

Tammy Lehmen
Director, School Finance

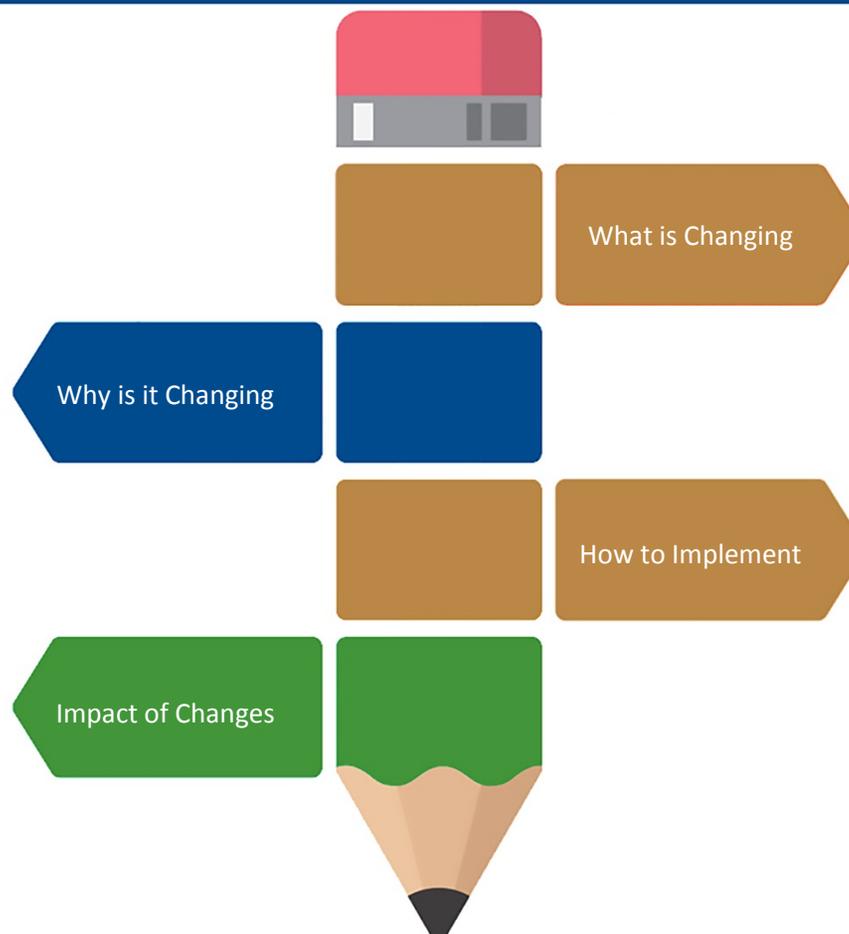


Financial Management Training

April 2018



- The basic coding concept is NOT changing.

