

School Finance

Monthly Newsletter

May 2014

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Beginning with the 2013-2014 School Year the Following Provisions are Reinstated

- **Professional Development (1%) Money** - Section 160.530.1, RSMo, requires districts to spend one percent (1%) of the Basic Formula monies (based on Line 17B of the district's June Basic Formula calculation) for professional development committee expenditures. A minimum of seventy-five percent (75%) of one percent (1%) of the current year's Basic Formula current apportionment must be spent in the year received for purposes determined by the Professional Development Committee and identified in the professional development plan in relation to a school improvement plan. This is completely separate from professional development funded by grants or that may be required by other programs such as title programs. Expenditures should be recorded to Function Code 2214. Any portion of the other twenty-five percent (25%) of the one percent (1%) not expended during the year must be shown as a part of the restricted fund balance on June 30.
- **Fund Placement and Expenditure Requirements** - Section 163.031, RSMo, requires districts to follow specific placement requirements for School District Trust Fund (Proposition C), Basic Formula – State Monies, and Transportation revenues. Specific placement requirement details can be located in the Missouri Financial Accounting Manual at <http://dese.mo.gov/sites/default/files/sf-ERevenueObjectCodeDescriptions.pdf>.
- **Certificated Salary Compliance** -The **certificated salary compliance provision will be reinstated in the 2015-2016** school year with the 2013-2014 school year being the base year for this calculation.

Prior Year (2012-13) Adjustment – Basic Formula

A third prior year recalculation was completed with the May payment. This recalculation was completed using the highest of the 2012-13 weighted average daily attendance (WADA), the 2011-12 actual WADA, or the 2010-11 actual WADA. Any adjustment to data will impact each district in the state since DESE is redistributing the 2012-13 fixed dollars. The proration percentage changes are:

June 2013	0.92583743
December 2013	0.92381263
January 2014	0.92388398
May 2014	0.92387206

Prior year correction payment amounts can be viewed by going to the payment transmittal for May 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.

Fiscal Year 2014 Audit Process/Submission

The process for submitting and resolving school district audits is to become more automated beginning with the upcoming fiscal year 2014 audit cycle. DESE is currently working to enhance its Tiered Monitoring system to include an audit component. The new system will automate several manual processes and provide a systematic, interactive approach to resolving audit findings.

The audit component is being designed so that districts and charters may upload electronic copies of their fiscal year 2014 audit, board minutes, and management letter directly into the Tiered Monitoring System. Communication between DESE and district/charter personnel regarding the audit will be achieved using the Tiered Monitoring system. Additional audit documentation may also be uploaded to the system.

To prepare for system implementation, districts and charters are advised to obtain an electronic copy of their completed fiscal year 2014 audits. More specific information regarding implementation of the new process will be shared as soon as it is available. Use of the system will be mandatory once it is made available to users. The audit submission deadline of December 31 will not be affected by the implementation of the new process.

Fiscal Year 2014 Single Audits

Districts/charter schools that expend more than \$500,000 in federal funds in fiscal year 2014 must contract with an auditor to perform a Single Audit of the federal funds. In addition to satisfying the procurement requirements listed in the Missouri Financial Accounting Manual, auditors performing Single Audits must comply with the federal debarment and suspension regulations in 7 CFR Part 3017.510(b). Pursuant to 7 CFR Part 3017.110 (c) (2), auditors that have been suspended or debarred from doing business with the federal government are prohibited from performing Single Audits. Districts/charter schools may determine whether an auditor is suspended or debarred by accessing the website www.epls.gov and searching for the name of the auditor.

When expenditures of federal money exceed \$500,000 the district's auditor is required to follow additional audit procedures in accordance with the Single Audit Act (Office of Management and Budget Circular A-133). Such additional required procedures may increase the cost of the audit.

2013-14 Audit Schedule of Selected Statistics

A copy of the 2013-14 Schedule of Selected Statistics that is to be included in the 2013-14 audit report is available on the web at <http://dese.mo.gov/financial-admin-services/accounting-procurement/schedule-selected-statistics>. The district should print and keep a copy as a reference when it reviews the 2013-14 audit report prior to submitting the audit report to DESE. The district is encouraged to compare the information the auditor reports on this Schedule to the data the district submitted through MOSIS, on Core Data, the Annual Secretary of the Board Report, or other reports and resolve any differences prior to submitting the audit report to School Finance.

2013-2014 Annual Secretary of the Board Report (ASBR) Updates

Several changes have been made to the 2013-2014 ASBR. These updates are listed on the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance>, click on "Annual Secretary of the Board Report (ASBR)".

Attendance Reporting

For guidance regarding various attendance reporting scenarios please refer to the School Finance website at <http://dese.mo.gov/sites/default/files/sf-AAttendanceReporting.pdf>.

Non-certificated Educators – Attendance Hours Adjustment

Student attendance hours associated with any educator without a valid certificate will be disallowed for state aid payment purposes. State law requires all school district personnel who are responsible for working with students in an instructional or supervisory capacity during the school day to have a valid Missouri teaching certificate. This applies to in school suspension teachers as well as those supervising recess, virtual courses taken in school or other computer based instructional programs taken in school. A substitute certificate meets the requirement of a certificate when the employee is functioning as a substitute teacher in the absence of the teacher of record or is employed as the teacher of record.

