

# Tier I Annual Update



**2014-2015**

**CASBO Class SM401A**



**ARKANSAS  
DEPARTMENT  
OF EDUCATION**

# Required Tier I Training

- **Required Training is governed by A.C.A. § 6-20-2204**
- **See Rules Governing the Arkansas Financial Accounting and Reporting System and Annual Training Requirements (January 2012)**
  - **New Rules are pending**
- **Superintendent, Education Service Cooperative Director, Open-enrollment Public Charter School Director, General Business Manager**
- **12 hours of initial training**
- **4 hours of annual update training**

# Required Tier I Training

- **A transcript or a certificate will be provided as proof of attendance by the host of the training.**
- **ADE has approved the following AASBO courses for the 12 hours of initial training:**
  - **SF101A, Revenues**
  - **SF101B, Expenditures**
  - **SM102, Ethics and Audit Compliance**
  - **PS101, Introduction to Purchasing**
  - **SM401A, School Management Issues & Updates**
  - **SF401A, School Finance Issues & Updates**



# Required Tier I Training

- **If employed by July 1, Tier I training must be completed by December 31 of the same calendar year.**
- **If employed after July 1, Tier I training must be completed by December 31 of the following calendar year.**
- **Failure to complete the required training by December 31 shall constitute an accreditation citation.**

# Required Tier I Training

- **If a person fails to obtain the required training by December 31 and fails to cure the deficiency by March 1 of the following calendar year without filing a request for an extension as determined from the records of ADE, that person shall be unable to continue in his or her position.**

# Required Tier II Training

- **Four hours of annual training for employees who are involved in the process of recording and/or reporting of financial transactions but:**
  - Do not make decisions about selecting codes, or
  - Have a limited number of codes that they can use
- **School district trainers are required to attend Tier I training.**
- **Training materials should be based on Tier I material and focused on the specific needs of school district employees.**



# Required Tier II Training

- **School districts, charter schools, and Educational Cooperatives are required to maintain annual files and records indicating all employees who are required to have Tier II Training and those who have completed Tier II training**
- **Provide ADE with assurance statement regarding the completion of Tier II training by the required individuals. (This is pulled in State Reporting Cycle 7 – June 15.)**





# **A.C.A. § 6-20-2204 & 6-20-2205**

## **Sanctions-Tiers I & II**

- **Standards citation - Tier I only, school districts and open-enrollment public charter schools**
- **Admonishment - Tier I only, education service cooperatives**
- **Fiscal distress - Tiers I & II, school districts and open-enrollment public charter schools**
- **Sanction - Tiers I & II, education service cooperatives**
- **See On-Campus Standards Review (OSR) checklist**



# Current Issues

**Mike Hernandez**

**501.683.1321**



# Act 1120 of 2013

## A.C.A. § 6-13-635

### Board Review of Salary Increases

- **Applies when an employee receives a salary increase of 5% or more for substantially the same job function**
- **Districts are required to run a cognos report and identify those employees with a pay increase of 5% or more**
- **Board shall review and approve by written resolution any increase of 5% or more for a school employee**

# **Act 1120 of 2013**

## **A.C.A. § 6-13-635**

### **Board Review of Salary Increases**

- **Resolution shall include reasons for salary increase**
- **If a district has an audit finding of noncompliance, the district must notify the Financial Accounting & Reporting Section of the ADE within 30 days of the release of the audit**
- **See Commissioner's Memo FIN-14-048**

# Health Insurance

## A.C.A. § 6-17-1117 as amended by Act 517 of 2013 and Act 293 of 2014

- **Beginning January 1, 2015, school districts shall pay the health insurance contribution rate of \$153 per month for each eligible employee**
- **The rate shall increase annually by the same percentage as foundation funding amount**
- **See Commissioner's Memos FIN-14-033, FIN-14-057, and FIN-14-066**

# Health Insurance

- **Health insurance EBD match - object codes 62710 and 62720**
- **Each fiscal year, the Bureau of Legislative Research will provide the matrix per-student amount (\$149.31 for FY15)**
- **The ADE will provide (via CM late July of 2014) the required FY15 expenditure, calculated by multiplying the FY15 matrix per-student amount of \$149.31 by the FY14 3-qtr ADM from cycle 7**



# **Act 521 of 2013**

## **A.C.A. § 24-7-202**

### **Act 521 – Definition of Salary**

**Applies to employee and employer contributions and salary data submitted to ATRS**

#### **Definition of Salary**

- **Paid to member in a position covered by ATRS on which the employer is REQUIRED by the IRS to withhold federal income tax from wages.**



# **Act 521 of 2013**

## **A.C.A. § 24-7-202**

### **Act 521 – Definition of Salary**

#### **Salary Includes**

- **Incentive bonus; employer pick-up contributions, cafeteria plans**

#### **Salary does not include**

- **Nonmonetary taxable income, (e.g. vehicles, housing, personal property) or contract buyouts, settlements, arbitration, etc.**

- **See Act 521 of 2013**



# **Educational Excellence Trust Fund (EETF)**

**A.C.A. § 6-5-307**

**as amended by Act 1278 of 2013**

**Beginning in FY14, increments or steps on the district salary schedule for experience, advanced hours, or degrees can be counted toward the EETF requirement**

- **See Rule Governing the Educational Excellence Trust Fund dated January 2014**

# **Act 293 of 2014 Special Language Sections 28 and 40 Open-Enrollment Virtual Charter School Provisions**

**Beginning with FY14, a district or charter school shall remit to ADE the foundation funding amount (FY14 \$6,393; FY15 \$6,521) for a student counted in the prior-year ADM of the district or charter but who is attending the AR Virtual Academy**

- Code the payment to ADE as follows: Fund 2001 / Function 5900 / Object 69410**

# **Act 293 of 2014 Special Language Sections 28 and 40 Open-Enrollment Virtual Charter School Provisions**

**The ADE ARVA Portal System on the ADE Data Center provides a list of students enrolled in ARVA in the current school year and lists the school district or charter school the student attended in each quarter of the prior year**

**Commissioner's Memo will be published in late June or July of 2014**

# Act 318 of 2013 / A.C.A. § 6-13-111

## Preservation or Disposal of School Property

- **2 years after effective date of consolidation**
- **If district isn't using the property, they SHALL make property available to:**
- **Publically supported institution of higher education, technical institute, community college, not-for-profit organization, county, or city**
- **Donation or low cost long term lease**
- **Procedure to follow for determination of "fair market" value**

# Act 318 of 2013 / A.C.A. § 6-13-111

## Preservation or Disposal of School Property

- **See Act 318 of 2013**
- **See Attorney General's Opinion 2012-060**
- **See Attorney General's Opinion 2013-116**

# Community Eligibility Provision

- **An alternative to household application for free and reduced price meal eligibility**
- **Intent is to improve access to school meals at no charge and eliminate the administrative burden of collecting household applications**
- **See Commissioner's Memos**
  - **FIN-14-061**
  - **FIN-14-062**
  - **FIN-14-068**

# Community Eligibility Provision

- **This could have an impact on the free and reduced priced meal data used to fund state NSL funding**
- **For public school districts, there will be no impact on NLS funding for FY15 since it is based on prior year data**
- **The ADE will seek legislative guidance in the 2015 General Assembly**
- **Stay tuned!**

# Postings to Web

**Alisa Moore**  
**501.682.5059**

# Act 228 of 2013 / A.C.A. § 6-11-129

## Simplify Accessibility of Data on District Websites

- Requires district data to “be” easily accessible through the homepage of the website under a link titled “State-Required Information.”
- On the page where the information is located, the data must be subdivided by the categories required to be posted on the district website.
- Data posted must consist of the actual data for the two (2) previous school years and the projected budgeted information for the current school year

# Required Website Postings

## A.C.A. § 6-11-129

**Required Financial Reports to be posted to district website:**

- **Local and state revenue sources**
- **Administrator & teacher salary; and benefit expenditures**
- **School district balances, including legal balances and building fund balance**
- **Minutes of regular and special meetings of school board**
- **District budgets for current year, posted by October 30**

# Required Website Postings

## A.C.A. § 6-11-129

**Required Financial Reports to be posted to district website:**

- **Financial listing of monthly expenses**
- **Salary schedules of all employees**
- **Current contract information for all district employees**
- **Current contract information for all district employees minus SS#, telephone, addresses, and signatures (may be in a list format instead of individual contracts)**
- **The annual school district statistical report**

# Required Website Postings

## A.C.A. § 6-11-129

- **Current contract information for all district employees minus SS#, telephone, addresses, and signatures (may be in a list format instead of individual contracts)**
- **The annual school district statistical report**
- **ARRA data may be removed from the district websites effective June 30, 2014**
- **The data should be archived for future use**
- **See Commissioner's Memo COM-14-060**

# More Required Website Postings

## A.C.A. § 6-15-2202

These items are required for accreditation. Data must be easily accessible, in parent friendly language and shall be the actual data for two years.

- ACSIP School Improvement Plan
- Uses of NSL funding – current and previous year
- Annual District/School Report Card
- School Improvement status of each school
- Supplemental services available
- District status on any type of distress
- Distress Plans
- Parent Involvement Plan and Policy
- Teacher qualification for all schools



# Licensed Salary Schedules and Personnel Policies

## A.C.A. § 6-17-201

Licensed Salary Schedules and Personnel Policies shall be posted to the district's website no later than September 15 (but as early as possible) and are to include:

- Benefits
- Compensation
- Designation of workdays
- Holidays & non-instructional Days
- The annual calendar
- Methods of evaluation
- Extra duties
- Leave
- Grievance
- Dismissal or non-renewal
- Reduction in force
- Assignment of teacher aides



# **Non Licensed Salary Schedules and Personnel Policies A.C.A. § 6-17-2301**

**Non-Licensed Salary Schedules and Personnel Policies shall be posted to the district's website no later than September 15 (but as early as possible) and are to include:**

- **Salary schedule, fringe benefits and other compensation issues**
- **Annual school calendar, incl. work days & holidays**
- **Evaluation procedures**
- **Leave**
- **Grievance procedures**
- **Termination, Non-renewal, or Suspension**
- **Reduction in Force**
- **Assignments**

# Notification To ADE Of Compliance

- The district is to notify the ADE of the website location of their posted licensed and non-licensed salary schedules and personnel policies no later than September 15 (earlier, if possible)
- Send website address, providing a direct link to the salary schedules and polices, by email to: [ADEFinna@arkansas.gov](mailto:ADEFinna@arkansas.gov) no later than September 15 (earlier, if possible)
- If the district revises its salary schedule during the school year, email a copy of the revised schedule to: [ADEFinna@arkansas.gov](mailto:ADEFinna@arkansas.gov)