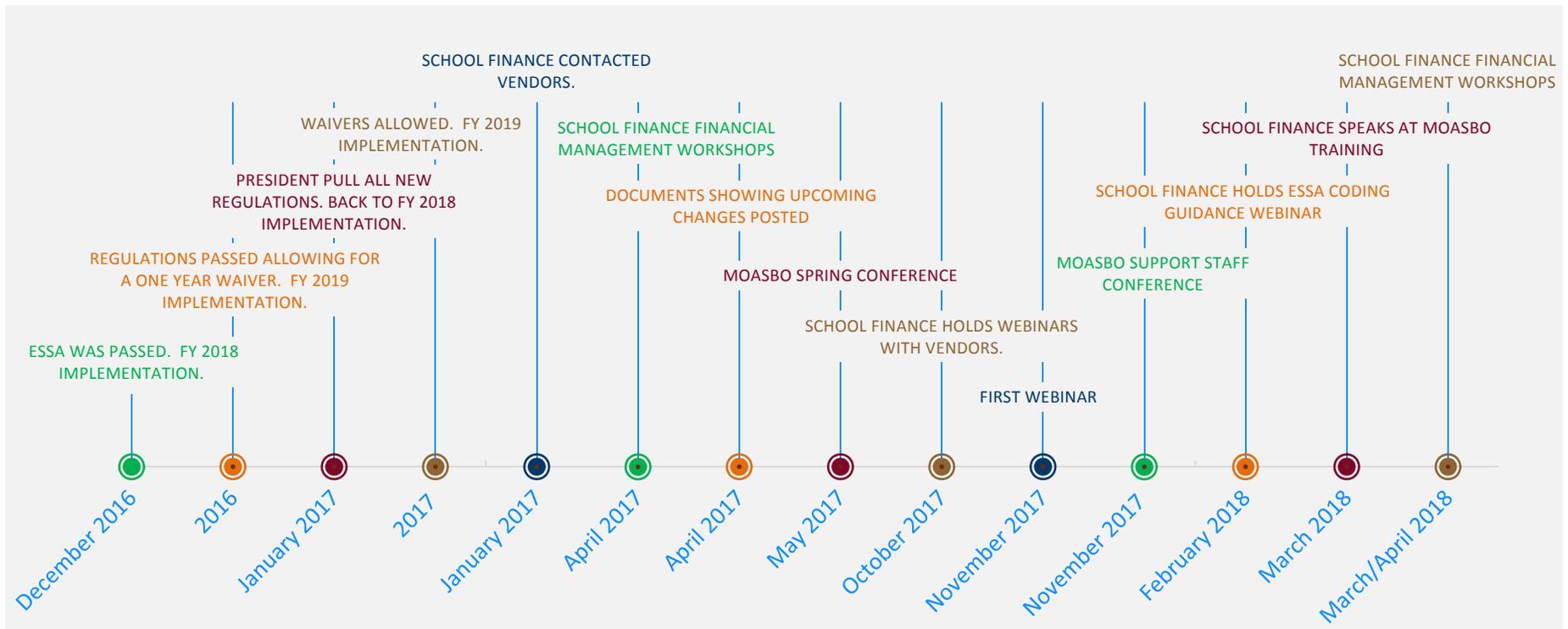


- The change is requiring a location code, source of funds code, and certain project codes.

Why are These Changes Being Made?

- Federal Regulation § 200.35 Per-pupil expenditures.
 - “*Uniform procedures.* A State must develop a single statewide procedure to calculate LEA current expenditures per pupil and a single statewide procedure to calculate school-level current expenditures per pupil”
 - “The numerator consists of current expenditures, which means actual personnel costs (including actual staff salaries) and actual non-personnel expenditures of Federal, State, and local funds, used for public education”

ESSA Timeline





What is Changing?

What is Changing?

- Revenue New Chart of Account Changes Starting FY 2019



- Certain revenue codes will be required to be recorded at a building level.
- Order of items in the district's/charter school's account entries will vary by vendor.

What is Changing?

- Expenditure New Chart of Account Changes Starting FY 2019

Expenditure Code Structure						
Fund Type	Function Code	Object Code	Location Code	Source of Funds	Project Code	Dollar Amount
1 to 3 Digits	4 Digits	4 Digits	4 Digits	1 Digit	5 Digits	14,2

