

Tier I Annual Update



2015-2016

CASBO Class SF401A



**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)
- At a minimum, 2 persons per district are required to attend:
 - Superintendent, Education Service Cooperative Director, Open-enrollment Public Charter School Director; and
 - “a person whose job responsibilities include preparing the budget or overall accounting responsibility” for the district

Required Tier I Training

New!!

- **12 hours of initial training**
- **Minimum of 2 hours of annual update training**
 - **Amended by Act 345 of 2015**
- **Districts enter the names of the persons required to be trained in Cycle 4**
 - **List is used to monitor designated person's compliance with completing the annual training**
 - **Limited to 1 superintendent and up to 4 business office personnel**
 - **Do NOT include names of persons receiving Tier II training**



Required Tier I Training

- ADE has approved the following AASBO courses for the 12 hours of initial training:
 - SF101A, Revenues
 - SF101B, Expenditures
 - SM102, Ethics and Audit Compliance
 - SF105, State Funding Notice and Adequacy Matrix
 - PS101, Introduction to Purchasing
 - SF401A, School Finance Issues and Updates



Required Tier II Training

- **Minimum of two 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 service 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**
 - **A sign-in sheet should be kept for audit purposes**
- **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.)**

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)
- 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**
- **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.**

Where is the Standard Chart of Accounts Located?

Where is the Standard Chart of Accounts Located?

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

**> Financial Management System –
Accounting/Coding Documentation > Arkansas
Financial Accounting Handbook 2015/2016**

– Site is Password Protected

Teacher Salary - 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 funded program.

- Teachers
- Counselors
- Librarians
- School Administrators
- District Administrators
- Substitutes for those paid from the Teacher Salary Fund

Operating Fund – 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.

- Personnel benefits not paid from the Teacher Salary Fund (unless paid from the Teacher 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 – 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 – Fund 4

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

Capital Outlay Fund – 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
- Cannot end the year with a negative balance in this fund.
- Except for interest earnings, no other funds should be transferred to or deposited into this fund.

Federal Fund – 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 and 43720)
- Other (revenue codes 43910-43976)

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 – Fund 7

Expenditures from revenue other than local taxes, state, and federal government

- **Fund raising activities**
 - **Gate Receipts, Vending Machine proceeds, Fees**

Expenditures approved by the student organization and its sponsor

- **Supplies and equipment used by the organization**
- **Travel/Transportation expenses for the organization**
- **Items purchased for resale/fund-raising activities**
- **Cash donations or purchases to benefit school or programs**
 - **Field Trips, Athletics, Band Uniforms, Book Fairs**



Food Service Fund – Fund 8

Direct cost of operating food service program

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

Coding for Foundation Funding

Coding requirement for FY16:

Revenues:

- All property tax, state foundation funding and miscellaneous funds will be receipted in Fund 2001.
- No revenue will be posted in Funds 1000, 1100-1199, 2000 and 2100-2199.

Expenditures:

- Foundation/Matrix F/SOF: 1000, 1100-1199, 2000, and 2100-2199

Coding for Foundation Funding

- The amount to be transferred from Fund 2001 to Fund 2000 for FY16 will be \$6,584 times the FY15 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



New!!



New!!

Coding Reminders

See Commissioner's Memo FIN-15-100 for Financial Coding Changes/Reminders for FY16

Topics include:

- **New Objects for unused sick leave**
- **Special Education finance**
- **Changes to AFRB expenditure fund specifications**

Coding Reminders

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 Reminder

Contract Nurses FTE and Vendor Payments

**A.C.A. § 6-18-709 was amended by Act 935 of 2015
Beginning in FY16, report FTE for nurses paid on contracts
for services (purchased services/non-employees)**

- **Cycle 8**

Required new Object 63451 for Purchased Service (Non Employee) Nurse

- **Use with Function 2134 Nurse**

See Commissioner's Memo FIN-15-120



New!!

Coding Reminder Nurse Job Codes



Existing Job Codes:

- LPN 454
- RN 455

Add new Job Codes:

- Registered Nurse Practitioner 457
- Advanced Practice Nurse 458
- Advanced Practice Registered Nurse 459
- Certified Nurse Practitioner 460

Coding Reminder

New Nurse Degrees

Add new Degrees:

- Diploma of Nursing DPL
- Associate of Applied Science AAS
- Associate of Science in Nursing ASN
- Bachelor of Science in Nursing BSN
- Master of Science in Nursing MSN
- Doctor of Nursing Practice DNP

Will be collected in Cycle 2, October 15



New!!



