

November 21, 2013

TO: School District Administrators

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

RE: November Financial Information

November Foundation Payment Calculations

The November Basic Formula payment, including Classroom Trust Fund, was calculated using the most current data available for each district. Each month's calculation will be made using the most current data available 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 (573) 751-0357; webreplyadmsf@dese.mo.gov with questions or concerns about the district's calculations.

September 2013 Membership

September Membership reports are available on the web. Log on to the DESE Web Applications Page located at <https://k12apps.dese.mo.gov/webapps/logon.asp> and then select Data Collection. Once in the Data Collection system, select the 2013-2014 year and select the Report Menu option from the upper-right dropdown box. Select Summary reports. Two September Membership reports are listed for review. One report, the September Membership Comparison Report (SAR070R), compares September membership as reported by the district for the year selected and the prior year. The other report, September Membership Report (SAR080R), displays only the data for the year selected.

The September 2013 membership data by county will be reported to each county to be used in various county payments to school districts during the 2014-2015 year. The accuracy of the payments is dependent on the accuracy of the membership data.

Please review the membership data. If reporting errors are found, update the MOSIS October Student Core file and recertify the file. The corrected data will then flow to the WEB Core Data Screen 16. Remember, if a change is made to September membership, a corresponding change to enrollment may be necessary.

Transfer Projections – 7%, 5% and Transportation

Projections for the \$162,326 or 7% x SAT x WADA transfer, the FY06 Designated Levy or 5% x SAT x WADA transfer and the transportation transfer are available on the School Finance website at <http://dese.mo.gov/divadm/finance/transfers/>. These are preliminary calculations for the 2013-2014 year. Final calculations will be available June 2014.

Mid-Year Fund Balance Reporting

The mid-year fund balance reporting will occur as a part of the February Core Data cycle as a manual entry 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.

Questions regarding this reporting should be directed to School Finance at (573) 751-0357.

Lease Purchases with a Third Party Not for Profit Corporation

We have recently received several inquiries regarding accounting for lease purchase transactions entered into with a third party corporation, pursuant to Section 177.088, RSMo. Guidance on this topic may be found under Topics and Procedures on the School Finance website at

<http://www.dese.mo.gov/divadm/finance/topicsandprocedures/documents/sf-MLeasePurchase.pdf>.

In part, the guidance states,

”When a district enters into a lease purchase with a third party not-for-profit corporation to acquire a new building, the third party corporation will actually build and own the building for the term of the lease purchase agreement. All construction expenditures will be made by the third party not-for-profit organization. The school district **will not pay any construction costs**. However, the local board of education may review and approve all appropriate construction invoices/bills prior to the third party paying such invoices/bills. This reduces the possibility of doubling or inflating expenditures for the school district. **Construction expenditures will not be reflected in the school district’s accounting records.**“

This guidance is consistent with the requirements of Section 177.088, RSMo. Missouri law does not authorize any alternative methods of accounting for these types of transactions.

SCHOOL GOVERNANCE

Election Dates and Filings Information Update

The **2014 Missouri Election Calendar** provided by the Missouri Secretary of State’s Office is available at the following web address: <http://www.sos.mo.gov/elections/calendar/2014cal.asp>. Notice that the first day for candidate filing for school board member is December 17, 2013. **The district must provide an opportunity for candidates to file at 8:00 A.M. on December 17, 2013, and until 5:00 P.M. on January 21, 2014.** If the office will be closed certain days during the holiday season, it would be helpful to publish the dates the office will be closed. Please study the calendar carefully.

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 third 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 November 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>
November 2013	63.163374	3.230749	-1.246539

School Transportation Administrator's Handbook Updated

The School Transportation Administrator's Handbook has been updated with the recent changes in Missouri statutes related to school bus drivers licensing and school bus operations. It is posted to the School Transportation website at <http://dese.mo.gov/divadm/trans/documents/sf-AdminHandbook1314.pdf>.

Deputy Commissioner's Comments

Revenue Trends YTD

	YTD as of <u>October FY13</u>	YTD as of <u>October FY14</u>	Revenue <u>Change</u>	% <u>Change</u>
Individual Income Taxes	\$1,680,000,000	\$1,740,000,000	\$60,000,000	3.57%
Sales & Use Taxes	\$617,500,000	\$644,800,000	\$27,300,000	4.22%
Corporate Inc. & Franchise	\$129,900,000	\$164,300,000	\$34,400,000	26.48%
Other Collections	\$165,700,000	\$104,300,000	(\$61,400,000)	-37.05%
Increase in Revenue YTD			\$60,300,000	2.33%
				<u>Refund</u>
				<u>Change</u>
Refunds (YTD)	\$168,100,000	\$171,700,000	\$3,600,000	2.14%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$2,425,000,000	\$2,481,700,000	\$56,700,000	2.34%

Adjusted FY 14 Revenue:	\$2,385,600,000	\$96,700,000	4.05%
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	\$105,356,246	\$108,665,083	-3.14%
Gaming Revenue Appropriated	\$375,395,340		
Percentage of Budget Year Reflected YTD		33.33%	
Percentage of Appropriation Realized YTD (\$10 M Unclaimed Lottery Included in Calculation)			30.78%

1. **General Revenue Trend:** The month of October continued to show a positive trend in General Revenue resulting in an comparable increase of 4.05% over the first quarter of FY13. While the percentage growth was slightly less than a month ago it remains headed in the right direction and does not lag behind revenue projections related to the FY14 Budget. Hopefully, such will continue to be the trend for the remainder of the year.
2. **Gaming Revenues:** Year-to-date revenue continues to lag behind last year by approximately \$1.5 million per month. We continue to cite concerns due to the fact that the \$65.8 million appropriations increase for FY14 was tied to this source.

Please note, however, that you will begin to see slight positive adjustments to the monthly formula beginning this month. Why is that? FY13 closed with a balance of nearly \$33 million in the Classroom Trust Fund (Gaming). The reason for the carryover was the accrued balance of the fund exceeded the spending authority that had been approved. By phasing these carryover funds over the first few months of

FY14 rather than disbursing the funds in July, we have been able to positively increase the percentage multiplier rather than creating a situation where it may be required to be reduced.

Even with the continuing decrease in Gaming Revenue in this year's distribution funds should remain above last year by \$15 to \$20 million due to the carry-over funds. Now that a trend has been established adjustments will be made on a monthly basis that will infuse those funds. Just over \$6 million of that amount was added to the November payment which increased the percentage multiplier from 93.12% to 93.32%. Gaming Revenues will be closely monitored and monthly adjustments made that will infuse additional funds each month through the remainder of FY14. The goal will be to avoid a major reduction in the final payment in June as the result of the Gaming Revenue shortfall.

It is hard to believe that Thanksgiving, my favorite holiday, is now upon us again. I have been able to look out the window and observe the beauty of the changing colors of the fall season and the trees shedding their leaves. The illumination of the process caused by bright sunshine that coincides with this time of the year brings a sense of awe. With that, however, comes the realization that the winter months that tend to cause us to want to hibernate are upon us. While the seasons clearly remind us that time quickly marches on, they also remind of us of the unique work that must be done in each segment to both sustain life and prepare for the future.

Education of our future generations is one of the most important tasks of any society regardless of the season. Each year as I reflect about what I am thankful for I quickly get overwhelmed, for they are many. Included are the thousands of students, parents, patrons, and colleagues with whom I have worked toward the goal of Continuing the American Dream for future generations. Thanks for all you do to support that effort.

Happy Thanksgiving



Ronald Lankford

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