

FINANCE

NEWSLETTER



JULY- AUGUST 2016

KENTUCKY DEPARTMENT OF EDUCATION

Unaudited AFR and Balance Sheet Submission Changes for 2016

The Unaudited AFR and Balance Sheet Guide Submission Error/Note Guide for 2016 will be updated on the web by July 1, 2016 and posted to the following page:

<http://education.ky.gov/districts/Pages/MUNIS-Guides.aspx>

New Errors and Notes:

Unaudited AFR Note #27.00 Projects 7XXX recorded in fund 7XXX not Fund 6x. The note will check that any projects with 7xxx tied to school activity transactions are not in fund 7xxx but recorded in fund 6x. (Project 7xxx may also be used for recording district activity transactions in fund 1, 2, 21, or 22. These will not be reviewed or check.) This will change to an error in the audited 2015-2016 submission.

Unaudited AFR Note #28 On-Behalf reported does not match web totals. The note will check the recorded expenditures for each on-behalf paid by the state matches the web document posted by KDE. (This will become an error in 2016-2017.)

Unaudited AFR Balance Sheet Error #11 Balance Sheet object codes with function 0000. The error will check the functions attached to balance sheet objects 6xxx, 7xxx or 8xxx and verify that the function is 0000. If it is not the file will not be allowed to download and the district will have to correct their data. It may involve doing a segment change within an ORG.

Changes:

Unaudited AFR Error #17H On-Behalf Energy using project ENE and must use expenditure objects 0838 and 0839 in fund 400. This becomes an error in the unaudited AFR submission. District are not allowed to use expenditure objects 0831 or 0832 in recording ENE expenditure transactions.

Questions and concerns regarding the unaudited AFR and balance sheet submission process can be directed to: Carol Buell, carol.buell@education.ky.gov ext. 4438 or Karen Conway, karen.conway@education.ky.gov ext. 4435 and both can be contacted at 502.564.3846.

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Superintendent's Compensation Survey

The window for the Superintendent's Compensation Survey opens July 1, 2016 through Aug. 31, 2016. If you have not submitted this information, KDE will not accept your PSD/CSD or salary table in September. All districts are required to submit this on an annual basis.

Procurement in School Nutrition Programs

Procurement is a multi-step process for obtaining goods, products, and/or services at the best possible price. Proper planning and preparation before procuring a good or service is worthwhile and has a critical role in the School Food Authority's ability to obtain the desired high-quality products and services needed at the lowest possible cost.

Accountability of the effective use of School Nutrition funds to provide nutritious food to enrolled children is of interest to the taxpayer, Congress, and the media. The School Food Authority's procurement must be done by being transparent: clear, forthright, and out in the open. This will lead to accountability and cost effectiveness, which are especially important in federally-funded programs such as School Nutrition Programs, which include School Breakfast Program, National School Lunch Program, and the Fresh Fruit and Vegetable Program.

[Procurement in School Nutrition Program](#) continued to page 2

Procurement in School Nutrition Program *continued from page 1*

Per SP 04-2016, School and Community Nutrition must assess the NSLP Program operator's full and open competition in compliance with procurement requirements in NSLP regulations. Compliance will be assessed by reviewing documentation of the procurement procedures using the regulations in effect at that time.

SCN and the educational cooperatives have collaborated and provided or will provide Procurement training to all NSLP Sponsors.

A Procurement webpage has now been added to the School and Community Nutrition website. <http://education.ky.gov/federal/SCN/Pages/NSLP-Procurement.aspx>

Items you will find include: Procurement Training PowerPoint presentation, training handouts, future training announcement, references, and resources. Information also is provided on submitting procurement questions via email to the KDE Child Nutrition Procurement mailbox. cnprocur@education.ky.gov

Please include the following:

PROGRAMS IMPACTED	Indicate the program(s) impacted, such as NSLP, SBP, FFVP, etc.
ISSUE/QUESTION	What is the procurement question?
SOURCES RESEARCHED	What resources have you reviewed? Cite the regulation, policy memos and other materials that you've reviewed on the matter.
PROPOSED RESPONSE	Based on your research, state the response that you have formulated on the matter that you would like us to consider.

