

December 20, 2013

TO: School District Administrators

FROM: Ron Lankford, Deputy Commissioner, Financial and Administrative Services
Roger Dorson, Coordinator, Financial and Administrative Services

RE: December 2013 Financial/Governance/Transportation Information

December Foundation Payment Calculations

The December Basic Formula payment, including Classroom Trust Fund, was calculated using the most current data available as reported by the district to DESE. It is important that the district compare DESE's calculations with those generated by the district. Please call or email School Finance at (573) 751-0357 (webreplyadmsf@dese.mo.gov) with questions or concerns about the district's calculations.

Prior Year (2012-13) Adjustment - Basic Formula

Each year the prior year's formula apportionment is recalculated to reflect the best actual data applicable for that payment year. The 2012-13 Basic Formula calculations were made using the highest of the 2012-13 estimated weighted average daily attendance (WADA), the 2011-12 actual WADA, or the 2010-11 actual WADA. Districts will receive a positive or negative recalculation based on the current data. Any adjustment to data will impact each district in the state since DESE is redistributing the 2012-13 fixed dollars. The proration percentage change is:

June 2013	0.92583743
December 2013	0.92381263

Prior year correction payment amounts can be viewed by going to the payment transmittal for December 2013 and clicking on the dollar amount of the district's Basic Formula, Classroom Trust Fund, Transportation, and Small Schools Grant payment. These numbers are a hyperlink to a detail page which displays the amount of payment contributed to the current year payment as well as the prior year correction amount.

Missouri Accountability Portal (MAP) – Debt Reporting

HB116 was passed by the General Assembly and became law on August 28, 2013. The new legislation in 37.850, RSMo requires school districts to report all bonded indebtedness and requires charter schools to report all debt. This information shall be supplied to Office of Administration (OA) for display on the State's Accountability Portal.

On November 19, 2013, the State's Accountability Portal was updated to accept the submission of bond and debt information. A user link for this portion of the portal is available on the main page (<http://mapyourtaxes.mo.gov/MAP/PORTAL/DEFAULT.aspx>) under the "what's new" section. In order to submit information, an entity will need to visit the portal website and obtain a secure user name and password. The user name and password can be created by selecting bonds under the "what's new" section, then selecting user login and selecting request user account. Once credentials are granted, a user may enter the site to enter or update bond or debt information.

Each district is initially required to enter all bonded indebtedness and all charter schools to enter all debt on the portal to meet the reporting requirements. Once the current debt of the school districts and charter schools has been entered the district will be required to update the debt with the outstanding balance once a fiscal year. This update will correspond with the Annual Secretary of the Board Report (ASBR) deadline and should contain the outstanding balance as of June 30.

Most of the required fields on the reporting tool are self explanatory; however, there have been questions regarding a couple of the fields. The description of the revenue stream is generally something such as revenue generated from a levy that was established, Classroom Trust Fund revenue or local revenue. This list is not an all inclusive list but provides a general idea as to what would seem to be an appropriate response. The description of the project would be a description as to what the project was, for example, a building project.

If a school district issues new bonds or a charter school enters into debt obligations the new debts are required to be entered onto the portal within seven days of issuing a bond or incurring an obligation or debt per section 37.850, RSMo.

If a school district does not have any bonded debt or a charter school does not have any debt there is no requirement for the completion of any information on the portal.

If you have questions regarding accessing the portal website, please contact OA at (573) 751-2971 or MAPBonds@oa.mo.gov. For questions regarding what debt should be entered on the portal please do not hesitate to contact School Finance at (573) 751-0357.

Mid Year Fund Balance Reporting

The mid year fund balance reporting will occur as a part of the February Core Data cycle on Core Data Screen 35. Each district will be required to report the following information as of December 31, 2013:

- Incidental and Teachers Funds Unrestricted Ending Fund Balance as of December 31.
- Tax Anticipation borrowing in the Incidental or Teachers Funds between July 1 and December 31.
- Transfers from the General Fund to the Capital Projects or Debt Service Funds between July 1 and December 31.

