

**EDUCATION AND LABOR CABINET**  
**Kentucky Board of Education**  
**Department of Education**  
**(Amendment)**

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

RELATES TO: KRS Chapter 45A, ~~[61.410, ]~~66.480, 156.029, 156.076, 156.160, 156.200, 156.265, 158.290, Chapter 160, ~~[161.540, 161.560, ]~~Chapter 238~~[342.640]~~, 424.260

STATUTORY AUTHORITY: KRS 156.070, 156.160, 156.200

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.070(1) requires the Kentucky Board of Education to manage and control the common schools. KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. This administrative regulation establishes uniform procedures for the accounting of school activity funds.

Section 1. Definition. "School activity~~[Activity]~~ funds" means all school funds including funds derived from fundraising activities sponsored under the auspices of the school and does not mean funds raised or received by organizations that do not come under the direct supervision of school authorities.

Section 2. District Responsibilities.

(1) A local~~[district]~~ board of education shall have the responsibility for administration and control of all school activity funds and comply with "Accounting Procedures for Kentucky School Activity Funds", which is also known as the "Redbook".

(2)

(a) The August 2019~~[March]~~[2013] edition of the Redbook shall be used through July 31, 2026, or until the effective date of this administrative regulation whichever is later~~[2019]~~.

(b) The August 2026~~[2019]~~ edition of the Redbook shall be used beginning on August 1, 2026, or upon the effective date of this administrative regulation whichever is later~~[2019]~~.

Section 3. Audits.

(1) School activity~~[Activity]~~ fund internal accounts shall be audited annually by a certified public accountant, and a report shall be made to the local~~[district]~~ board of education.

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

~~[(3)] [Recommendations and exceptions listed in the audit shall be reviewed by staff of the Department of Education.]~~

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

Section 4. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Accounting Procedures for Kentucky School Activity Funds", August 2019; and~~[is incorporated by reference.]~~

(b) "Accounting Procedures for Kentucky School Activity Funds", August 2026.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Education, Division of District Support, 300 Sower Boulevard, 4th Floor, Frankfort, Kentucky, Monday through Friday, 8 a.m. to 4:30 p.m. This material may also be viewed at: <https://www.education.ky.gov/districts/legal/Pages/Kentucky-Revised-Statutes.aspx>.

COMPILER'S NOTE: 2025 RS HB 6, enacted by the General Assembly on March 27, 2025, altered the information to be provided at the time an administrative regulation is filed. Aside from formatting changes necessary to upload the regulation into the LRC's publication application, this regulation has been published as submitted by the agency.

*This is to certify that the chief state school officer has reviewed and recommended this administrative regulation prior to its adoption by the Kentucky Board of Education, as required by KRS 156.070(5).*

*DR. ROBBIE FLETCHER, Commissioner  
SHARON PORTER ROBINSON, Chair*

APPROVED BY AGENCY: December 8, 2025

FILED WITH LRC: December 10, 2025 at noon

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on February 24, 2026, at 10 a.m., in the State Board Room, Fifth Floor, 300 Sower Boulevard, Frankfort, Kentucky. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through February 28, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Todd G. Allen, General Counsel, Kentucky Department of Education, 300 Sower Boulevard, 5th Floor, Frankfort, KY 40601, phone 502-564-4474, fax 502-564-9321, email [regcomments@education.ky.gov](mailto:regcomments@education.ky.gov).

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

**Contact Person:**Todd G. Allen

**Subject Headings:**Education, **Education:** Elementary, **Education:** Secondary, **Accounting**

**(1) Provide a brief summary of:**

**(a) What this administrative regulation does:**

This administrative regulation establishes uniform procedures for the accounting of school activity funds.

**(b) The necessity of this administrative regulation:**

KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. This administrative regulation establishes uniform procedures for the accounting of school activity funds and ensures all school districts handle school activity funds properly and in accordance with accounting standards.

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

KRS 156.070(1) requires the Kentucky Board of Education to manage and control the common schools. KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. This administrative regulation establishes uniform procedures for the accounting of school activity funds.