A report is available on the Data Collection web application system which will identify educators within the district that do not have a valid certificate on file with the Department of Elementary and Secondary Education. To access this report in the Data Collection system, go to the dropdown menu in the upper right-hand corner of the screen, select Report Menu, then Special Reports, then Staff Certification.

School districts must then exclude the hours of attendance for all students who were under the supervision of those educators during that fiscal year.

At the end of the 2013-14 year, DESE will prepare a list of educators meeting the following criteria:

1. did not hold a valid Missouri educator certificate at any point in time between July 1, 2013, and July 1, 2014; or
2. has a certificate pending but did not initiate the required background check prior to June 30, 2014.

School districts must provide School Finance with the attendance hours by building and by grade for all students who were under the supervision of those educators since the educator did not have a valid certificate, these hours of attendance will be excluded from the total hours of attendance for the school year.

Extended School Year (ESY)

Extended school year (ESY) programs and regular approved summer school programs are separate and distinct programs. An ESY program is exempted from the one hundred twenty (120) clock hours of instruction for a minimum summer offering. However, LEAs may use ESY hours in conjunction with regular summer school hours to meet the minimum 120 clock hours for the minimum summer offering. Summer school hours and ESY hours will be collected in separate fields in the August MOSIS submission. ESY hours that are outside of the timeframe and days of summer school must be reported under the ESY hours filed in the August Enrollment and Attendance File, but ESY hours running in conjunction can be reported as either ESY hours or Summer School Hours.

Pupil transportation costs for extended school year programs for students with disabilities are eligible for state transportation funding. Students with disabilities route miles should be included on the Application for State Transportation Aid under Section III-Mileage Data, Eligible Route Miles, Students with Disabilities Approved Miles. If disabled and non-disabled students are transported on the same route, only the miles for students with disabilities should be reported as approved route miles. The difference between the students with disabilities approved route miles and actual miles traveled must be reported as disapproved route miles on the Application for State Transportation Aid under Section III-Mileage Data, Ineligible Miles. Miles should be reported on the Application for State Transportation Aid in the same year as the costs are reported on the Annual Secretary of the Board Report (ASBR).

SCHOOL GOVERNANCE

Missouri School Facilities Workshops – Summer 2014

The information on the Missouri School Facilities Workshops to be held this summer is now available. The workshops provide an outstanding opportunity for the district's school facilities director/support staff to receive a quality in-service program. There are no registration fees for the workshops. The pre-enrollment form should be completed and returned by mail or faxed to the appropriate workshop coordinator. Please distribute the information to the appropriate staff members in your district. The workshop information is available on the web at: <https://dese.mo.gov/college-career-readiness/career-ed-programs/skilled-tech-sciences/mo-school-plant-managers-association-workshops>.

Transfer Timing Amendments to Existing Direct Deposit Agreements

During 1995, the Missouri Health and Educational Facilities Authority (MOHEFA) was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. Since the inception of this arrangement school districts have not been required to obtain individual bond ratings prior to the issuance of General Obligation Bonds but rather have been able to enjoy the benefit of utilizing the bond rating for the State of Missouri resulting in the reduction of front end issuance costs to school districts. In addition, long term savings have been achieved by this arrangement resulting in an approximate twenty-five basis points reduction below what would have been market. It has been estimated that since the initiation of this Direct Deposit Program that total savings to Missouri schools has exceeded \$200 million.

While this program has been of tremendous benefit to school districts, the rapid change in the economic climate was becoming problematic for some school districts, especially those who rely more heavily on local property tax revenues. The original agreement called for bond payment amounts to be withheld from state payments during the months of March through December with no withholding during January and February. Since some district balances are at their lowest levels during the ending month of each calendar year cash flow issues began to arise.

Instead of 10 monthly transfers occurring in March through December it is now possible to skip either October/November or November/December and push the final 2 month transfers into January and February. This flexibility could ease cash flow issues for districts and possibly eliminate the need for some districts to borrow funds until local tax revenue is received.

If this is something that is of interest to your district please contact Roger Dorson, MOHEFA, or your district's bonding advisor for more information about the process.

Disposal of Lab Chemicals

The Missouri Department of Natural Resources (DNR) is trying to gauge the current scope of schools that may be needing assistance to dispose of lab chemicals. There may be some funding available for DNR to help with this disposal. If you have an interest in this issue please contact Brian Allen at brian.allen@dnr.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. Then input the district's 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/financial-admin-services/school-finance/financial-reports>.

This is the ninth 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 May 2014 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>
May 2014	64.772480	3.440774	-1.426029

2014-15 Transportation Budget

House Bill 2002 includes \$115,297,713 for school transportation, an increase of \$15 million from the 2013-14 appropriation. This increase will mean an appropriate 3% increase in school transportation funding.