Coding Reminders

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

FTEs

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

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



Minimum Salary Requirement

New

A.C.A. § 6-17-2403 was amended by Act 1087 of 2015:

- **Minimum bachelor's degree salary for FY16 is \$30,122**
- **Minimum master's degree salary for FY16 is \$34,640**
- **Minimum bachelor's degree salary for FY17 is \$31,000**
- **Minimum master's degree salary for FY17 is \$35,650**

Bank Reconciliation

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

A.C.A. § 6-13-635

Board Review of Salary Increases

- **Applies when an employee receives a salary increase of 5% or more**
- **Districts are required to run a Cognos report by the October board meeting to 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**

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 and 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

Beginning January 1, 2016, school districts shall pay a minimum of \$154.48 per month for the health insurance contribution rate for each eligible employee

- **The rate shall increase annually by the same percentage as foundation funding amount is increased by the Legislature**
- **The rate will increase by the same percentage as a change in the district base salary schedule, unless:**
 - **The increase is due to an increase in the minimum salary schedule**
 - **The district has a 75% or more participation rate**
 - **The local contribution rate is more than 125% of the minimum rate**

See Commissioner's Memos FIN-15-109



Educational Excellence Trust Fund (EETF) A.C.A. § 6-5-307

Increments or steps on the district salary schedule for experience, advanced hours, or degrees can be counted toward the EETF requirement

- **See Rules Governing the School District Educational Excellence Trust Fund (January 2014)**

General Liability Insurance

A.C.A. § 20-78-227 was amended by Act 23 of 2015

Removed the requirement for licensed child care centers and licensed and registered child care family homes, including coverage for transportation services, to have general liability insurance coverage in order to be licensed.



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 and Bonds Unit**

Financial Reporting

- **By February 15 of each year, the Financial Accountability Unit of the ADE shall review the LEA's most currently submitted AFR, AFB, FTEs, and Average Salaries to determine if the financial records are deficient.**

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-15-102
- See Commissioner’s Memo FIN-15-111 for Preliminary FY15 URT funding adjustment calculations

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 to eliminate the administrative burden of collecting household applications
- See Commissioner's Memos
 - FIN-15-101 Preliminary Procedures for NSL
 - FIN-15-098 CNU Reporting Requirements
- Rules Governing Student Special Needs will be amended



New!!

Duty Free Lunch Period

A.C.A. § 6-17-2207 was amended by Act 1104 of 2015

Requires a district to provide at least one 30 minute uninterrupted duty-free lunch period during each student instructional day for full-time non-exempt classified employees except in an emergency

- An employee who receives one 30 minute uninterrupted duty-free lunch period is not entitled to two paid breaks**
- An employee who does not receive this shall be compensated at their hourly rate of pay for each duty-free lunch period missed**
- Full-time non-exempt employee means a classified employee who works 35 hour or more per week**



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"
- The FY16 rate is \$8.32 per hour
- See Commissioner's Memo FIN-15-115



Professional Development Days

A.C.A. § 6-17-2402 was amended by Act 44 of 2015

Changed the number of Professional Development days in a basic contract to “no less than six days”

- **This is reduced from ten days**
- **The basic contract did not change from 190 days**



Emergency Inclement Weather Days

**A.C.A. § 6-10-126 was amended by Act 143 of 2015
Allows the superintendent to delay the start time or
release early a school or schools due to emergency
inclement weather**

**For no more than five inclement weather school days
each year, a superintendent may:**

- **Delay the start to as late as 10:00 a.m.**
- **Release students from school no earlier than 1:00 p.m.**
- **A school day that is delayed or released early shall
count as a credited school day, with no requirement
for additional days to be added to the school calendar**



New!!

Making up Missed School Days

A.C.A. § 6-10-126 was amended by Act 286 of 2015

When a superintendent cancels a regularly scheduled school day, the day may be made up by adding time to a regularly scheduled day by:

- **Adding time to the beginning or ending of a regular school day for a minimum of sixty minutes**
- **The day may be canceled for exceptional or emergency circumstances, such as**
 - **Contagious disease outbreak**
 - **Inclement weather**
 - **Other Acts of God**



New!!



