe that the local board of education should be the approving agency and make final decisions in adopting or revising the budget. Board members should be furnished a copy of the budget prior to the meeting at which its adoption will be considered. Thus, they will tend to adopt only after thorough study of the document. In order that there will be ample time for discussion and study of the budget, some authorities recommend that adoption not be sought at the first meeting in which the budget is considered. Mort and Reusser[57] suggest that the budget be presented to the board in terms of the necessities and the desirable additions. When the necessary items and the desirable additional items are presented with adequate interpretative data, the

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[56] Huggett, op. cit., p. 159.

[57] Mort and Reusser, op. cit., p. 172.

board of education can decide how far the community should and will go in carrying on its educational activities.

The budget should be presented to the board of education along with a letter of transmittal. This letter should outline briefly the educational program sought and explain any departures from past educational programs. The letter of transmittal should be a "sales" letter, not a defense. After it is read at the board meeting, the superintendent should answer orally any questions which board members ask concerning the budget. He will thereby be in a position to present justification for any request by discussing the need for the item requested and its probable cost. The superintendent should have facts and figures available to support all requests made in the budget.

The budget should be formally adopted by the board of education and recorded in the minutes of the board meeting. It is desirable, according to some authorities, to copy an appropriation summary in the official minutes. In fiscally independent school districts this would give authority for copying the appropriations in the accounting books and proceeding with the administration of the budget. However, there appears to be relatively few states wherein school districts are fiscally independent to the extent that school budgets are not approved or at least reviewed by higher authorities before appropriations may be legally expended. Budgetary accounts for the ensuing year cannot be established until such approval is made and funds become legally available for use.

Following approval of the budget, it should be interpreted to the members of the school staff and to the public. Members of the school staff need to know how much of the approved budget may be used in each department in order to make appropriate plans for the ensuing year.

Figures are often dull and likely not to be studied, therefore, in interpreting the budget to the public, McCunn[58] suggests that such methods of presentation be used as: (1) forceful speakers, (2) informative posters, charts and slides, or graphs, and (3) maps, radio reports, and newspaper stories.

Administration of the Budget

Any educational agency needs to plan its spending to prevent overemphasis on some activities at the expense of others, to see that income is not exceeded by expenditure, and to chart an intelligent course of educational development and growth. The school budget is an administrative device designed to fulfill these purposes for a school system. It is a plan for a one-year educational program, including estimated costs and means of financing. An educational plan is made to be followed. Authorities state that instead of being "laid away in moth balls," the budget should be used as a restrictive and controlling instrument. It should be flexible, however, and not a straight jacket. It should be used as a guide and not as a rigid control. During a year's time there is likely to be unforseen need for materials or services and the administration should be able to secure funds to take care of them without an excess of difficulty.

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[58] D. J. McCunn, "Presenting the Budget to the Board and the Community," The School Executive, LXVII (November, 1947), p. 54.

Lewis[59] reports that after the school budget has been adopted, the best practice dictates that major categories and not the details of the budget should be the basis of control. Detailed estimates should serve school management as a guide in spending money so that a balanced educational program will evolve. However, the wisest use of money can be obtained when there is some leeway allowed so that unneeded balances in certain accounts can be transferred to other accounts where a greater need occurs than was anticipated. The administration should have freedom in the use of budgeted money without unnecessary delays and the seeking of special approval from groups other than the local school board.

It is recommended that the budget be made out in detail for the purpose of study, establishing justification of requests, and approval, but that the total funds for current expenditures be legally appropriated in just one account for current expenditures. The administration will then have the detailed estimates to be used as a guide in administering the educational program but can make modifications in the details of the budget when wise use of available money necessitates such changes. The practice of appropriating money for current expenditures in several funds rather than in just one general fund for current expenditures was referred to by Mort and Reusser as follows:

> The maintenance of separate funds for financing current expenditures is a vestige of an earlier period when legislators sensed the need for some regulation of the items of current school expenditures. It is now well recognized that a well-planned and

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[59] John W. Lewis, "The Operation of the Budget," The School Executive, LXVII (November, 1947), p. 51.

> well-administered budget accomplished this purpose much better than any restriction of expenditures through the fund method.[60]

The maintenance of numerous specific appropriation accounts serves to restrict the use of school finances in much the same manner as the maintenance of separate funds.

Budgeted amounts should be transferred to the account books and recorded at the top of the columns for actual expenditures. Thus placed, they show the authorization for the disbursement of funds equal to, but not exceeding those figures. The unexpended balance of the appropriations can be obtained by subtracting the expenditures encumbered from the appropriation limit. Asfahl[61] designed a large graph to be kept in the superintendent's office to show at a glance the status of any item of appropriation. The graph is so arranged as to indicate the amount of appropriations in each classification, the amounts already expended, and the amounts still available. Asfahl reports that expenditures beyond the appropriation for a single sub-classification should be shown in red, but to overspend the major classifications requires school board approval of transfer of funds, and overspending the budget total is not allowed. The graph technique is beneficial to indicate the status of receipt accounts as well as expenditures and reveals at a glance the total estimated revenue from each source as well as the amount collected to date. Such information is important because, if collections are exceeding or falling below expectations, the administrator may need to alter expenditure plans accordingly.

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[60] Mort and Reusser, op. cit., p. 157.

[61] William D. Asfahl, "Control That Budget," The Nation's Schools, XXXIV (August, 1944), pp. 44-46.

Some local boards of education require, and all boards should require, a monthly financial statement prepared by the superintendent or other financial officer of the board of education. The expenditure report should show the budgeted totals in each accounting classification, the amounts expended, and the balances remaining. A financial statement of receipts should indicate the total anticipated receipts from each source as well as collections. Reeder states that monthly financial statements should be prepared and presented at the meetings of local boards of education. He attributes the following advantages to the plan:

> It acts as a budget guide and control; it keeps school officials regularly informed of the status of the school funds; and it enables them to make comparisons of the finances with the preceding year and with earlier months of the same year.[62]

It is commonly recognized that a well-planned budget is an aid to the proper administration of school systems. However, an excellent budget does not ensure proper administration. Its limitations are summarized by Liles as follows:

> The budget outlines the course toward certain objectives but does not of itself prevent deviations from the course or ensure the attainment of the objectives. The budget will not ensure good administration; it is only the servant of administration. The budget is based on an estimate, and judgment should be exercised in following it; it should not be followed blindly. The budget should not be allowed to kill initiative or to run the school in an ironclad manner. The budget is not the "watchdog of the treasury."[63]

Summary

In the preceding pages of this chapter consideration is given to the important facets of public school budgeting. Desirable elements

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[62] Reeder, op. cit., p. 691.

[63] Liles, op. cit., p. 70.

of school budgeting are presented and substantiated in regard to: (1) functions, (2) format, (3) basic principles and responsibilities, (4) preparation, (5) presentation and adoption, and (6) administration. Evidence is presented which indicates that careful development and use of a school budget which involves an educational plan, a spending plan, and a financing plan may result in a number of advantages in achieving the best educational facilities for school children of the district. It is also established that the financial management of a school system today requires the services of an individual with specific preparation for the task. That individual in a small school system is generally the superintendent of schools.

The information in the last section of the chapter indicates that the school budget is not an end in itself but is a tool by which better educational opportunities may be provided through efficient execution of well-formulated plans. Administration of the school budget involves its constant use as a guide but permits modifications of plans contained therein when unforseen developments occur. It involves the recording of budgeted amounts in account books and maintaining a proper balance between total income and expenditures in relation to budgeted amounts. This requires accurate record keeping and methods of interpreting the records. The administration of a budget is a most important phase of the budgeting process. It can be accomplished most successfully with an adequate system of accounting.

It has been the primary purpose in this chapter to present information and data relative to sound procedures and practices in school budgeting. In any educational system sound budgeting constitutes the basis for the development of an adequate financial accounting system. Consideration of the elements basic to financial accounting for school systems is presented in Chapter IV.

CHAPTER IV

FINANCIAL ACCOUNTING FOR PUBLIC SCHOOLS

Introduction

Budgeting and accounting are reported to be the two principal tools of management control in business.[1] Progressive administrators of school systems have likewise found that budgeting and financial accounting are necessary in the successful direction of educational institutions. The educational plans of a school system and the methods of financially supporting those plans are summarized by means of the school budget. The facts of actual performance are summarized by the financial and operating statements and supplementary reports made possible by the financial accounting system. Thus, it is readily apparent that the budgeting and accounting functions of school administration are interdependent and that the value of each can be enhanced by the quality of the other. This point of view was supported by McCunn and Sacks when they stated that "unless the budget is supported by an adequate accounting system it may have little practical value."[2] The interdependence of budgeting and

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[1] David R. Anderson, Practical Controllership (Chicago: Richard D. Irwin, Inc., 1947), p. 62.

[2] Drummond J. McCunn and Georgia May Sacks, "Planning a Unified Accounting Program," The School Executive, LXIV (April, 1945), p. 59.

accounting was also recognized by Pittenger who expressed the opinion that efficient budgeting ". . . improves financial accounting procedures."[3]

The educational values derived from proper budgeting procedures were demonstrated in Chapter III of this report. It is the purpose of this chapter to set forth the functions, basic principles, and procedures involved in the operation of financial accounting systems for public schools.

Financial accounting for public schools has been defined[4] as the classification and summarization of bookkeeping records for the purpose of conducting, controlling, and interpreting the financial and business transactions of a school. The importance of accurate accounting records for public schools is indicated by the tremendous amount of expenditures necessary to support public school education. Expenditures from the General Funds for the public schools of Oklahoma exceeded $100,000,000 for the fiscal year ending June 30, 1955.[5] Our public school system is big business. Any private business of that size and scope finds it necessary to employ well-trained and competent accountants and bookkeepers. They must keep detailed and accurate records of all receipts and expenditures and must be able to produce a summary of the financial

[3]Benjamin F. Pittenger, Local Public School Administration (New York: McGraw-Hill Book Company, Inc., 1951), p. 432.

[4]Carter V. Good, (ed), Dictionary of Education (New York: McGraw-Hill Book Company, Inc., 1945), p. 4.

[5]State Board of Education of Oklahoma, Finance Division, "Classification of General Fund Expenditures (white & negro) of Oklahoma Public Schools as Shown by the Financial Reports for the Fiscal Year 1954-55" (Oklahoma City: Finance Division, State Board of Education, 1955), p. 1. (Mimeographed.)

condition of the business readily at any time. The same degree of care and accurate handling of the financial records of a school system appears to be essential.

The importance of maintaining proper financial records is best indicated by enumerating the functions that are performed by adequate school financial accounting systems. Although authorities commonly emphasize certain basic functions of school accounting, their lists of functions are rarely identical. The functions of a financial accounting system, which are presented in this study, are adapted from the works of several authorities and are the functions most commonly enumerated.

The primary purpose of a school financial accounting system is: "To provide a definite, well-organized record of all financial transactions in accordance with recognized governmental accounting procedures which will show where the money comes from, how much is available, and what it is used for."[6] Thus, the accounting system guides the superintendent and school board in the performance of their duties. It is the concensus of authorities in the field of school administration that the accounting system should fulfill such functions as:

1. Revealing the financial condition of the school system at any time, indicating the relationship between budgeted amounts and actual receipts and expenditures.
2. Facilitating necessary adjustments in the rate of expenditure by providing readily available data on the financial condition and operating results of the various funds and appropriation accounts.
3. Facilitating uniform reporting of financial data requested by county, state, and federal agencies.
4. Providing data required in determining the efficiency of personnel, materials, equipment, and methods.

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[6] Minnesota Department of Education, Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts (St. Paul: 1952), p. 11.

5. Constituting a basis on which future financial and educational plans may be formulated.

An adequate financial accounting system further serves as a safeguard in the administering of public school funds by providing complete records of all financial transactions and a means of limiting expenditures to budgeted amounts.

A good school accounting system should furnish all the financial accounting information needed by local school officials and patrons of the district, as well as the data requested by state and national agencies. The establishing of such a system will necessitate the consideration of basic governing principles. The principles, discussed in the following pages, are those which apply particularly to the financial accounting systems of small independent school districts as defined in Chapter I of this report.

Principles of Financial Accounting

Flexibility is one of the most essential characteristics of a public school accounting system. A public school accounting system should be readily adaptable to local circumstances. It should be possible to expand or contract the system to suit the varying needs and scopes of numerous administrative units. The major difference between the accounting system of a small school and that of a larger one should be in the amount of detail. The larger school usually requires more detail for administrative purposes.

The accounting system for a small independent school system should be simple in form and operation. It should provide a means of keeping economically and in accessible form, the essential information needed for financial accounting in the school system for which it is designed. Howe[7] indicates that no system is acceptable that works a hardship on the school district, burdens the system with useless record-keeping, and provides a mass of records that do not contribute to the function of the school. Authorities agree that the accounting system and forms utilized should presuppose only a moderate degree of bookkeeping information on the part of the individual responsible for financial accounting in a small independent school district.

The accounting system should provide information needed for fiscal reports. The information should be provided in such order and form that the preparation of reports is facilitated. This principle of accounting necessitates careful consideration of the budget and financial report forms when setting up the chart of accounts to be used in the financial accounting system. In this regard, municipal accountants report that:

> The accounting statements should be taken directly from the accounts in the ledgers. If this requires extensive re-arrangement of data, combining or separation of figures, and other laborious operations then the books are not set up properly or the statements not correctly arranged.[8]

Since the individual school system has no control over the report forms required for annual financial reports, all adjustments must be made in the bookkeeping system.

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[7] Henry Howe, "A Unified System of Accounting Procedure for Purchase and Inventory Control for Small High School Systems of Arizona," The National Business Education Quarterly, XIX (March, 1951), p. 30.

[8] Municipal Finance Officers Association of the United States and Canada, Simplified Municipal Accounting, A Manual for Smaller Governmental Units (1313 East 60th Street, Chicago 37, Illinois, 1950), p. 128.

The financial accounting system should include an internal check to make the misuse of funds highly improbable. This may usually be attained by a division of labor in the fiscal procedures. No one individual should be in charge of the total fiscal activities of receiving revenue, making the expenditures, and recording the transactions. Huggett[9] believes that a superintendent should not handle money except in case of emergency. The superintendent is in a vulnerable position by the nature of his duties and should avoid, whenever possible, the handling of monies. The original written records of all transactions must be retained as part of the accounting records. The school treasurer should pay only warrants supported by properly authorized legal claims. A yearly audit by an independent accountant should be required as a protective measure for school officials and taxpayers.

The accounting system should utilize forms of such size and quality of material that filing will be simple and retention assured for such time as may be desirable. Complete accounting records for all financial transactions are commonly required by law to be retained for a period of five years. It is undoubtedly preferable to retain them for approximately twice that long. The problem of filing must, therefore, be considered when determining the accounting materials to be used.

The financial accounting system should conform to legal requirements by providing financial data in prescribed classifications of accounts. Accurate records of all receipts and expenditures should be made in the prescribed manner so that the legality of all transactions

[9] Albert J. Huggett, Practical School Administration (Champaign: The Garrard Press, 1950), p. 153.

may be readily ascertained. This principle generally makes mandatory the accounting of receipts by fund and source. Likewise, it makes mandatory the accounting of expenditures in terms of fund and function.

There should be sufficient uniformity of classification of accounts to provide for state- and nation-wide comparisons of major items. The public school accounting system should utilize uniform classifications of accounts for receipts and disbursements and also a standardized accounting terminology. This uniformity should be maintained throughout the entire accounting cycle, from the preparation of the budget to and through the preparation of the financial statements. Uniformity of accounts and terminology should be maintained throughout all of the school systems of a state. In so far as state laws and regulations will permit, the accounting classifications used in state systems should be uniform nation-wide.

The accounting system serves the local administration in fiscal control through budgetary accounting and in more intelligent planning for the future. It must also serve in terms of larger areas such as the county, state, or nation in the compilation of financial data relative to public schools. Statistics for the state or nation are compiled from the figures for individual districts obtained from local records. The matter of uniformity in local records is, therefore, of fundamental importance on the county, state, and national basis. Unless a uniform classification is adhered to, and unless common terminology exists, any one account will not reflect a single type of transaction. One individual might interpret a transaction in a manner different from that of another and make an entry in the wrong account. Even the same individual may have different opinions from time to time.

The use of standardized account classifications, which are designed to contain the same type of financial information, makes possible the comparison of school financial data among widely scattered schools. Educational data compiled from nation-wide sources form the basis for decisions at the national level. Such decisions are of utmost importance for the local school district and the public, either directly or indirectly. Thus, it is essential that the public school accounting system should utilize uniform classifications of accounts for receipts and disbursements and also a standardized accounting terminology.

The only means now available for securing nation-wide uniformity of accounts is to follow the recommendations of the United States Office of Education when developing local budget forms, financial reports, and accounting systems. Since 1909, the United States Office of Education, in cooperation with other national and state organizations, has promoted the cause of uniform recording and reporting through national committees, publications, and conferences. A bulletin, Financial Accounting for Public Schools,[10] was published following an extensive nation-wide cooperative study extending from 1934 until 1940. The bulletin has been widely used as a guide by state departments of education in the development of state systems of public school accounting. It was revised in 1948 with but minor changes.