2014 ACH Transmittal Dates

The Automated Clearinghouse (ACH) transfer dates through June, 2014, as provided by the DESE Accounting Section for DESE monthly payments to districts and local education agencies are:

January 21, 2014
February 21, 2014
March 21, 2014
April 22, 2014
May 21, 2014
June 20, 2014

Changing Depository Banks

Districts changing banks or bank accounts must fill out an ACH/EFT Application form with the state of Missouri. The ACH/EFT Application form and instructions are located at <https://www.vendorservices.mo.gov/vendorservices/Portal/Default.aspx>, select Vendor Input/ACH- EFT Application on this webpage. The form must be signed by the school district, as well as the banking institution, and should be faxed directly to the Office of Administration at the number provided in the instructions on page 2. Questions may be directed to DESE's Accounting Section at 573-526-5157, Fax 573-526-2809. Reminder: when depositories are changed, the first payment issued after the change could be in the form of a paper check.

Fiscal Year 2013 Audit Submissions

The following guidelines are provided for the Fiscal Year 2013 Audit Submissions:

- Audits, copies of board minutes approving the audit, and management letters should be submitted to School Finance as e-mail attachments to audits@dese.mo.gov. Attachments should be sent in Adobe (pdf) format, version 9.0 or lower. File names should be structured in the format "County District Code Document FY 13" (ie, 001090AuditFY13 or 001090BoardMinutesFY13). In previous memos it was indicated that the FY2013 audits would be submitted electronically through the IMACS systems; however, unless otherwise instructed, please continue to use the current process.

- The deadline for submitting audits is **December 31, 2013**. There is no longer any need to file for an extension of the audit deadline.
- Copies of board minutes and management letters may be submitted after the December 31 deadline. These documents should include all required signatures.
- The school, not the auditor, is responsible for ensuring that the audit, board minutes, and management letter are submitted to School Finance in compliance with the provisions of the audit rule.
- To minimize the need for subsequent audit corrections, schools are strongly encouraged to complete the following checklist prior to submitting the audit:
 - The pages of the audit have been compared to the Table of Contents, and no pages are missing or out of order. Audits with missing pages may be rejected as incomplete.
 - The audit includes the auditor's signature and the date of the audit report. Audit reports that are not signed and dated may be considered a draft, not a final report. Draft reports cannot be accepted in satisfaction of the audit requirement.
 - The ending debt balances in the audit report (reported in the financial statements and/or Notes to the Financial Statements) agree to the balances reported in Part IV, Long and Short Term Debt, of the Annual Secretary of the Board Report (ASBR). Any differences should be reconciled.
 - The data reported on the Schedule of Selected Statistics agrees to the corresponding data on the ASBR and MOSIS/Core Data. If changes to the ASBR and/or MOSIS/Core Data are needed as a result of the review, please revise and resubmit corrections as soon as possible and notify your auditor of any changes.

The audit submission includes the district's Single Audit, if applicable. There is no provision in the rule allowing the Single Audit portion of the audit to be submitted at a later date.

Federal Audit Report Filing Requirements

In addition to the state's audit requirements described in 5 CSR 30-4.020, schools must comply with the following federal audit requirements:

- Districts/charter schools that spend more than \$500,000 in federal funds (in total, not per program) are required to submit a data collection form and reporting package to the Federal Audit Clearinghouse at the U. S. Bureau of Census within the earlier of 30 days from the receipt of the audit report or nine months after the end of the audit period (March 31, 2014). The reporting package consists of the complete audit (financial statements and auditor's reports) and, as necessary, a summary schedule of prior audit findings and a corrective action plan for current year audit findings. Reports should be submitted to <http://harvester.census.gov/fac/collect/ddeindex.html>.
- Districts/charter schools that expend less than \$500,000 in total federal funds are not required to send a copy of the audit report to the Federal Audit Clearinghouse.
- A copy of the reporting package should also be sent to pass-through entities, including DESE, if the Schedule of Findings and Questioned Costs includes audit findings or a summary schedule of prior audit findings relating to federal awards provided by the pass-through entity.