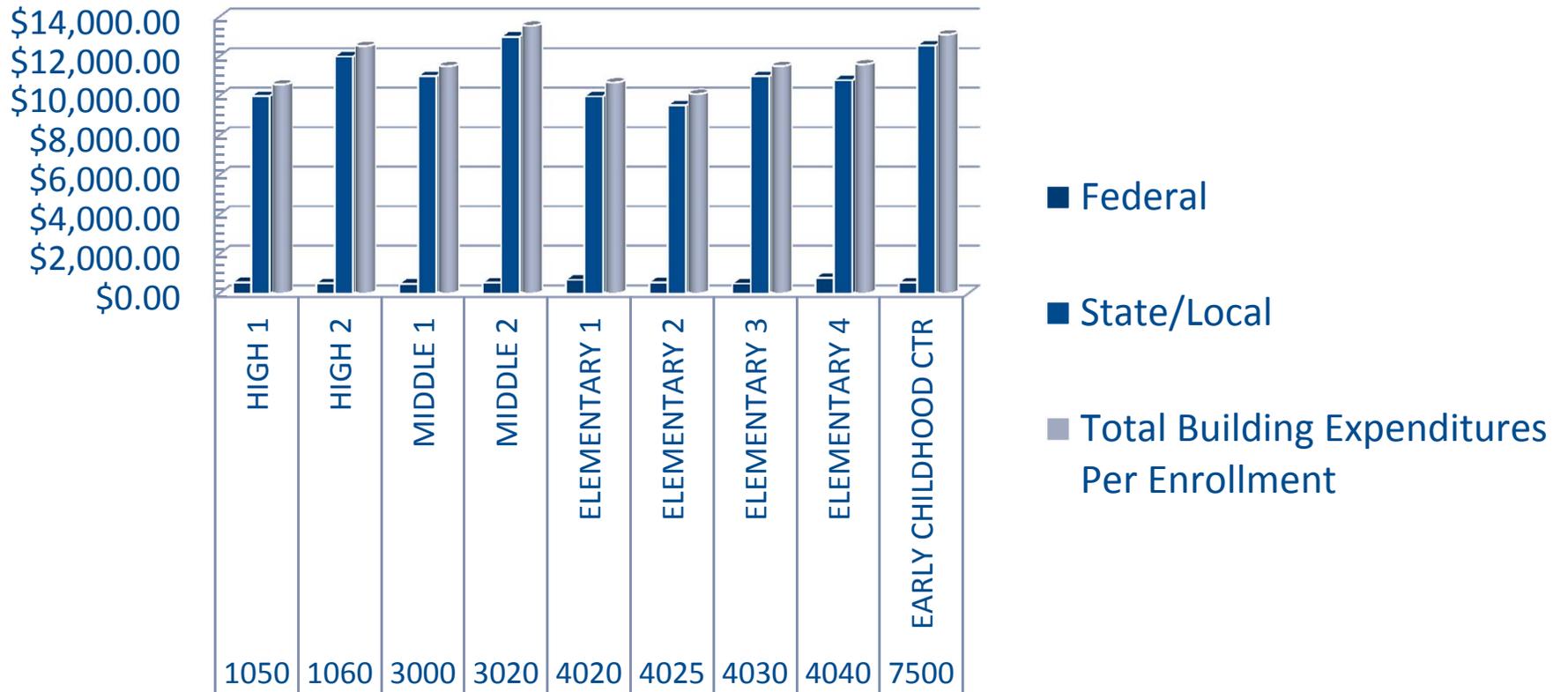
- Location code will now be required for certain function codes.
- Source of funds will now be required on all expenditures.
- Project code format is changing and DESE will assign project codes to certain revenues the department has a responsibility to monitor.
- Order of items in the district's/charter school's account entries will vary by vendor.



Why are These Changes Being Made?

Visualization of Current Expenditure by Building

Building Number	Building Name	September Enrollment	Building Level Expenditures Per Enrollment			District Level Expenditures Per Enrollment			Total Building Expenditures Per Enrollment
			Federal	State/Local	Total Building	Federal	State/Local	Total Building	
1050	HIGH 1	2,489	\$450.00	\$6,000.00	\$6,450.00	\$125.00	\$4,000.00	\$4,125.00	\$10,575.00
1060	HIGH 2	2,025	\$375.00	\$7,250.00	\$7,625.00	\$150.00	\$4,750.00	\$4,900.00	\$12,525.00
3000	MIDDLE 1	2,350	\$325.00	\$6,250.00	\$6,575.00	\$175.00	\$4,750.00	\$4,925.00	\$11,500.00
3020	MIDDLE 2	1,985	\$300.00	\$7,500.00	\$7,800.00	\$250.00	\$5,500.00	\$5,750.00	\$13,550.00
4020	ELEMENTARY 1	1,200	\$400.00	\$4,980.00	\$5,380.00	\$300.00	\$5,000.00	\$5,300.00	\$10,680.00
4025	ELEMENTARY 2	1,025	\$375.00	\$5,250.00	\$5,625.00	\$195.00	\$4,275.00	\$4,470.00	\$10,095.00
4030	ELEMENTARY 3	995	\$275.00	\$5,750.00	\$6,025.00	\$230.00	\$5,250.00	\$5,480.00	\$11,505.00
4040	ELEMENTARY 4	985	\$475.00	\$5,800.00	\$6,275.00	\$325.00	\$4,999.00	\$5,324.00	\$11,599.00
7500	EARLY CHILDHOOD CTR	100	\$275.00	\$7,525.00	\$7,800.00	\$280.00	\$5,025.00	\$5,305.00	\$13,105.00



Current Expenditure By Building

- How will you answer the question?
 - ❑ Why does one building have a greater current expenditure amount than another?
 - ❑ Why does your district's Building A have greater current expenditure amount than district B's Building A?