A cooperative study sponsored by the United States Office of Education is currently underway to develop a financial accounting handbook. Account classifications advocated by the new financial accounting

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[10] Federal Security Agency, Office of Education, Washington, D. C., Financial Accounting for Public Schools, Circular No. 204 (Washington: Government Printing Office, 1952).

handbook will be more adaptable to present-day school revenues and expenditures. The handbook will be concerned with two important problems that constantly face every school system, namely, the kinds of fiscal information that should be available and how this information should be classified and recorded for most profitable use. The handbook will contain a set of standard financial accounts, classified and defined, and additional accounting terminology necessary to the effective use of an accounting system. The accounts will consist of those which are important and useful to a school district and which need to be comparable among school districts.

Objectives of the nation-wide cooperative study have been accomplished to the extent of the issuance in duplicated form of the "Third Preliminary Draft of Financial Accounting Handbook."[11] This handbook represents the latest thinking of authorities concerning the problem of financial accounting for school systems. The duplicated handbook was issued for use in regional conferences and it appears that the final product will contain but minor changes of its present form. This handbook constitutes the most significant contribution that has been made to the standardizing of accounts for public school accounting.

The chief advantages which would accrue from uniformity in financial accounting procedures in a state were enumerated by Reeder:

> 1. It would make it possible to compare financial practices in one community with practices in other communities. For example, unit-cost studies could be made with a greater degree of confidence

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[11] United States Department of Health, Education, & Welfare, Office of Education, "Third Preliminary Draft of Financial Accounting Handbook" (Washington: United States Department of Health, Education & Welfare, Office of Education, December, 1955), (Mimeographed).

in their accuracy. Under present financial-accounting methods such studies are almost impossible to make. For example, if a person undertakes to compare expenditures for maintenance of school buildings in several school systems he is likely to find that his desire is largely defeated because maintenance expenditures are not interpreted the same in all school systems. What one school system calls a maintenance charge another system calls operation, and still another system calls capital outlay.

2. It would make the task of auditing the accounts much easier. Every state provides for systematic and periodic audits of the accounts of every public official. The difficulty with which these auditors work can readily be imagined when innumerable kinds of financial accounting systems are in use.

3. It would be easier for school officials to make their reports to the United States Commissioner of Education, the chief state school official, the county auditor, the county superintendent, or other agencies. This would be particularly true if the reporting blanks were based upon the accounting forms, as they should be based.

4. It would be easier to train school clerks and other school officials in financial-accounting methods, because there would be only one system to become acquainted with and emphasis could be placed on that system.

5. It would make the cost of accounting forms much less.[12]

A somewhat lengthy discussion of important principles of school accounting systems has been presented on the preceding pages. The primary requisites of a suitable state-wide financial accounting system for public schools may be summarized as follows:

1. It should be flexible and adaptable to the scope and needs of various administrative units.
2. It should be simple in form and operation.
3. It should provide information needed for fiscal reports without the necessity of extensive re-arrangement of data, combining or separating of figures, or other laborious operations.
4. It should include an internal check to make the misuse of funds highly improbable.
5. It should involve the use of accounting materials of such size and quality that filing will be simple and retention for long periods possible.
6. It should provide financial data in such form that the legality of all transactions may be readily ascertained.
7. It should utilize standardized accounts and terminology to provide for state and nation-wide uniformity.

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[12] Ward G. Reeder, The Fundamentals of Public School Administration (New York: The Macmillan Company, 1951), pp. 683-684.

Establishing the Financial Accounting System

Acceptance of responsibility for administering the business affairs of a school district places an obligation upon the members of the local board of education not only to direct a satisfactory educational program but to adequately account to the taxpayers for all school monies. An accurate, adequate, and revealing accounting system is necessary if the local board of education is to properly perform each of these basic obligations. The accounts utilized in the accounting system must be those needed to aid in the administration of the entire educational program as well as to fulfill the obligation to taxpayers for the accurate accounting of all school funds.

Establishing an accounting system involves the consideration of specific questions such as: (1) What will be the basic system used; single or double entry? (2) Will general ledger accounts or a columnar distribution ledger be used? (3) How many and what accounts are needed?

Basic Systems of Recording Financial Data

The first question involved in developing financial records for a school district relates to the basic system to be used in recording the financial data. Two basic systems of recording financial data are used in municipal accounting. These systems are "single-entry" and "double-entry." The double-entry system may be defined as:

> A system of bookkeeping which requires for every entry made to the debit side of an account or accounts an entry for the corresponding amount or amounts to the credit side of another account or accounts.[13]

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[13]United States Department of Health, Education, & Welfare, Office of Education, *op. cit.*, p. 170.

The double-entry system of accounting for schools and other municipalities is patterned after the prevailing commercial accounting system but with special adaptations required to serve the purposes of municipal accounting. The double-entry system can be most effectively used by school districts employing competent bookkeepers and administrators who have a basic knowledge of accounting principles.

The single-entry system of accounting involves the recording of financial data pertaining only to the elements of receipts and expenditures. The revenue, appropriation, encumbrance, surplus, and other similar accounts utilized in a double-entry system of municipal accounting are eliminated entirely. The use of the single-entry system requires only limited knowledge of accounting principles and procedures. It has, therefore, proved to be the most practical means of recording financial information for many of the small school districts which have neither clerks competent to perform the record-keeping nor administrators who understand the more complicated elements of accounting. Analysis of accounting bulletins published by state departments of education indicates that the single-entry system of accounting is used almost exclusively in the public schools.

The single-entry system of accounting can be adapted to either the general ledger or the columnar distribution ledger method of maintaining accounts. If the general ledger procedure is used the warrants are coded and recorded in a warrant register in numerical order. They are then posted to the proper accounts in the general ledger. In the columnar distribution ledger accounts they are also listed in numerical order and then extended to the appropriate columns.

Procedures by Which Accounts are Maintained

In determining the format of the accounting system to be used, a second problem arises. It concerns the general arrangement for assembling data in accounts. Two procedures for maintaining accounts are in common use. They are the procedure of making entries on columnar sheets and the procedure of making entries on pages in a general ledger. Each procedure for maintaining accounts has its advantages and disadvantages. The columnar accounting procedure might be best for one school district and at the same time be inappropriate for another school district. For example, the number of accounts required in a particular district may be so large as to make the columnar arrangement unwieldy. The procedure which can supply the needed financial data in the most usable form with the least effort should be adopted.

The columnar procedure for maintaining accounts is similar to the combined cash journal arrangement commonly used in accounting practice. The receipts and expenditure records consist of special columnar pages instead of separate ledger sheets. A warrant written on a particular fund is recorded in the columnar ledger record in numerical order with the appropriate identifying information needed for auditing purposes. The total amount of the warrant is recorded in the first money column and then extended to the proper one of the special columns. The total amount of expenditures from a fund is found by adding the first money column which contains the amount of each warrant written. Adding the special columns reveals totals expended in each of the classifications represented by the special columns. The amount of the appropriation is commonly recorded at the top of each special column for easy comparison with expenditure totals. A coding system is often used in conjunction with the columnar ledger to allow for expansion of the system of accounts. In this way the expenditures or receipts which occur most frequently are recorded in special columns. Those expenditures or receipts occurring less frequently are coded and recorded in a miscellaneous column. The miscellaneous items must then be summarized at the end of a fiscal period.

Advantages attributed to the columnar procedure for recording receipts and expenditures are: (1) it requires one record book instead of two, (2) it saves considerable time in recording and posting, (3) it is simpler to understand and to operate, and (4) the entire expenditure or receipt program can be visualized without the necessity of preparing financial statements or referring to two or more books.

A columnar distribution ledger has the disadvantage of being limited by the number of columns which can be conveniently placed on one sheet or an extension thereof. In an effort to include more columns, the ledger sheets may be made so large that the ledger is bulky to handle and difficult to file.

The general ledger procedure for maintaining accounts is often advocated especially for large school districts. The advantages of the general ledger procedure have been listed by Good as follows:

> 1. It provides for unlimited expansion or contraction to fit the needs of each individual school. The addition of accounts to care for new types of information is not limited by the number of columns which can be handled conveniently on a page. Nor is the small school required to use forms encumbered with a large number of account columns which will never be used in the small school.
> 2. It makes possible the compilation of all information concerning a particular item in one place, and hence a picture of the present financial status of that item. For example: If a refund is posted to the account in which the original entry is posted,

but in the opposite column of the account, and the result is the net balance of money received or spent.

3. It makes possible the grouping of accounts into major functional classifications and the addition to each group of accounts without interrupting the relationship of accounts within each group or any other group. Thus a school operating a cafeteria, or a lunch program, and wishing detailed cost and income accounting concerning the activity could secure this accounting in the accounting system already existing, and without interrupting the sequence of any of the other groups of accounts.

4. It promotes a budgetary control by providing a ready balance at the end of each month, or oftener if desired, for all of the budget items. Thus, it is possible at any time to know whether the rate of expenditures to date is greater than was planned for in the budget and to adjust future expenditure plans accordingly.

5. It contributes to uniformity in the classification of accounting data by making the inclusion of each type of accounting information convenient.

6. The general ledger, coupled with the use of the general journal or journal voucher, simplifies the inclusion of miscellaneous information such as budget transfers or adjustments.[14]

Regardless of the procedure utilized in maintaining the accounts in which financial data are recorded, a uniform system of accounts should prevail. The uniform system of accounts should simplify financial reporting and facilitate the accumulation of data needed for the budget. In addition, it should simplify administration of the budget. Of the two procedures for maintaining accounts discussed here, the general ledger procedure undoubtedly has the greater possibilities. However, for use in small school systems, the columnar procedure is recommended because of its simplicity, its conservation of time, and the limited use made of financial data. A columnar ledger form designed for use in small independent school systems of Oklahoma is presented in Chapter V of this report.

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[14] Leonard Francis Good, "A Uniform Financial Accounting System for Nebraska Schools" (Unpublished Doctor's dissertation, The University of Nebraska, 1946), pp. 80-81.

Determining the Accounts Needed

Engelhardt has stated the major implications in the problem of answering the question, "How many and what accounts are needed?". In 1931 he stated that the problems involved in the application of accounting principles to public school bookkeeping procedure involved:

> The financial facts which will most definitely aid in the economical and successful administration of a public school system must be clearly and definitely determined.
>
> The accounts which will supply this information accurately, promptly, and clearly, must be kept.
>
> The reports or statements that will set forth these essential facts in the manner in which they will serve the management must be prepared and used.[15]

Municipal accounting authorities also report that when one knows what information is needed, and why, much of the mystery of accounting disappears.[16] Setting up a chart of accounts for a school system, therefore, necessitates the determination of the financial information needed for the proper administration of the school program and to fulfill the administration's obligation to the taxpayer for the businesslike accounting of all school monies.

Financial information needed on the state and national levels may be determined by analyzing the annual reports required of each school district. The major reports involved in Oklahoma are: (1) the annual financial report, (2) the annual transportation report, and (3) the application for accreditation. The annual financial report briefly summarizes

[15] Fred Engelhardt, Public School Organization and Administration (Chicago: Ginn & Company, 1931), p. 475.

[16] Municipal Finance Officers Association of the United States and Canada, op. cit., p. 1.

school expenditures in terms of functions in accordance with recommendations of the United States Office of Education. The annual transportation report summarizes the cost of student transportation in detail. In addition to much non-financial information, the application for accreditation in Oklahoma requires data concerning expenditures for library books and science laboratory equipment. The data are required to ensure that the policies of the State Board of Education in regard to library and science laboratory expenditures are being followed. The information needed for prompt and accurate reporting of the financial data called for in these reports should be readily provided by the accounting system.

Other financial information is required in the preparation of school budgets in order to follow the prescribed laws of various states and the regulations of state boards of education in the collection and expenditure of school funds. Therefore, the school budgets must be analyzed to determine the financial data needed and the form in which it must be presented to fulfill legal requirements.

The bulk of financial information required by the administrators of a school program is that utilized in the preparation of the budget instrument and the annual reports. However, some larger schools may be benefited by more cost analysis detail and, therefore, require additional accounts. Where a number of similar schools exist within a single district, some comparative cost data will undoubtedly be of aid in effecting economies in the administration of the educational program. Authorities generally question the value of a mass of details for comparative cost purposes in the small school. The small school may also lack the clerical assistance necessary to properly record and interpret cost accounting data. It is the consensus of authorities that the information required for financial reports and the school budget constitutes as much data as small school districts can advantageously utilize.

The actual accounts recommended for small school districts tend to be similar in all states. This similarity results from the uniformity of accounts and accounting terminology brought about by the adoption of uniform accounting systems in most of the states. Minor differences may arise in the financial accounting systems in the providing of information required to fulfill legal demands which vary from state to state. The specific accounts recommended for use in small independent school districts in Oklahoma are presented in Chapter V of this report.

Fund Accounting

One of the characteristics peculiar to municipal accounting is that it consists primarily of accounting for "funds." A fund may be defined as:

> . . . a sum of money or other resources set aside for specific activities of a school district. The fund account constitutes a complete entity and all of the financial transactions for the particular fund are recorded in them.[17]

Separate funds are established in municipal accounting to ensure that money will be used only for the specific purpose for which it was appropriated. Thus a fund, in one sense, is an accounting device whereby the transactions pertaining to each specific activity must be recorded in a separate group of accounts.

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[17] United States Department of Health, Education, & Welfare, Office of Education, op. cit., p. 172.

The fund designations utilized in public school accounting are similar to those commonly found in other forms of municipal accounting. They may vary somewhat among school districts but, in general, are as follows:

1. General Fund--for ordinary operation and upkeep.
2. Sinking Fund--for debt and interest on debt retirement.
3. Capital Fund--for permanent improvements of a general nature as opposed to special assessments.
4. Trust Funds--those held in trust for owner pending final disposition.
5. Special Funds--for certain specific purposes not included in funds listed above and generally created specifically by ordinance or legislative act.[18]

Funds commonly employed in school districts of individual states are described more fully in the accounting handbooks issued by the various state departments of education. The number of funds which may exist are innumerable because a fund is ordinarily established to account for any public money which was raised for a particular purpose.

The accounting system of a school may become quite complicated as a result of a large number of funds which require separate accounts. Therefore, funds that are to be expended for general school purposes should, whenever possible, be accounted for in the General Fund.

Basis of Recording Expenditures

Expenditures may be recorded on either an "accrual" or "cash" basis. When the accrual basis is used, an expenditure is recorded as soon as a purchase order is issued or a contract made. Funds for payment thereby become encumbered with the cost as soon as a contract for

[18] W. K. Newton, "Outlines of Municipal Accounting" (Norman: University of Oklahoma Book Exchange, 1950), p. 3. (Mimeographed.)

expenditure is let. The accounting entry is made from the purchase order or similar form of contract. Many purchase orders cannot be filled exactly as ordered and, consequently, there may be a variation between the amount of a purchase order and the corresponding invoice. Thus, adjusting entries are frequently necessary when expenditures are recorded on the accrual basis. This basis of accounting accurately reveals at any given time the true expenditures and the true cost of the school administration unit for a particular period. Accurate accounting by the accrual basis requires considerable knowledge and skill on the part of individuals performing the recordkeeping duties.

The cash basis of recording expenditures reveals only the amount of the warrants issued. The amount of encumbrances are not shown in the accounts. Use of the cash basis necessitates that due consideration be given to claims and contracts pending, when reporting on the status of an expenditure account or appropriation balance. This may be accomplished readily in a small school system by maintaining a file folder for unpaid purchase orders, thus, making possible a quick determination of total obligations when the information is needed.

Authorities in school administration recommend that expenditures be recorded on the accrual basis in order to maintain an up-to-date record of actual obligations. Such a record would also indicate actual appropriation balances. However, for small school systems, the cash basis is recommended by the writer because it is simpler to maintain and the essential information in regard to total obligations of funds can also be readily determined.

Cost Accounting

A phase of accounting applicable to school systems as well as business firms is known as "cost accounting." Its principles are applicable in all types of business and are considered absolutely essential in manufacturing concerns. Accounting data pertaining to school costs can be extremely valuable in the economical operation of a school system. By economical operation is meant the wise expenditure of funds rather than a curtailment of services performed.

Cost accounting for municipalities has been defined as:

> . . . that method of accounting which provides for the searching out and recording of all the elements of cost incurred in performing an activity, a job, or a unit of work.[19]

All accounting of expenditures may be called cost accounting but the term, as commonly used, refers to a certain phase of general accounting. Cost accounting systems are designed especially to provide financial facts for management's use in the administration of the business affairs of the organization involved. The purposes of cost accounting for municipalities were enumerated by Chatters and Tenner as follows:

> . . . to provide expenditure data to be used in (1) preparing the budget, (2) determining whether operations are being carried on efficiently, (3) determining whether to have certain work performed by governmental unit's employees or by an outside contractor, and (4) arriving at the cost of fixed assets constructed.[20]

Cost accounting for school districts has the same ultimate aim as cost accounting for commercial organizations. This aim is specifically set forth in the following paragraph.