Missed School Days

Some school districts may have already missed days this school year due to inclement weather. Per 171.033.4, RSMo:

“In the 2009-2010 school year and subsequent years, a school district may be exempt from the requirement to make up days of school lost or canceled due to inclement weather in the school

district when the school district has made up the six days required under subsection 2 of this section and half of the number of additional lost or canceled days up to eight days, resulting in no more than ten total make-up days required by this section.”

Reminder: Days that are missed for reasons other than inclement weather, such as illness, have to be made up and are not included in this provision of law.

This statute applies to all districts/charter schools regardless of whether the planned calendar was 174 days or less than 174 days.

School Calendar Requirements

Missouri statute directs that *each school board shall prepare annually a calendar for the school term* per Section 171.031.1, RSMo. Due to the fact that a number of school districts have moved, or in the future may consider moving, to a school year of less than one-hundred and seventy-four (174) days, it has been determined that additional guidance should be provided to give greater clarity on what needs to be considered when setting such calendars.

School Calendar Options as Provided in Statute

School districts may operate under one of three possible calendar scenarios described below:

1. A traditional calendar may be adopted which requires the school board to provide a minimum term of at least 174 days and 1,044 hours of instruction, 171.031.1, RSMo.
 - a. Minimum required hours in a school day of 3 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 7 hours per Section 171.031.7, RSMo.
2. A calendar of less than 174 days may be adopted by the school board that provides a minimum of at least 1,044 hours of instruction, 171.029.1 RSMo.
 - a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo.
3. A calendar of 142 days (four days per week) may be adopted by the school board that provides a minimum of at least 1,044 hours of instruction, 171.031.1, RSMo.
 - a. Minimum required hours in a school day of 4 hours per Section 160.041.1, RSMo.
 - b. Maximum possible hours in a school day of 8 hours per Section 171.031.7, RSMo.

Points of Clarification

1. Districts must establish which type of calendar they will be operating under as well as the number of days they plan to attend school prior to the opening of a new school year. In order to assure that the district has complied with this statute, the planned calendar will be reported to the Department on Core Data Screen 10 by August 15 of each year. Once the type of calendar has been established by the district the number of days of planned attendance cannot be amended or changed after the August 15 reporting date.
2. Districts that operate with a traditional calendar (174 days or more) may not attend fewer than 174 days or 1,044 hours except as forgiven by weather as established in Section 160.041, RSMo.
3. Districts that operate with a calendar of less than 174 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
4. Districts that operate with a calendar of 142 days, and with a minimum of 1,044 hours, must attend the number of planned attendance days as certified to the Department on Core Data Screen 10 by August 15 of each year, except as forgiven by weather as established in Sections 171.033 and 160.041, RSMo.
5. Section 163.021.1, RSMo, requires compliance with the minimum term for eligibility for state aid. A school day ending before the minimum required hours of class time does not count toward the day requirement and the hours do

not count toward the 1,044 hour requirement. Since the day is not a legal school day, the hours and day do not count for state aid purposes. Such hours are not reported as a part of the school district's calendar and the attendance hours are not reported for the ADA calculation for state aid purposes.

- a. Minimum required hours of class time to count as a school day:
 - i. School districts that provide a minimum term of at least 174 days and 1,044 hours of instruction must have at least three hours of class time to count day as an attendance day for calendar purposes.
 - ii. School districts that provide a minimum term of less than 174 days, and with a minimum of 1,044 hours, must have at least four hours of class time to count day as an attendance day for calendar purposes.

SCHOOL GOVERNANCE

School Life Safety Survey from the State Fire Marshall's Office

The Missouri Division of Fire Safety has developed a self assessment survey for school districts. This survey provides an excellent safety tool. To learn more about this you can contact the Missouri Division of Fire Safety, Inspections Unit:

Missouri Division of Fire Safety, Inspections Unit
 P.O. Box 844
 Jefferson City, Mo. 65102
 573-751-2930
firesafety@dfs.dps.mo.gov

SCHOOL TRANSPORTATION

2013-14 State Transportation Aid Calculation

The fiscal year 2013-14 state transportation aid calculation is available through the School Finance website. Select Monthly Financial Reports. Input County-District number. The Payment Transmittal is then displayed. Click on the revenue name "Transportation" on the Payment Transmittal to access the transportation aid calculation. The link to School Finance Monthly Financial Reports is <http://dese.mo.gov/divadm/finance/FinancialRpt.html>.