How To Make These Changes Happen



Apples



To Apples

Standardized Coding

Standardized Coding

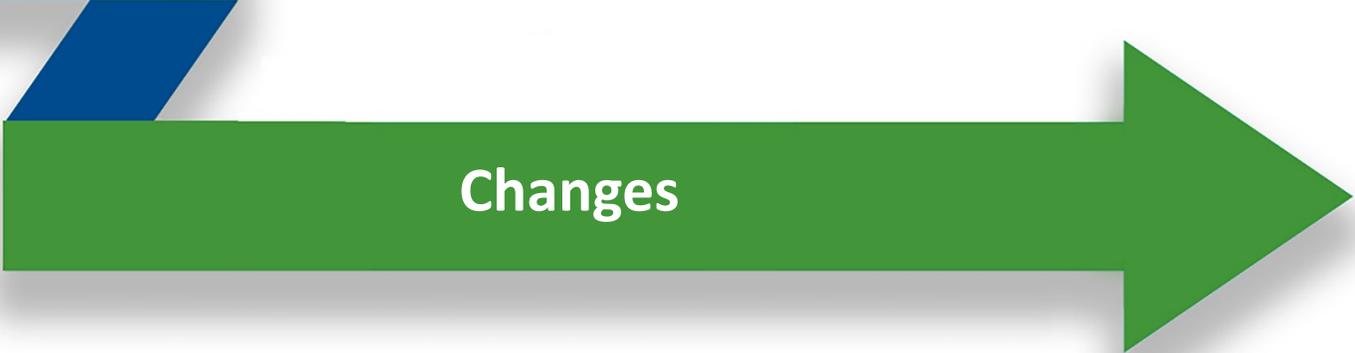
- Follow the codes that are found in the Missouri Financial Accounting Manual.
 - All revenue, function, and object codes will be separate starting with the FY 2019 ASBR.
 - No combined codes

Standardized Coding

- Take this as an opportunity to clean up the district's/charter's coding.
- Increase communication within the district/charter to ensure all information is available to code every revenue and expenditure correctly.
 - ❑ The who – Fund Code
 - ❑ The why – Function Code
 - ❑ The what – Object Code
 - ❑ The where – Location Code
 - ❑ The source – Source Code
 - ❑ The project – Project Code



Revenue



Changes

Revenues Required to be Recorded at a Building Level

Revenues Required to be Recorded at a Building Level

- Student activity and tuition revenue codes must be recorded at a building/location level.
 - 5121, 5122, 5171, 5172, 5173, 5179, 5182, 5811, 5812, 5821, and 5831.

Revenues Required to be Recorded at a Building Level

- Why are these the only revenue codes required to be broken down at a building level?
 - ❑ The current expenditure by building calculation starts with Total Instructional Expenditures (Line 2999 in the ASBR).
 - ❑ Any specific revenue associated with these costs needs to be subtracted out so as to not inflate the cost per pupil.



Expenditure



Changes

Expenditures Reported at a Building Level

Expenditures Reported at a Building Level

- Expenditures coded to most function codes in the following range must be reported at a building level.
 - ❑ 1xxx (excluding 16xx), 21xx, 22xx, 24xx, 3511, 3512
- A specific list can be found on the Missouri Financial Accounting Manual FY 2019 Changes website at <https://dese.mo.gov/financial-admin-services/school-finance/fy-2019-accounting-changes>.

Expenditures Reported at a Building Level

- Building/location numbers allowed to be used to report expenditures are those buildings in which student enrollment and attendance data is reported to DESE inside the MOSIS/Data Collection environment.
- Examples of the FY 2018 allowable buildings can be found on the Missouri Financial Accounting Manual FY 2019 Changes website at <https://dese.mo.gov/financial-admin-services/school-finance/fy-2019-accounting-changes>.