# **Required Website Postings, Licensed and Non Licensed Salary Schedules and Personnel Policies**

- **Website data is check by ADE**
  - **See On-Campus Standards Review checklist**
- **See Act 228 of 2013**
- **See Rules Governing School District Requirements for Personnel Policies, Salary Schedules, Minimum Salaries, and Documents Posted to District Websites**
  - **New Rule is pending**

# Classified Employee Minimum Hourly Wage A.C.A §6-17-2203

- Requires school districts to pay full-time classified employees a minimum hourly rate based on the percentage increase of the consumer price index
- "Full-time classified employee" is defined in A.C.A. § 6-17-2202(2) as "any classified employee who works twenty (20) or more hours per week
- For the 2014-15 school year the rate is \$8.26 per hour.
- See Commissioner's Memo FIN-14-072

# Arkansas School Worker Defense Program

## A.C.A. §6-17-113

**The State of Arkansas funds the “School Worker Defense Program” which protects school district employees against civil liability, attorney’s fees, and costs of defense for acts or omissions in the performance of their duties in their official capacity as a school employee, including civil liability for administering corporal punishment to students. This program provides coverage in the amount of \$150,000 for each incident.**

# Arkansas School Worker Defense Program – (Cont'd)

**\$5,000 is provided as a reimbursement of attorney's fees and costs for the defense of criminal charges if the employee is exonerated by a court of law or if all charges are subsequently withdrawn or dismissed, unless such withdrawal or dismissal is conditioned upon termination of employment or surrender of a professional license. The SWDP Advisory Board may authorize in excess of \$5,000 in matters that they deem extraordinary.**

# Arkansas School Worker Defense Program

- **The protection or coverage by the SWDP is primary to any group protection or insurance furnished by a teacher organization**
- **And is secondary or excess to any protection, insurance or policy purchased or provided by any self-funded risk sharing pool or insurance cooperative.**
- **Commissioner's Memo will be published by July 2014**
- **See Rules Governing the SWDP (March 2012)**
  - **New Rules are pending**

# Duplicate Enrollment Audits

**Alisa Moore**  
**501.682.5059**





# Duplicate Enrollment Audits

- Duplicate enrollment audits begin after the data from cycles 3, 5, and 6 are loaded into the data warehouse.
- Notification that the website is open will be by Commissioner's Memo and posting to the FMS and SMS listservs. Instructions will be attached to the Commissioner's Memo.
- The cycles affected should be resubmitted to correct ADM.

# Duplicate Enrollment Audits

- The person entering the data must have a Triand ID, password, and security setting for “district access”
- Contact Sarah Cox at 501-682-5660 or [sarah.cox@arkansas.gov](mailto:sarah.cox@arkansas.gov) for help with Triand ID and/or security settings.
- Contact Alisa Moore ([alisa.moore@arkansas.gov](mailto:alisa.moore@arkansas.gov)) or Tammi Rickert ([tammi.rickert@arkansas.gov](mailto:tammi.rickert@arkansas.gov)) for any other questions, or call 501-682-4488.

# Audits

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# Audit Findings for 2012-2013

- Findings based on 80% of audits having been reviewed by ADE (217 of 272).
  - 103 districts had no findings (47.47%)

## Reminder:

- **10% variance on federal funds:** The variance will be based on the total budget, not by line item. Budget changes are allowed up to 10% of the total approved budget without ADE approval and will not receive an audit exception.

# Audit Findings for 2012-2013

- Findings ranked in order of frequency of occurrence:
  - Segregation of duties /internal control
  - Reporting/exceeded program budget
  - Material misstatements
  - Allowable costs/cost principles
  - Fixed assets not recorded in inventory
  - Procurement, suspension and debarment



# Audit Findings for 2012-2013

- Findings ranked by frequency of occurrence:
  - Financial statements corrected during field audit
  - Time certifications for federal programs
  - Eligibility for free and/or reduced lunch errors
  - Lack of support for reporting records
  - Failure to get bid or performance bond
  - Failure to register debt with ADE



# Audit Findings for 2012-2013

- **Other findings and management letters included:**
  - **Failure to distribute EETF salary to licensed staff**
  - **Errors in payroll regarding overtime and comp time**
  - **Unused vacation days paid in violation of district policy**
  - **Employees paid through accounts payable and not reported to IRS**
  - **Uninsured and uncollateralized bank balances**



# Audit Findings for 2012-2013

- **Other findings and management letters included:**
  - **Misappropriated funds by employees**
  - **Personnel policy sick leave payout errors**
  - **Contracting with business in which employee has an interest without board resolution or ADE approval**
  - **Failure to obtain performance bonds for construction contracts**
  - **Failure to reconcile bank statements**

# Audit Findings for 2012-2013

- **A.C.A. § 6-20-402 requires that postdated warrants, lease-purchase agreements, and installment contracts must be registered with the district treasurer and ADE on forms provided or approved by ADE**
- **If a district pre-pays a registered short-term debt or deviates from the registered amortization schedule on file with the ADE, the district should notify the ADE in writing or email, of the early pay-off or provide the revised amortization schedule**

# Internal Control

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# Internal Control

**A process to:**

- **Create reliability of financial reporting**
- **Assess risk**
- **Control preventable loss**
- **Promote efficiency and effectiveness of operations**
- **Ensure compliance with applicable law/rules**
- **Promote public trust**

# Internal Control

## Effective Board Policy

- Is reflective of the educational goals of the school district;
- Is written within the scope of the school board's authority;
- Is adopted through proper board procedure;
- Is respectful of legal and constitutional rights and requirements; and
- Is communicated to the persons it will affect.

# Internal Control

## Purpose of Internal Control Policy

Internal control gives the school board and administration reasonable assurance that the district/charter will:

- Achieve its goals
- Operate effectively and efficiently
- Provide accurate and reliable financial data
- Operate in compliance with current federal and state laws and rules
- Greatly improve internal control



# Internal Control

## Who is Responsible?

- **The school board provides and approves policies conveying the proper supervision and administration of funds and assets, and sees that policies are current, relevant, and clearly understood by patrons and employees**

# Internal Control

## Administration

- **The person(s) overseeing the policies for supervision and administration of funds and assets to insure ethical and proper implementation; and the person(s) who assures that adequate personnel, training, and resources are made available to implement the proper policies, rules, and procedures.**

# Internal Control

## General Business Manager

- **The person responsible for the day-to-day implementation of policies, rules, and procedures to assure proper custody, use, and disbursement of district funds, assets, and resources during the on-going basic transaction cycles of school business.**

# Internal Control - Goals

- **Limit opportunity for theft or unauthorized use**
- **Ensure proper and legal expenditure/disbursement**
- **Detect errors and fraud in a timely manner**
- **Alert management of relevant required courses of action**
- **Provide accurate financial information**
- **Provide documentation of proper accounting**
- **Provides reasonable assurance that misstatements, losses, noncompliance with laws/rules would be prevented**
- **Promote public trust and confidence**

# Five Components of Internal Control

- 1. Control Environment**
- 2. Risk Assessment**
- 3. Control Activities**
- 4. Information and Communication**
- 5. Monitoring**

# Five Components of Internal Control

## 1. Control Environment

**Management's style and philosophy and the culture in which the district/coop/or charter exists**

**Specific elements to consider:**

- **Integrity and ethical standards;**
- **Management philosophy and operating style;**

# Five Components of Internal Control

## 1. Control Environment

- **The environment consisting of the organizational structure;**
- **Assignment of authority and responsibility;**
- **Human resource policies and practices such as hiring, training, evaluating, compensating, and disciplining employees; and**
- **Hierarchy for reporting.**

# Five Components of Internal Control

## 2. Risk Assessment

**Certain risks affect the organization and may result in a negative effect on the organization.**

**Some significant events or circumstances that can affect risk include:**

- **Complexity or magnitude of programs, operations, transactions, etc;**

# Five Components of Internal Control

## 2. Risk Assessment

- **Accounting estimates;**
- **Extent of manual processes or applications;**
- **Decentralized versus centralized accounting and reporting functions;**
- **Changes in operating environment;**
- **New personnel or significant personnel changes;**

# Five Components of Internal Control

## 2. Risk Assessment

- **New or revamped information systems;**
- **Significant new or changed programs of operations;**
- **New technology; and**
- **New or amended laws, regulations, or accounting standards.**

# Five Components of Internal Control

## 2. Risk Assessment

**Procedure of Risk Assessment includes:**

- **Identifying the risk**
- **Measuring the risk**
- **Controlling/managing the risk**
- **Corrective action when necessary**

# Five Components of Internal Control

## Examples of the Existence of Risk/Material Misstatements

The following situations greatly increase the potential for risk:

- **Complex processes with a high degree of regulation, such as stimulus funding and approval process**
- **New process**
- **Limits or constraints on the amount of funding available**

# Five Components of Internal Control

## Examples of the Existence of Risk/Material Misstatements

- **Beginning a new program with new rules, new laws, new staff, etc.**
- **Lack of adequate personnel with appropriate financial and reporting skill**
- **Changes in key personnel**
- **Weaknesses in internal control**

# Five Components of Internal Control

## Examples of the Existence of Risk/Material Misstatements

- Failure to use the APSCN accounting system for all financial transactions
- Failure to reconcile all accounts
- Manual accounting records
- Changes in the technology environment

# Five Components of Internal Control

## Examples of the Existence of Risk/Material Misstatements

- **Significant adjustments at the end of the year, such as transfers, journal entries**
- **Cash flow problems resulting in expenditures of reserves**
- **Pending litigation and contingent liabilities**
- **Complex calculations**
- **Cash transactions**

# Five Components of Internal Control

## Examples of the Existence of Risk/Material Misstatements

- One person accounting office
- Failure to periodically examine and analyze financial reports
- Failure to remain timely on all accounts payable, including fringe benefits
- Missing established deadlines on required reports
- Previous audit findings, especially if repeated

# Five Components of Internal Control

## 3. Control Activities

**Control activities are the policies and procedures that ensure that Administration's directives are carried out.**

**The Risk Assessment should include an understanding of relevant control activities such as:**

- **Policies and procedures;**
- **Management objectives (clearly written and communicated throughout the entity);**

# Five Components of Internal Control

## 3. Control Activities

- **Planning and reporting systems;**
- **Analytical review and analysis;**
- **Segregation of duties;**
- **Safeguarding of records; and**
- **Physical and access controls.**

# Five Components of Internal Control

## 3. Control Activities

**Internal Control (IC) activities are policies and procedures that implement the district's/charter's/co-op's objectives. These IC activities improve the accountability for being good stewards of federal and state resources.**

# Five Components of Internal Control

## 3. Control Activities

### Examples:

- Approvals
- Authorizations
- Verifications
- Reconciliations
- Performance reviews
- Security procedures
- Documentation of transactions such as Personal Activity Reports (PARs), contracts, etc.

