



Kentucky Department of Education

Financial Management Manual

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FINANCIAL MANAGEMENT MANUAL

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I. INTRODUCTION

The purpose of this manual is to acquaint local district managerial personnel with the statutes, regulations, policy statements, and forms needed to assure compliance with the mandates and requirements of the Kentucky Board of Education.

The manual represents the contributions of the Division of District Support and the Pupil Transportation. It consists of ten chapters dealing with a variety of topics including but not limited to procurement, school council financial management, debt management, and budgeting and financial accounting.

It is our hope that the administrative and financial information contained in this manual will become a valuable resource for superintendents, finance officers, and other school administrators and stakeholders.

While much of this material may already exist somewhere in local district files, this manual may serve as a central “file server” to be accessed as the need arises. The reader is encouraged to review the subject matter contained herein with a critical eye and offer suggestions for improving its contents including expansion of topics. For more school finance information, please visit KDE’s web site at [Districts/School Support](#)

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II. REVENUE SOURCES

Local Sources

Taxation

The local board of education is described as the “tax-levying authority” in KRS 160.455. KRS 160.460 requires that all school taxes be levied by the board of education of each school district.

As part of the Kentucky Education Reform Act (KERA) of 1990, KRS 160.470 (9)(a) was amended to require the boards of education to levy a minimum equivalent tax rate of 30 cents per \$100 of assessed property valuation. Equivalent tax rate is defined as the rate that results when income collected during the prior year from all taxes levied by the school district is divided by the total assessed value of property and motor vehicles certified by the Revenue Cabinet. School districts can raise this money through any combination of property tax, motor vehicle tax, and three permissive taxes. Additionally, KRS 157.440 was amended to allow school districts to levy above the minimum 30 cents and qualify for additional state funds.

a. Property Taxes

The local board of education is authorized by KRS 160.460 (1) to levy an ad valorem tax (imposed as a percent of value). The following property is subject to an ad valorem tax: real property - all lands within the school district and improvements thereon, including real property of public service corporations; personal property - certain classes of tangible personal property (any equipment or inventory used in the operation of a business), including tangible property of public service corporations; distilled spirits - the fair cash value of distilled spirits stored in bonded warehouses or premises within the school district (KRS 132.140); motor vehicles including boats and airplanes - the fair cash value of motor vehicles owned by residents and corporations in the school district.

The Commissioner of Education certifies the tax rate limits prescribed in KRS 160.470 and 157.440 to the board of education each year after receiving certified property assessment data from the Revenue Cabinet. The following ad valorem tax rates and resulting revenue are certified to the board of education: (See sample tax rate certification in Section III. Budgeting and Financial Accounting)

(1) Compensating Tax Rate

The Compensating Rate is defined in KRS 132.010 as “. . . that rate which . . . applied to the current year's assessment of property . . . produces an amount of revenue approximately equal to that produced in the preceding year . . .” The Compensating Rate may be levied without hearing or recall.

(2) 4% Increase Tax Rate

“The tax rate which will produce no more revenue . . . than four percent (4%) over the amount of revenue produced by the compensating tax rate . . .” In order to levy a rate above of the Compensating Rate but within the limits of the 4% Increase Rate, a school district must follow the hearing provisions of Subsection (10) of KRS 160.470.

(3) Subsection (1) Tax Rate

Subsection (1) of KRS 160.470 provides that a board of education may not levy a rate which will produce more revenue than the previous year's maximum rate. In order to levy a rate above the 4% Increase Rate but within the limits of the Subsection (1) Rate, a school district must follow the hearing and recall provisions of Subsection (10) and (11) of KRS 160.470. KRS 157.440(2)(a) provides that a school district may exceed the Subsection (1) Rate only with the approval of a majority of the qualified voters.

(4) Tier I Tax Rate

KRS 157.440(1)(a) provides that “. . . each school district may levy an equivalent tax rate . . . which will produce up to fifteen percent (150%) of those revenues guaranteed by the program to support education excellence in Kentucky.” The rate levied under this subsection is not subject to the public hearing and recall provisions of KRS 160.470.

(5) Tier II Tax Rate

Another tax option exists for school districts to consider. The Tier II Tax Rate allows local boards of education to increase revenue—subject to voter referendum—up to 30 percent of revenue generated through the adjusted SEEK base (guaranteed base plus add-ons) plus Tier I. Although the tax rate certifications do not reflect the Tier II Tax Rate as a tax option, HB 940 does provide for this second tier, which is essentially a cap on local effort. Similar to Tier I, if a district's FY 1990 levied equivalent rate exceeded the maximum Tier II equivalent

rate, the district would not be required to levy a lower equivalent in succeeding years. Tier II funds are not equalized by the state.

b. Permissive Taxes

Permissive taxes comprise utility taxes, excise taxes, and occupational taxes. The authority to levy these taxes is found in KRS 160.593. Before a board of education can levy any of these permissive taxes, it must give public notice of its proposed levy and conduct a public hearing to explain the reason for the tax and to hear comments and complaints regarding the proposed levy. The requirements for the notice and hearing are found in KRS 160.603.

Any of the permissive taxes levied by the board of education is subject to petition and recall by the qualified voters in the school district (KRS 160.597).

According to KRS 160.635, permissive taxes levied by a board of education remain in effect until the board reduces the rate; however, this statute allows the board to set a date on which the tax expires at the time the tax is first levied.