Compensation for Teaching more than the Maximum Number of Students

A.C.A. § 6-17-812 was amended by Act 993 of 2015

A teacher in grades 7–12 may volunteer to teach more than the maximum number of students permitted per day under the Standards of Accreditation

- **The teacher's pay shall be increased by an amount proportionate to the teacher's base pay and the additional number of students taught by the teacher**
- **This law does not permit a teacher to exceed the maximum class size permitted under the Standards of**

Accreditation

ARKANSAS
DEPARTMENT
OF EDUCATION



Compensation for Teaching more than the Maximum Number of Students

New!!

The teacher may volunteer to use their conference period to teach an additional class period or to teach more than the maximum number of students per day

- The teacher shall be compensated at a pro-rated portion of their contract for both the extra class period and for every individual student over the maximum number of students permitted per day under the Standards of Accreditation**
- The teacher who volunteers shall sign an agreement for the additional compensation for the semester**

A school district shall adopt a policy to implement this law

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 and teacher salary and benefit expenditure data**
- **School district balances, including legal balances and building fund balances**
- **Minutes of regular and special meetings of school board**

Required Website Postings

A.C.A. § 6-11-129

- Financial listing of monthly expenses
- Salary schedules of all employees (including extended contract and supplementary pay amounts)
- Current contract information for all district employees minus social security number, telephone number, addresses, and signatures (may be in a list format instead of individual contracts)
- The annual budget of the school district
- The annual school district statistical report

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
- 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
- Act 841 of 2015 repeals the reporting requirement of the use of NSL funds for the current and prior year



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 and are to include:

- Benefits
- Compensation
- Designation of workdays
- Holidays and non-instructional days
- The annual calendar
- Methods of evaluation
- Extra duties
- Leave
- Grievances
- Dismissal or nonrenewal
- Reduction in force
- Assignment of teacher aides

Classified Salary Schedules and Personnel Policies

A.C.A. § 6-17-2301

Classified Salary Schedules and Personnel Policies shall be posted to the district's website no later than September 15 and are to include:

- **Salary schedule, fringe benefits and other compensation issues**
- **Annual school calendar, incl. work days and holidays**
- **Evaluation procedures**
- **Leave**
- **Grievance procedures**
- **Termination, nonrenewal, 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 classified salary schedules and personnel policies no later than September 15
- Notification should be made as soon as the district has approved and posted the schedules and policies
- Email website address, providing a direct link to the salary schedules and polices, to: ADEFinna@arkansas.gov no later than September 15
- If the district revises its salary schedule during the school year, email a copy of the revised schedule to: ADEFinna@arkansas.gov

Required Website Postings, Licensed and Classified Salary Schedules and Personnel Policies

- Website data is reviewed by ADE
 - See On-Campus Standards Review checklist
- See A.C.A. § 6-11-129(a)(2)
- Rules Governing School District Requirements for Personnel Policies, Salary Schedules, Minimum Salaries, and Documents Posted to District Websites (July 2014) will be amended

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 postings 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 for help with Triand ID and/or security settings.
- Contact Alisa Moore (alisa.moore@arkansas.gov) or Tammi Rickert (tammi.rickert@arkansas.gov) for any other questions, or call 501-682-9036.

Audit Findings for FY14

Top Findings discovered during audit:

- Segregation of duties/internal control
- Reporting/exceeded program budget (federal variances cannot exceed total budget more than 10%). Changes allowed up to 10% of total budget without ADE approval.
- Excessive Indirect Costs claimed – federal programs
- Allowable costs/cost principles
- Fixed assets not recorded in inventory or could not be located



Audit Findings for FY14

- **Procurement, suspension and debarment**
- **Failure to register debt with ADE according to A.C.A. § 6-20-402**
- **Eligibility for free and/or reduced lunch errors**
- **Lack of periodic time certifications for employees who work with a federal program**
- **Cash receipts did not indicate check/cash composition; cash used and not deposited**

Audit Findings for FY14

- **Other findings and management letters included:**
 - **Misappropriated funds by employees**
 - **Contracting with business in which employee has an interest without board resolution or ADE approval**
 - **Failure to obtain performance bonds for construction contracts**
 - **Disaster Recovery Plan non existent or inadequate**
 - **Activity funds and food service funds – receipting money, cash handling**
 - **School owned activity funds (funds not maintained in a fiduciary capacity) utilized for purchases in conflict with the “public purpose” doctrine and Arkansas Constitution, such as Christmas gifts, flowers for funerals, and retirement party gifts**