# Five Components of Internal Control

## 3. Control Activities

### Examples:

- Information processing
- Physical control of assets
- Financial reports and reviews
- Segregation of duties
- Edit checks of data entered into APSCN
- Controlling access to data and records

# Five Components of Internal Control

## 4. Information and Communication

**The Risk Assessment should examine the information systems that affect financial reporting such as:**

- **The type and sufficiency of reports produced;**
- **The manner in which information systems development is managed;**

# Five Components of Internal Control

## 4. Information and Communication

- **Disaster recovery;**
- **Communication of employees' control related duties and responsibilities;**
- **How incoming external communication is handled; and**
- **Communication and training of staff on roles and responsibilities in implementing IC activities.**

# Five Components of Internal Control

## 5. Monitoring

**Monitoring internal control over financial reporting can take several forms. Examples include:**

- **Self assessments by management;**
- **Evaluations by an external auditor; and**
- **Direct testing.**

# How will you know Internal Controls are working?

- 1. Risks are appropriately identified and managed;**
- 2. Interaction of the various governance groups occurs;**
- 3. Significant financial, managerial, and operating information is accurate, reliable, and timely;**
- 4. Employees' conduct and actions are in compliance with policies, applicable laws and regulations;**

# How will you know Internal Controls are working?

5. Employees are trained to be responsible for notifying the superintendent/director of irregular circumstances;
6. Resources are acquired economically, used efficiently, and adequately safeguarded;
7. Quality and continuous improvement are encouraged;
8. Significant regulatory issues are recognized and addressed appropriately.



# Budgets

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**501.682.5059**





# Common 2013-14 Budget Errors

- **Not budgeting Property Tax Revenue to 11120.**
- **Improper accounting of debt including QZABs and QSCBs from proceeds to payoff.**
- **Districts are responsible for budgeting to the proper codes as listed in the Arkansas Financial Handbook!**



# Budget Misconceptions

- **Budgeting revenue to equal expenditures in the ACSIP plan when part of the revenue is already in the carryover balance.**
  - **Cash on-hand or carry-forward balance is NOT revenue in the current year.**
  - **If it cannot be receipted to cash (debit/increase cash and credit/increase revenue) it is NOT revenue.**
  - **However, if revenue is earned and due district by June 30, it is accrued revenue and budgeted.**



# Budget Misconceptions

- **YES, the budget can be adjusted in APSCN AFTER the cycle 1 budget submission.**
  - The cycle 1 budget submission remains the “official budget” submitted to the ADE.
- **Isolated Funding cannot be used to meet the 9% Maintenance and Operation rule. Requirement is determined by using 9% of FOUNDATION FUNDING ONLY (Funds 2000 and 2100-2199)**



# 2014-15 Areas For Budget & Financial Reviews

- **GT Requirement**
- **9% M & O Requirement**
- **Debt (proper coding)**
- **Food Service**
- **Revenues**
- **Expenditures**
- **Fund Balances**
- **Categorical Funds**
- **Capital Expenses**
- **Taxes**
- **Employee Benefits**



# Property Taxes Account Codes

## 10000 Revenue from Local Sources

**11000 Taxes.** Compulsory charges levied by a governmental entity for the purpose of financing services for the common benefit.

**11100 Property Taxes.** Taxes levied as a result of a vote by the electorate of a millage rate on personal property, real estate and utilities.

**11110** Property Taxes - Taxes received from the general levy July through December

**11115** Property Tax Relief – Relief Taxes received July through December. (May be receipted to 11110 Property)

**11120** Property Taxes – Taxes received from the general levy January through June

**11125** Property Tax Relief - Relief Taxes received January through June. (May be receipted to 11120 Property)





# 9% Maintenance & Operation

- **A.C.A. § 6-21-808 (d) (1) (A) requires districts to expend 9% of foundation funding exclusively to payment of utilities, and costs of custodial, maintenance, repair, and renovation activities, including related personnel costs.**
- **9% of foundation funding multiplied by the prior year 3-Quarter ADM**
- **Code as follows:**
  - **Fund = 2000 or 2100-2199**
  - **Function = 2600 through 2699**
  - **Objects = 61000 – 65199 and 65300 – 68999**



# 9% Maintenance & Operation

- If the 9% Requirement is not met, an amount equal to the variance must be moved to SOF 391 in the same fiscal year.
- A YTD Report is updated each cycle and maintained on the APSCN website. On the APSCN main menu bar click on REPORTS>District Financial Reports
- Commissioner's Memo will be published by July 2014

# Gifted and Talented

- **A.C.A. §6-20-2208(c)(6) requires districts to expend state and local revenues on gifted and talented programs in an amount equal to 15% of the foundation funding amount multiplied by 5% of the district's prior year 3 quarter ADM.**
- **The District's budget for GT should have an amount equal to this requirement.**
- **A Commissioner's Memo is posted each year with the required amounts listed in an spreadsheet for each district**

# Gifted and Talented

- Classroom expenditures must be coded to Function 1910 and Program Code 270. The GT Coordinator, Function 2291 should also be coded to Program Code 270.
- A YTD Report is updated on the APSCN website. On the APSCN main menu bar click on [REPORTS>District Financial Reports](#)
- Commissioner's Memo will be published by July 2014

# NSL and Categorical Funds

**Patty Martin**  
**501.682.1114**



# Categorical Funding Rates for FY15

## A.C.A. § 6-20-2305

**ALE \$4,383 (increase of \$78 from FY14)**

**ELL \$ 317 (increase of \$6 from FY14)**

**PD preliminary rate is \$26.67 (down \$17.78 from FY14)**

**– See Commissioner’s Memo LS-14-054**

**NSL (rates are unchanged from FY14)**

- \$1,549\* free and reduced percentage of 90% or greater**
- \$1,033\* free and reduced percentage of 70-89%**
- \$ 517\* free and reduced percentage below 70%**

**\*These rates do not apply to adjustments due to transition**

# Act 1220 of 2011

## A.C.A. § 6-20-2305(b)(4) (F)(i) and (e)(2)

- **See Rules Governing Student Special Needs Funding**
- **Required to spend 85% of NSL funds annually**
- **Required to have a June 30, 2012 NSL balance of no more than 15% of fiscal year 2012 NSL funding, or to reduce a balance in excess of 15% by a minimum of 10% per year until the balance was no more than 15%**

# Act 1220 of 2011

- **Required that the June 30, 2012 balance of all categorical funds be no more than 20% of annual categorical funding for fiscal year 2012, or to reduce a balance in excess of 20% by a minimum of 10% per year until the balance is no more than 20%**
  - **This is an ongoing requirement that applies to every year after 2012.**

# Act 1220 of 2011

- **The funding amount published on the final state aid notice is used to calculate the required percentages**
- **NSL includes NSL, the NSL Transition adjustment and NSL Growth**
- **Categoricals includes ALE, ELL, PD, NSL, the NSL Transition adjustment and NSL Growth**



# Act 1220 of 2011

- Funds received in any categorical fund may be transferred to another categorical fund
- A Transfer In will not effect the calculation of the targeted 85% NSL Expenditures nor the targeted 20% categoricals ending balance
- A Transfer In and/or Out will effect the ending balance calculation
- Cycle 9 data is used to test for compliance
  - NSL Expenditures report
  - Categorical Fund Balance report
  - NSL Fund Balance report
  - Published at [APSCN.org](http://APSCN.org)>Reports>Cycle Reports

# Act 1220 of 2011

## Penalties are due to:

- **NSL Expenditures are less than 85% of funding**
- **NSL Ending Balance was not reduced by the required 10% of the 2012 ending balance**
- **Categorical Ending Balance was not reduced by the required 10% of the appropriate year ending balance**
- **The penalty is the difference in the actual expenditures or ending balance and the required expenditures or ending balance**

# Act 1220 of 2011

- **Current year funding is reduced by the amount of the penalty**
- **May ask for a one-year waiver due to "unusual and limited circumstances"**
- **"Unusual and limited circumstances" may include an increase in one-time funds or an unexpected decrease in revenues**
- **A penalty for failure to reduce the categorical balance by 10% can not be waived**
- **The waiver request is submitted to the Commissioner accompanied by a resolution from the school board.**

# Act 1220 of 2011

- As of June 30, 2012, 55 districts/charter schools exceeded the 15% NSL balance requirement
- As of June 30, 2013, 11 of those 55 failed to reduce the balance by the required 10%
- As of June 30, 2012, 49 districts/charter schools had a categorical balance in excess of 20% of 2012 categorical funding
- As of June 30, 2013, 10 of the 49 failed to reduce their categorical balance by 10% and were assessed a penalty
- As of June 30, 2013, 7 districts/charter schools failed to spend 85% of their fiscal year 2013 NSL funds

# Act 1220 of 2011

- **As of June 30, 2013, 9 districts/charter schools had a categorical balance in excess of 20% of 2013 categorical funding**
- **These 9 are required to reduce the June 30, 2013 categorical balance by a minimum of 10% per year**
- **There is no waiver of a penalty related to categorical fund balances**

# Act 1220 of 2011

**As of June 2013, there were 28 instances of failure to comply with the expenditure and balance requirements**

- **There were 24 districts/charter schools with the 28 instances**
- **5 districts/charter schools failed to more than 1 requirement, in which case the greatest penalty amount was taken**
- **4 waivers were requested**
- **1 waiver was granted**
- **Total funds withheld \$1,303,992**

# Ethics

**ADE Legal Department at 501.682.4227**



# Ethical Guidelines for Administrators, Employees, and Board Members

- **A.C.A. § 6-24-105**
- **See Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and other Parties**
  - **Amended March 2014**
- **See Act 608 of 2013**



# Ethics-School Board Members

- A board member may not be employed by the district they serve
- A board member may not contract with the educational entity they serve if the board member has knowledge that he or she is “directly or indirectly” interested in the contract, except as otherwise provided
  - “Directly” means receiving compensation or other benefits personally or to the board member’s household



# Ethics-School Board Members

- **“Compensation or other benefits” means any monetary or non-monetary gain, including salary, benefits, gratuities and bonuses received by owners, officers, directors.... or other executive level employees**
- **Does not include compensation received by:**
  - **Non-Managerial, Non-Executive level employees**
  - **Clerical or hourly employees**
  - **Owners with less than 5% interest in the company**
  - **Stock holders in a publicly traded company**





# Ethics-School Board Members

- “Indirectly” means that a family member, business or other entity in which the individual or family member has a financial interest will receive compensation
- “Family member” means the individual, the individual’s spouse, the children of the individual or of the individual’s spouse, parents, parent in-laws, children in-law, siblings, siblings in-law, any one living with the individual or with the individual’s spouse, or any one acting as an agent for the individual or the individual’s spouse





# Ethics-School Board Members

**“Except as otherwise provided”**

- **May not initially employ a board member’s family member for compensation in excess of \$5,000, unless the Commissioner of Education issues a letter of exemption approving the contract based on unusual and limited circumstances**
- **A family member employed before the board member’s election may not have a change in employment status if compensation will increase more than \$2,500, unless it is approved by the Commissioner**