[19] Carl H. Chatters and Irving Tenner, Municipal and Governmental Accounting (New York: Prentice-Hall, Inc., 1947), p. 337.

[20] Ibid., p. 337.

> The ultimate aim of cost procedures is to supply useful information. Accurate cost statements, properly analyzed, are of value to the management in setting sales prices and in controlling and reducing costs. They measure the results of past performance and give a tangible basis on which improvements may be effected.[21]

The well-administered school system should make use of cost studies. The administrator should know what a unit of service should cost and what it actually does cost. These two facts form the basis for intelligent decisions concerning similar transactions in the future. Such information will often enable a school system to decrease its costs without lowering the quality of its educational services. The cost of an article or service is accurately revealed in an adequate accounting system. What similar items should cost may often be determined by means of comparative cost studies.

Costs of manufacturing concerns are commonly calculated for units of output and for departments. Cost accounting in schools is likewise most significant when it reveals costs by units and by departments or other administrative divisions. Two problems are confronted in unit cost studies. The first problem is that of securing comparable data; the second is determining the unit cost. The nation-wide adoption and use of a uniform accounting system, utilizing standard accounts and terminology, would make possible the securing of reliable financial data for comparative studies. In recent years, the tendency has been for increasing numbers of states to develop school accounting systems which uniformly utilize the standard accounts advocated by the United States Office of Education.

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[21] The Higher Accountancy Instruction, Research, Advisory, and Educational Staff of LaSalle Extension University, Cost Accounting Procedure (Chicago: LaSalle Extension University, 1947), p. 1.

The determination of the unit in which costs will be expressed is dependent upon the purpose for which the cost data is needed. Since the product involved in a school system is the student, unit cost studies are commonly expressed in terms of student units. Examples of student units are average daily attendance, average daily haul, and enrollment. In determining the cost of library books and periodicals, or when the comparative cost of the various subjects or departments of the school is determined, the cost per student is appropriate. However, if the cost problem pertains to maintenance and operation such as janitoral service, the number of square feet involved is a more practical unit of cost. Studies concerning the cost of heating should be based on the number of cubic feet to be heated, but the cost of water might be more directly related to the number of students involved. In all comparative cost studies, the unit of cost selected should be significant for the particular purpose for which the cost data are needed. A properly coded accounting system makes this possible.

In summarizing information pertaining to cost accounting and comparative cost studies in school systems, it is obvious that an analysis of school costs may aid in the administration of a school by:

1. Revealing ways and means by which economies may be effected.
2. Revealing trends in school costs.
3. Revealing the cost of various elements of the educational program which makes it possible for decisions to be based upon facts.
4. Supplying accurate data for budget estimates.
5. Supplying reliable data for public relations uses.

Administrative value may also be derived from comparing costs of the same element in different school systems or by different years in the same system. However, too much reliance should not be placed on average practice which does not necessarily set a desirable standard. In making comparisons, care must be taken to ensure that reliable data are used. Finally, the units of cost analyzed or compared must be applicable to the purpose for which the data are needed.

To this point, the material in this chapter has been concerned with principles of financial accounting for school systems and various considerations involved in establishing a financial accounting system. The remainder of the chapter is devoted to consideration of the actual procedures of accounting for receipts and expenditures of public schools and the preparation of financial reports.

Accounting for Receipts

It is the duty of the school district treasurer to receive, be responsible for, and to account for all school district money. Standard account classifications should be utilized in accounting for receipts so that financial data of the district will have significance on a county, state, or nation-wide scale. The United States Office of Education is encouraging the use of a standardized classification of receipts which utilizes a minimum number of accounts that are carefully defined, yet easily understandable.

The standard classification of receipts recommended by the United States Office of Education[22] provides for three major classifications: (1) revenue receipts, (2) nonrevenue receipts, and (3) transfer accounts. The classification terms themselves have standardized definitions so

[22] United States Department of Health, Education, & Welfare, Office of Education, *op. cit.*, p. iv.

that they will mean the same in all school districts of the nation. "Revenue receipts are additions to assets which do not incur an obligation that must be met at some future date, do not represent exchanges of property for money, and are available for expenditure by the board of education."[23] Tax receipts of any nature that are appropriated for current expenditure purposes constitute the major source of revenue receipts.

"Nonrevenue receipts consist of money received which either incurs an obligation that must be met at some future date or changes the form of an asset from property to cash and, therefore, decreases the amount and value of school property."[24] Money received from loans, sales of bonds, and sales of valuable property are nonrevenue receipts.

Classified as transfer account items are any receipts received from another school district for services rendered. It should be noted that such receipts are classified as revenue receipts from the standpoint of the local school district. However, from the standpoint of the state, they are receipts to the sending district and transfer funds to the receiving district. To avoid duplication in consolidated data for the state, such receipts should be clearly identified and are, therefore, recorded under the classification of transfer accounts.

Figure 1, page 121, presents minimum standard receipt accounts that should be maintained for each school district and for each fund separately accounted for in the district. "Minimum," as used here, refers to the smallest number of accounts which should be utilized by

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[23] _Ibid._, p. 4.

[24] _Ibid._, p. 10.

any school district, providing there are receipts which may be properly classified under each account title. It is probable that not all of the standard receipt account classifications will be necessary or applicable in any one district. The accounts needed will be determined by the source of revenue for each fund. Sources of revenue vary from state to state and from district to district within a single state.

The receipt accounts advocated were not designed for general fund receipts or for any other particular fund. They are the basic accounts which should be used in accounting for the receipts in any established fund. When legal requirements or other considerations necessitate the establishment of individual funds for specific activities, appropriate standard accounts should be selected from those recommended here.

It should be emphasized that receipts for each fund should be accounted for in the appropriate standard classification account. Yet, because of differences in sources of school money, some districts may not need all of the accounts presented in Figure 1. It would not be necessary to establish an account if the district did not receive any money from the source indicated by the account.

Legislation providing for the financing of schools is often affected by detailed reports of school revenues. When school district financial data is used for appropriation purposes it is important that the amount of revenue derived from each principal source be clearly designated. Four major revenue receipt accounts are currently recommended by the United States Office of Education,[25] namely: (1) Receipts from

[25] *Ibid.*, pp. 4-10.

LIST OF STANDARD RECEIPT ACCOUNTS

Adapted from Chart of Receipt Accounts advocated in "Third Preliminary Draft of Financial Accounting Handbook," United States Department of Health, Education, & Welfare, Office of Education, December, 1955, p. iv.

REVENUE RECEIPTS 10-30 Series	NONREVENUE RECEIPTS 40-60 Series
10. Receipts From Local Sources 11. Taxation and Appropriations 12. Tuition From Patrons 13. Transportation Fees From Patrons 14. Other Receipts From Local Sources	40. Sale of Bonds 50. Loans 60. Sale of School Property and Insurance Adjustments
20. Receipts From State Sources	TRANSFER ACCOUNTS 70-80 Series
30. Receipts From Federal Sources	70. Amounts Received From Other School Districts in the State 80. Amounts Received From School Districts in Other States

Figure 1.—Minimum standard receipt accounts that should be maintained for each school district.

Local Sources, (2) Receipts from Intermediate Sources, (3) Receipts from State Sources, and (4) Receipts from Federal Sources.

The list of standard receipt accounts which constitutes Figure 1, page 121, does not include the account "Receipts from Intermediate Sources." In this study any receipts from revenue sources beneath the state level are considered to be receipts from local sources. The intermediate administrative unit of government is a county. In some states there are many local school district administrative units within a county. In other states there exists one school district administrative unit per county and the county boundary lines also form the school district boundary lines. Therefore, in such school districts all receipts from sources within the counties are receipts from local sources. It appears that greater uniformity would be obtained for financial reports if all revenue from county or district sources were classified as receipts from local sources. Thus, in this study, only three major revenue receipt accounts are utilized: (1) Receipts from Local Sources, (2) Receipts from State Sources, and (3) Revenue from Federal Sources. These accounts may be divided into as many subordinate accounts as desired; the minimum number of accounts which should be utilized by any district are shown in Figure 1, page 121.

Receipts from Local Sources

Receipts from Local Sources, as presented in this study, consist of those receipts available to a district which may not be properly classified as receipts from state sources or receipts from federal sources. As indicated in Figure 1, receipts from local sources should be divided into four principal classifications, namely: (1) Taxation and Appropriations, (2) Tuition from Patrons, (3) Transportation Fees from Patrons, and (4) Other Receipts from Local Sources. The local receipts account classifications listed are, in general, self-explanatory but the account "Taxation and Appropriations" requires some clarification. The account is used to record all money derived from taxes which is specifically earmarked for school purposes, as well as money received out of funds set aside periodically by the appropriating body for school purposes.

Taxes, including licenses and permits, are compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit. Tax receipts may be further identified as being derived from property taxes or non-property taxes. Property taxes come from levies on real and personal property. Non-property taxes consist of money derived from poll taxes, utility taxes, income taxes, dog taxes, licenses, permits, and any other taxes, except real and personal taxes, that are levied by the school district.

Receipts from State Sources

Receipts from state sources for public school accounting purposes include funds collected by a state and distributed to local school districts in amounts different from those which were actually collected within such local units. Examples of the kinds of receipts recorded in the accounts under this classification are state grants of money for such items as general school purposes, vocational education, visual education, textbooks, education for the handicapped, and school transportation.

Receipts from state sources also include money received from the federal government through the state as a distributing agency, except federal aid for food services. Federal aid for food services is recorded in a special clearing-house account along with student activity funds and does not come within the scope of this study.

Receipts from Federal Sources

Receipts from Federal Sources is an account title for recording revenue received by a school district directly from the federal government without going through a state as a distributing agency. No specific subordinate accounts are listed under this major classification but some will be needed to meet the requirements of a grant received by the district. Federal grants of money such as current expense and capital outlay assistance for federally affected areas, and payments to the school districts in lieu of taxes, are examples of receipts which should be recorded in appropriate subordinate accounts of receipts from federal sources.

Complete List of Standard Receipt Accounts

The list of standard receipt accounts for school receipts which is presented on page 121 contains only the absolute minimum number of accounts which should be utilized by any school district. A more comprehensive list of accounts for school receipts is presented in Figure 2, page 125. The list is designed to fulfill the needs of both small and large school districts. It contains the minimum accounts essential for all school districts and provides additional standard accounts for those districts that have need for more than the minimum accounts.

LIST OF RECEIPT ACCOUNTS

Adapted from Chart of Receipt Accounts advocated in "Third Preliminary Draft of Financial Accounting Handbook," United States Department of Health, Education, & Welfare, Office of Education, December, 1955, pp. 2-3.

REVENUE RECEIPTS
10-30 Series

10. Receipts From Local Sources
    11. Taxation and Appropriations
        a. Taxes received from school district levies
            a-1. Property Taxes
            a-2. Non-property Taxes
        b. Taxes Received From Other Governmental Units
            b-1. Property Taxes
            b-2. Non-property Taxes
        c. Appropriations of Other Governmental Units

    12. Tuition From Patrons
        a. Non-resident
        b. Adult Education
        c. Other

    13. Transportation Fees From Patrons

    14. Other Receipts From Local Sources
        a. Permanent Funds and Endowments
        b. Interest on Deposits
        c. Net Receipts From Revolving Funds
        d. Temporary Rents
        e. Gifts
        f. Miscellaneous Revenue From Local Sources

20. Receipts From State Sources
    21. State

    22. Federal Money Received Through the State

30. Receipts From Federal Sources

NONREVENUE RECEIPTS
40-60 Series

40. Sale of Bonds

50. Loans
    a. Short-term
    b. Long-term

60. Sale of School Property and Insurance Adjustments
    a. Sale of School Property
    b. Insurance Adjustments

TRANSFER ACCOUNTS
70-80 Series

70. Amounts Received From Other Districts in the State
    a. Tuition
    b. Transportation
    c. Miscellaneous

80. Amounts Received From School Districts in Another State
    a. Tuition
    b. Transportation
    c. Miscellaneous

Figure 2.—Extended List of Standard Receipt Accounts

Some school districts may wish to keep even more receipt accounts than those shown in the extended list. In such an event, additional accounts are readily classifiable under the account titles listed. The minimum receipt accounts which should be maintained by all school districts, when revenue is received from the source indicated, are shown in capital letters in the list of receipt accounts presented in Figure 2, page 125.

Maintaining Receipt Records

The process of accurately accounting for receipts includes: (1) writing receipts with duplicates for all money received, (2) posting to a cash receipts book in the appropriate account classification, (3) maintaining an accurate account of cash balances in the various funds by means of posting a current summary of cash receipts and cash payments to a summarizing account and calculating the balance after each posting, and (4) filing all original papers pertaining to receipts. The original papers include those received with the money and also duplicate receipts issued for cash received, duplicate certificates of deposit, and the analysis of each deposit certificate where only one bank account is maintained but more than one fund is involved in the deposit.

Essential information to be recorded in a cash receipts book for each receipt of cash includes: (1) the date of receipt, (2) from whom received, (3) the amount received, and (4) the account classification of the receipt. Cash receipts must be accounted for in terms of definitely established, and often legally defined, funds, such as a general fund, sinking fund, or special cash fund.

Accounting for receipts may be simplified if receipt records for each fund are maintained separately and then recapitulated for the purpose of preparing financial reports. In small independent school systems the procedure may be facilitated by the use of loose-leaf record sheets. Perhaps not more than one sheet of a kind will be needed to record the year's receipts in any particular fund. Thus, one account book will contain all of the accounting records required for all of the school funds.

The preceding presentation of information concerning accounting for school receipts contains explanations of the standard classification of accounts for receipts, the principal sources of school income, and the essential records needed for a sound accounting of receipts. Illustrations of the recommended forms for maintaining such records are presented in Chapter V of this report.

Accounting for Expenditures

The importance of accurate and revealing accounting for school funds was indicated earlier in this study. Briefly, adequate accounting for school expenditures serves the following purposes:

1. It fulfills the administration's obligation to taxpayers to maintain an accurate record of the expenditure of public money.
2. It provides the administration with pertinent information to aid in the administering of the budget and in keeping expenditures within budgeted amounts.
3. It provides accurate financial data for cost studies that may form the basis for a wiser use of school money.
4. It provides readily available data for preparation of the budget and financial reports.
5. It provides reliable financial data which may contribute to school financial planning on state and national levels and provides data upon which state legislatures and the national congress can base decisions regarding financial aid to schools.

To facilitate the accomplishment of the preceding functions, it is necessary that each item of expenditure be charged to the appropriate fund by means of an entry in the proper account.

The values which may be derived from nation-wide uniform classification of expenditures in standard accounts were established earlier in this chapter. Evidence has been presented to indicate that the only way to achieve nation-wide uniformity of accounts and accounting terminology is by the establishment of uniform accounting systems in the various states. The uniform systems should be adapted to local conditions but follow, in so far as state laws will permit, the recommendations of the United States Office of Education. In view of the above considerations, it appears highly desirable for all public school districts in the United States to make uniform use of the expenditure accounts and accounting terminology presented in the "Third Preliminary Draft of Financial Accounting Handbook.[26] The account classifications contained therein, are the result of a cooperative study, so planned as to involve hundreds of individuals throughout the nation who are concerned with school finance and school financial reporting. The handbook has been submitted to the chief state school officers throughout the nation by means of regional conferences. As a result of the conferences, modifications have been made in the handbook which tends to make it entirely practical for nation-wide usage. The standard expenditure accounts recommended were chosen because: (1) the account classification appears to be the best yet devised for public school financial accounting on a nation-wide basis, and (2) it affords the only means of developing nation-wide uniformity in recording and reporting school financial data.

[26] Ibid.

A comprehensive list of the standard expenditure accounts for public school accounting is presented in Figure 3, pages 130 to 134, inclusive. The list is designed to fulfill the needs of both small and large school systems. It contains the minimum accounts essential for all school districts and provides additional standard accounts for those districts that may want to use them. Minimum expenditure accounts are shown in capital letters in the list and are indicated by code numbers to the left of the accounts. Additional detailed accounts are shown in small letters as subordinate to the minimum accounts and are indicated by code letters to the left of the accounts.

All the standard accounts listed in Figure 3 will not be necessary or applicable to accounting for the expenditures of any given fund. The purpose for which expenditures are made will determine which of the standard expenditure accounts will be needed. Accounts that are not applicable should not be employed. Thus, a fund might have need for only one or two expenditure accounts if the use of that fund is greatly restricted. On the other hand, the General Fund, from which most school expenditures are made, should undoubtedly utilize many standard accounts for proper classification of expenditures.

In general, school districts should maintain at least the basic number of expenditure accounts listed in capital letters in Figure 3. However, because of differences in types of expenditures, school districts may be able to function with the omission of certain basic expense accounts. An account should not be used, of course, if the district expends no money for the purpose represented by the account. School districts wishing to expand their accounting systems beyond the basic accounts

LIST OF EXPENDITURE ACCOUNTS

Adapted from Chart of Expenditure Accounts advocated in "Third Preliminary Draft of Financial Accounting Handbook," United States Department of Health, Education, & Welfare, Office of Education, December, 1955, pp. 15-24.