Prevention and Detection of Fraud

**A.C.A. § 21-1-600 was amended by Act 1103 of 2015 and
A.C.A. § 25-1-123**

- **Prohibits a public employer from taking adverse action against a public employee because of a report of a loss of public funds**
- **Exempts materials, documentation, and other data gathered regarding an investigation into the existence of waste or fraud from FOI until the final report is issued**
- **Requires posting a sign informing employees of the provisions of this Act**



Prevention and Detection of Fraud

- Requires Criminal Background checks for public employees controlling public funds
- Requires a public employee with supervisory fiduciary responsibility over all fiscal matters to report a loss of public funds to Arkansas Legislative Audit, including
 - Apparent unauthorized disbursements
 - Apparent theft or misappropriation
- Must report within 5 business days
- If the public employee fails to comply with these requirements, they are guilty of a Class A misdemeanor



Five Components of Internal Control

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

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.



Budget Review

- **Improper accounting of debt including QZABs and QSCBs from proceeds to payoff**
- **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**

Budget Review

When budgeting revenue, consider amounts to be received during the year.

- **State Aid Notice**
- **Commissioner's Memos**
- **Local tax revenue**
- **Any other revenues**

Local Tax Revenues:

- **Accrue tax revenue when the County Clerk has received and apportioned collections by June 30**
- **Cannot accrue tax revenue still in the collector's office**

Budget Review

- **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)**

FY16 Budget Review

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



Budget Review

9% Maintenance and 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**
- **If the 9% Requirement is not met, an amount equal to the variance must be moved to SOF 391 in the same fiscal year.**

Budget Review

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.**
- **If GT requirement is not met, districts will be notified**

Budget Review

9% Maintenance and Operation GT Requirement

- 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 2015

Categorical Funding Rates for FY16

A.C.A. § 6-20-2305

ALE \$4,471 (increase of \$88 from FY15)

ELL \$ 324 (increase of \$7 from FY15)

PD New rate will be released via Commissioner's Memo

NSL

- **\$1,562*** free and reduced percentage of 90% or greater
- **\$1,042*** free and reduced percentage of 70-89%
- **\$ 522*** free and reduced percentage below 70%

* These rates do not apply to adjustments due to transition

NSL Required Expenditures and Balances

- A.C.A. § 6-20-2305(b)(4)(F)(i)
- See Rules Governing Student Special Needs Funding (June 2012)
- Requires Districts to spend 85% of annual NSL funding
- If the June 30, 2012 NSL balance exceeded 15% of FY12 NSL funding, required to reduce the balance by a minimum of 10% per year until the balance was no more than 15%
- May ask for a one-year waiver due to "unusual and limited circumstances"

Categorical Balances

- **A.C.A. § 6-20-2305(b)(4)(e)(2)**
- **See Rules Governing Student Special Needs Funding (June 2012)**
- **Requires that the balance of all categorical funds be no more than 20% of annual categorical funding. If the balance exceeds 20% required to reduce the balance by a minimum of 10% per year until the balance is no more than 20%**
- **No waiver of this requirement**

Penalties due to these Requirements

For FY13

- 24 districts failed to meet the requirements
- Total funds withheld \$1,303,992

For FY14

- 20 districts failed to meet the requirements
- Total funds withheld \$514,150

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 (March 2014)
- Rules will be amended for Act 846 of 2015
- District must identify 'limited and unusual circumstances' in request for Commissioner approval

Ethics - School Board Members

Generally,

- A board member may not be employed by the district they serve
- If a district wants to contract with a board member or their family member, or wants to employ a family member of the board member, and the compensation exceeds \$10,000, the district must request Commissioner approval. If less than \$10,000, get local board approval
- If a family member of a board member is employed prior to the board member's election, the district may not increase the employee's compensation more than \$2,500 without approval from the ADE Commissioner

Ethics - Administrators

Generally,

- An administrator may not contract with the educational entity employing them
- A family member of an administrator may contract with the educational entity that the administrator serves only with prior approval from the Commissioner, regardless of the contract amount
- Members of the administrator's family or former spouse cannot be employed as a disbursing officer without approval from the Commissioner after a review by Legislative Audit

Ethics - Employees

New!!

Generally,

- An employee may contract with the public educational entity employing him or her if the total transactions are less than \$10,000 per fiscal year with local board approval
- If the total transactions are more than \$10,000 per fiscal year, the contract must be approved by the Commissioner
- If you have questions or need assistance with a request for an exemption, please call the ADE Attorney's Office at 501-682-4227.