# Ethics-School Board Members

- **Board members or their family members may not contract with the educational entity for transactions of \$5,000 or more during a fiscal year, unless the Commissioner issues a letter of exemption based on unusual and limited circumstances**
  - **If less than \$5,000, local board approval is required**
- **Family members may be employed as a substitute teacher, substitute cafeteria worker, or substitute bus driver for no more than 30 days per fiscal year.**

# Ethics-Administrators

- **An administrator may not contract with the educational entity employing them**
- **Administrator means any superintendent, assistant superintendent, open-enrollment public charter school director, school district treasurer, business manager, or other individual responsible for entity-wide purchasing**
  - **Can include employees serving in food services, business/accounting or other capacities exercising autonomous system-wide purchasing authority**

# Ethics-Administrators

- **An administrator may contract with an educational entity not employing them, with prior written approval from the Commissioner**
  - **Does not apply to officiating at athletic events**
  - **Does not apply to conducting seminars or making presentations**
- **A family member of an administrator may contract with the educational entity that the administrator serves only with prior approval from the Commissioner**

# Ethics-Administrators

- **Family members of an administrator may be employed by the educational entity that the administrator serves without approval from the Commissioner**
- **Local board policies should be followed**
- **Members of the administrator's immediate family or former spouse cannot be employed as a disbursing officer without approval from the Commissioner after a review by Legislative Audit**
  - **Legislative Audit will review the internal controls, including segregation of duties, at the educational entity**

# Ethics-Employees

**An employee may contract with the public educational entity employing him or her if the employee has knowledge that he or she is directly interested in the contract**

- If the total transactions are less than \$5,000 per fiscal year, the contact is subject to local board approval**
- If the total transactions are \$5,000 per fiscal year, the contract must be approved by the Commissioner**

# Ethics-School Board Approval

- **Every instance requiring approval from the Commissioner also requires approval from the local school board**
  - **See Form C “Resolution” attached to the Rules**
- **A school board’s approval of a contract under A.C.A. §6-24-101 et seq. must be documented by a written resolution adopted after discussion in an open meeting**
  - **Must state the unusual and limited circumstances that make the contract necessary**



# Ethics-Approval by Commissioner

- **To seek the Commissioner's approval of a contract, an educational entity must send the resolution, along with any other relevant data, to the Commissioner via certified mail.**
- **The Commissioner, after reviewing the resolution and other data, will approve or disapprove the contract within 20 days of receipt of the resolution.**



# Ethics-Approval by Commissioner

- **If the Commissioner requests additional information in order to rule on a request, the Commissioner will approve or disapprove the contract within 20 days of receipt of the additional information.**
- **If the Commissioner does not respond within the specified number of days, the request is deemed to have been approved by the Commissioner.**
- **No approval may be granted for more than two consecutive fiscal years.**

# Ethics-Approval by Commissioner

- **A.C.A. §6-24-105(b)(1)(ii) provides that the determination of “unusual and limited circumstances” shall be at the sole discretion of the Commissioner. Because of this, the Commissioner looks at each request on a case by case basis.**
- **If you have questions or need assistance with a request for an exemption, please call the ADE Attorney’s Office at 501-682-4227.**

# Ethics for Arkansas Educators

- **See Rules Governing the Code of Ethics for Arkansas Educators**
  - New Rules are Pending
- **See Commissioner's Memo LIC-14-030**
- **See Act 1323 of 2013**

# Coding Reminders, Additions, and Changes

**Kathleen Crain**  
**501.682-4887**

# Coding Reminders, Additions, and Changes Categorical Funds

## Categorical Funds (NSL, ALE, ELL, Prof Dev)

- The required Source of Fund code must be used for all revenue and expenditures related to Categorical Funds.
- Categorical Funds cannot end the year with a negative balance.

# Coding Reminders, Additions, and Changes Categorical Funds

- Transfers are allowed between categorical funds but only within same Fund. For example, a transfer should not be made from NSL operating fund (Fund 2) to ALE salary fund (Fund 1), but could be made from NSL operating fund (Fund 2) to ALE operating fund (Fund 2).
- All NSL expenditures must include one of the required program codes.
- The planned and budgeted use of Categorical Funds shall be included in the ACSIP.

# Coding Reminders, Additions, and Changes

**In March 2012, the House and Senate Education Committees passed a motion requiring the Arkansas Department of Education to implement APSCN coding changes necessary to facilitate the collection of data for specific purposes.**

- **The motion specified that these coding changes should NOT be optional.**

# Coding Reminders, Additions, and Changes School Improvement Provider

## School Improvement Provider accounting records

- The funding paid to external providers should be recorded at the school level.
- Coding is needed for vendors used in response to school improvement status requirements.
- Status 1 on Vendor Screen (MISC Tab)

# Coding Reminders, Additions, and Changes Absentee Reporting

- Attendance will be pulled from the district warehouse
- It is a legislative mandate that “data be recorded uniformly”

# Coding Reminders, Additions, and Changes Absentee Reporting

- **Legislative mandate for uniform data reporting**
- **Attendance will be pulled from the district warehouse**
- **APSCN Report will 'roll up' by 'check title'**
  - \* **Sick**
  - \* **Vacation**
  - \* **Professional Development**
  - \* **Jury**
  - \* **Bereavement**
  - \* **Personal**
  - \* **School Business**
  - \* **Military**
  - \* **Other**

# Coding Reminders, Additions, and Changes Nurse FTEs and Salaries

## Function 2134

### Job Codes for Health Services:

- \* 454 Nurse - LPN
- \* 455 Nurse – RN
- \* 453 Coordinated School Health Coordinator
- \* 4361 Supervisor / Health
- \* 9035 School Based Mental Health



# Coding Reminders, Additions, and Changes Nurse FTEs and Salaries

**Funds 2, 6, and 8**

**Function 2134**

**Line 3626**

**Cycle 8**

**Line 3626 = Salary/FTE = Average Nurse Salary**

# Coding Reminders, Additions, and Changes Nurse FTEs and Salaries

**Remember**

**Nurses = Function 2134 Only**

**Nurse FTE = line 3626 Only**



# **Coding Reminders, Additions, and Changes Federal Reimbursements through ADE**

- **Next to last Federal Disbursement: District Warehouse Pull June 14, 2014**
- **Prior month revenue must be receipted by June 13, 2014**
- **ADE disbursements expected by June 21, 2014**
- **Reimbursements = negative ending balance fund balance report**
  - **Provided the previous month revenue has been receipted**

# **Coding Reminders, Additions, and Changes Federal Reimbursements through ADE**

- **No reimbursement in July or August 2014**
- **Districts expenditures keep changing June - Sept 15**
- **Accrue revenue to zero out when expenditures are final**
- **Reverse accrual to revenue account in FY15 prior to Sept 20, 2014**
- **ADE cutoff FY14 payments prior to making any FY15 payments**
- **District WH load in FY15 – Sept 20, 2014**

# **Coding Reminders, Additions, and Changes Federal Reimbursements through ADE**

- **Final FY14 payments based on beginning balance and negative revenue in FY15 fund balance report (periods 1 thru 3 through September 19)**
- **First FY15 payments – same report based on YTD expenditures**
- **Final FY14 and First FY15 Payments should be received by districts by Sep 30, 2014**

# Coding Reminders, Additions, and Changes Federal Reimbursements through ADE

- **FY15 Reimbursement Schedule:**
- **Reimbursement schedule reverts back to the normal routine beginning in October**
- **The warehouse data pulls – 2nd Saturday of each month beginning October 11, 2014**
- **All prior revenue receipted before 2nd Saturday in order for current reimbursements to be processed.**

# Coding Reminders, Additions, and Changes Federal Reimbursements through ADE

- **Prior revenue not receipted = Reimbursement withheld until the data reflects the receipts' next data pull (usually the next month)**
- **See Commissioners Memo FIN-14-055**

# Coding Reminders, Additions, and Changes Revenue Recognition

Revenues are recognized when

- They are realized or realizable, and
- They are earned, no matter when cash is received

**Conclusion:**

**Accrue only revenue earned and realizable**

**Correct Accrual Errors before final close of prior year**

# Coding Reminders, Additions, and Changes Accruals

- **Can not accrue Categorical funds**
- **Expenditures are limited to carry-forward balances and fiscal year funding**
- **Accrue revenue received on a reimbursable basis**
- **Some food service funds are earned and reimbursable**
- **Some federal monies are earned and due at the fiscal year-end and not received until the new fiscal year**
- **Every Fund/SOF is its own story**

# Coding Reminders, Additions, and Changes FTEs

- **Verify the FTE count before submitting Cycle 8**
- **Verify average salary**
- **The Legislature is making important decisions based on this data**

# Coding Reminders, Additions, and Changes FTEs

**Incorrect FTEs = Incorrect Average Salaries**

	FTE	Salary PD	AVG SAL
<b>3731 Elem. SpEd Teachers</b>	<b>.34</b>	<b>21,620.51</b>	<b>63,589.74</b>
<b>3740 High School Summer</b>	<b>.50</b>	<b>1,900.00</b>	<b>3,800.00</b>
<b>3725 Elem. School Teacher</b>	<b>4.0</b>	<b>4,800.00</b>	<b>1,200.00</b>
<b>3727 High School Teachers</b>	<b>4.0</b>	<b>5,394.05</b>	<b>1,348.51</b>
<b>3733 High School SpEd. Teach</b>	<b>.31</b>	<b>10,774.18</b>	<b>34,755.42</b>
<b>3751 High School Athletic</b>	<b>23.81</b>	<b>928,358.81</b>	<b>38,990.29</b>
<b>3752 Elem. Student Activity</b>	<b>.50</b>	<b>780.50</b>	<b>1,561.00</b>



# Coding Reminders, Additions, and Changes Minimum Salary Requirement

- **Minimum Salary for fiscal year 2015**
- **\$29,244**
- **A.C.A. § 6-17-2403**

# Coding Reminders, Additions, and Changes FTEs

The FTE calculation is

- 1. Days Worked/Contract Days
- 2. Results of #1 x FTE
- 3. Results of #2 x the budget unit percent

Example:  $175/190 \times 1 \times 1 = .92$  FTE

# Coding Reminders, Additions, and Changes Federal Programs – 10% Variance

- **10% Budget/Expenditure Variance**
- **EDGAR 80.30 (c) allows budget changes up to 10% of the total approved budget (Title VI-B) without ADE approval.**