ADMINISTRATION
100 Series

110. SALARIES
- a. Board of Education
- b. Board Secretary's Office
- c. Treasurer's Office
- d. Superintendent's Office
- e. School Elections
- f. Tax Collection
- g. Legal Services
- h. Centralized Research
- i. Census Enumeration
- j. Business Manager's Office
- k. Fiscal Control
- l. Building and Grounds
- m. Purchasing
- n. Personnel Office
- o. Printing and Publishing
- p. Other Salaries for Administration

120. SUPPLIES AND OTHER EXPENSES
- a. Board of Education
- b. Board Secretary's Office
- c. Treasurer's Office
- d. Superintendent's Office
- e. School Elections
- f. Tax Collections
- g. Legal Services
- h. Centralized Research
- i. Census Enumeration
- j. Business Manager's Office
- k. Fiscal Control
- l. Building and Grounds
- m. Purchasing
- n. Personnel Office
- o. Printing and Publishing
- p. Other Supplies and Expenses for Administration

INSTRUCTION
200 Series

210. SALARIES FOR INSTRUCTION

211. PRINCIPALS

212. CONSULTANTS OR SUPERVISORS

213. TEACHERS

214. OTHER INSTRUCTIONAL STAFF
- a. School Librarians
- b. Guidance Personnel
- c. Psychological Personnel
- d. Educational TV Lecturers

215. SECRETARIAL AND CLERICAL ASSISTANTS
- a. Principal's Office
- b. Consultants or Supervisors
- c. Teachers
- d. Other Instructional Staff

216. OTHER SALARIES FOR INSTRUCTION

220. TEXTBOOKS

230. SCHOOL LIBRARY BOOKS AND PERIODICALS
- a. Library Books
- b. Periodicals and Newspapers

240. TEACHING SUPPLIES

250. OTHER SUPPLIES AND EXPENSES
- a. Supplies
- b. Travel
- c. Miscellaneous Expenses

Figure 3.—Extended List of Standard Expenditure Accounts
(This figure extends through page 134.)

List of Expenditure Accounts — continued

ATTENDANCE AND HEALTH SERVICES
300 Series

310. ATTENDANCE SERVICES

311. SALARIES
- a. Attendance Personnel
- b. Secretarial and Clerical Personnel
- c. Other Salaries

312. SUPPLIES AND OTHER EXPENSES
- a. Supplies
- b. Travel
- c. Other Expenses

320. HEALTH SERVICES

321. SALARIES
- a. Professional and Technical
  - a-1. School Physicians, Including Psychiatrists
  - a-2. School Dentists
  - a-2. School Nurses
  - a-4. School Dental Hygienists
  - a-5. Other Professional and Health Personnel
- b. Non-professional and Non-technical Health Personnel

322. SUPPLIES AND OTHER EXPENSES
- a. Supplies
- b. Travel
- c. Other Expenses

PUPIL TRANSPORTATION SERVICES
400 Series

410. SALARIES
- a. Supervisors
- b. Drivers
- c. Mechanics and Other Garage Employees
- d. Clerks and Other Employees

420. EXPENSES FOR OPERATION AND MAINTENANCE
- a. Gasoline
- b. Lubricants
- c. Tires and Tubes
- d. Repair Parts
- e. Supplies and Expenses for Garage Operation
- f. Garage and Garage Equipment Repairs
- g. Maintenance of Vehicles and Equipment by Private Garages
- h. Rent

430. REPLACEMENTS OF VEHICLES
- a. Cash Purchase
- b. Lease-Purchase and Installment Payments

440. TRANSPORTATION INSURANCE

450. CONTRACTED SERVICES AND PUBLIC CARRIERS

460. PAYMENTS IN LIEU OF TRANSPORTATION

OPERATION OF PLANT
500 Series

510. SALARIES
- a. Plant Engineers
- b. Janitors
- c. Gardeners
- d. Other Salaries for Operation of Plant

520. FUEL FOR HEAT

530. UTILITIES, EXCEPT FUEL
- a. Water
- b. Light
- c. Power
- d. Telephone and Telegraph

Figure 3.—Extended List of Standard Expenditure Accounts (continued)

List of Expenditure Accounts — continued

540. SUPPLIES, EXCEPT UTILITIES
- a. Custodial Supplies
- b. Supplies for Operation of Vehicles
- c. Supplies for Care of Grounds
- d. Other Supplies for Operation of Plant

550. OTHER EXPENSES
- a. Freight and Drayage
- b. Operation of Vehicles
- c. Care of Grounds
- d. Laundry, Dry Cleaning and Linen Service
- e. Moving of Portable Units or Buildings
- f. Miscellaneous Expenses

MAINTENANCE OF PLANT
600 Series

610. SALARIES
- a. Upkeep of Grounds
- b. Repair of Buildings
- c. Repair and Replacement of Equipment

620. MATERIALS AND OTHER EXPENSES
- a. Upkeep of Grounds
- b. Repair of Buildings
- c. Repair and Replacement of Equipment

630. CONTRACTED SERVICES
- a. Bukeep of Grounds
- b. Repair of Buildings
- c. Repair and Replacement of Equipment

FIXED CHARGES
700 Series

710. SCHOOL DISTRICT CONTRIBUTIONS TO EMPLOYEE RETIREMENT
- a. State, County, or Local Retirement Funds
- b. Social Security
- c. Pension Payments

720. INSURANCE AND JUDGMENTS
- a. Property Insurance
- b. Employee Insurance
- c. Liability Insurance
- d. Bond Premiums.
- e. Judgments

730. RENTAL OF LANDS AND BUILDINGS
- a. Land and Buildings for Instructional Purposes
- b. Land and Buildings for Non-instructional Purposes

740. INTEREST ON CURRENT LOANS

750. OTHER FIXED CHARGES

FOOD SERVICES AND STUDENT-BODY ACTIVITIES
800 Series

810. FOOD SERVICES

811. SALARIES

812. SUPPLIES AND OTHER EXPENSES

813. PAYMENTS TO COVER DEFICIT IN FOOD SERVICE CASH FUND

820. STUDENT-BODY ACTIVITIES

821. SALARIES

822. SUPPLIES AND OTHER EXPENSES

823. PAYMENTS TO COVER DEFICITS OF STUDENT ACTIVITY FUNDS

Figure 3.—Extended List of Standard Expenditure Accounts (continued)

List of Expenditure Accounts — continued

COMMUNITY SERVICES
900 Series

910. RECREATION
 a. Salaries
 b. Supplies and Other Expenses

920. CIVIC ACTIVITIES
 a. Salaries
 b. Supplies and Other Expenses

930. PUBLIC LIBRARIES
 a. Salaries
 b. Books, Periodicals, and Newspapers
 c. Supplies and Other Expenses

940. CUSTODIAL AND DETENTION CARE OF CHILDREN
 a. Salaries
 b. Supplies and Other Expenses

950. WELFARE ACTIVITIES
 a. Salaries
 b. Supplies and Other Expenses

960. NON-PUBLIC SCHOOL PUPILS

961. INSTRUCTIONAL SERVICES
 a. Textbooks
 b. Supplies and Other Expenses

962. ATTENDANCE AND HEALTH SERVICES
 a. Attendance
 b. Health

963. TRANSPORTATION SERVICES

CAPITAL OUTLAY
1000 Series

1010. SITES
 a. Sites or Additions
 b. Improvements to Sites

1020. BUILDINGS
 a. New Buildings or Additions
 b. Remodeling

1030. EQUIPMENT
 a. Administration
 b. Instruction
 c. Attendance and Health
 d. Pupil Transportation
 e. Operation of Plant
 f. Maintenance of Plant
 g. Food Services and Student-body Activities
 h. Community Services
 i. Investment Property

DEBT SERVICE FROM CURRENT FUNDS
1100 Series

1110. PAYMENTS OF PRINCIPAL
 a. Bonds
 b. Short-term Loans
 c. Long-term Loans
 d. Warrants or Claims of Preceding Years

1120. PAYMENTS OF INTEREST ON DEBT
 a. Bonds
 b. Short-term Loans
 c. Long-term Loans

1130. PAYMENTS INTO SINKING FUNDS

1140. PAYMENTS TO SCHOOLHOUSING AUTHORITY OR SIMILAR AGENCY
 a. Principal
 b. Interest

1150. OTHER DEBT SERVICE

Figure 3.—Extended List of Standard Expenditure Accounts (continued)

List of Expenditure Accounts — continued

TRANSFER ACCOUNTS
1200 Series

1210. PAYMENTS TO OTHER SCHOOL DISTRICTS IN THE STATE
- a. Tuition
- b. Transportation
- c. Miscellaneous

1220. PAYMENTS TO SCHOOL DISTRICTS IN OTHER STATES
- a. Tuition
- b. Transportation
- c. Miscellaneous

1230. TUITION TO OTHER THAN PUBLIC SCHOOLS
- a. Private Non-sectarian Schools
- b. Individuals

Figure 3.—Extended List of Standard Expenditure Accounts (continued)

should choose other applicable standard accounts from the list in Figure 3. Some schools may wish to keep more detailed expenditure accounts than shown in the comprehensive list of accounts. Extra detailed accounts are readily classifiable under the standard account classifications listed.

A study of the list of expenditure accounts on pages 130 through 134 reveals that the proper classification of expenditures should present no great problem. However, a handbook might well be beneficial for reference purposes. Handbook II, Financial Accounting will be obtainable, when published, from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. The handbook will describe each of the standard account classifications. It will also present a glossary of terms used in school accounting activities and an extended guide for classifying school expenditures. Since the handbook will soon be available for general use, it appears unnecessary to define the individual accounts in this study.

The educational functions to be facilitated by an adequate accounting of school expenditures are enumerated in the preceding pages. The list of standard expenditure accounts recommended for nation-wide use in classifying and recording financial data for public schools is provided in Figure 3. Minimum accounting records which should be utilized to adequately account for financial data for school systems are discussed in the next section of this chapter.

Accounting Records Needed

The basic materials necessary in accounting for school expenditures are: (1) claim forms, (2) a warrant register, and (3) an expenditure distribution ledger. The warrant register and expenditure distribution ledger are often combined. Such a combined form is recommended in Chapter V.

A claim form is the authorizing instrument for the payment of funds. Essentially it consists of an itemized invoice signed by the claimant. The form provides space for signatures of the officers of the school board who indicate approval for payment. It should also contain a space in which to indicate the fund to be charged and a distribution of the cost for the expenditure ledger accounts. Vouchers and voucher packets are used in some states for the same purpose as claim forms.

Claims are paid by means of warrants. A warrant is a written order drawn by the school board directing the school treasurer to pay a specified amount to a designated payee. In addition to constituting a written order to the treasurer, the warrant, after being signed by the treasurer, becomes a negotiable instrument similar to a check. Warrants may be issued on tax anticipated funds before the funds are collected. When thus issued, they become short-term notes which earn interest at a specified rate from the date of issue until funds are available for cashing. Warrants are recorded in numerical order in a warrant register book. Funds are accounted for individually with a separate series of numbered claims and warrants maintained for each fund.

The expenditure distribution ledger is composed of a set of forms on which expenditures are distributed in terms of the various accounts. The accounts may be maintained in columnar or account form. Advantages and disadvantages of each type of accounts were enumerated previously in this chapter.

School districts not maintaining an elaborate bookkeeping system commonly record expenditures only when claims are approved for payment. Such a procedure necessitates that due regard must be taken of claims and contracts pending when reporting the status of an expenditure account or a fund balance. When the cash basis of recording expenditures is utilized, the accounting procedure consists of: (1) auditing, filing, and approving claims for payment, (2) writing warrants on the basis of approved claims, (3) recording the warrants in numerical order in the warrant register, and (4) recording warranted expenditures in the proper accounts in the expenditure distribution ledger.

The distribution to the expenditure ledger is made on the basis of information recorded on the claim for which payment is made. The same information is sometimes recorded on the warrant so that distribution of expenditures can be made from the warrant, warrant stub, or duplicate warrant. The accounting procedure for small independent school systems in Oklahoma will be considered further in Chapter V with the presentation of illustrative forms for an accounting system recommended for use in Oklahoma.

Financial Reports

The accounting system contains financial data for a school district but it is the function of financial reports to make the data readily available for use. The word "report" is applied, in accounting, to any formal written presentation setting forth financial facts. A report may thus vary from a single statement, such as a treasurer's daily report of collections, to the annual financial report containing numerous financial statements, which taken collectively show the financial condition and financial operations of the school district. Four purposes served by school district financial reports were enumerated by Mort and Reusser, namely:

> . . . (1) to state the general fiscal conditions of a school district, (2) to present the facts on income and expenditures in various details for the use of administrative officers or the public, (3) to supply the information needed in making reports to state and Federal agencies, and (4) to give information which will increase lay understanding.[27]

There may be innumberable special financial reports which set forth in easily comprehensible form financial information that is needed for special purposes. However, this study will be concerned only with two of the very common reports; the monthly report to the superintendent and school board and the annual financial report to the state department of education.

Reports for administrative purposes should be prepared at regular intervals, usually once a month. The monthly statement ordinarily should show the appropriation, the amount expended, the amount encumbered, and the unencumbered balance for each major budget account. Such a report furnishes the superintendent and school board with financial data showing the relation of budgeted income to actual receipts and of current expenditures and encumbrances to appropriations. Reports of this nature aid in the administration of the business affairs of a school district since budgeted expenditures may have to be curtailed if actual collections of income lag behind anticipated amounts. They also aid in planning

[27] Paul R. Mort and Walter C. Reusser, Public School Finance (New York: McGraw-Hill Book Company, 1951), p. 287.

expansions of the spending program should actual income exceed the budgeted amount.

Annual financial reports are customarily required by the various state offices of education. The financial reports from individual school districts are assembled by state officers for use on both state and national levels. The basic list of accounts previously provided in this chapter is designed to directly supply the information required for annual financial reports to state offices. It is important that expenditures be distributed correctly to the standard accounts in order to supply reliable data for state and national use.

Summary

In Chapter III of this study data and information are presented relative to the development and use of budgets in public school systems. The interdependence of the budgeting and accounting functions of public school administration is emphasized in this chapter. However, the major portion of the chapter relates specifically to the accounting function. Evidence is presented which indicates the importance of a sound financial accounting system which will include uniform data that will be reliable for use on local, state, and national levels. The school financial accounting problem has been presented with special emphasis on the: (1) functions of the accounting system, (2) principles of school accounting, (3) important considerations in establishing an accounting system, (4) methods of classifying and accounting for receipts and expenditures, and (5) the place of financial reports.

The information in Chapters III and IV of this report constitute the basis for the recommendations and specific proposals made in Chapter V. The purpose of Chapter V is to present a budget instrument and an accounting system developed in accord with the basic principles presented in Chapters III and IV.

CHAPTER V

BUDGET INSTRUMENT AND ACCOUNTING SYSTEM RECOMMENDED FOR SMALL INDEPENDENT SCHOOL SYSTEMS IN OKLAHOMA

The primary purpose of this chapter is to present a budget instrument and an accounting system designed to facilitate efficient administration of the finances of small independent school systems in Oklahoma. For the purposes of this study, a small independent school system is defined in Chapter I as a school district offering instruction in grades 1 through 12 and employing not less than 6 nor more than 40 teachers. A count of the independent school districts listed in the Oklahoma Educational Directory[1] reveals 495 small independent school systems while there are only 38 school districts in Oklahoma employing more than 40 teachers. The budget instrument and accounting systems advocated here are designed to serve the minimum needs of all school systems regardless of size but since the great majority of the school districts are of the small independent type their needs have been kept uppermost in mind. The major difference between the budgeting and accounting requirements of small and large school systems is the amount of detailed financial data which should and will be utilized in the administration of a school's

[1]Oklahoma State Department of Education, "Oklahoma Educational Directory," Bulletin No. 109-E, 1955-56 (Oklahoma City, 1955).

fiscal affairs. It may be noted also that large school systems usually have better facilities for budgeting and accounting work, have greater need for more detailed financial information, and have already established procedures approximating accepted standards.

The document used in Oklahoma as a budget instrument is entitled "School District Estimate of Needs and Financial Statement." Some of its weaknesses as a budget instrument are reported in Chapter I. The major weaknesses are:

1. It is unnecessarily complicated and not suitable for study by board members, teachers, and patrons.
2. It is not co-ordinated with the accounting system usually maintained, and the required financial reports.
3. It does not include any provisions for indicating the educational program the budget is supposed to promote.
4. It consists essentially of an audit report to be completed by an accountant and this does not encourage budgetary planning on the part of school officials.

Careful analysis of school budgeting procedures in small independent school systems in Oklahoma reveals that budgeting, in a true sense, is not commonly practiced. In addition, analysis of accounting practices indicate that there is little, if any, uniformity in the way expenditures are classified and accounts maintained. Because of the lack of uniformity it is impossible to get comparative data for use on local, state, or national levels. As indicated in Chapter I, there is need for the development of an appropriate budget instrument and the establishment of recognized uniform practices in both budgeting and accounting for the small independent school systems in Oklahoma. It is with these two major elements of school administration that this chapter is concerned. Some legal aspects affecting school budgeting and accounting in Oklahoma are presented in the following section.