Expenditures Reported at a Building Level

- Expenditures that can be identified at a building level should be allocated at that specific building/location.
- If the district or charter school operates a program at a district/charter level versus a building level, and cannot specifically identify cost to the building level, it will still be necessary to record those expenditures at a building level using a prorated method.



Allocation



Methodologies

How to Allocate Expenditures to a Building

How to Allocate Expenditures to a Building

- If the expenditure is known to be for a specific building, code the expenditure to that building.
- If the expenditure is not as clear, then it will be necessary to prorate the cost to multiple buildings/programs using a specific methodology.
 - ❑ Each district/charter school will need to determine which methodology is best for them and for the cost being prorated.

Example Method I

Expenditures specifically tied to only one building/location

- **Option I: Expenditures tied to only one building/location**
 - ❑ Step 1: Determine building/location code to use to report cost.
 - ❑ Step 2: Code 100% of the cost to that building/location code.

Example Method I

Expenditures specifically tied to only one building/location

- **Option II: Expenditures tied to multiple programs in only one building/location using percentage of time**
 - ❑ Step 1: Determine the percentage of time for each program.
 - Example: Teacher (40% Special Education, 60% Title)
 - ❑ Step 2: Determine building/location code to use to report the cost for each program.
 - ❑ Step 3: Code calculated percentage of cost to the building/location code.
 - $4020 = \$21,200$ ($\$53,000 \times .40$ Special Education)
 - $4020 = \$31,800$ ($\$53,000 \times .60$ Title)

Example Method II

Expenditures specifically tied to multiple building(s)/location(s)

- **Option I: Time spent within each building**
 - Step 1: Determine the time spent within each applicable building
 - Example: Teacher Spends 20% - 4020 and 80% - 4040.
 - Step 2: Determine the proration of cost per building using the time spent within each building.
 - Step 3: Code calculated percentage of cost to the applicable building/location codes.
 - $4020 = \$10,600 (\$53,000 \times .20)$
 - $4040 = \$42,400 (\$53,000 \times .80)$

Example Method II

Expenditures specifically tied to multiple building(s)/location(s)

- **Option II: Students served within each program and/or building**
 - Step 1: Determine the number of students served within each program by building.
 - Step 2: Determine the proration of cost per building using the number of students served within each building.
 - Step 3: Code calculated percentage of costs to the applicable building/location codes.

Example Method II

Expenditures specifically tied to multiple building(s)/location(s)

- ❑ **Option III: Total enrollment within applicable buildings**
 - Step 1: Determine applicable building/location codes to use to report costs.
 - Step 2: Determine the percentage of student enrollment in applicable buildings.
 - Step 3: Determine the proration of cost per building using student enrollment percentage in each building for applicable buildings.
 - Step 4: Code calculated percentage of cost to each applicable building/location code.

Example Method III

District/Charter-wide expenditures not specifically tied to building(s)/location(s)

- **Option I: District/Charter-wide expenditures not tied to specific buildings using total enrollment**
 - ❑ Step 1: Determine all building location codes to use to report costs.
 - ❑ Step 2: Determine the percentage of student enrollment in all buildings.
 - ❑ Step 3: Determine the proration of cost per building using student enrollment percentage in each building for all buildings.
 - ❑ Step 4: Code calculated percentage of cost to each building location code.

Example Method III

District/Charter-wide expenditures not specifically tied to building(s)/location(s)

- **Option II: Students served within each program for all buildings**
 - ❑ Step 1: Determine the number of students served within each program by each building.
 - ❑ Step 2: Determine the proration of cost per building using the number of students served within each building.
 - ❑ Step 3: Code calculated percentage of costs to the applicable building location codes.



Category



of Revenue Paying for the Expenditure

The Source of Funds

Source of Fund

- Every expenditure will need a source of funds associated with it.
 - ❑ Source of funds must be a 1, 2, 3, or 4. It cannot be a 0 or blank (null).

Source of Fund

- In some areas, district/charters are already coding with the idea of a source of funds.
 - Example: Special Education.
 - Although a requirement for identifying the source of funds is already in place it is now a specific field.