# **Coding Reminders, Additions, and Changes Federal Programs - 10% Variance**

- **Does not apply to categorical funds**
- **Applies to the following federal funds:**
  - **SOF 6501 / Title I**
  - **SOF 6504 / School Improvement Grants 1003(g)**
  - **SOF 6505 / School Improvement Grants 1003(a)**
  - **SOF 6510 / Title I, Part D**
  - **SOF 6595 / Education Technology Title II, Part D**
  - **SOF 6756 / Improving Teacher Quality Title II, Part A**
  - **SOF 6782 / Small Rural School Achievement Program**
  - **SOF 6784 / Rural and Low Income School Program**



# **Coding Reminders, Additions, and Changes Federal Programs - 10% Variance**

- **ADE set new policy in fiscal year 2012**
- **See Commissioner's Memo FIN-12-107**
- **The Federal Education Department General Administrative Regulations (EDGAR) Section 80.30(c)**
- **ADE is the awarding agency of sub-grants to school districts and has the authority to set policy**
- **The 10% allowable variance is based on the total budget, not 10% variance budget to actual per line item**

# Coding Reminders, Additions, and Changes Federal Programs - 10% Variance

- **Budget changes are allowed up to 10% of total approved budget without ADE approval or receiving an audit exception**
- **Expenditures may not exceed the cumulative total of an approved budget by more than 10%**

# Coding Reminders, Additions, and Changes Federal Programs - 10% Variance

## Example:

- Budget variance (function/object) cannot exceed 10% of the “TOTAL approved budget”
- Total approved budget = \$500,000
- 10% of total budget = \$50,000
- Salary budget = \$300,000
- Actual salary expense = \$340,000
- Salary budget variance is \$40,000

# Coding Reminders, Additions, and Changes

## Federal Programs - 10% Variance

Compare each Total Expenditures Budget to Actual variance

- 10% of Total Budget (\$331,595 x 10% = \$33,159.50)
- This example is in compliance with Actual < Budget

Fund	Fund Description	Func.	Function Description	Budgeted Amount	Actual Amount	Variance Budget to Actual
6501	ESEA Title I Regular - Comp Education CFDA #84.010	1511	Before/After School Programs	11,175	6,759	4,416
				0	1,212	(1,212)
		1591	Title I Schoolwide Instruction	181,771	146,249	35,522
				29,045	23,630	5,415
		2324	State and Federal Relations	35,458	37,883	(2,425)
		5500	Indirect Costs	7,000	8,501	(1,501)
<b>Total(Fund ID)</b>				<b>331,595</b>	<b>272,285</b>	<b>59,310</b>



# **Coding Reminders, Additions, and Changes Federal Programs - 10% Variance**

## **Compare Function Total Expenditures Actual to Budget**

- **Again, Variance cannot exceed 10% of Total Budget (\$33,159.50)**
- **Function 2324 Variance = \$2,425**
  - **In compliance (less than 10% / \$33,159.50)**
- **Function 1591 Actual Expenditures less than Budgeted Expenditures**
  - **In compliance**

# Coding Reminders, Additions, and Changes Federal Programs - 10% Variance

## Object Column Totals:

- 61000 Variance cannot be greater than 10% Total Budget
- 62000 Variance cannot be greater than 10% Total Budget
- Etc.

## Function Row Totals:

- Cannot be greater than 10% Total Budget

# **Coding Reminders, Additions, and Changes Federal Programs - 10% Variance**

- **Variance is applied differently for Special Education**
- **Allowable variance is still 10% of the total budget**
- **However, the variance is compared to each budget cell**
  - **(Each function/object amount) instead of total Object (column) and total function (row)**
- **Examples available on the Special Education Department Website: [arksped.k12.ar.us](http://arksped.k12.ar.us)**

# Coding Reminders, Additions, and Changes Indirect Costs

- **District must budget indirect costs**
- **Cannot expense indirect costs if not budgeted**
- **The rate is not available at time of budgeting**
- **Budget at the prior year rate**



# Coding Reminders, Additions, and Changes

## Bank Reconciliation

- Review outstanding checks monthly
- If checks are outstanding for more than 3 months, there is probably a problem
- If a variance is unexplained, unreconciled

# Coding Reminders, Additions, and Changes

- **Correct Coding is Important!!**
- **People look at your data!!!**
- **People use your data to make fiscal and policy decisions**

# General Business Manager

**Kathleen Crain**

**501.682.4887**



# General Business Manager Qualifications

- **General Business Managers are required to attend the annual Tier I Training, as governed by A.C.A. § 6-20-2204**
- **The Job Codes for a General Business Manager are:**
  - **612 for Business Manager**
  - **614 for Chief Finance Officer / CFO**
  - **7010 for a licensed Business /Finance Manager**
- **Based on fiscal year 14 Cycle 2 data, approximately 50% of the school districts had a General Business Manager 612, 614, or 7010**



# General Business Manager Qualifications

- **Applies to all school districts, open-enrollment public charter schools, and education service cooperatives**
- **A Chief Financial Officer or Business Manager or however titled:**
  - **Operates under the direction of superintendent**
  - **Meets minimum qualifications in ADE rule**
  - **Responsible for fiscal operations of entire entity**
  - **Person other than superintendent or charter/  
co-op director**



# General Business Manager Qualifications

- **Must meet qualifications of a Certified Arkansas School Business Official (CASBO) based on the requirements established by the Arkansas Association of School Business Officials (AASBO) or be enrolled in the CASBO required courses of study.**
  - **10 required courses and five electives**
  - **See AASBO Professional Certification Program**

# General Business Manager Qualifications

- **Must complete at least 5 CASBO courses per year and must complete the 15 courses required within 3 years.**
- **Must renew certificate by completing at least 2 upper level CASBO courses per year after the date of certification.**
- **GBM failing to complete certification cannot function in that role until certification requirements are met. District/charter/co-op must appoint another person to the position and that person must meet qualifications.**



# School District Treasurer

**Kathleen Crain**

**501.682.4887**



# School District Treasurer

- **A.C.A. § 6-13-701 authorizes a district or charter school to appoint a treasurer.**
- **Must be appointed at a regular board meeting.**
- **Must execute a Certificate of Appointment, which must be filed with the County Clerk, the County Treasurer, and the Director of the Department of Finance and Administration.**
- **Serves until board appoints a new treasurer and files a new Certification of Appointment.**



# School District Treasurer

- **Duties are outlined in A.C.A. § 6-13-701(e):**
  - **Receive and disburse funds. Issue receipts for funds received and maintain a duplicate.**
  - **Record all transactions in APSCN.**
  - **Provide monthly statement of financial condition to board.**
  - **Submit annual statement of finances to board in July each year.**
  - **Make required financial reports to ADE.**



# School District Treasurer

- **Duties are outlined in A.C.A. §6-13-701(e)-cont'd:**
  - **Must not have an interest, directly or indirectly, in any contract made by the district or charter school board.**
  - **Make financial records available for inspection by any district taxpayer.**
  - **Perform all duties imposed by law upon school district treasurers and be subject to all regulations.**





# School District Treasurer

- **Disbursement of funds shall be made by treasurer only upon:**
  - **Checks or warrants signed by disbursing officer of district or charter school board and superintendent or charter school director; or**
  - **Electronic transfer of funds if electronic transfer is:**
    - **Initiated by the district or charter school; and**
    - **Authorized in writing by both the board disbursing officer and superintendent or charter school director.**

# School District Treasurer

- **Treasurer shall have on hand as evidence of authority for disbursement approved:**
  - **Invoices;**
  - **Payrolls that conform with written contracts on file; and**
  - **Other appropriate documentation that indicates authority for disbursement.**

# School District Treasurer

- **Fraudulent use of district/charter school funds by a treasurer is a Class C felony.**
- **Upon conviction, restitution to be made by treasurer is double the amount taken.**

# Fiscal Distress

**Hazel Burnett**

**501.682.5124**



# Fiscal Distress

- **A.C.A. §6-20-1901 thru 1911**
- **Indicators of Fiscal Distress**
  - **A declining balance determined to jeopardize the fiscal integrity of a school district.**
    - **However, capital outlay expenditures for academic facilities from a school district balance shall not be used to put the school district in fiscal distress.**

# Fiscal Distress

- **Indicators of Fiscal Distress**
  - **An act or violation determined to jeopardize the fiscal integrity of a school district, including but not limited to:**
    - **Material failure to properly maintain school facilities.**
    - **Material violation of local, state, or federal fire, health, or safety code provisions or law.**
    - **Material violation of local, state, or federal construction code provisions or law.**
    - **Material state or federal audit exceptions or violations.**



# Fiscal Distress

- **Indicators of Fiscal Distress**
  - **Material failure to provide timely and accurate legally required financial reports to the department, the Division of Legislative Audit, the General Assembly, or the Internal Revenue Service.**
  - **Insufficient funds to cover payroll, salary, employment benefits, or legal tax obligations.**
  - **Material failure to meet legally binding minimum teacher salary schedule obligations**
  - **Material failure to comply with state law governing purchasing or bid requirements**

# Fiscal Distress

- **Material default on any school district debt obligation.**
- **Material discrepancies between budgeted and actual school district expenditures.**
- **Material failure to comply with audit requirements**
- **Material failure to comply with any provision of the Arkansas Code that specifically places a school district fiscal distress based on non-compliance**
- **Any other fiscal condition deemed to have a material detrimental negative impact on the continuation of educational services by the district.**

# Fiscal Distress

## Early Intervention

### A.C.A. §6-20-1904

- **(b)(1) By August 31 of each year, the department shall report to the superintendent of a school district if the department is aware that the school district has experienced two (2) or more indicators of fiscal distress in one (1) school year that the department deems to be at a nonmaterial level but that without intervention could place the district in fiscal distress.**
- **(2) The superintendent of a school district shall report to the department if the superintendent is aware the school district has experienced two (2) or more indicators of fiscal distress in one (1) school year that the superintendent deems to be at a nonmaterial level but that without intervention could place the district in fiscal distress.**

# Fiscal Distress

## Early Intervention

- **(3)(A) The department and the superintendent shall review all data related to the nonmaterial indicators of fiscal distress.**
- **(B)(i) Within thirty (30) days of the department's determination that the school district may be experiencing fiscal distress at a nonmaterial level, the department shall provide a notice to the school district's superintendent and board of directors that:**

# Fiscal Distress

## Early Intervention

- (a) Describes the nonmaterial indicators of fiscal distress that could jeopardize the fiscal integrity of the school district if not addressed; and
- (b) Identifies the support available from the department to address each nonmaterial indicator of fiscal distress.
- (ii) The board of directors shall place on the agenda for the next regularly scheduled meeting of the board of directors a discussion of the notice of nonmaterial indicators of fiscal distress.
- See Commissioner's Memo FIN-14-005



# Act 600 of 2013 Fiscal Distress

- **§ 6-20-1908(d) Increases the time a district will be allowed to remain in fiscal distress to five (5) years.**
- **§ 6-20-1908(i) If district does not remove itself from the classification of fiscal distress within five (5) years , the state board shall consolidate or annex the district unless the Commissioner has assumed authority over the district under § 6-20-1910 (d)**
- **During second year following a fiscal distress status classification, the state board shall determine the extent of the district's progress**