Legal Aspects Affecting the Development of a School Budget Form

The purpose of this section is to indicate the influence on the school budget form that has been exerted by the existence in Oklahoma of county excise boards and the Oklahoma Court of Tax Review. No attempt is made to outline all of the legal requirements pertaining to the appropriation and expenditure of school funds.

Each state has constitutional or statutory provisions pertaining to the appropriation and expenditure of money for school purposes and budget instruments commonly have to be so designed that the appropriating agencies may be relatively certain that local school districts are adhering to the legal mandates. Among the various states there is much diversity in laws affecting school budgeting, particularily those relating to sources of receipts. Therefore, there tends to be diversity in budget instruments designed for use in different states. This is true because a budget instrument is most efficient if it is designed to be used under the specific conditions existing within a particular state. In addition to legal provisions pertaining to the collecting and expending of money for school purposes there are also legal provisions designed to ensure that all public money be legally appropriated and expended. In Oklahoma the county excise boards and the Court of Tax Review were established as a part of the legal machinery to safeguard public funds.

County Excise Boards

There is a county excise board composed of three members for each county in the state. One member of each county excise board is appointed by the Oklahoma Tax Commission, one is appointed by the district judge or judges, and the other is appointed by the board of county commissioners. The term of county excise board members runs concurrent to that of the county commissioners. It is significant to point up that although county excise boards may exert considerable influence on school budgets, none of the members of the boards are appointed by an educational agency. An officer of a school district cannot serve on a county excise board.

School budgets developed within an individual county of Oklahoma must be reviewed by the county excise board whose formal appropriation of funds is required for legal authorization to collect and expend public money for educational purposes. The 77 county excise boards constitute a part of the system of checks and balances required by the Constitution of Oklahoma. As such, they are charged with the duty of requiring adequate proof of performance of mandatory constitutional and statutory governmental functions[2] before approving appropriation requests. The county excise boards are empowered to require adequate and accurate reporting of receipts and expenditures for all budget and supplemental purposes. Members of a county excise board must determine whether each request for an appropriation involves a lawful purpose and whether it is within the income of the fiscal period considered. County excise boards have authority to reduce or disapprove an appropriation request only when it is determined to be illegal in some respect.

It is apparent that the inclusion of information in the budget which is needed by a county excise board in the performance of its duties will affect the extent and makeup of a desirable budget instrument. To

[2] Oklahoma Statutes, 1951, II, p. 541.

enable a county excise board to determine the legality of requested appropriations, it is necessary that financial statements and other data that are needed to determine such legality be available for examination. Such supporting statements or schedules could be maintained as supplementary documents. However, there are certain advantages which result from the inclusion of supporting data within the budget instrument. When supporting data are included within the budget instrument itself, they become a part of the official budget document and their accuracy is certified by all who sign the document, including the district treasurer, members of local boards of education, and members of the county excise board. The budget instrument, then, provides documented evidence which will justify the budget in case of a tax protest or challenge on any other legal basis. Supporting data included within a budget also provides information needed by the public concerning the financial affairs of the school district. However, it should be noted that the inclusion in the budget instrument of a mass of supporting evidence often makes the budget more complicated and less usable as a source of information for board members, teachers, and others.

Court of Tax Review

Another legal aspect pertinent to school budgets in Oklahoma concerns legal protests of portions of budgets which it may be charged are based on illegal procedures. In general, such protests are made in an effort to reduce tax levies. Successful legal protests result in the reduction or elimination of certain tax levies and often reduce materially the anticipated receipts available for school expenditure. In Oklahoma, the Court of Tax Review[3] exists to hear and judge such protests. The court is composed of three district judges appointed by the governor of the state. The Court of Tax Review convenes the first Monday in October to hear all protests which shall have been filed at least 5 days prior thereto. Expenses of the court are paid by the state. Thus, in Oklahoma, protests of school budgets are registered more freely than in other states because the individual making the protest is not liable for court costs and does not have to post bond in order to have his protest considered.

Public utility companies and other business firms having a large amount of taxable property in Oklahoma commonly retain auditors who examine school and other municipal budgets and register protests for budget items which involve questionable legal practices. Such large business firms may also retain legal counselors on a full-time basis who are thereby available to present budget protests in an able manner. Thus, the cost borne by such companies in presenting protests of tax levies is not related directly to the number of protests registered. The circumstances, which enable protests to be registered with ease, indicate that budget instruments must contain all information possible to substantiate the legality of each appropriation request. It is apparent, therefore, that the budget instrument must be a compromise. It must be simple enough for use by laymen, yet it must contain much accounting and statistical data to fulfill legal requirements.

In Oklahoma there are many laws designed for the purposes of providing revenue for school support and to regulate expenditures. By

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[3] Ibid., p. 551.

their nature these laws affect the format of the school budget instrument. Because such laws are so numerous, information concerning them cannot be adequately presented here. However, reference to certain of these laws will be made in the presentation of the budget instrument which is recommended for use in small independent school systems in Oklahoma.

A Budget Instrument for Oklahoma School Systems

The major goal of this study is to develop a budget instrument that will enhance the probability of establishing desirable budgeting procedures in the small independent school districts of Oklahoma. Since budgeting and accounting are inseparable, it is also desirable to provide an accounting system designed to facilitate the budgeting and reporting phases of school administration and help to maintain better school administration in general by supplying adequate and accurate financial data.

The recommended budget form (see pages 150 through 167) is the result of much research and study. The writer's qualifications for formulating a budget instrument and the procedure for doing so are presented in Chapter I. With the forenoted background of study and experience, the writer designed the budget instrument recommended for use in Oklahoma school districts. Although the budget instrument was planned with the needs of small independent school districts of Oklahoma in mind, it is appropriate for use in all school districts in Oklahoma. In designing the budget instrument, the legal requirements and necessary features of the budget instrument currently prescribed for use in Oklahoma school systems were recognized. These necessary and desirable features were utilized in the development of the new budget instrument which constitutes far more than mere revision of existing instruments. The resulting budget instrument has gone through three revisions as a result of individual and group conferences and further study. In its present form it could ultimately be recommended for adoption and use in all school districts of Oklahoma.

The budget instrument developed in this study is composed of three related sections or parts. The first section is referred to as the "Educational Program." It contains the educational plan, the expenditure plan, and the revenue plan. For administrative purposes, it is the most significant portion of the total school district budget. In fact, if independent school districts in Oklahoma were truly fiscally independent, very little additional information would be required to make a complete and desirable budget instrument. However, local boards of education do not make final decisions in regard to appropriations. Because of this, it is necessary to include in the budget instrument a number of exhibits designed to substantiate to reviewing bodies the legal administration of the fiscal affairs of a school district. The second section of the budget instrument developed in this study consists of the financial statements that are useful and often required by law to substantiate the appropriation requests. The final section constitutes the appropriation portion of the budget instrument. It provides for certification by local school boards and treasurers and for approval of appropriation requests by county excise boards.

The budget instrument advocated here is arranged to be printed or duplicated on paper 8½ inches by 11 inches to provide for convenience in use and filing. It is composed of a number of closely related financial statements. In most instances, the closely related statements are arranged on two pages. For example, in the Educational Program, there are two pages devoted to each of the three significant elements; the educational plan, the expenditure plan, and the revenue plan. Related materials in the other sections of the budget instrument are likewise presented in a two-page arrangement.

The printing of the budget instrument should be accomplished in a manner designed to present each group of closely related statements as a unit. Thus, if the first page of the educational plan is printed on the back of page 2 of the budget instrument, and the second page is printed on page 3, the entire plan can be viewed when the budget pamphlet is opened at pages 2 and 3. The material presented on pages 150 through 167 constitutes the budget instrument developed in this study which will be recommended for adoption and use by school districts of Oklahoma. A discussion of each of the major phases of the budget instrument begins on this page and is continued to page 168.

Description of the Budget Instrument

In printed form, the budget instrument would possess the advantage of having related portions in unit form. Related pages would face one another and the related facts would be more readily discernible than they are in this report. In the discussion here, pages referred to are placed in parentheses so that the reader can accurately follow the descriptive information.

The first page of the budget instrument (page 150) is the title page. It identifies the document in terms of what it is, and what it

DISTRICT________________ NUMBER________ COUNTY____________ OKLAHOMA

B O A R D O F E D U C A T I O N B U D G E T

F O R

T H E F I S C A L Y E A R 1 9 __ - 1 9 __

FINANCIAL STATEMENTS

FOR

THE FISCAL YEAR 19__-19__ AND PRIOR YEARS

AND

EXCISE BOARD'S CERTIFICATE OF APPROPRIATION

Figure 4.—Recommended Education Budget Form (This figure extends through page 167).

TABLE OF CONTENTS

THE EDUCATIONAL PROGRAM

EDUCATIONAL PLAN

If the Board of Education and its administrative staff develops answers to the following questions or similar questions which might have local application, the scope and magnitude of the proposed educational program for the children of the community should become more distinct and clear.

Board of Education Policies Relating to Purpose, Organization, and Educational Program

1. What are the basic purposes of Education in this school district?____________
2. How many years of instruction are to be offered in this district?____________
3. How many children will probably be enrolled in: Kindergarten?______ Elementary School?________ Junior High School?________ High School?________ Junior College?________ Total________
4. What is the policy on class size in Elementary School?________ Junior High School?________
5. What is the policy on class size in High School? (Upper and lower limits)________
6. How many years of instruction are to be offered entirely at public expense?________
7. What charges in the form of fees are to be made for programs not offered at public expense? i.e., (Kindergarten, Junior College, Adults, Underage, etc.)________
8. What program of studies or activities are to be added or dropped? And Why?________
9. What is the program of studies and activities for elementary school students?________
10. What is the program of studies and activities for junior high school students?________
11. How many high school units of work in grades 9-12 inclusive are offered in the following fields? Language Arts________ Mathematics________ Science________ Social Science________ Business Education________ Vocational Education________ Industrial Education________ Industrial Arts________ Fine Arts________ Foreign Languages________ Safety & Driver Education________
12. Which of the following activities are to be sponsored? Band________ Orchestra________ Vocal Music for boys________ Vocal music for girls________ Others________
13. To what extent are the following services to be offered? Health Services________ Attendance Services________ Food Services________ Community Services________ Student-body Activities________

Educational Plan — continued

14. What is the policy towards participation in competitive sports by:
    a. Elementary students? ______
    b. Junior high school students? ______
    c. High school boys? ______
    d. High school girls? ______
15. To what extent will the non-academic program or services be supported through the school district General Fund? ______

Board of Education Policies Relating to Personnel

16. Will the number of teachers employed be governed by the needs or limited to the State Minimum Program? ______
17. What is to be the Teachers' salary schedule? i.e., (State Minimum Program or some other salary schedule designed to secure and maintain an adequate, superbly prepared and properly compensated teaching staff). ______
18. What is to be the minimum educational training required of teachers? ______
19. At what age are teachers to be retired? ______ State exceptions ______
20. How many years of teaching experience are to be recognized in the local teacher salary schedule? ______
21. What provisions are made for payment of substitute teachers for: Sick leave ______ Other absences ______
22. Are provisions for O.A.S.I. or other insurance programs to be included in the budget? ______

Board of Education Policies Relating to the Physical Plant

23. Is a policy in force governing the use of buildings by outside agencies? ______
24. Is there an up-to-date appraisal of school properties for insurance purposes? ______
25. Is provision made to maintain a high standard in janitoral service? ______
26. Has the Board of Education set forth its plans for long range capital improvements? ______
27. What new buildings, or major repairs are contemplated during the ensuing year? ______
28. Is transportation furnished? ______ If so, is the transportation equipment safe, comfortable, adequate and economical? ______

EXPENDITURE PLAN

Services to be provided through the school district General Fund in terms of costs (include all operating and cash funds).

Purpose of Appropriation	Total Actual Expenditures 19__-19__	Total Actual Expenditures 19__-19__	Estimated Cost Desired Program Ensuing Year	Final Approval By Local Board of Education
Administrative Services				
1. Salaries				
2. Supplies and Others				
Instructional Services				
3. Salaries				
4. Textbooks				
5. Library Books and Periodicals				
6. Teaching Supplies				
7. Other Supplies and Expenses				
Attendance and Health Services				
8. Attendance Services				
9. Health Services				
Pupil Transportation Services				
10. Salaries				
11. Operation and Maintenance				
12. Replacement of Vehicles				
13. Transportation Insurance				
14. Contracted Services and Public Carriers				
15. Payments in Lieu of Transportation				
Operation of Plant				
16. Salaries				
17. Fuel for Heat				
18. Utilities, Except Heat				
19. Supplies, Except Utilities				
20. Other Expenses				
Maintenance of Plant				
21. Salaries				
Totals to carry forward				

Expenditure Plan — continued

Carried forward				
22. Materials and Other Expenses				
23. Contracted Services				
Fixed Charges				
24. Payments to Employee Retirement				
25. Insurance and Judgments				
26. Rental of Lands and Buildings				
27. Interest on Warrants				
28. Other Fixed Charges				
29. Subtotal for finding per pupil expenditure				
Food Services and Student-body Activities				
30. Food Services				
31. Student-body Activities				
Community Services				
32. Recreation				
33. Civic Activities				
34. Public Libraries				
35. Welfare Activities				
36. Non-Public School Pupils				
37. Subtotal for finding current expense				
Capital Outlay				
38. Sites				
39. Buildings				
40. Equipment				
Debt Service from Current Funds				
41. Payments into Sinking Funds				
42. Payments of Other Indebtedness				
43. Total General Fund Expense				
Transfer Accounts (transfer fees payable)				
44. Other Districts in the State				
45. Districts in Other States				
47. Grand Total for services provided through the General Fund				

THE REVENUE PLAN

Estimated Total Revenue Available by Minimum Program Calculation

Statistical Data Necessary for Calculation of Minimum Program

1. Legal average daily attendance: Elementary________Approved Jr. High________High School________
2. Number of teachers to be included on minimum program on above attendance: Elementary . . ________
   Approved Jr. High____________High School____________Total . . . . ________
3. Number of teachers to be added to Minimum Program for vocational teachers . . . . ________
4. Total number of teachers to be calcualted in Minimum Program . . . . ________
5. Grand Total legal days attendance________ 6. Legal average daily haul. . . . . ________
7. Square miles of area served . . ________ 8. District correction figure (K figure) . . ________

Calculation of Minimum Program Cost

1. Superintendent's increment . . . . ________
2. Principals' increment . . . . ________
3. Superintendent's extra time . . . . ________
4. Vocational Teachers' extra time . . ________
5. Total minimum salary payroll. . . . ________
6. Total days legal attendance @ 12¢ . ________
7. Transportation minimum program . . ________
8. Total Minimum Program Cost . . . . ________

Calculation of Minimum Program Income

1. Miscellaneous revenue chargeable to Minimum Program income . . . . . ________
2. Transfer Fees Receivable . . . . . ________
3. Basic Aid (Legal A.D.A. x $12.50) . ________
4. 75% of Dist.'s share of 4 mill levy________
5. Net proceeds of 15 mill levy. . . . ________
6. Total Minimum Program Income. . . . ________

Calculation of State Aid

1. Total Minimum Program cost. . . . . ________
2. Less: Total Minimum Program Inccme ________
3. Amount of State Aid . . . . ________

Income Not Chargeable to Minimum Program

1. Net amount from local initiative millage________
2. Cash Surplus (actual 6-30 or est. now) ________
3. Vocational reimbursements . . . . ________
4. Federal M & O . . . . ________
5. 25% of District's share of 4 mill levy . ________
6. Other non-chargeable revenue . . . . . . ________
7. Total enrichment program income . . . . ________

Total Estimated Revenue for Next Year

For State Aided Districts:

1. Total Minimum Program cost . . . . ________
2. Add total enrichment program income. . . ________
3. Total Estimated Revenue for Next Year. . ________

For Non-state-aided Districts:

1. Total Minimum Program income . . . . . . ________
2. Total enrichment program income. . . . . ________
3. Total Estimated Revenue for Next Year. . ________

Calculation of Amount Available for Transfer Fees

1. Total Minimum Program Income . . . . . . ________
2. Less: Total Minimum Program cost. . . . ________
3. Amount Available for Transfer Fees . . . ________

Revenue Plan — continued

Actual and Estimated Receipts for General Fund

Receipt Accounts	Previous Year's Collection	Current Year's Collection	Estimated For Ensuing Year	Chargeable to Minimum Program Income	Miscellaneous Income Approved by County Excise Board
Receipts from Local Sources					
1. County 4 Mill Levy (75% Dist Share)*					xxxx
2. Current Ad Valorem Tax					xxxx
3. Prior Ad Valorem Tax				xxxx	xxxx
4. Intangible Tax (Enumeration 90%)*					
5. County Apportionment (Enum. 90%)"					
6. Sale of Confiscated Liquor				xxxx	xxxx
7. Other					
8. Total Local Receipts					
Receipts from State Sources					
9. Basic Aid (Amount Allocated)*					xxxx
10. State Equalization Aid				xxxx	xxxx
11. Vocational Aid as Re-imbursement				xxxx	xxxx
12. School Land Earnings (Enum. 90%)*					
13. REA Tax (Local 90%)*					
14. Gross Production Tax (A.D.A. 90%)*					
15. Auto License Tax (A.D.A. 100%)*					
16. Indian Education Funds				xxxx	xxxx
17. Other					
18. Total Receipts from State					
Receipts from Federal Sources					
19. Federal M & O				xxxx	xxxx
20. Other					
21. Total Receipts from Federal Sources					
Receipts from Transfer Funds					
22. From Other Districts in State					xxxx
23. From Districts in Other States					xxxx
24. Total Receipts from Transfer Funds					
25. Grand Total General Fund All Sources					

* Basis and limit of estimate for minimum program income.