For further information, please contact: Valerie Crouch, School Branch Manager at Valerie.crouch@education.ky.gov

Statutory Authority of the State Committee for School District Audits & Meeting Dates

[KRS 156.265](#) authorizes the State Committee for School District Audits (SCSDA) to conduct audits of the financial records of local boards of education. The audits shall be performed by a Certified Public Accountant (CPA), approved by the SCSDA, and conducted according to current auditing standards. Increases or decreases in the scope of the audit are addressed in the Supplemental Agreements section of the audit contract.

The SCSDA requires all local school

boards to have an annual audit of the fiscal records and accounts under the board's control.

The SCSDA shall notify the local board of education of approval or disapproval of the executed contract in accordance with the timeframe set forth in the "Annual Cycle for Local School District Audits."

Please refer to the FY2016 Audit Contract located at <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx> and the Kentucky Revised

Statutes and Kentucky Administrative Regulations referenced within the contract to learn more about the SCSDA authority and role.

The SCSDA's fiscal year 2016-2017 meeting dates are: Sept. 22, 2016, Oct. 20, 2016, March 16, 2017, March 23, 2017, and June 22, 2017 at 10:00 a.m. ET at the Auditor of Public Accounts, located at 209 St. Clair Street, Frankfort, KY 40601.

Please forward any questions to Kim Carter at (502) 564-3846, ext. 4440 or kimberly.carter@education.ky.gov.

On-Behalf Payments

In FY2016, the Division of District Support will be providing a document entitled "On-Behalf Payments Summary Report FY2015-2016" that will be a summary of the districts' combined on-behalf payments paid by the Kentucky Department of Education (KDE), Kentucky Teachers' Retirement System (KTRS), and School Facilities Construction Commission (SFCC). The report will consist of payroll related on-behalf payment totals such as health benefits, federal reimbursement and KTRS; and technology, debt service, Kentucky Interlocal School Transportation Association (KISTA) on-behalf payment totals. The on-behalf payment totals will be recorded in one report as recommended by several districts. The report will be posted at <http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx> during the first week of July 2016; and it will be updated as information becomes available.

The [On-behalf Payments](#) webpage consists of six different categories along with the On-Behalf Payments Summary Report, On-Behalf Payment Instructions, contact information for each category, and other helpful tools and information. Below is a breakdown of the different categories available on this webpage:

- **Debt Service On-behalf Payments** – consist of the debt service payments paid by the SFCC. These totals are posted annually.
- **Federal Reimbursement of Health Benefits On-behalf Payments** – amounts for July 2015-May 2016 are available. June 2016 amounts will be mid-July 2016. These totals are posted monthly.

On-Behalf Payments *continued from page 2*

- **Health Benefits On-behalf Payments** – amounts for July 2015-June 2016 are available. These totals are posted monthly.
- **Kentucky Teachers' Retirement System On-behalf Payments** – For the final FY2016 KTRS On Behalf Payments amount that will be recorded in your governmental funds financial statements in object code 0280, KDE will accept only the "Schedule A" totals for the state contributions column contained within the GASB Statement No. 68 Report for the KY Teachers Retirement System at <https://ktrs.ky.gov/employers/information/gasb-65-67/>.
- **KISTA Energy Savings Capital Leases On-behalf Payments** – consists of the KISTA energy savings capital leases payments paid by SFCC. These totals are posted annually.
- **Technology On-behalf Payments** – the July 2015-March 2016 technology payments are available. April 2016-June 2016 amounts will be available in the mid-July 2016. These totals are posted quarterly.

Please forward questions about individual category on-behalf payment spreadsheets to the contact for that category located on the On-Behalf Payments webpage.

Please forward questions about the On-Behalf Payment webpage to Gail Cox at gail.cox@education.ky.gov or (502) 564-3846, ext. 4462.