Certified School Bus Driver Instructors

A current listing of the certified school bus driver instructors is available on the School Transportation website at <http://dese.mo.gov/financial-admin-services/school-transportation/certified-bus-driver-instructors>. This listing includes an expiration date for each instructor's certification. If you discover that an employee needs to be recertified this summer, registration forms are also available on this same website for the summer certified school bus driver instructor workshops.

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 18, 2014. The Certified School Bus Driver Instructor workshop is scheduled for July 23-25, 2014, in Warrensburg.

Who must have a School Bus (S) Endorsement?

State statutes require drivers of any vehicle (including a personal vehicle) who are being compensated for transporting students to/from ANY school event/program to have an "S" endorsement on their license.

District employees (i.e., teachers, coaches, administrators, secretaries, school nurses, janitors, etc.) who transport students as an “incident” to employment (i.e., student illness, etc.), are required only to have a valid Class F operator’s license.

District employees who are hired knowing they will be transporting school children as part of their job (i.e., regularly scheduled field trips, school sponsored activities, etc.) must have a Class E (for hire) license with a school bus (S) endorsement. Vehicles must weigh less than 26,001 lbs. and be capable of transporting 15 or less including the driver.

In addition, parents or individuals who enter into a contract with the district to transport students in a district owned/district leased vehicle and who are paid a lump sum amount, an hourly wage, or more than the AAA cost per mile must have a Class E license with an S endorsement. These parents or individuals must agree to provide transportation in a safe, inspected, insured, licensed vehicle.

Note: Any vehicle that is capable of transporting 11 or more including the driver must be a yellow school bus that complies with Missouri Minimum Standards for School Buses.

Deputy Commissioner's Comments

Revenue Trends YTD

	<u>YTD as of April FY12</u>	<u>YTD as of April FY13</u>	<u>Revenue Change</u>	<u>% Change</u>
Individual Income Taxes	\$5,350,000,000	\$5,310,000,000	(\$40,000,000)	-0.75%
Sales & Use Taxes	\$1,550,000,000	\$1,610,000,000	\$60,000,000	3.87%
Corporate Inc. & Franchise	\$404,800,000	\$433,800,000	\$29,000,000	7.16%
Other Collections	\$371,600,000	\$317,400,000	(\$54,200,000)	-14.59%
 Increase in Revenue YTD			 \$-5,200,000	 -0.07%
 Refunds (YTD)	 \$1,010,000,000	 \$967,700,000	 -\$42,300,000	 -4.19%
(A decrease in refunds enhances New Revenue. An increase in refunds diminishes Net Revenue.)				
 Actual Net Revenue Status YTD	 \$6,666,400,000	 \$6,703,500,000	 \$37,100,000	 0.56%

Adjusted FY14 Revenue:	\$6,626,400,000	\$77,100,000	1.21%
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 July 2012 in Other Revenue.			

Gaming Revenue YTD

	<u>Current Year</u>	<u>Prior Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$263,333,819	\$277,285,875	-5.03%
 Gaming Revenue Appropriated	 \$385,580,321		
Percentage of Budget Year Reflected YTD			83.33%
Percentage of Appropriation Realized YTD			68.30%

1. **General Revenue Trend:** As has been reported in recent newsletters, General Revenue has lagged relative to projections. As of the end of April, revenue as compared to last year was down 0.7%. While this is not good news, the situation is somewhat mitigated by the fact that comparative data is based upon actual revenue from prior year, FY13 was up 10.3% over FY12. Since the budget for that year was based upon a consensus revenue estimate just under 3.0%, and revenues significantly exceeded that amount, there is a limited cushion for the state's current budget year in areas funded through general revenue sources. Regardless, it is imperative that we all be aware of the general revenue trend, especially as final budgetary decisions are being made.

2. **Gaming Revenues:** As you will note from the above data, the trend for Gaming Revenues in Missouri continues to fail to meet projections as has been the case for the past few years. Please note that the data reported in this memo differs slightly from prior months this fiscal year. The change allows us to more closely report actual current data year-to-date. Prior to the May memo, the data that was used had been accessed through an on-line portal at the Missouri Gaming Commissioner site. That report, however, was not inclusive of all activity relative to revenues and disbursements. The data source that we plan to use in future newsletters will include all actual deposits and disbursements of Gaming Revenues, Unclaimed Lottery Revenues, interest and any other adjustments as of the end of each business day. The information that is posted will be as of the final business day of the prior month.

3. **May Payment:** Due to several factors, such as, the final prior year correction; early childhood special education; career technical educational state payments for salaries and enhancements grants, the May payment will be held level to what was paid in April. All final adjustments will be reflected in the June payments.

I want to thank each of you for your hard work and the tremendous efforts you put forth to assure that resources are directed toward enhancing the future of our greatest assets, our students. June will be a busy month as you work to accomplish the many tasks associated with bringing closure of “the books” for the 2013-14 school year, and at the same time, work hard to get things ready for the upcoming year. As always, if the Division of Financial and Administrative Services can be of assistance to you, feel free to contact us.

Best wishes,



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School Finance

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