Specific



Project/Program Tracking

Project Codes

Project Code

- In some areas districts/charters are already coding with the idea of a project code.
 - Example: Special Education.
 - Although a requirement for using a project code is already in place it is now a specific field.



Other Systems



Other



Other Systems That Will Use Location, Source, and Project Information

Special Education and ECSE

- Will use ASBR information to pull expenditures into the Special Education Part B and ECSE FERs in the ePeGS system.
 - ❑ Project code to identify program expenditures.
 - ❑ Source and project codes to identify spending sources for the MOE.

ESEA Maintenance of Effort

For ESEA, the aggregate expenditures of the LEA from **state and local funds** for free public education instruction and support are needed.

- Will use ASBR information to pull state and local expenditures into the ePeGS system.
 - ❑ Source codes to identify non-federal spending sources for the MOE.

Title I Supplement Not Supplant (SNS)

- Will use ASBR information to pull building level state and local expenditures into the ePeGS system.
 - ❑ Project code to identify program expenditures.
 - ❑ Source code to identify spending sources for the MOE.
 - ❑ Location code to identify spending locations for SNS.



Impact of These Changes

Impact of These Changes

- What do these changes mean for the district/charter school?
 - Ability to analyze expenditures at a building level.
 - Efficiency and inefficiency
- What does this mean for your taxpayers?
 - Ability to see if more funds are being spent at one building versus another.
 - Be prepared to be able to explain.

Impact of These Changes

- What does this mean for the media?
 - Ability to analyze and draw comparisons regarding expenditures by building in a district and between districts.
 - Be prepared to be able to explain.
- What does this mean for my legislators?
 - Ability to analyze and draw comparisons regarding expenditures by building in a district and between districts.
 - Be prepared to be able to explain.



Timeline for Making These Changes

Timeline for Making These Changes

- When does the district/charter school need to make these changes?
 - Now
 - Coding cleanup
 - Implementation plan for updated software
 - ❖ Communicate with vendor on their update
 - Plan how to allocate expenditures at a building level
 - ❖ Internal communication is a must!
 - Plan how to determine source of funds on each expenditure
 - ❖ Administration must be involved
 - Communication plan
 - ❖ Internal communication is a must!

Timeline for Making These Changes

- Before July 1, 2018
 - Build proposed budget with new coding components in mind.
 - Work with vendors to verify if there is a feature within the software to allow for preset percentages/method to identify expenditures at a building level.
 - Examples:
 - ❖ Employee salary preset to distribute 40% to building 1050 and 60% to building 3000.
 - ❖ Employee salary preset to distribute 30% to source code “3”, 70% to source code “4”.

Timeline for Making These Changes

- Before July 1, 2018
 - Add new accounting codes to the accounting system.
 - Ensure deleted codes are no longer being used for revenues or expenditures.



Be



Proactive not Reactive

Game Plan

- Districts/charters will need to develop their own game plan for implementation of these changes. When to:
 - ❑ Convert your system to the new format;
 - ❑ Add any new revenue, function, or object codes to your system;
 - ❑ Take the things you know and convert to the new formats;
 - ❑ Work with program contacts for guidance;
 - ❑ Work with district/charter administration to determine the methodology that best meets the needs of the district/charter;
 - ❑ Document your process for future reference;
 - ❑ Increase communication within your district/charter to ensure proper coding.



Afternoon Session

Afternoon Session

- Methodology plans for coding expenditures at a building level.
- Methodology plans for coding expenditures by source of funds.
- Implementation Plans
- Coding questions



School Finance (573) 751-0357

Name	Title
David Tramel David.Tramel@dese.mo.gov	Coordinator, Financial and Administrative Services
Tammy Lehmen Tammy.Lehmen@dese.mo.gov	Director, School Finance Contact for districts in counties 048 & Kansas City Charters, 055-079 & 347-347
Debra Clink Debra.Clink@dese.mo.gov	Student Transportation Manager Contact for districts in counties 080-115 & St Louis Charters
Taylor Doerhoff Taylor.Doerhoff@dese.mo.gov	School Finance Consultant Contact for districts in counties 001-047 & 049-054



Questions will be answered this afternoon.