F I N A N C I A L   S T A T E M E N T S

GENERAL FUND

Statement of Receipts and Expenditures		
Receipts		
1. Cash Surplus from Prior Years		
2. Receipts from Local Sources (Less: Prior Ad Valorem Tax)		
3. Receipts from State Sources		
4. Receipts from Federal Sources		
5. Receipts from Transfer Accounts		
6. Subtotal Balance and Receipts		
7. Subtract: Transfer Fees Credited to Other Districts		
8. Net Receipts and Balance Retained		
Disbursements		
9. Current Warrants Paid		
10. Interest Paid on Current Warrants		
11.		
12. Total Disbursements		
13. Cash Balance, June 30, 19		
Liabilities and Reserves		
14. Reserve for Warrants Outstanding		
15. Reserve for Interest on Warrants Outstanding		
16. Reserve for Claims and Contracts Pending		
17. Other Reserves		
18. Total Liabilities and Reserves		
19. Cash Surplus Available for Next Year		
Balance Sheet		
20. Gross Deficit (Liabilities and Reserves Over Cash)		
21. Deduct: Net Balance Current Tax in Process of Collection		
22. Other Deductions		
23. Total Deductions from Gross Deficit		
24. Net Deficit (Show in Red)		
25. Surplus Net Current Tax in Process of Collection *		

* Must not exceed 90% of line (1) above.

General Fund — continued

Receipts and Expenditures Account for Prior Years

	Prior Year	19__-__	19__-__	19__-__	Back Taxes
1. Cash Balance June 30, 19__					
2. Adjustments					
3.					
4. Ad Valorem Tax Apportioned for Year Indicated					
5. Surplus Forward from Preceding Year					
6. Total Receipts and Balance					
7. Warrants Paid of Year in Caption					
8. Interest Paid Thereon					
9.					
10. Total Disbursements					
11. Cash Balance					
12. Reserve for Warrants Outstanding (Show Year)					
13. Reserve for Interest Requirements					
14. Reserve for					
15. Total Liabilities and Reserves					
16. Deficit, If Any (Figures in Red)					
17. Current Realized Surplus to Succeeding Year					

Estimate of Needs for Fiscal Year Ending June 30, 19___, and
Summary of Appropriations and Expenditures for Fiscal Year Ending June 30, 19___.

Appropriation Accounts	Net Appropriations	Total Warrants Issued	Total Warrants Paid	Claims And Contracts Pending	Total Expenditures	Lapsed Balance	Estimate Needs by Governing Board
1. Current Expense							
2. Capital Outlay							
3. Transfer Fees Payable							
4. Interest on Warrants							
5. Total of This Appropriation							

OPERATING CASH ACCOUNTS

Statement of Receipts and Expenditures

Cash Accounts: Write in Fund Titles needed in column headings provided. Some Cash Funds are: Indian Education, Bond Sale, Federal M & O.	(Example) Indian Education			
1. Cash on Hand June 30, 19__				
Receipts (State Where From)				
2.				
3.				
4.				
5.				
6. Total Receipts and Balance				
Disbursements				
7. Prior Warrants Paid				
8. Current Warrants Paid				
9.				
10. Total Disbursements				
11. Cash Balance on Hand June 30, 19__				
12. Reserve for Warrants Issued But Unpaid				
13. Reserve for Claims and Contracts Pending				
14. Reserve for				
15. Total Reserves				
16. Surplus Available for Next Year				

Summary of Expenditures for Current Year

(List the standard account titles below that were used in the distribution of Cash Fund expenditures)

1. (Example) Teaching Supplies	530.60			
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9. Total Expenditures				

MISCELLANEOUS STATEMENTS

Transfers Receivable from Other Districts

Per Capita Cost of Education for Transfer Fees $________ Transportation $________ Total $________

Name of County	District Number	Transfer Fees Collected for School Year 19 -		For School Year 19 19		
		From Local Districts	From the State	Number Transferred	Number To Haul	Appropriated By Sending District To This District
Total						

Transfer Fees Payable to Other Districts

Where Transferred to		Number of Students Transferred, Number to Be Transported and the Cost of Transfers.				Estimated By Governing Board	Approved By Excise Board
Name of County	District Number	Trans- ferred	Number To Haul	Per Capita Cost			
				Education	Transportation		
Total General Fund Revenues Provided and Appropriated for All Transfers							

Net Balance Current Tax In Process Of Collection

	General Fund	Building Fund	Sinking Fund
1. Net 19___ Tax Levied and Certified			
2. Deduct 19___ Tax Apportioned			
3. Net Balance 19___ Tax in Process of Collection			

BUILDING FUND

Receipt and Expenditure Account for Prior Years

	Prior Year	19__-__	19__-__	19__-__	19__-__
1. Cash Balance June 30, 19___					
2. Adjustments					
3. Ad Valorem Tax Apportioned for Year Indicated					
4. Surplus Forward from Preceding Year					
5. Total Receipts and Balance					
6. Warrants Paid of Year in Caption					
7. Interest Paid Thereon					
8.					
9. Total Disbursements					
10. Cash Balance					
11. Reserve for Warrants Outstanding (Show Year)					
12. Reserve for					
13. Total Liabilities and Reserves					
14. Deficit, If Any (Figures in Red)					
15. Current Realized Surplus to Succeeding Year					

Statement of Receipts and Expenditures 19___-___

Receipts		
1. Cash Surplus from Prior Years (Line 15 Above)		
2. Current Ad Valorem Tax Apportioned		
3.		
4. Total Receipts and Balance		
Disbursements		
5. Current Warrants Paid		
6. Interest Paid on Current Warrants		
7. Total Disbursements		
8. Cash Balance June 30, 19___		
Liabilities and Reserves		
9. Current Warrants Unpaid		
10. Interest on Current Warrants Unpaid		
11. Claims and Contracts Pending		
12. Total Liabilities and Reserves		
13. Cash Surplus Available for Next Year or Gross Deficit (In Red)		

Building Fund — continued

Estimate of Needs for Fiscal Year Ending June 30, 19___, and
Summary of Appropriations and Expenditures for Fiscal Year Ending June 30, 19___.

	For Fiscal Year Ending June 30, 19___						19___-___
	Net Appropriations	Total Warrants Issued	Total Warrants Paid	Claims And Contracts Pending	Total Expenditures	Lapsed Balance	Estimate Needs By Governing Board
1. Current Expense							
2. Capital Outlay							
3. Interest on Warrants							
4. Total Appropriation							

ELIGIBILITY FOR EMERGENCY LEVY IF VOTED

Legal A. D. A. for School Year 19___-19___ ____________ Allowable per Capita Cost $____________

1. Total Allowable General Fund Expenditures to Be Used to Determine Eligibility to Make an Emergency Levy If Voted (A. D. A. times $250) $____________
2. Deduct Chargeable General Fund Expenditures:
   A. Total General Fund Expenditures 19___ 19___ $____________
   B. Less:
      (1) Transportation Costs $____________
      (2) Capital Outlay ____________
      (3) Debt Service Cost ____________
      (4) Emergency Levy for Prior Year ____________
      Total Deductions ____________
3. Total General Fund Expenditures to be used to calculate limits of Emergency Levy ____________
4. Total Amount Eligible to Be Raised By Emergency Levy If Voted $____________

SINKING FUND

Detailed Status of Bond and Coupon Indebtedness as of June 30, 19___, and Accruals Thereon

Accounting for Bonds	Use One Column for Each Bond Issue						Total
1. Purpose of Bond Issue							
2. Issue Dated (Month-Day-Year)							
3. Date of Sale by Delivery							
4. Date Maturing Begins							
5. Amount Each Uniform Maturity							
6. Date of Final Maturity							
7. Amount of Final Maturity							
8. Amount of Original Issue							
9. Deductions							
10. Net Amount of Bond Issue							
11. Years to Run							
12. Normal Annual Accrual (for Tax Levy)							
13. Tax Years Run							
14. Accrued Liability to Date							
15. Bonds Paid Prior to 7-1-___ (Cu. Yr.)							
16. Bonds Paid During Current Year (Prin.)							
17. Matured Bonds Unpaid							
18. Balance of Accrued Liability							
19. First Next Interest Coupon Due							
20. Per Cent Interest							
21. Interest Earnings After Last Tax Year							
22. Years to Run							
23. Amount to Accrue Each Year							
24. Tax Years Run							
25. Total Accrued							
26. Int. Earned But Unpaid 6-30-(Prior Yr.)							
27. Interest Earnings Through Current Year							
28. Coupons Paid During Current Year							
29. Balance Earned but Unpaid 6-30-(Cu. Yr.)							
30. Interest Earnings Next Fiscal Year							
31. Total Interest to Levy (Lines 23 & 30)							
32. Sinking Fund Levy (Lines 12 & 31)							

Sinking Fund — continued

Cash Statement and Balance Sheet—June 30, 19__

1. Cash On Hand June 30, 19__ (Prior Year)		
Receipts		
2. Current Tax Apportioned		
3. Prior Tax Collected		
4.		
5. Total Receipts and Balance		
Disbursements		
6. Coupons Paid		
7. Bonds Paid		
8. Commissions Paid to Fiscal Agency		
9.		
10. Total Disbursements		
11. Cash Balance On Hand, June 30, 19		
12. Other Assets:		
13.		
14. Total Liquid Assets		
Deduct Accrued Reserves		
15. Balance of Accural Liability on Bonds (Prior page, line 18)		
16. Interest Earned But Unpaid 6-30-19__ (" " " 29)		
17. Accrual to Date On Terminal Coupons (" " " 25)		
18. Excess of Assets Over Accruals (Reduces Amount Required to Be Raised By Tax Levy)		

(Note: If the total accrual reserves exceeds the total assets, there is a deficit.)

Estimate Of Sinking Fund Needs for Fiscal Year Ending June 30, 19__

	Estimated By Governing Board	Approved By Excise Board
1. Interest Earnings on Bonds (Prior Page, line 30)		
2. Accrual On Unmatured Bonds (" " " 12)		
3. Provision for Deficit Accurals		
4. Commissions to Fiscal Agency		
5.		
6.		
7. Total Sinking Fund Provisions		

APPROPRIATION OF FUNDS

CERTIFICATE OF ADOPTION AND VERIFICATION OF FINANCIAL STATEMENTS OF INCOME AND EXPENDITURES

District ______________________ Number _________ County ______ __________________________ Oklahoma

This is to certify that the foregoing budget was studied and finally adopted by the Board of Education of the ______________________ School District at its regular meeting on ________________, 19___. The estimates herein were made as true estimates of the educational needs of said school district to the best of our knowledge. We certify that the previous year's expenditures reported herein are true and correct and are in agreement with the official records of the school district treasurer and that the Financial Statement and Estimate of Needs was posted (or published) as required by law.

We also certify that a levy of _____ Mills (not to exceed 15) over and above the number of mills allocated by the County Excise Board will be reasonably necessary for proper conduct of the affairs of the school district for the fiscal year 19___-19___. We further certify that after due and legal notice of an election thereon, the following additional levies were authorized by a majority of qualified electors voting at the election thereon:

Emergency Levy ____________ Mills (not to exceed 5) Date of Election __________________, 19___.
Building Fund ____________ Mills (not to exceed 5) Date of Election __________________, 19___.

____
Superintendent of Schools

____
President of the Board

____
District Treasurer

____
Clerk of the Board

VALUATION OF SCHOOL DISTRICT

____________	$____________	$____________	$____________
This County	Real Property	Personal Property	Public Service
____________	$____________	$____________	$____________
Joint With County	Real Property	Personal Property	Public Service

Gross Valuation $____________ Homestead Exemption $____________ Net Valuation ____________

COUNTY EXCISE BOARD'S APPROPRIATION OF INCOME AND REVENUE

District________________________ Number______ County____________________________, Oklahoma

	General Fund	Building Fund	Sinking Fund
1. Appropriation Approved and Provision Made			
a. Current Expense			
b. Capital Outlay			
c. Transfer Fees to Other Districts			
d. Reserve for Interest On Warrants			
e. Total of This Appropriation			
2. Appropriation of Revenues			
a. Cash Surplus			
b. Miscellaneous Estimated Revenues			
c. Transfer Fees Receivable			
d. Proceeds of County 4 Mill Levy			
e.			
f.			
g. Total Other Than Current Tax			
h. Net From Tax Levy Indicated			
i. Total Available For This Appropriation			
3. Calculation of Levies			
a. Net Required From Current Tax (1-e less 2-g)			
b. Add 10% for Delinquency (or 1/11 of Gross Tax)			
c. Total Required From 19 Tax			
4. Rate of Levy Required and Certified (Mills)			

Certificate Of Excise Board

We certify that we have examined the above appropriation document and, finding all calculations in accordance with the prescribed laws and correct to the best of our knowledge, do hereby approve the requested appropriations and authorize the County Assessor to immediately extend said levies upon the tax rolls for the year 19___ without regard to any protest that may be filed against any levies, as required by O. S. 1951:68:15.55.

Dated at ________________, Oklahoma, this the _______day of __________________19___.

Member　　Member　　Chairman

Attest: Sec. of County Excise Board____________________

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represents in terms of place, organization, persons responsible for it, and the period of time covered. The second page (page 151) consists of the table of contents. It indicates the organization of information contained in the budget instrument and the page numbers involved.

The Educational Plan.—The Educational Plan (pages 152 and 153) is the first portion of the recommended budget instrument. Its purpose is to stimulate educational planning as well as to reveal the extent of the educational program advocated and the nature of policies established for meeting the educational needs of the community. Inasmuch as educational plans differ somewhat in each school district, it is difficult to design a form whereby all school districts can clearly indicate their proposed educational programs. The Educational Plan of the recommended budget form was designed with specific questions to point up important phases of the educational program and its administration. In the process of developing answers for these questions the school superintendent and the school board will engage in discussions which should lead to improvement in certain phases of the educational program that are found to be below the desired standard. Questions are included relating to purpose, organization, and basic elements in the educational program; policies relating to personnel; and policies relating to the physical plant.

The Expenditure Plan.—The Expenditure Plan (pages 153 and 154) is designed to reveal the services to be provided through the school district General Fund. The purposes of the proposed appropriations are indicated by means of standard accounts. These accounts are in accord with recommendations of the United States Office of Education and with requirements of the annual financial report to the Oklahoma State

Department of Education. The accounts involved are the minimum expenditure accounts first presented in Chapter IV.

Authorities recommend that expenditures for the ensuing year be estimated only after referring to expenditure data of at least the past two years, though such data should not be the only basis for estimating proposed expenditures. Accordingly, two columns are provided in the Expenditure Plan for the recording of such data. A third column is provided to be used in presenting the estimated cost of the desired educational program for the ensuing year. The final column in the Expenditure Plan form is provided to record the estimated expenditures for the ensuing year as finally approved by the local board of education. The second page of the Expenditure Plan (page 154) provides space for determination of four significant cost elements: (1) a subtotal which is the basis for per student cost, (2) the total current expenditures, (3) the total General Fund expenditures, and (4) the grand total of the cost of all services to be provided through the General Fund.

The Revenue Plan.—The Revenue Plan recommended (pages 155 and 156) is, like the Expenditure Plan, limited to General Fund accounts. The Revenue Plan consists of two parts. Each part is designed to indicate as nearly as possible the total amount of revenue that will be available to finance the activities of the school district. However, the total amounts of revenue are determined by different means.

The first part of the Revenue Plan (page 155) is concerned with the estimated total revenue available by means of minimum program calculation. It consists of a number of supplementary schedules the first of which provides space for recording statistical data needed in the other schedules for calculating: (1) the minimum program cost, (2) the minimum program income, (3) the amount of state aid, (4) income not chargeable to the minimum program, (5) total estimated revenue for the next year, and (6) amount available for transfer fees. The schedules provide space for various required computations.

It should be noted that the third schedule is used to determine the school district's anticipated income for the ensuing year that is chargeable to the minimum program. In cases where the minimum program cost exceeds the minimum program income, the difference indicates the amount of state aid to which the district is entitled. Should the minimum program income exceed the minimum program cost, as shown by the last schedule, the difference constitutes the amount the district should reserve for payment of transfer fees if needed.

Another schedule is provided to be used for the purpose of calculating the amount of income anticipated that is not chargeable to the minimum program. This schedule is significant in that it reveals the amount of money that may be used to enrich the educational offering above that provided by the minimum program. The amount of income not chargeable to the minimum program is added to the minimum program figures to determine the total estimated revenue. The additional schedules are provided for determining the estimated total revenue available for both state aided and non-state aided school districts. The minimum program method of calculating total available revenue for the ensuing year may be used for budgetary planning purposes any time that fairly accurate estimates of statistical data become available. This is an advantage because it permits early consideration of the school district budget.