This is the fourth live state transportation calculation made for the current year. The calculation is based on 2012-13 school year data submitted by the district on the state transportation aid documents included in Part IV of the Annual Secretary of the Board Report (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules).

The percent of reduction to the calculated entitlement computed for the December 2013 calculation is shown below. This reduction percentage represents the amount the entitlement exceeded the appropriation and will fluctuate from month to month as revisions are made to individual school district data. The percent of reduction and the A and B factors are also reflected on each district's Summary Transportation Report.

The percentage reduction and the A and B factors are as follows:

	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
December 2013	63.336484	3.248175	-1.262205

Transportation Calculation Excel Spreadsheet Website Link

A Microsoft Office Excel spreadsheet of the transportation aid calculation is located on the school transportation website under Entitlement Calculation. Districts may download the program and enter the ridership, mileage, expenditure and revenue data and the program will calculate the district's transportation aid based on that data. The district may then save the

program on its computer for future use. The proration percentage and the state constant A and B factors should always be updated with the most recent actual data and/or projected numbers, in order for the calculation to be as accurate as possible.

Deputy Commissioner's Comments

Revenue Trends YTD

	<u>YTD as of November FY13</u>	<u>YTD as of November FY14</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$2,130,000,000	\$2,190,000,000	\$60,000,000	2.82%
Sales & Use Taxes	\$780,800,000	\$803,200,000	\$22,400,000	2.87%
Corporate Inc. & Franchise	\$136,900,000	\$180,600,000	\$43,700,000	31.92%
Other Collections	\$202,300,000	\$141,200,000	(\$61,100,000)	-30.20%
Increase in Revenue YTD			\$65,000,000	2.00%
				<u>Refund Change</u>
Refunds (YTD)	\$210,600,000	\$203,800,000	(\$6,800,000)	-3.23%
	(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)			
Actual Net Revenue Status YTD	\$3,039,400,000	\$3,111,200,000	\$71,800,000	2.36%

Adjusted FY 14 Revenue:	\$2,999,400,000	\$111,800,000	3.73%
This information reflects the comparison of net revenue after an adjustment due to a one-time receipt of a \$40,000,000 mortgage settlement to Missouri that was posted in July 2012 in Other Revenue.			

Gaming Revenue YTD

	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$131,565,509	\$135,565,518	-3.00%
Gaming Revenue Appropriated	\$375,395,340		
Percentage of Budget Year Reflected YTD			41.67%
Percentage of Appropriation Realized YTD (\$10 M Unclaimed Lottery Included in Calculation)			37.76%

1. **General Revenue Trend:** The month of November continued to show a positive trend, though slowing modestly from the prior month, in General Revenue resulting in an comparable increase of 3.73% over the first quarter of FY13. While the percentage growth was less than a month ago it remains headed in the right direction and remains above the 3.1% increased revenue projections related to the FY14 Budget.
2. **Gaming Revenues:** Year-to-date revenue trail those revenues compared to FY13 last year by approximately \$1 million per month. This ongoing trend is important due to the fact that the \$65.8 million appropriations increase in the foundation formula for FY14 was tied to this source.

Please note, however, that you saw a slight positive adjustment to the monthly formula last month. You may wish to review last month's memo for an explanation of that cumulative adjustment for the first six months of the calendar year. It is presumed that beginning in January an addition adjustment of a lesser amount will be made, followed in subsequent months. Those adjustments will be determined by the Gaming Revenue trends for the prior month.

As we continue to experience the Christmas season, most of us will spend some time in reflection relative to our past, present and anticipated future. Our thoughts will likely center on the many family and friends who have influenced us during our various life stages from our birth until now. As we take this mental journey, we will again confirm that life is actually an assimilation of a host of transitions laced together by our relationships with others. It is my hope that each of you will make time to enjoy your family and friends during this special time of the year, and that you will add many new and wonderful memories all will cherish in the years ahead.

Merry Christmas and Happy New Year!



Ronald Lankford

The staff in School Administrative Services wishes you a safe and happy holiday season.

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