# Act 600 of 2013 Fiscal Distress

- If sufficient progress is made , but not all issues are resolved, the Commissioner, with state board approval, may appoint a community advisory committee
- The state board shall review the district's progress by April 1 each year and either:
  - Allow the community advisory board to remain in place for an additional year
  - Return the school to local control by calling for election of board
  - Annex, consolidate, or reconstitute the school district

# Tier I Annual Update



**2014-2015**

**CASBO Class SF401A**



ARKANSAS  
DEPARTMENT  
OF EDUCATION

# Financial Accounting

**Kathleen Crain**

**501.682.4887**





# Where is the Standard Chart of Accounts Located?

**Where is the Standard Chart of Accounts Located?**

– APSCN Web Page at

<http://www.apscn.org/fms/fmsmain.htm>

» FMS>Financial Management

System>Accounting Documentation

– Password Protected



# Teacher Salary Expenditures Fund 1

- Salaries paid to personnel whose POSITION requires a teacher license are to be paid from the Teacher Salary Fund unless funded by a federally sponsored program
  - Teachers
  - Counselors
  - Librarians
  - School Administrators
  - District Administrators
  - Substitutes for those paid from the Teacher Salary Fund





# Teacher Salary Expenditures Fund 1

**The Object Classifications Licensed Positions:**

**61110 Regular Certified Employees paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**

**61210 Temporary Certified Employees – excluding substitute teachers paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**

**61310 Overtime - Certified – Temporary or permanent - for work performed in addition to the normal work period paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**



# Teacher Salary Expenditures – Fund 1

- 61410 Certified Sabbatical Leave paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**
- 61510 Certified Additional Compensation such as bonuses or Incentives paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**
- 61610 Certified Workshops – Attending workshops; Prof. Development paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**



# Teacher Salary Expenditures – Fund 1

- 61710 Certified Substitutes paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**
- 61810 Certified Unused Sick Leave paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**
- 61910 Certified Other (severance or early retirement) paid to certified employees from the teacher salary fund, unless funded by a federally sponsored program**



# Operating Fund Expenditures – Fund 2

To record the receipts and expenditures for current operating expenses other than those that relate to the purposes set out for the other funds listed. Examples:

- Personnel benefits not paid from Salary Fund (unless paid from Salary Fund as approved by majority of certified personnel).
- Salaries and benefits of classified personnel not paid from the Building Fund, Federal Fund, the Activity Fund or the Food Service Fund.
- All purchased services, supplies, capital outlay and other expenditures not paid from the Building Fund, Debt Service Fund, Capital Outlay Fund, Federal Fund, Activity Fund or Food Service Fund.





# Building Fund Expenditures – Fund 3

- **Major facilities construction and renovation projects.**
- **Required for any project funded with state Academic Facilities Partnership Program funds.**
- **If part of the legal fund balance is being retained for future construction/renovation projects, it should be transferred to the Building Fund.**
- **School Board approval should be obtained whenever funds are transferred to or from the Building Fund.**





# Debt Service Fund Expenditures – Fund 4

- Interest paid on bonded debt
- Principal paid on bonded debt
- Fees pertaining to bonded debt



# Capital Outlay Fund Expenditures – Fund 5

## Dedicated Maintenance and Operations

- Expenditures that conform to the reasons stated on the ballot when the Capital Outlay/Dedicated M&O millage was approved by voters.

# Capital Outlay Fund Expenditures – Fund 5

## Dedicated Maintenance and Operations

- **Cannot end the year with a negative balance in this fund.**
  - **Tax receipts should be allocated to this fund when received.**
  - **Pullback accrual applies to this fund (24% for 2014-2015)**
  - **Balances carryover each year.**
  - **Except for interest earnings, no other funds should be transferred to or deposited into this fund.**



# Federal Fund Expenditures – Fund 6

## Restricted Aid Direct from Federal Government

- Elementary/Secondary Education Programs (revenue codes 43110-43192)
- Indian Education Programs (revenue code 43610)
- Desegregation Programs (revenue codes 43710 & 43720)
- Other (revenue codes 43910-43976)



# Federal Fund Expenditures – Fund 6

## Restricted Aid from the Federal Government through the State

- **Elementary/Secondary Education Act (ESEA) (revenue codes 45110-45326)**
- **Adult Education (revenue codes 45410-45590)**
- **Special Education (revenue codes 45612-45670)**
- **Other (revenue codes 45910-45999)**



# Activity Fund Expenditures – Fund 7

## Student Activity Fund

- Expenditures from revenue other than local taxes, state, and federal government.
  - Fund raising activities
- Expenditures approved by Student Organization and its sponsor.
  - Supplies and equipment used by organization
  - Travel/Transportation expenses for organization
  - Items purchased for resale/fund-raising activities
  - Cash donations or purchases to benefit school or programs



# Activity Fund Expenditures – Fund 7

## District Activity Fund

- Expenditures from revenue other than local taxes, state and federal government:
  - *Gate Receipts*
  - *Vending Machines*
  - *Fees*
- Expenditures approved by school board or in compliance with board policy:
  - *Field Trips*
  - *Athletics*
  - *Band Uniforms*
  - *Book Fairs*



# Food Service Fund Expenditures – Fund 8

## Direct cost of operating food service program

- Food purchases
- Kitchen/Cafeteria labor
- Administrative personnel who supervise food service staff
- Supplies and equipment



# SOF – Source of Funds

- **Allows matching of expenditures to specific revenue sources.**
- **A three-digit number that when attached to the one-digit fund number, establishes a unique sub-fund containing separate balance sheet accounts (assets, liabilities, equity)**
- **Allows expenditures from specific revenue sources to be tracked (growth funding, declining enrollment funding, etc.).**
- **Required for all restricted funds (federal, categorical/special needs, state facilities funding, etc.).**

# SOF – Source of Funds

- **Allows fund balances pertaining to specific revenue sources to carry forward to next fiscal year**
- **Source of Fund codes marked with an asterisk (\*) are required for the specified revenue as well as the expenditures from that revenue (no transfers in or out).**
- **Source of Fund codes 002-099 are reserved for district/co-op use and are therefore defined by the district or co-op**

# Function

**Four-digit code that describes the activity being performed when a good or service is received.**

- **Function codes are grouped into five broad categories:**
  - **Instruction (1000-1999)**
  - **Support Services (2000-2999)**
  - **Operation of Non-Instructional Services (3000-3999)**
  - **Facilities Acquisition and Construction (4000-4999)**
  - **Other Uses (5000-5999)**
    - » **Debt Service**
    - » **Fund Transfers**
    - » **Indirect Costs**





# Location

**The three-digit number that identifies the campus or other cost center where the goods and services are being used. The number for school campuses matches the ADE assigned LEA number.**

# Program

- A three-digit number pertaining to a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives.
- Required Program Codes include:
  - All NSL Expenditures
  - Pre-School
  - Extracurricular/Athletics
  - Recruitment/Retention
  - State Academic Facilities Incentives Projects
  - Teachers in Special Settings
  - Special Education
  - Gifted & Talented
  - Alternative Ed





# Subject

- **Two digit number for additional detailed coding**
- **State level reporting requirements do not require a number other than zero at this time**
  - **Optional for use by districts**



# Object

**A five-digit number that describes the type of expenditure-Examples:**

- Salary**
- Employee Benefit**
- Purchased Service**
- Supplies and Materials**
- Capital Outlay**



# Coding for Foundation Funding

**Financial coding requirements for revenues and expenditures specific to foundation funding:**

- All revenue pertaining to foundation funding, and all expenditures paid with that revenue, is to be coded to funds 1000, 1100-1199, 2000 and 2100-2199.**
- This requirement is in response to a motion passed by the House and Senate Joint Education Committee on December 24, 2008, to determine and implement coding changes required in order to better compare school district expenditures with the components of the Adequacy Funding Matrix**



# Coding for Foundation Funding

**The coding requirement for 2014-2015 (same as FY 14)**

- All property tax, state foundation funding and miscellaneous funds will be receipted in Fund 2001.**
- An amount exactly equal to the foundation funding amount will be transferred from Fund 2001 to Fund 2000.**
- No revenue will be posted in Funds 1000, 1100-1199, 2000 and 2100-2199.**





# Coding for Foundation Funding

- **The amount to be transferred from Fund 2001 to Fund 2000 for FY 2014-2015 will be \$6,521 times the 2013-2014 3-QTR ADM.**
- **The revenue transfer code is 52201**
- **The expenditure transfer code is 69321**
- **See Commissioner's Memo FIN-11-080 for example Journal Entry recording transfer**
- **See Commissioner's Memo FIN-09-047 for coding requirements**



# **Declining Enrollment Funding and Student Growth Funding**

**Cindy Hollowell**

**501.682.4484**



# Overview

- **A.C.A. § 6-20-2303 (22) and § 6-20-2305 (a) (3) and (c) (2)**
- **See Rules Governing the Calculation Methods for Declining Enrollment (DEF) and Student Growth Funding (SGF) for Public School Districts (October 2009)**
- **An eligible district cannot receive DEF & SGF or DEF & Special Needs Isolated Funding (SNIF)**
- **If  $DEF > (SGF + SNIF)$ , then district receives DEF**
- **If  $DEF < (SGF + SNIF)$ , then district receives  $SGF + SNIF$**
- **SGF and DEF are both unrestricted although expenditures from SGF and DEF are tracked for reports to the legislature**

# Timeline

- **By July 31 – DEF is calculated, shown on state aid notice, but not disbursed yet**
- **By January 31 - Estimated SGF is calculated and compared to DEF**
  - **If DEF is greater than estimated SGF + SNI then 100% of DEF is disbursed**
  - **If DEF is less than estimated SGF + SNI then 60% of estimated SGF is disbursed, remaining 40% in April**
  - **Mid-year state aid notice will reflect the higher of SGF + SNI or DEF (if DEF was on July notice but is lower than SGF + SNI it will not appear on the mid-year state aid notice)**



# Timeline

- **By July 31 - Actual SGF is calculated using ADM from cycle 7 for all 4 quarters and SGF + SNI is compared to DEF**
- **Commissioner's Memo will be published by the end of July with attached spreadsheet showing final calculations and adjustments for SGF and DEF and journal entries**
- **By Period 13 close out for end of fiscal year - Districts make appropriate journal entries for accrual of the adjustment to actual SGF funding**

# Timeline

- **By August 31 - Any SGF + SNI, or DEF due to districts is distributed and any over-funded SGF plus SNI, or DEF paid to districts is recouped by ADE**
  - **Final state aid notice will reflect final SGF, DEF, and SNI after comparison**
- **By Period 1 (or as soon as possible thereafter) - Reverse journal entries made in prior year Period 13**