The second part of the Revenue Plan (page 157) relates to the sources of actual and estimated receipts for the school district's General Fund. The information contained therein is required to substantiate appropriation requests. The form provides space for the calculation of income chargeable to the minimum program and for the estimates of miscellaneous income required by the County Excise Board. The items of actual and estimated receipts are arranged by source in the classification recommended by the United States Office of Education. This second part of the Revenue Plan form contains five columns. The first and second columns are used to record collections for the previous and current year, respectively. The third column is provided for the school board's estimate of receipts by sources for the ensuing year. Amounts recorded therein should not be limited to the amount legally estimated for the minimum program or for appropriation purposes. The estimate should indicate as accurately as possible the amount of anticipated income after appropriate allowances are made for possible decreases of estimated collections. For example, the current legal estimate for minimum program income calculation and excise board appropriation is 75 per cent of the district's share of receipts from the four mill levy. Actual collections annually will be undoubtedly much higher.

The fourth column of the form (page 157) is used to record only the items of anticipated income that are chargeable to the minimum program. The total of this column is required in determining the amount of state aid for which a district qualifies. The amounts recorded in the fifth column are restricted to the legal estimates of miscellaneous income to be approved by the county excise board. The School Code[4] specifies certain sources of miscellaneous receipts that must be charged as minimum program income and states further that all other miscellaneous income of a regularly recurring nature that can be legally estimated is also chargeable as minimum program income. Some items of miscellaneous receipts are specifically designated as income not chargeable to the minimum program. Space in the fifth column is "x-ed" out for these income items.

Financial Statements.—The Financial Statements sections of the proposed budget instrument (pages 158 through 165) contains space for the presentation of financial statements and other schedules needed to substantiate and verify the legality of appropriation requests. The principal financial statements in this section relate to the General Fund, Building Fund, Sinking Funds, and special cash accounts not expended through the General Fund.

Space is provided in the budget document so that information may be recorded relative to the amount and source of receipts, the cash balance at the end of the fiscal year, the outstanding obligations against the fund, its final status, a summary of appropriations and expenditures, and the estimate of needs for the fund. All of the financial statements are designed with a view toward simplification and yet they present all essential data.

[4] Oklahoma State Department of Education, The Oklahoma School Code As Enacted by the 1949 Legislature of the State of Oklahoma and Subsequently Amended by the 1951, 1953, and 1955 Legislatures (Oklahoma City: 1955), p. 97.

The statement of receipts and expenditures for the General Fund (page 158) is the first financial statement in the recommended budget instrument. The statement of receipts and expenditures simply provides for adding the sums of surplus and current receipts to secure a total from which expenditures are subtracted. The statement indicates the cash on hand at the close of the past fiscal year, the outstanding obligations at that time, and the amount of cash surplus available for the next year. A balance sheet section, lines 20-25 inclusive, is included to determine the true status of the General Fund if a gross deficit is indicated. Information concerning the General Fund account for prior years (page 159) is included as a part of the budget document because of certain legal requirements established by the Oklahoma Constitution. The law, in substance, states that except in the case of bonded indebtedness the expenditures of a fiscal year shall not exceed the income of that particular year. The Statute of Limitations on claims runs for five years. Therefore, where claims for prior years exist, collections for that particular year must be grouped and the expenditures made from funds levied for the year in which the expenses were incurred. In case the income for the year in question is not sufficient to pay the indebtedness, a judgment may be secured. It is an illegal procedure to pay from the General Fund an indebtedness incurred in a prior year with income levied for in a later year. When completing these sections of the budget, most school districts will not have claims or unpaid warrants extending farther back than the prior year. In such case, the cash balance may be added to the lump sum of back taxes. From this amount, subtract the prior expenditures and prior years' obligations outstanding. The remainder will be the current realized surplus which is carried to the statement for current incomes and expenditures, (line 1, page 158).

The concluding statement for the General Fund (page 159) provides for a summary of appropriations and expenditures in the General Fund and the school board's estimate of needs for that fund. Figures for the estimate of needs are derived from the Expenditure Plan previously discussed. The form for reporting financial data pertaining to operating cash accounts (page 160) constitutes a simplified income and expense statement for cash accounts which are not accounted for in the General Fund. The form also provides space for summarizing expenditures from such funds in standard account titles.

Transfer fees receivable and transfer fees payable affect the school budget. Two forms (page 161) were designed to provide the information required relative to these two elements of school income and expense. The third schedule on the same page is used to find the amount of tax money that is in the process of collection. Taxes in process of collection may be treated as an asset when calculating the amount of revenue available for appropriation.

Space for recording essential information about the Building Fund is provided in three schedules (pages 162 and 163), the account for prior years, a statement of current income and expenditures, and a summary of appropriations, expenditures, and estimate of needs. These are similar to the General Fund statements already described.

School laws in Oklahoma generally permit a General Fund tax levy of but 20 mills. However, under certain conditions specified by law, an emergency levy of not to exceed 5 mills may also be voted and the tax levied. A schedule for determining a school district's eligibility for emergency levy, if voted, (page 163) utilizes the formula described by law for determining how much, if any, a district is entitled to raise by virtue of this legislation.

In the recommended budget instrument, information relative to the Sinking Fund is in three schedules (pages 164 and 165). The first schedule pertains to detailed information concerning the status of bonds and coupon indebtedness and accruals thereon. The amount which must be raised by a Sinking Fund tax levy is indicated by the totals shown on lines 12 and 31. The second schedule (page 165) consists of a Sinking Fund cash statement and balance sheet. The status of the Sinking Fund in regard to accruals and accrual liabilities is indicated in this form. The last of the Sinking Fund schedules is the official estimate of needs for that fund.

Appropriation of Funds.--The concluding portion of the recommended budget document contains three schedules concerning appropriation of funds (pages 166 and 167). The first portion of the Appropriation of Funds section provides for certification by officials responsible for the preparation of the budget and for the accuracy of data contained therein. Certain officials must certify in regard to: (1) adoption of the budget, (2) tax requirements, (3) holding of elections in a legal manner, (4) accuracy of expenditure estimates, and (5) accuracy of financial data. Spaces are provided for the signatures of certifying officers. The second Appropriation of Funds schedule is a record of the official valuation of the school district. An analysis of the valuation of the ~~school district is arranged in a manner to facilitate checking accuracy.~~

The last page of the budget instrument (page 167) provides space for the official appropriation of anticipated revenue by the county excise board. The form provides for appropriations to be made for the General Fund, Building Fund, and Sinking Fund, which are the only school funds requiring appropriations by the Excise Board. The appropriation section is arranged in three major divisions. The portion included under item 1 (page 166) is provided to record the official approved appropriation for each fund involved. Items in the second section indicate revenues other than taxes which may be appropriated. Calculations of levies are made under item 3 and the rate of levy required and certified is revealed in item 4. The certificate of appropriation by the excise board is the last item in the recommended budget instrument.

The recommended budget instrument was developed only after lengthy research by the author in conjunction with the activities of certain interested groups in Oklahoma. It is the belief of the author that it conforms in every detail to the sound principles of budgeting which were developed in Chapter III of this study. Specifically, the document satisfies the following criteria of a desirable budget instrument.

1. It provides for a presentation of the educational plan which the budget is supposed to support.
2. It provides space for the translation of the proposed educational plan into proposed expenditures.
3. It provides space for the indication of the anticipated sources and amounts of revenue with which to meet the cost of the educational needs.
4. It contains provisions for early estimates of anticipated income which can be made accurately enough for budgetary planning.
5. It provides space for comparative income and expenditure data.
6. It contains provisions for all data required to substantiate valid appropriation requests based on legal procedures.

7. It employs a uniform standard classification of accounts and terminology which is in accord with that utilized throughout the entire accounting and reporting system.

8. Its contents are arranged in a simple logical manner so that each portion may be easily read and understood.

9. Its format is such that it is convenient for use and filing.

10. It contains directory devices so that its contents may be easily found.

11. It is clearly named and identified in terms of place, organization, persons responsible for it, and the time period covered.

12. Its contents are designed to conform to present legal requirements in Oklahoma.

To be of most value the budget form developed and recommended should be put into effect by means of an adequate accounting system. Such an accounting system is presented in the section of this research report which follows.

An Accounting System for Oklahoma School Districts

The accounting system developed in this study was designed especially for small independent school districts which constitute approximately 93 per cent of the districts in Oklahoma. In establishing an accounting system for such school districts, one must keep in mind that in numerous cases the individual in charge of maintaining the financial accounting records of a district will not have studied bookkeeping or accounting. Since the accounting function in a small school system does not require the full-time services of an individual, such work is commonly performed by a person who has other employment responsibilities. Thus, simplicity and the saving of time are important features of the accounting forms advocated here.

Administration of the fiscal affairs of a school district involves, in addition to accounting for receipts and expenditures, many functions such as the purchasing of supplies, securing of itemized claims for proposed disbursements, writing of warrants, and the making of payments. This study treats adequately only the phases concerned with the accurate and appropriate recording of receipts and expenditures.

Accounting for Receipts

The process of accurately accounting for receipts includes writing receipts for all money received, posting to a cash receipts book, maintaining an accurate account of cash balances in the various funds, and filing all original papers pertaining to receipts. A receipt book is not illustrated in this study. However, the receipt book should provide for maintaining duplicate receipts showing the date of the receipt, from whom received, the amount, and the account classification involved.

The accounting forms to be utilized for the recording of cash receipts are presented on the front and back of page 179 of this report. To facilitate posting and to provide for easy reference to all school district receipts, the ledger form illustrated provides space for recording and properly classifying receipts for the General Fund, Building Fund, and Sinking Fund all on one page. The ledger sheet is designed to have receipts recorded but once a month. It should be noted that generally the school districts in Oklahoma do not actually collect cash. Instead, the collections are made by other agencies such as county or state treasurers who make apportionments monthly to the various school

School____
District Number__________ Year 19___-19___

S C H O O L   D I S T R I C T   R E C E I P T S   L E D G E R

GENERAL FUND, BUILDING FUND, SINKING FUND

GENERAL FUND RECEIPTS Receipts from Local Sources	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Total	Budget	Variation
County 4 Mill Levy															
Current Ad Valorem Tax															
Back Tax 19___															
" " 19___															
" " 19___															
" " 19___															
" " 19___															
Intangible Tax															
County Apportionment															
Others (identify)															
Total Local Receipts															
Receipts from State Sources															
Basic Aid															
Equalization Aid															
Vocational Aid															
REA Tax															
Gross Production Tax															
Auto License Tax															
Indian Education Funds															
Others															
Total State Receipts															
Receipts from Federal Sources															
Federal M & O															
Other Federal Receipts															
Total Federal Receipts															
Receipts, Transfer Accounts															
Other Districts in State															
Districts in Other States															
Total Transfer Receipts															
Total General Fund Receipts															
BUILDING FUND RECEIPTS															
Ad Valorem Tax—Current															
" " " 19___															
" " " 19___															
" " " 19___															
" " " 19___															
" " " 19___															
Other Receipts															
Total Building Fund Receipts															
SINKING FUND RECEIPTS															
Current Ad Valorem Tax															
Back " " "															
Total Sinking Fund Receipts															

Figure 5.—School District Receipts Ledger Recommended for Adoption and Use By Small Independent School Districts in Oklahoma

Name of School____________________
District Number__________ Year 19___-19___

SUMMARY OF RECEIPTS AND EXPENDITURES

Date	Receipts	Balance	Total Paid	Interest Paid	Warrants Paid	Warrant Numbers Retired		Date	Receipts	Balance	Total Paid	Interest Paid	Warrants Paid	Warrant Numbers Retired

districts. Usually there is a memorandum accompanying the apportionment check which enumerates the sources of collections represented by the total amount of the check. If not, the information will be printed on the check itself. In either case, the source of each amount received should be copied on the deposit slip when the money is deposited in the bank. The deposit slips for a particular month involved will then contain all of the information necessary for recording accurately each of the items of receipts in the ledger.

Provision is made on the advocated receipt ledger form for the posting of receipts once a month and the data posted should pertain only to the revenue received during that month. Posting should be done as of the last day of each calendar month. The record for General Fund receipts utilizes the sources of receipts that are common in Oklahoma school districts. The sources of receipts are arranged in accordance with the standard accounts presented on page 121 of this study. The accounts by sources are arranged in a vertical listing. Spaces for posting monthly totals of the receipts from each source are provided in adjoining vertical columns for the calendar months. Two additional columns provide spaces for recording total receipts for the year from each source, and the budget estimates for the same fiscal year from the various sources. This arrangement permits a comparison of actual receipts with the budget estimates. A final column is provided for the recording of variations in actual receipts from budgeted amounts. Extensions of the same columns used for General Fund receipts are utilized for the Building Fund receipts and the Sinking Fund receipts in the ledger sheet. The information provided relative to all funds in the receipt ledger may be used directly in completing portions of the school district budget previously advocated in this chapter.

The ledger sheet may be printed on paper 11 inches by 17 inches, to provide sufficient space without crowding. At the end of a fiscal year, the ledger sheets may be removed, if a loose-leaf ledger book is utilized, and folded to be filed in folders of standard size. The ledger sheet provides for posting the total receipts for the entire fiscal year on one page.

The back of the ledger sheet consists of a form for summarizing receipts and disbursements and for maintaining an accurate account of cash balances in the funds involved. The summary form for receipts and disbursements contains eight vertical columns. The first column is provided for the dates involved. Summaries should be made and posted as of the last day of each month, although the receipts and disbursements may actually be summarized at other times. The receipts column is used to record the total receipts for each month. The total receipts figures for each month are obtained conveniently from the ledger on the front side of the sheet. The third column of the receipt ledger form is used for cash balances. Total disbursements, as well as total receipts for each month, must be computed before the specific balances can be determined. The last four columns on the ledger sheet are for summarizing disbursements for the various months. Information for these columns must be secured from the expenditure ledger where similar columns are provided to facilitate securing the data.

Information provided in the Summary of Receipts and Expenditures form is ordinarily needed only once a month when it is utilized for financial reporting to the local board of education. Thus, there is sufficient space on the back of the receipt ledger for the printing of two identical schedules of the summary of receipts and disbursements. This facilitates summarization of data for the three funds on one page.

Accounting for Expenditures

The basic materials necessary in accounting for school expenditures are claim forms, a warrant register, and an expenditure distribution ledger. The accounting system recommended in this study does not require special claim forms. Therefore, none are illustrated here. The claim forms commonly used in Oklahoma contain provisions for indicating account titles for use in properly recording the expenditures represented by the claims.

The accounting system for expenditures recommended here for use in small independent school districts in Oklahoma consists of a combination warrant register and expenditure distribution ledger. It provides for recording warrants in numerical order and for recording warranted expenditures in standard accounts. The advocated form is illustrated on pages 186 and 187.

A loose-leaf ledger book, utilizing paper approximately 11 inches by 17 inches, will provide sufficient space for the ledger form designed in this study. The system permits the maintenance of records of receipts and expenditures in the same ledger book and facilitates the ordering of exactly the required number of each kind of ledger sheets. The recording of both receipts and expenditures in the same ledger book is an advantage in a school district where one person does all of the accounting work or where the records are sometimes needed at places other than the office where they are maintained.

The United States Office of Education recommends that school districts of all sizes maintain at least the expenditure accounts presented in Figure 7, page 188. In designing the accounting forms for this study, it was recognized that in a small school system expenditures may not be made for all items represented by the accounts listed. Yet, all of the accounts will be utilized in the state reports which are compiled from financial data filed by the individual schools. Thus, there are no accounts which may be omitted from the accounting system for use by all of the small independent school districts in Oklahoma.

The total number of expenditure accounts indicated in Figure 7 is 60. It would not be feasible to design a columnar ledger form to include all of the 60 accounts. The answer to this problem appears to lie in the use of a comparatively small number of account columns with provisions for indicating many of the specific accounts by means of code numbers. In the expenditure distribution ledger recommended in this study (see pages 186 and 187), a narrow column for the recording of appropriate code numbers is provided to the right of each expenditure amount column. In a small school system it will not be a difficult task to check through the columns whenever necessary to pick out the items to be summarized in the accounts represented by the particular code number involved. A complete analysis may be needed only at the end of the school year and the major financial information will be provided by the totals of the account columns of the ledger sheet.

The combined warrant register and distribution of expenditures ledger (pages 186 and 187), recommended for small independent school systems in Oklahoma, is arranged so that when opened the complete accounting form occupies both the left and right pages. The first twelve columns of the recommended form provide space for information relative to the registering and paying of warrants. The information to be included consists of the number of each claim paid, to whom it was paid, the number and amount of the warrant, the date it was registered, information concerning its payment, and reserves withheld from salaries for income taxes, retirement benefits, and other purposes.

The expenditure distribution ledger portion of the form begins with the thirteenth column. This portion of the form provides columns for the twelve major account divisions presented in Chapter IV. Two columns are provided for each of the divisions of Administration, Instruction, and Pupil Transportation. In each case, one column is provided for salaries and the other column is for all expenditures of that division other than salaries. A column to be used for coding purposes is provided adjacent to each miscellaneous expenditure column.