Indirect Cost Rates approved at the June Kentucky Board of Education (KBE) meeting

The FY17 indirect cost rates for all districts have been approved. All rates are posted to the KDE website: <http://education.ky.gov/districts/FinRept/Pages/Fund%20Balances,%20Revenues%20and%20Expenditures,%20Chart%20of%20Accounts,%20Indirect%20Cost%20Rates%20and%20Key%20Financial%20Indicators.aspx>. All districts completed the rate setting process by verifying the data through the SEEK Web submission form. Please keep in mind this will be an annual process usually occurring in April of each year. Resources regarding indirect costs can be found at: [Indirect Cost Guidelines](#). Questions regarding indirect costs can be directed to Karen Conway karen.conway@education.ky.gov or (502) 564-3846 extension 4435.

Flex Focus

For FY17 the procedure for flexing money into the flex focus operational project (15FX) will be changing (ex. ESS to 15FX). However, the process will remain the same when transferring money between flex focus grants (ex. ESS to PD). Please refer to our website at the link below for the new codes that should be used starting in FY17.

<http://education.ky.gov/districts/FinRept/Documents/Flex%20Focus%20Funds.pdf>

FY 2016 Financial Audit Contract Information

On June 23, 2016, the State Committee for School District Audits (SCSDA) approved the majority of the FY 2015-2016 audit contracts. The remaining audit contracts will be approved when all components of the contracts have been received. We plan to post the approved and signed audit contracts at <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx> during the first week of July 2016. Please continue to check the website for additional approved audit contracts.

Due Date	Responsible Party	Required Information
July 25	District	Initial Annual Financial Report (AFR) and Balance Sheet (electronic reports) to KDE
October 1	Auditor	Audit Extension Request to KDE
November 15	Auditor	Audit Reports: <ul style="list-style-type: none">• One signed paper copy to school district• One signed paper copy & one electronic copy to KDE• One signed paper copy to Single Audit Clearinghouse See Appendix II for submission instructions.
November 15	District	Second AFR and Balance Sheet, which includes the Statement of Certification verification section , (electronic reports) to KDE. Copy of Second AFR and Balance Sheet to Auditor.

For more information contact Kimberly.Carter@education.ky.gov, (502)564-3846 x4440.

Materials from Financial Reporting and Auditing Workshops posted on KDE website

Approximately 200 district finance staff and auditors attended the Financial Reporting and Auditing Workshops held at various locations across the state during the first half of June.

KDE thanks all those who attended and thanks to the hosts: Hardin County School District, West Kentucky Educational

Materials from Financial Reporting *continued from page 2*

Cooperative, Northern Kentucky
Cooperative for Education Services,
Southeast/Southcentral Education
Cooperative, and Kentucky
Educational Development Corporation
for the use of their facilities.

All materials and videos presented at
the workshops are now available on the
KDE website on the District Financial
Audits page at [http://education.ky.gov/
districts/FinRept/Pages/District-
Financial-Audits.aspx](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx). If you have

suggestions for future training events,
please forward your comments to
Steve Lyles at [Steve.Lyles@education.
ky.gov](mailto:Steve.Lyles@education.ky.gov), LaTonya Bell at [Latonya.Bell@
education.ky.gov](mailto:Latonya.Bell@education.ky.gov), or Chay Ritter at
Chay.Ritter@education.ky.gov.

Finance Officer Certification Program

The Finance Officer Certification Program will kick off on July 1. Please keep KDE updated if you hire a new finance officer so they can get started. To date, there are 24 Finance Officers who have entered the program. If you would like to be a mentor, please let us know. The website to find additional information is: [http://education.ky.gov/districts/FinRept/
Pages/Finance-Officer-Certification.aspx](http://education.ky.gov/districts/FinRept/Pages/Finance-Officer-Certification.aspx).

If you have additional questions about the program or process involved, please contact Carol Buell at [carol.buell@
education.ky.gov](mailto:carol.buell@education.ky.gov) or (502) 564-3846 ext. 4438 or Jana Cox at jana.cox@education.ky.gov or (502) 564-3846 ext. 4409.

KDE Office of Administration and Support

*Associate Commissioner Robin Kinney
Division of District Support Services
Director Donna Duncan, Assistant Director Steve Lyles*

District Funding and Reporting

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