# Miscellaneous Funds

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# Miscellaneous Funds

**A.C.A. §§ 6-20-2303 (11), 6-20-2305 (a) (1) (A), and 6-20-2503 (a) (3) & (4) effective July 1, 2014 and 6-20-2308**

- **In FY15, the initial calculation of State Foundation Funding Aid (SFFA) uses calendar year 2012\* miscellaneous funds X (the 25 URT mills/the total district mills in effect on January 1, 2012)**
- **FY15, SFFA will be recalculated mid-year using calendar year 2014 miscellaneous funds X (the 25 URT mills/the total district mills in effect on January 1, 2014)**
- **See Act 322 of 2013, Section 6, temporary language**

# Miscellaneous Funds

- If district receives FY15 SFFA and
  - Receives less in calculated miscellaneous funds during calendar year 2014 than 2012 - SFFA will be increased by the difference between calculated 2012 and 2014 miscellaneous funds
  - Receives more in calculated miscellaneous funds during calendar year 2014 than 2012 - SFFA will be decreased by the difference between calculated 2012 and 2014 miscellaneous funds
  - However, total SFFA, calculated miscellaneous funds, net revenues, and adjustments shall NOT exceed the statutory foundation funding amount



# Miscellaneous Funds

- In FY15, the calculation of bonded debt assistance uses calendar year 2012 miscellaneous funds X (the 25 URT mills/the total district mills in effect on January 1, 2012)
- Record calendar year miscellaneous funds revenue as soon as possible after end of calendar year to ensure accurate and timely recalculation of mid-year SFFA
- See Rules Governing the Calculation of Miscellaneous Funds
  - New Rules are Pending
  - Public Comment will be taken the summer of 2014



# Miscellaneous Funds

- Category and revenue codes:

Category	Revenue Codes
Federal Flood Control	42200
Federal Forest Reserves	42100
*Federal Grazing Rights	42400
Federal Impact Aid	42500
Federal Mineral Rights	42300
**Local Sales & Use Taxes	11200
Severance Taxes	21200
Wildlife Refuge Funds	41200
Payment in Lieu of Taxes	12800
	28000
	41300
	48000

\* Not currently received by any AR districts

\*\* Sales and use taxes for capital improvements dedicated to education only



# Miscellaneous Funds

- Review miscellaneous funds to ensure that accurate data is used to calculate funding.
- Common errors:
  - Ad valorem taxes miscoded as miscellaneous funds or miscellaneous funds miscoded as ad valorem taxes
  - Revenue erroneously coded to local sales and use taxes dedicated to education (11200) or federal grazing rights (42400-42499)
  - One category of miscellaneous funds erroneously coded to another (federal forest reserves coded as federal flood control)

# Bonded Debt

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# Bonded Debt

## A.C.A. § 6-20-1204 as amended by Act 110 of 2013

- See CM FIN-14-028 for detailed procedures
- For bonds issued before July 1, 2013 (without amending resolution to voluntarily comply with Act 110), the Commissioner shall cure a delinquency in bond payments by withholding state funding
  - If state funds are withheld, the district shall be identified as a district in fiscal distress

# Bonded Debt

- **For bonds issued on or after July 1, 2013, bond payments shall be submitted no later than 15 calendar days before the due date**
  - **If not received within 5 calendar days before due date, ADE will make the payment**
- **If the ADE makes payment for the district, the district may be placed in fiscal distress and the district must either reimburse the ADE immediately or funding will be withheld**

# Bond Refunding Savings Fund

## A.C.A. § 6-20-2503 (c)(1)

- If a school district refunds bonds that were issued and outstanding as of January 1, 2005, the annual savings produced shall be deposited into a bond refunding savings fund to be used by the district solely for the:
  - New construction of, capital repairs to, or renovation of academic facilities; or
  - Purchase of academic equipment

# Bond Refunding Savings Fund

- **Code savings to source of fund 3300\***
- **The bond refunding savings fund is ONLY for savings from refundings of bonds outstanding as of January 1, 2005**
  - **Look in district bond documents for the Certificate as to the Use of Yearly Debt Service Savings**
  - **When in doubt, check with the fiscal agent or ADE Loans & Bonds Unit**

# Bond Post-Issuance Compliance

- **Most school district bonds are issued as tax-exempt and maintaining tax-exempt status through the term of the bonds is important**
- **The school district is required by the IRS to adopt written procedures and guidelines to help school officials keep district bonds tax-exempt**

# Bond Post-Issuance Compliance

- **As part of the written procedures, the school district board of directors must assign primary responsibility for monitoring post-issuance compliance to a designated “Responsible Person”**
- **The “Responsible Person” should receive annual compliance training from a fiscal agent or other tax-exempt bond financing professional**
- **Who has been designated “Responsible Person” at your district?**

# Continuing Disclosure Requirements for Bond Issuers

- **EMMA – Electronic Municipal Market Access is a system used to update and gather financial data of bond issuers (districts) for bond holders and investors**  
<http://www.emma.msrb.org>
- **On EMMA, a district can monitor the sale and pricing of its bonds**

# Continuing Disclosure Requirements for Bond Issuers

- **Most likely, the fiscal agent for your district enters updated district financial data or operations annually on EMMA**
- **Inform the fiscal agent of anything that could have an effect on district financial data**
  - for example: storm damage, law suit, plant closing)
- **Check to see that EMMA accurately reflects current district financial information**

# Indirect Costs

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# Indirect Cost Rates

## What are Indirect Costs?

- Indirect costs applies only to federal programs
- Federal education programs with “supplement, not supplant” provisions use the “restricted” indirect cost rate calculated by the ADE applying the USDE approved methodology
- Indirect cost may be used to cover expenses of operating a federal program that cannot be directly charged to the federal program
- Examples of indirect costs are bookkeeping costs and utilities

# Indirect Cost Rates

## Why use Indirect Cost?

- Indirect cost allows a district to recover some of the district's cost of operating a federal program
- The amount identified as indirect cost is transferred from the specific federal program directly into the operating fund
- After the amount identified as indirect cost has been transferred to operating, it loses its federal identity and can now be used in the same way that operating funds are used

# Indirect Cost Rates

## How to take Indirect Cost

- Before indirect cost may be taken, indirect cost must be budgeted (in initial or revised budget) in ACSIP
- The previous year's restricted indirect cost rate is used in the federal budgets (in FY15 use FY 14 ICR)
- At the end of the school year, the ADE issues a Commissioner's Memo with current year restricted indirect cost rates for each district, charter, and cooperative
- Use the current rate for the actual calculation (in FY15 use FY 15 ICR)

# Indirect Cost Rates

## How is it Calculated?

- **At the end of each fiscal year (for FY15 use FY15 ICR), the bookkeeper:**
  - **Takes total expenditures from the specific federal program**
  - **Subtracts capital outlay**
  - **Subtracts expenditures above \$25,000 for each purchased service contract (other than employee contracts)**
  - **Multiplies the result by the current year's restricted indirect cost rate**
  - **Determines the maximum indirect cost allowed (subject to other factors – see “cautions” slide)**

# Indirect Cost Rates

## Cautions

- Taking indirect cost does not “create” more money for the federal program
- Funds must be available in the specific federal program if indirect costs are taken
- Per Legislative Audit, the amount of indirect cost taken for each federal program is subject to the 10% rule
- If the indirect cost calculation results in a “maximum indirect cost allowed” that exceeds the amount of funds remaining in the federal program, transfer only the amount remaining in the federal program

# Indirect Cost Rates

## Cautions

- **DO NOT** simply transfer the budgeted indirect cost to the operating fund
  - If the budgeted indirect cost exceeds actual indirect cost, an audit exception could result for exceeding the maximum indirect cost allowed and any amount over the maximum must be repaid to the federal government
  - If the budgeted indirect cost is less than actual, the district may not recover the maximum indirect cost allowed
- A federal program cannot end the year with a negative balance

# Indirect Cost Rates

## Coding

- **Function code 5500**
- **Object code 68400**
- **Create a transfer from the specific federal program to the operating fund**
- **Maintain calculations and documentation for audit**

# Indirect Cost Rates

- **ADE establishes (typically every 5 years) an indirect cost rate plan for Arkansas school districts through negotiations with the US Department of Education**
  - **ADE is currently negotiating with USDE for a new indirect cost rate methodology**
- **Restricted indirect cost rates are published annually via Commissioner's Memo**
- **See CM FIN-14-078 for FY 14 rates**
- **Unrestricted indirect cost rates will be provided upon request**

# Rules on Accounting and Reporting

**Alisa Moore**  
**501.682.5059**





# Rules Governing the Arkansas Financial Accounting and Reporting System

- **By February 15 of each year, the Financial Accountability Unit of the Department shall review the LEAs' most currently submitted AFR, AFB, FTEs, and Average Salaries to determine if the financial records are deficient.**
- **Any error related to the coding and reporting of financial information that causes a material misstatement of financial information will be cause for determining a deficiency.**

# Rules Governing the Arkansas Financial Accounting and Reporting System

- A material misstatement occurs whenever the submitted data has more than a ten percent variance or when the Department has sent written notification to an LEA regarding specific errors discovered in the financial records.
- The Department shall notify in writing, via certified mail, the superintendent or director of the LEA whose financial records are found to be deficient.