Fiscal Distress

- **A.C.A. § 6-20-1901 thru 1911**
- **Indicators of Fiscal Distress**

The following indicators have been the most common in the past five years:

- 1. A declining balance determined to jeopardize the fiscal integrity of a school district.**
- 2. Material state or federal audit exceptions or violations.**
- 3. Material failure to comply with state law governing purchasing or bid requirements.**

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.

Fiscal Distress - Early Intervention

A.C.A. § 6-20-1904

(b)(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

- **A.C.A. § 6-20-1908(d) Increases the time a district will be allowed to remain in fiscal distress to five (5) years.**
- **A.C.A. § 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 A.C.A. § 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 .**

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.

Nonrecurring Bonuses

- **A.C.A. § 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

- **A.C.A. § 6-20-412 was amended by Act 989 of 2011**
 - **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.**



Preservation or Disposal of School Property

New!!

**A.C.A. § 6-21-108 was amended by Act 394 of 2015
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, city, or incorporated town**
- **2 years after effective date of consolidation**
- **Donation or low cost long term lease**
- **Procedure to follow for determination of "fair market" value**

A.C.A. § 6-13-111

Preservation or Disposal of School Property

See Act 318 of 2013

Attorney General's Opinions on the Preservation or Disposition of Unused or Abandon School property,

- **See Opinions:**
 - **2012-060**
 - **2013-116**
 - **2013-124**



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 tickets for admissions to athletic events and interscholastic activities at public and private schools. (A.C.A. § 26-52-412(a))**
- **Sales of sheet music, electronic software, maps, globes, art supplies, charts, DVDs and films used as part of a course of study. (A.C.A. § 26-52-437)**
- **Textbooks, library books and other instructional materials are exempt if purchased by a school district**

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 and Administration considered I-Pads as computer hardware, and therefore taxable.)

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

Districts and 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.**

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.

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 (May 2004)



School Buses

- A.C.A. § 6-19-129 authorized school boards to allow advertising on school buses. Rules will follow.
- 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.**
- **Purchases of used school buses are not subject to approval by the OSP nor bidding procedures prescribed by law.**

Federal Reimbursements through ADE

- **Last FY15 District Warehouse pull: June 13, 2015**
 - All prior revenue must be receipted by June 12, 2015
 - ADE disbursements by June 19, 2015
- **No Reimbursements July or August 2015**
 - Districts expenditures change June - Sept 15 (Period 13)
 - Accrue revenue to zero out when expenditures are final
- **Reverse accrual to revenue in FY16 prior to Sept 18, 2015**
- **See Commissioner's Memo FIN-15-103**



Federal Reimbursements through ADE

- **First FY16 District Warehouse pull: Sept 19, 2015**
 - Two payments generated from this data pull:
 - Final FY15 reimbursement based on beginning balance and negative revenue
 - First FY16 reimbursement based on YTD expenditures
 - Both payments disbursed by ADE by Sept 30, 2015
- **FY16 Reimbursement Schedule**
 - District Warehouse pulls 2nd Saturday of each month beginning Oct 10, 2015
 - All prior revenue must be receipted before the 2nd Saturday of each month
 - If prior revenue is NOT receipted, reimbursements will be delayed until warehouse data reflects all receipts (usually the next month)



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 unique**

Federal Programs – 10% Variance

EDGAR 80.30 (c) allows budget changes up to 10% of the total approved budget without ADE approval.

- **Does not apply to categorical funds**
- **The “10% Variance” in federal fund expenditures refers to when actual expenditures exceed budgeted expenditures**
- **It is not considered a ‘variance’ when actual expenditures are less than budgeted expenditures**
- **Districts may make budget changes of up to 10% of the total budget amount without ADE approval.**

Federal Programs - 10% Variance

- **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**

Federal Programs - 10% Variance

Example:

- 10% of Total Budget Amount below = \$33,159.50 (\$331,595 x 10%)
- Function 1591 is in compliance because actual expenditures are less than budgeted expenditures

Fund	Fund Description	Func.	Function Description	Budgeted Amount	Actual Amount	Variance Budget to Actual
6501	ESEA Title I	1511	Before/After School Programs	11,175	6,759	4,416
	Regular - Comp	1550	Early Childhood Education	67,146	49,263	17,883
	Education	1591	Title I Schoolwide Instruction	181,771	146,249	35,522
	CFDA 84.010	2130	Health Services	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)
Total (Fund ID)				331,595	272,285	59,310