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

KRS 156.070(1) requires the Kentucky Board of Education to manage and control the common schools. KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. This administrative regulation sets forth uniform accounting procedures to ensure all school districts handle school activity funds properly and in accordance with accounting standards.

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

**(a) How the amendment will change this existing administrative regulation:**

The regulation amendment incorporates by reference the "Accounting Procedures for Kentucky School Activity Funds" also known as the "Redbook" August 2026 edition which will become effective August 1, 2026, or upon the effective date of this administrative regulation whichever is later. The amendment also updates requirements in regard to the audit of school activity funds.

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

Kentucky Department of Education staff, school district finance officers, and school district auditors have identified necessary changes to the Redbook which have been incorporated into the August 2026 edition.

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

KRS 156.070(1) requires the Kentucky Board of Education to manage and control the common schools. KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. This administrative regulation establishes uniform procedures for the accounting of school activity funds.

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

KRS 156.070(1) requires the Kentucky Board of Education to manage and control the common schools. KRS 156.200 requires the Kentucky Board of Education to regulate accounting procedures and reports of local school districts. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations establishing standards which school districts shall meet in student, program, service, and operational performance. The amendment updates the uniform procedures for the accounting of school activity funds.

**(3) Does this administrative regulation or amendment implement legislation from the previous five years? No.**

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

School districts

**(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:**

**(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment:**

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

**(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4):**

This amendment is not expected to have a fiscal impact on school districts. Training on accounting procedures is currently provided to local school districts by the Kentucky Department of Education. The department will update the existing training to include any new requirements or changes accordingly.

**(c) As a result of compliance, what benefits will accrue to the entities identified in question (4):**

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

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

**(a) Initially:**

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

**(b) On a continuing basis:**

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

**(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment:**

General Funds

**(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:**

There are no fees associated with the regulation amendment.

**(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:**

There are no fees associated with the regulation.

**(10) TIERING: Is tiering applied?**

Tiering is not applied. The regulation applies to all public school districts.

## FISCAL IMPACT STATEMENT

**(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:**

KRS 156.070, KRS 156.200, and KRS 156.160.

**(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:**

KRS 156.070, KRS 156.200, and KRS 156.160.

**(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:**

Kentucky Board of Education and Kentucky Department of Education

**(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):**

**1. Expenditures:**

**For the first year: Any expenditures are expected to be minimal.**

**For subsequent years: Any expenditures are expected to be minimal.**

**2. Revenues:**

**For the first year: This regulation is not expected to generate revenue.**

**For subsequent years: This regulation is not expected to generate revenue.**

**3. Cost Savings:**

**For the first year: No cost savings are anticipated.**

**For subsequent years: No cost savings are anticipated.**

**(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):**

School districts

**(b) Estimate the following for each affected local entity identified in (4)(a):**

**1. Expenditures:**

**For the first year: Any expenditures are expected to be minimal.**

**For subsequent years: Any expenditures are expected to be minimal.**

**2. Revenues:**

**For the first year: This regulation is not expected to generate revenue.**

**For subsequent years: This regulation is not expected to generate revenue.**

**3. Cost Savings:**

**For the first year: No cost savings are anticipated.**

**For subsequent years: No cost savings are anticipated.**

**(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):**

None

**(b) Estimate the following for each regulated entity identified in (5)(a):**

**1. Expenditures:**

**For the first year:Not applicable.**

**For subsequent years:Not applicable.**

**2. Revenues:**

**For the first year:Not applicable.**

**For subsequent years:Not applicable.**

**3. Cost Savings:**

**For the first year:Not applicable.**

**For subsequent years:Not applicable.**

**(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)**

**(a) Fiscal impact of this administrative regulation:**

For the Kentucky Department of Education and school districts, any expenditures are expected to be minimal. The regulation is not expected to generate revenue and no cost savings are anticipated.

**(b) Methodology and resources used to reach this conclusion:**

For the Kentucky Department of Education and local school districts, the estimates herein are based on prior program operations.

**(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):**

**(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14):**

The administrative regulation is not expected to have a major economic impact on the Kentucky Department of Education or local school districts.

**(b) The methodology and resources used to reach this conclusion:**

For the Kentucky Department of Education and local school districts, the estimates herein are based on prior program operations.