# Rules Governing the Arkansas Financial Accounting and Reporting System

- **The SBE may require the superintendent or director and board members to explain and/or appear before the SBE to explain why the district is not complying with state laws or rules.**
- **Any school district that does not comply with and meet the requirements of these rules, shall, after receiving notice as required by law, be identified by the Department as being in fiscal distress.**

# Ad Valorem Tax

## A.C.A. § 26-80-101 (b)(4)(A)(ii)

- **By January 31, each county treasurer provides, for each school district in its county, a calendar year ad valorem tax report to:**
  - 1) ADE**
  - 2) State Treasurer**
  - 3) District Superintendent**
- **School district should:**
  - **Make sure county treasurer has current email for superintendent**
  - **Receive treasurer's ad valorem tax report by January 31**

# Ad Valorem Tax

## A.C.A. § 26-80-101 (b)(4)(A)(ii)

- Verify accuracy of millage rate shown on treasurer’s report
- Verify accuracy of the amount of ad valorem tax revenue shown on treasurer’s report
- Reconcile the county treasurer’s report with the school district’s records
- ADE publishes county reported data on ADE website
  - see Commissioner’s Memo FIN-14-060
- See Commissioner’s Memo FIN-14-077 for Preliminary FY14 URT funding adjustment calculations

# Non-Recurring Bonuses

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# Nonrecurring Bonuses

- **Ark. Code Ann. § 6-20-412 provides information related to nonrecurring salaries paid to personnel from revenues “not considered to be recurring sources of revenue.”**
  - **Fund balances**
  - **Proceeds from sale of property**



# Nonrecurring Bonuses

- Divided equally among licensed personnel employed by the school district at the time approved by the board of directors of the school district unless:
  - The school board and a majority of teachers agree to a different distribution.
- “Equal” means an equal dollar amount.
  - Not equal percentage
  - Not prorated based on days contracted or worked
  - Not prorated based on full-time or part-time status



# Nonrecurring Bonuses

- **Act 989 of 2011 amended § 6-20-412**
  - **Changed requirement that it be paid to licensed personnel employed by the school district at the “time of payment” to employed by the school district at the time “approved by the board of directors of the school district.”**
  - **Removed requirement that a report be submitted to ADE and Legislative Audit.**

# Sales Tax Exemptions

**Mike Hernandez**

**501.683.1321**



# Sales Tax Exemptions

- **School buses sold to Arkansas school districts. (A.C.A. § 26-52-410(b))**
- **Sale of school buses that will be used exclusively by purchaser to provide school bus service for an Arkansas school district. (A.C.A. § 26-52-410(c))**
- **Sales of motor vehicles to public school districts in Arkansas. (A.C.A. § 26-52-410(a))**
- **Sales of food in public school cafeteria and lunchrooms. (A.C.A. § 26-52-401(3))**



# Sales Tax Exemptions

- **Sales of textbooks, library books, or other items purchased by the State of Arkansas to be distributed free of any charge to public schools of Arkansas. (A.C.A. § 6-21-411)**
- **Sales of tickets for admissions to athletic events and interscholastic activities at public and private schools in Arkansas. (A.C.A. § 26-52-412(a))**
- **Sales of sheet music, electronic software, maps, globes, charts, videotapes, DVDs, films and cassettes for use as instructional materials. (A.C.A. § 26-52-437)**





# Sales Tax Exemptions

- **Sales of digital resources when purchased as instructional materials for Arkansas public schools. (Act 288 of 2011)**

**“Digital resources” has yet to be defined. (Arkansas Department of Finance & Administration considered I-Pads as computer hardware, and therefore taxable.)**

# Procurement

**Mike Hernandez**

**501.683.1321**





# State Buying Authority

- **Office of State Procurement (OSP) has authority over the procurement practices of State Agencies only.**
- **Public Schools are allowed by law to purchase off the Statewide contracts, but are not mandated to do so.**
- **Utilizing state purchasing is a way for school districts, charters, and coops to make sure the cost is fair and reasonable.**

# Cooperative Purchasing

## A.C.A. §19-11-249

**Any public procurement unit may either participate in, sponsor, conduct, or administer a cooperative purchasing agreement for the acquisition of any commodities or services with one (1) or more public procurement units or external procurement activities in accordance with an agreement entered into between the participants. Such cooperative purchasing may include, but is not limited to, joint or multiparty contracts between public procurement units and open-ended state public procurement unit contracts which are made available to local public procurement units.**

# What does this mean?

**That Arkansas governmental entities may utilize a purchasing agreement established by another governmental entity or established cooperative that has issued, reviewed and awarded a contract to a supplier where all the procurement laws of Arkansas were followed.**

**Examples:**

**Taps and TCPN; §19-11-249 controls over usual bid requirements of § 6-21-304, A.G. Op. 2006-042**

# Districts & Cooperatives

- **If a district is approached by a vendor who has a contract with a Cooperative Entity (such as US Communities, TIPS/TAPS, NJPA, NIPA, etc.) their administration should review the contract to see if it meets their school district's procurement requirements and is a good value purchase.**
- **Must meet the state's bid requirements for OSP to include as approved.**
- **If it has been bid, then it meets threshold.**

# How do I know if a particular contract meets these requirements?

If a cooperative agreement is on the Office of State Procurement Contract Website, it has been through that review.

[http://www.arkansas.gov/dfa/procurement/pro\\_contracts.html#coop](http://www.arkansas.gov/dfa/procurement/pro_contracts.html#coop)

If it is not on the OSP website, the buying entity must review the solicitation documentation used by the originating entity/cooperative to ensure compliance with Arkansas laws.

# Benefits of using a Cooperative Contract

- **Convenience**
- **Obtain advantages of volume purchases**
- **Combines qualities so that each entity will obtain the best value**
- **Reduces administrative costs of purchasing**



# School District Buying Authority

- **School districts function under separate purchasing laws from State Agencies.**
- **The laws are found in A.C.A. §§ 6-21-301 thru 6-21-306 and give authority to the respective school boards.**

# Procurement

- **A.C.A. §6-21-303 requires the school board to develop policies to outline the method for soliciting bids and allows the board to adopt other rules governing procurement.**
- **School boards may wish to develop rules that allow certain types of commodities and services to be bid for multiple years. (copiers, maintenance, custodial, substitutes, banking)**
  - **Include procedures for terminating and/or maybe an annual renewal process.**
  - **Include a clause that allows termination if future school board fails to budget funds to pay the contract.**

# Procurement

- **Bid threshold for purchase of commodities is \$10,000.**
  - **Per A.C.A. §6-21-301 Commodities means: “all supplies, goods, material, equipment, machinery, facilities, personal property, and services, other than personal and professional services, purchased for or on behalf of the school district.”**
  - **Per A.C.A. §19-11-801(b), “competitive bidding shall not be used for the procurement of legal, financial advisory, architectural, engineering, construction management, and land surveying professional consultant services.**





# Procurement

- Per A.C.A. §19-11-801(c) may elect to not use competitive bidding for other professional services not listed in (b) with a 2/3 vote of board.
- All bidders must have reasonable opportunity to negotiate
- Items **MUST NOT** be split between purchase orders to make the purchase under \$10,000.



# Procurement

- **Bid Solicitation Exemptions (A.C.A. §6-21-305):**
  - **Emergency**
    - **With written statement from superintendent**
  - **Commodities available only from federal government**
  - **Utility services regulated by state or federal agency**
  - **Used equipment and machinery (school buses +2 years to be considered used)**
  - **Single source**
    - **With written statement from purchasing official**

# Bids

- **Do not write specifications to eliminate or restrict competition or include name or identity of any specific vendor.**
- **Notify in writing all prospective bidders who have asked to be notified of bids**
- **Provide an adequate time for a response**
- **Include a response form to be notarized by the agent of the bidder**
- **The wording for the form is found in A.C.A. §6-21-304(a)(4)(A)**



# School Buses

- **The school board has jurisdiction over the purchase of Types, A, B, C, and D school buses. (A.C.A. §6-21-304)**
- **The Academic Facilities and Transportation Commission, with the assistance of an advisory committee, shall provide minimum specifications for buses**
- **See Commission for Arkansas Public School Academic Facilities and Transportation Rules for the Specifications Governing School Bus Design**



# School Buses

- School boards may purchase buses through OSP on state contract
- School boards may request the OSP to take bids on their behalf.
- If the district solicits the bids they must provide the OSP:
  1. A copy of the bid Specs
  2. List of bidders
  3. Any correspondence
  4. Bid tabulation
  5. Copy of bid award



# School Buses

- A School bus is considered “used” 2 years after the date on the manufacturer’s certificate of origin.
  - If the body of the school bus is installed by other than the manufacturer of the chassis, the bus becomes used 2 years after the date of issuance on the certificate of origin issued by the entity that installed the body on the chassis.
- Purchases of used school buses are not subject to approval by the OSP nor bidding procedures prescribed by law.

# Miscellaneous

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# APSCN/SIS Data Conference

**Data Conference  
August 7-8, 2014  
at the  
Statehouse Convention Center**

# eFinance Plus Upgrade

- **Tentative schedule for the Upgrade**
  - Custom retrofit for Arkansas should take 9 months
  - Testing begins in January 2015
  - Pilot districts testing begins February 2015
  - 2 or 3 pilot districts go live possibly by April 2015
  - Full implementation is possible by June 2016
- **See Commissioner's Memo FIN-14-069**

# Resources

- This presentation is available on the ADE Web Site
  - <http://www.arkansased.org> > Publications and Reports > Tier I Presentations
- The Appendix includes all Commissioner's Memos, Rules, Attorney General Opinions, and other items referred to in this presentation
- The Index lists the information from the presentation and the Appendix in topical and numerical order

# Resources

- ADE Web Site - <http://www.arkansased.org>
  - Commissioner’s Memos
  - Publications and Reports
  - Rules
- APSCN Web Site – <http://www.apscn.org>
  - FMS Listserv – <http://list.k12.ar.us/mailman/listinfo/fms> SMS Listserv – <http://list.k12.ar.us/mailman/listinfo/sms>
- APSCN Field Support
  - On-site, phone, email support M-F, 8:00 a.m.-4:30 p.m. or 7:30 a.m.-4:00 p.m.
- APSCN Help Desk
  - 501-682-4887
  - 1-800-435-7989



# Other Resources

- ADE Data Center - <http://adedata.arkansas.gov>
- Special Education - <http://arksped.k12.ar.us/>
- Child Nutrition - <http://cnn.k12.ar.us>
- Academic Facilities and Transportation
  - <http://www.arkansasfacilities.com/>
- Arkansas Division of Legislative Audit
  - <http://www.legaudit.state.ar.us/>

# ADE Contacts

- Questions regarding financial coding
  - Kathleen Crain – 501-682-1297
  - [Kathleen.Crain@Arkansas.gov](mailto:Kathleen.Crain@Arkansas.gov)
- Questions regarding transportation expenditure of funds
  - Mike Simmons - 501-682-4261
  - [Mike.Simmons@Arkansas.gov](mailto:Mike.Simmons@Arkansas.gov)
- Questions regarding state LEA funding and loans and bonds
  - Cindy Hollowell - 501-682-4484
  - [Cindy.Hollowell@Arkansas.gov](mailto:Cindy.Hollowell@Arkansas.gov)
- Questions regarding fiscal distress
  - Hazel Burnett - 501-682-5124
  - [Hazel.Burnett@Arkansas.gov](mailto:Hazel.Burnett@Arkansas.gov)



# ADE Contacts

- Questions regarding financial audits, budgets, duplicate enrollments, property assessments and millage:
  - Alisa Moore– 501-682-5059 or [Alisa.Moore@arkansas.gov](mailto:Alisa.Moore@arkansas.gov)
- Questions regarding federal programs
  - Annette Pearson at 501.683.1243 or
  - [Annette.Carlton-Pearson@arkansas.gov](mailto:Annette.Carlton-Pearson@arkansas.gov)
  - Amy Thomas at 501.682.3636 or
  - [Amy.Thomas@arkansas.gov](mailto:Amy.Thomas@arkansas.gov)
- Questions regarding special education program questions
  - Lisa Haley at 501.682.4221 or
  - [Lisa.haley@arkansas.gov](mailto:Lisa.haley@arkansas.gov)



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