Federal Programs - 10% Variance

Compare each Function Total Actual Expenditures to Budgeted Expenditures

- **LINE ITEM Actual Expenditure Variance cannot exceed 10% of Total Budget (\$33,159.50)**
- **EX: Function 2324 Variance = \$2,425**
 - **The line (function expenditure) is IN compliance because the line expenditure variance is less than 10% of \$33,159.50 or \$3,315.95)**
- **Look at each line item to determine if the line item is out of compliance.**
- **If the function line expenditure is greater than budget by 10%, it is out of compliance.**

Federal Programs - 10% Variance

If an object column total actual expenditure is greater than the budgeted expenditure, then determine if the column is out of compliance:

Check the Object Column Totals:

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

Summary: Function Row Totals and Object Column Totals cannot be greater than 10% Total Budget

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 (not totals by function or object).
 - (Each function/object amount) instead of total Object (column) and total function (row)
- Examples available on the Special Education Unit Website: arksped.k12.ar.us

Indirect Costs

- Indirect costs are used to recover expenses related to a federal program that cannot be charged directly (i.e. utilities)
- Must be budgeted in ACSIP/APSCN if charged to federal program
- The actual amount of indirect cost taken for each federal program cannot exceed the budgeted amount for indirect costs by more than 10%

Indirect Costs

- **Indirect costs charged must be lesser of**
 - **Funds remaining in federal fund (allotment)**
 - * **Only charge indirect costs up to remaining available funding**
 - **Calculated indirect costs based on current year rate and actual expenditures**
 - * **Only charge indirect costs based on actual expenditures – not budget amounts**

Indirect Costs

- **Calculation:**

Total expenditures from specific federal program

- Less capital outlay

- Less expenditures over \$25,000 for each identified subaward

= Adjusted Total

x Multiplied by Indirect Cost Rate (published via Commissioner's Memo)

= Indirect Costs

Indirect Costs

- **Once calculated, indirect costs are transferred from specific federal fund to operating**
 - **Function code 5500, Object code 68400**

New in FY16

- **Not all purchased service contracts are sub-awards**
- **Not all purchased service contracts are subject to the \$25,000 rule**

Indirect Costs

- **Districts will be asked to submit a list of subawards subject to the \$25,000 rule**
 - **ADE will use this list to include/exclude the appropriate amounts from the district's indirect cost rate**
 - **The district will then apply the resulting rate to the first \$25,000 of these subawards**
 - **The district will be able to apply the rate to all other purchased service contract expenditures in their entirety**
- **Questions regarding federal programs**
 - **Annette Pearson at 501-683-1243**
 - **Kristy Hobson at 501-682-0116**

APSCN/SIS Data Conference

Data Conference
August 6 and 7, 2015
at the
Statehouse Convention Center

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/tac_hac
- **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**
 - 501-682-4357 (682-HELP)
 - 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 at 501-682-1297
 - Kathleen.Crain@Arkansas.gov
- Questions regarding transportation expenditure of funds
 - Mike Simmons at 501-682-4261
 - Mike.Simmons@Arkansas.gov
- Questions regarding state LEA funding and loans and bonds
 - Cindy Hollowell at 501-682-4484
 - Cindy.Hollowell@Arkansas.gov
- Questions regarding fiscal distress
 - Cherry Norris at 501-682-5124
 - Cherry.Norris@Arkansas.gov



ADE Contacts

- Questions regarding financial audits, budgets, duplicate enrollments, property assessments and millage:
 - Alisa Moore at 501-682-5059
 - Alisa.Moore@arkansas.gov
- Questions regarding federal programs
 - Annette Pearson at 501-683-1243
 - Annette.Carlton-Pearson@arkansas.gov
 - Kristy Hobson at 501-682-0116
 - Kristy.Hobson@arkansas.gov
- Questions regarding special education
 - Lisa Haley at 501-682-4221 or
 - Lisa.haley@arkansas.gov



ADE Contacts

- **Questions regarding Child Nutrition:**
 - Suzanne Davidson at 501-324-9502
 - Suzanne.Davidson@arkansas.gov
- **Questions regarding NSL and categorical fund balances**
 - Patty Martin at 501-682-1114
 - Patricia.Martin@arkansas.gov
- **Other Questions**
 - Dr. Eric Saunders at 501-682-1269
 - Eric.Saunders@arkansas.gov

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