The coded list of standard expenditure accounts, presented in Figure 7, page 188, should be utilized in connection with the expenditure distribution ledger form recommended in this study. Using the list of coded accounts for reference, it is a simple matter to indicate in the ledger form the proper distribution of expenditures for each claim. For example, the account in which payment for gas used in heating a school building should be recorded is coded "520." When the proper expenditure is made on the basis of a claim, the amount of the warrant will be recorded in the column headed "Operation of Plant" and the code number will ~~be entered in the column immediately to the right. Thus, indication of~~

District Name__________________________________
Number_________ General Fund Account 19___-19___

S C H O O L D I S T R I C T C O M B I N E D W A R R A N T R E G I S T E R

Issuance, Registration and Payment of Warrants								RESERVES WITHHELD				ADMINISTRATION			INSTRUCTION	
Claim Number	To Whom Payable	Warrant Number	Amount of Warrant	Date Registered	Interest Paid	Total Paid	Date Paid	Tax	Social Security	Retirement	Other	Salaries	Supplies and Others	Code Numbers	Salaries	Other Instructional Costs
	Original Appropriation															
	Added															
	Total Appropriation															

Note: This ledger form copy is for illustrative purposes only. The printed ledger form would utilize all available space on the page.

	Totals to Carry Forward															

Figure 6.—School District Combined Warrant Register and Expenditure Distribution Ledger recommended in this study for adoption and use by all of the small independent school districts in Oklahoma. (This figure extends through the following page.)

AND EXPENDITURE DISTRIBUTION LEDGER

ATTENDANCE AND HEALTH SERVICES		STUDENT TRANSPORTATION			OPERATION OF PLANT		MAINTENANCE OF PLANT		FIXED CHARGES		FOOD SERVICES AND STUDENT ACTIVITIES		COMMUNITY SERVICES		CAPITAL OUTLAY		DEBT SERVICES
All Costs	Code Numbers	Salaries	Other Transportation Costs	Code Numbers	All Costs	Code Numbers	All Costs	Code Numbers	All Costs	Code Numbers	All Costs	Code Numbers	All Costs	Code Numbers	All Costs	Code Numbers	All Costs

LIST OF STANDARD EXPENDITURE ACCOUNTS

ADMINISTRATION (100 Series)
110. Salaries
120. Supplies and Other Expenses

INSTRUCTION (200 Series)
210. Salaries for Instruction
- 211. Principals
- 212. Consultants or Supervisors
- 213. Teachers
- 214. Other Instructional Staff
- 215. Secretarial and Clerical Assistants
- 216. Other Salaries for Instruction

220. Textbooks
230. School Library Books and Periodicals
240. Teaching Supplies
250. Other Supplies and Expenses

ATTENDANCE AND HEALTH SERVICES 300 Series
310. Attendance Services
- 311. Salaries
- 312. Supplies and Expenses

320. Health Services
- 321. Salaries
- 322. Supplies and Expenses

PUPIL TRANSPORTATION SERVICES 400 Series
410. Salaries
420. Maintenance and Operation
430. Replacements of Vehicles
440. Transportation Insurance
450. Contracted Services and Public Carriers
460. Payments in Lieu of Transportation

OPERATION OF PLANT (500 Series)
510. Salaries
520. Fuel for Heat
530. Utilities, Except Fuel
540. Supplies
550. Other Expenses

MAINTENANCE OF PLANT (600 Series)
610. Salaries
620. Materials & Other Expenses
630. Contracted Services

FIXED CHARGES (700 Series)
710. School District Contributions to Employee Retirement
720. Insurance and Judgments
730. Rental of Land and Buildings
740. Interest on Current Loans
750. Other Fixed Charges

FOOD SERVICES AND STUDENT-BODY ACTIVITIES (800 Series)
810. Food Services
- 811. Salaries
- 812. Supplies and Expenses
- 813. Payments to Cover Deficit of Food Service Cash Fund

820. Student-Body Activities
- 821. Salaries
- 822. Supplies and Expenses
- 823. Payments to Cover Deficits in Student Activity Funds

COMMUNITY SERVICES (900 Series)
910. Recreation
920. Civic Activities
930. Public Libraries
940. Custodial Care of Children
950. Welfare Activities
960. Non-public School Pupils

CAPITAL OUTLAY (1000 Series)
1010. Sites
1020. Buildings
1030. Equipment

DEBT SERVICE FROM CURRENT FUNDS 1100 Series
1110. Payments of Principal
1120. Payments of Interest on Debt
1130. Payments into Sinking Funds
1140. Payments to Housing Authority
1150. Other Debt Service

TRANSFER ACCOUNTS (1200 Series)
1210. To Other Districts This State
1220. To Districts in Other States
1230. Tuition to Private Schools

Figure 7.—Minimum Standard Expenditure Accounts

proper accounts becomes a simple matter. The number of accounts commonly utilized by a small independent school district is not large and most of the code numbers will be memorized after the system has been in operation a short time. However, it should be the practice to have the list of standard accounts and their code numbers available for easy reference at all times.

Through use of the ledger sheets for receipts and expenditures illustrated and described in the foregoing pages, the accounting phase of school administration will be both adequate and facilitated. It is generally recognized that a financial accounting system for public schools should:

1. Conform to legal requirements.
2. Contain uniform classifications of receipts and disbursements.
3. Provide information for budgetary control.
4. Provide a definite, well-organized record of all financial transactions which will show where the money comes from, how much is available and for what it is expended.
5. Provide uniform data for reporting to other agencies.
6. Provide a base of information on which to make financial and educational plans for the future.
7. Be simple and easy to operate.

It is the opinion of the author, based on extensive study and analysis, that these requirements are fully met by the simplified system recommended here for use by all of the small independent school districts in Oklahoma.

Summary

The primary purpose of this chapter has been to present, illustrate, and adequately describe a budget instrument and an accounting system designed to facilitate efficient administration of the finances of small independent school systems in Oklahoma. The first portion of the chapter concerns some of the legal elements which affect school budgets in Oklahoma. The second portion is devoted to a presentation of the budget instrument recommended for use in small independent school systems. Of major significance to school administration is the section devoted to the Educational Program. The total budget instrument recommended in this chapter provides for adequate consideration of such elements of school financing as the educational plan, the expenditure plan, the revenue plan, the financial statements, and the appropriation of funds.

The last major section of this chapter involves consideration of the recommended accounting system required to make the educational program portion of the school budget effective. Specific and carefully designed accounting forms are presented for complete and accurate recording of receipts and expenditures.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Summary

This study constitutes an effort to facilitate improvement in the budgeting and accounting procedures in small independent school systems in Oklahoma. As such, it consists of three major parts:

1. Identification of sound principles of budgeting and financial accounting for public school systems.
2. Revision of the budget forms used in Oklahoma school systems to permit the application of the identified sound principles.
3. The establishment of a uniform financial accounting system which will simplify budget preparation, facilitate the reporting of financial data, and provide reliable statistics for comparative purposes at both the state and national levels.

The primary purpose of this study was to effect major improvements in the school budget instrument used in Oklahoma. Because of the interdependence of the budgeting and accounting functions of school administration, it was also necessary to develop an adequate accounting system designed to provide essential data quickly and accurately for both the budget and financial reports. This study was initiated with the belief that more appropriate budgeting and accounting practices will effect savings and more efficient use of funds available to school districts.

The data pertain primarily to budgeting and accounting requirements of the small independent school systems of Oklahoma rather than to the special requirements of the few large systems in cities such as Oklahoma City and Tulsa. Primary emphasis was also given to the budgeting and accounting for school district funds used for current expense purposes and controlled directly by local boards of education. The study does not involve student activity or other special funds.

The first step undertaken was the identification of desirable practices and procedures in budgeting and accounting for school systems. This was accomplished by means of a survey of pertinent literature. The literature surveyed included doctoral studies, professional books in the field, publications from the national and state departments of education, and relevant magazine articles appearing in leading educational magazines during the past 20 years.

The second step involved the identification of the legal requirements relating to public school budgeting and financial accounting in Oklahoma. Information was gained from study of the Oklahoma Statutes, publications of the Oklahoma State Department of Education, and from the Constitution of the State of Oklahoma.

The next step in this study involved the designing of a school budget instrument to permit the application of sound principles of budgeting and yet conform to present Oklahoma legal requirements. Much research went into the development of the budget form recommended in this report. The budget and accounting forms from a majority of the states were reviewed critically for desirable features that might be adopted for use in Oklahoma. During the process of developing the budget instrument, interviews were conducted with auditors from public utility companies, certified public accountants engaged primarily in municipal auditing, the State Director of School Finance, and the State Examiner and Inspector. These interviews provided much practical information especially concerning legal requirements relative to school budgeting.

The budget instrument was mimeographed, distributed to, and discussed with selected school administrators including members of the Oklahoma Cooperative Program in Educational Administration committee on school budgeting, financial accounting, and reporting. Numerous changes were then made in the proposed budget instrument before it was incorporated in this research report.

The last step in the procedure involved the devising of accounting classifications and the ledger forms to relate directly to the budget instrument and existing financial reporting requirements. An attempt was made to arrange the accounting forms to provide, in the most simple and least time consuming form, the financial information needed by small independent school districts.

Basic Elements in School Budgeting

The evidence in this study indicates that it is the consensus of school administration authorities that a school district budget document should describe completely the educational plans for the year ahead. Careful development and use of a school budget which involves an educational plan, a spending plan, and a revenue plan may result in a number of advantages in achieving the best educational facilities for children in the school system. A properly developed school budget, used as an educational guide, accomplishes the following functions:

1. Facilitates instruction by stimulating educational planning and determination to purchase as much of the desired educational program as possible.

2. Provides an overview of the entire school program by summarizing educational, spending, and revenue plans in one document.
3. Facilitates orderly planning and less opportunistic action.
4. Makes possible the analysis of details by leading to a periodic critical analysis of both the educational program and the finances necessary to operate the program.
5. Develops cooperation and goodwill within a school system when it is done through group planning.
6. Acquaints the public with needs of the school system and may stimulate confidence among taxpayers in the administration of the school system.
7. Aids in the economical administration of the school by serving as a guide for spending the school's money in a sensible, efficient manner.
8. Improves financial accounting procedures.
9. Projects the school program into the future for at least one year and may stimulate planning so that long-range goals may also be reached through accurate annual estimates.
10. Aids in bringing into focus the educational policies, practices, and objectives of a school system by regularly bringing them under surveilance.

Authorities in the field of school administration advocate numerous principles which are basic to the development of school budgets. By means of detailed analysis of the literature available, it was possible to isolate the fundamental principles of school budgeting. The six most significant principles are:

1. The annual budget for a public school system should represent the actual needs of the school system for the ensuing year, estimated as honestly and accurately as possible, and justified in terms of anticipated educational returns to the community.
2. The budget should be inclusive with properly proportioned allocations to various educational elements.
3. A uniform standard classification of accounts and terminology should be used which is in accord with that utilized throughout the entire accounting and reporting system.
4. The public school budgeting process should be continuous, with the preparation of the annual budget document constituting one step in the long-range educational program.
5. The preparation of the school budget should be a cooperatively planned and executed procedure.
6. The school budget should be so prepared that it can and will be interpreted properly to the public.

In the development of a school budget instrument which will adequately fulfill proper functions in accordance with sound basic principles, careful attention must be given to the responsibilities of the individuals directly concerned with the actual preparation, presentation, adoption, and ultimate administration of the school finances. The school budget is not an end in itself but is a tool by which better educational opportunities may be provided through efficient execution of well-formulated plans. Administration of the school budget involves its constant use as a guide but should permit modification of plans contained therein when unforseen developments occur.

Basic Elements in School Accounting

The educational plans of a school system and the methods of financially supporting those plans are summarized by means of the school budget. However, the financial accounting system must be depended upon to provide the facts of actual performance. It is the consensus of authorities in the field of school administration that the accounting system should fulfill such functions as:

1. Revealing the financial condition of the school system at any time, indicating the relationship between budgeted amounts and actual receipts and expenditures.
2. Facilitating necessary adjustments in the rate of expenditure by providing readily available data on the financial condition and operating results of the various funds and appropriation accounts.
3. Facilitating uniform reporting of financial data requested by county, state, and federal agencies.
4. Providing data required in determining the efficiency of personnel, materials, equipment, and methods.
5. Constituting a basis on which future financial and educational plans may be formulated.

An adequate financial accounting system further serves as a safe-~~guard in the administering of public school funds by providing complete~~

records of all financial transactions and providing a means of limiting expenditures to budgeted amounts. The primary requisites of a suitable state-wide financial accounting system for public schools are:

1. It should be flexible and adaptable to the scope and needs of various administrative units.
2. It should be simple in form and operation.
3. It should provide information needed for fiscal reports without the necessity of extensive rearrangement of data, combining or separating of figures, or other laborious operations.
4. It should include an internal check to make the misuse of funds highly improbable.
5. It should involve the use of accounting materials of such size and quality that filing will be simple and retention for long periods possible.
6. It should provide financial data in such form that the legality of all transactions may be readily ascertained.
7. It should utilize standardized accounts and terminology to provide for state and nation-wide uniformity.

The evidence in this study indicates that the establishment of a sound financial accounting system for schools must involve careful consideration of a number of special aspects of accounting. Among the special aspects are those pertinent to the nature and number of accounts needed, special problems in fund accounting, the nature and extent of cost accounting needed, the proper classification of specific receipts and disbursements by means of standardized accounts, the sources of revenue, and the functions to be fulfilled by financial reports.

Recommended Budget and Accounting Forms

The recommended budget form developed in connection with this study is displayed on pages 150 through 167 of this research report. The recommended budget instrument was developed only after lengthy research by the author in conjunction with the activities of certain interested groups in Oklahoma. It is the belief of the author that it conforms in every detail to the sound principles of budgeting which were developed in Chapter III of this study. One of the outstanding features of the budget instrument is its provision for presenting the educational program which the budget is supposed to support. The presentation is designed to encourage educational planning and the development of school board policies to activate the plans. The budget instrument provides for the translation of the proposed educational program into proposed expenditures and for the indication of anticipated sources and amounts of revenue with which to meet the cost of the educational program. It provides for comparative income and expenditure data to aid in making sound estimates and for an early estimate of anticipated income which can be made accurately enough for budgetary planning. The budget instrument employs a uniform standard classification of accounts and terminology which is in accord with that utilized throughout the entire accounting and reporting system. It contains provision for all data required to substantiate valid appropriation requests and provides for it in a simple logical manner so that each portion may be easily read and understood. A table of contents is provided so that specific items contained in the budget may be easily determined. The title page clearly identifies the instrument in terms of what it is, persons responsible for it, the school district represented, and the time period covered. The budget instrument is arranged in an attractive format, convenient for use and filing. Its content is designed to conform to present legal requirements in Oklahoma.

To be of most value the budget form developed and recommended should be put into effect by means of an adequate accounting system. Through use of the ledger sheets for receipts and expenditures illustrated and described in Chapter V of this research report, the accounting phase of school administration will be facilitated. It is the opinion of the author, based on extensive study and analysis, that the simplified system, recommended here for use by all of the small independent school districts in Oklahoma, fully satisfies the primary requisites of a school accounting system as listed on page 195.

The accounting system is simple and easy to operate and yet provides for a definite, well-organized record of all financial transactions to reveal where the money comes from, how much is available, and for what it is expended. It is designed to provide easily and quickly the financial data necessary for budgetary planning and control and for reporting uniform data to other educational agencies. The accounts utilized for recording receipts and expenditures conform to legal requirements in Oklahoma pertaining to school finance and are arranged in uniform standard classifications.

Conclusions

The principles and practices developed in this study relative to school budgeting and accounting and the recommended budget and accounting forms are based on an extensive analysis of the literature in the field of school administration and the specific circumstances surrounding the financing of education in Oklahoma. Although all portions of the recommended budget and accounting forms, with the exception of the financial statements, are undoubtedly appropriate for use in school districts in the various states, no claim is made in this study that they are directly applicable to other than the small independent school districts in Oklahoma.

On the basis of the extensive evidence developed in this study and nine years of experience as a school administrator, the author presents the following conclusions:

1. A body of established sound principles basic to proper development of adequate school budgets and financial accounting systems currently exists. To accomplish the most effective school administration, the individuals directly concerned should at all times adhere to these basic principles.

2. There remains little, if any, doubt that the most significant element in the school budgeting procedure is the development of an appropriately stated educational program to provide the basis for actual preparation of the financial aspects of a school budget. Although this is an often neglected phase of the total budget procedure, it is absolutely essential to achievement of the maximum effectiveness of financial management in a school district.

3. To facilitate proper school administration, the accounting system must consist of a sound standard classification of accounts used in conjunction with simple to understand and compact ledger accounts and report forms.

4. The school budget and accounting forms designed for and recommended in this research report, if used in the small independent school districts throughout Oklahoma, would facilitate almost immediate improvements in the utilization of school funds. The ultimate result would be more effective instruction in the individual classrooms.

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