(1) Utility Tax

KRS 160.613 authorizes a utility gross receipts license tax for schools not to exceed three percent (3%) of the gross receipts derived from the sale of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas. (Bottled gas companies are exempt.) If the cost of energy or energy producing fuels used in the course of manufacturing, processing, mining or refining exceeds three percent (3%) of the cost of production then the costs of those utilities are exempt from the utility tax. Also, amounts received for utilities that are to be resold are exempt. KRS 160.614 adds the gross receipts derived from the sale of cable television to the class of utilities subject to the utility tax. (Also, see Section XI Miscellaneous, Procedures for Implementing the Utility Gross Receipts License Tax for Local School Districts.)

(2) Occupational Tax

KRS 160.605 authorizes the levy of an occupational license tax for schools on the salaries or wages of individuals for work done in a county and on the net profits of all businesses, professions, or occupations from activities conducted in a county. No occupational license tax for schools shall be collected from any individual who is not a resident of the school district imposing the school tax. Exempted from paying an occupational tax for schools are public service companies that pay an ad valorem tax, insurance companies, banks, trust companies, savings and loan associations, and

income received by members of the Kentucky National Guard for training. The occupational tax rate cannot exceed one-half of one percent (0.5%) and must be a single uniform rate. Any county with 300,000 or more residents is authorized to levy a rate not to exceed 0.75% (KRS 160.607).

(3) Excise Tax

KRS 160.621 authorizes an excise tax for schools not to exceed twenty percent (20%) on a county resident's state individual income tax liability. In other words, the amount of state income tax a school district resident owes would be multiplied by the percent levied to determine the tax amount to be paid to the school system.

The school district may hire someone to collect the excise tax or request that the Revenue Cabinet act as tax collector. When the Revenue Cabinet is requested to be the tax collector, the school district must reimburse the cabinet for its actual cost of collecting the excise tax.

Other Local Revenue

Other local income may come from tuition for summer school programs or from students who attend the district's schools but reside in other school districts; earnings from investments, savings accounts, interest bearing accounts, certificates of deposits, etc.; rental of buildings, land and buses; reimbursement for transporting non-public school pupils; and student fees.

State Sources

SEEK Program

Support Education Excellence in Kentucky (SEEK) is the funding formula developed as part of the 1990 Kentucky Education Reform Act (KERA). A base funding level defined in KRS 157.320(2) guarantees an amount of revenue per pupil to be provided for regular operating and capital expenditures. ([SEEK Executive Summary](#)). ([Taxes in SEEK Calculation](#)) According to KRS 157.360, each school district's base funding level is adjusted by the following factors:

- a. The number of at-risk students identified as those approved for the free lunch program. The prior year average number is multiplied by 15% of the base funding amount;
- b. The number and types of exceptional children as defined by KRS 157.200 based on the prior year December 1 child count. Specific weights for each category of exceptionality are used to calculate the add-on factor for exceptional children. Weights and corresponding categories of exceptionality are as follows:
 - (1) Low Incident Disabilities, 2.35 weight - Functional Mental Disability, Hearing Impairment, Emotional-Behavioral Disability, Visual Impairment, Multiple Disabilities, Deaf-Blind, Autism, and Traumatic Brain Injury;
 - (2) Moderate Incident Disabilities, 1.17 weight - Mild Mental Disability, Orthopedic Impairment or Physically Disabled, Other Health Impaired, Specific Learning Disabilities, and Developmental Delay;
 - (3) High Incident Disability, 0.24 weight - Communication Disorders of Speech or Language;
- c. Transportation cost as calculated under the provisions of KRS 157.370;
- d. The number of home and hospital students in average daily attendance as calculated under the provisions of KRS 157.270. The number of home and hospital students in average daily attendance in the prior year is multiplied by the base funding amount less the capital outlay allotment.
- e. EL – English Learners
[English Learners](#)

A guarantee of a minimum level of local support is generated by a required local effort of 30 cents per \$100 assessed property valuation (KRS 160.420).

A two-tier system allows school districts to exceed the required minimum level of local support (KRS 157.440):

- a. Tier I - allows school districts to levy an equivalent tax rate which will raise revenue up to 15% above the adjusted SEEK base. The local effort is equalized at 150% of the statewide average per pupil assessed property valuation. This levy is not subject to hearing or recall.
- b. Tier II - allows additional levies to produce up to 30% above the adjusted SEEK base plus Tier I. Tier II revenue is all local funds and is not equalized with state funds.

If a school district's levy exceeds Tier I and exceeds the limits of subsection (1) of KRS 160.470, the levy must be submitted to the voters with the following exception: Section (1) (c) of KRS 157.440 provides that a school district which was above the maximum Tier I equivalent tax rate the year before KERA (1989-90), would not be required to levy a lower equivalent rate in succeeding years.

Hold Harmless - school districts are guaranteed the same per pupil state funding as received in the 1991-92 school year. Even though a school district qualifies to be hold harmless, it could receive less total state funding than in 1991-92 if it had declining enrollment.

A school district must levy a five-cent equivalent tax to participate in the School Facilities Construction Commission (SFCC) program that provides revenue for debt service for new facilities or major renovations (KRS 157.620). The five cents is equalized when committed to debt service by the Facilities Support Program of Kentucky (FSPK) on the same basis as Tier I. (See Section V Restricted Funds/Balances, Building Fund/FSPK.)

KERA Strands

a. Professional Development (MUNIS Project 140X)

Grants for professional development to improve instruction in the schools are distributed based on average daily attendance. School districts with councils for school-based decision making must distribute 65% of the allocation generated by the schools average daily attendance to the councils for professional development. (KRS 156.095, 158.649(8), 158.070, 160.345(8) & 704 KAR 3:035)

b. KERA Preschool (MUNIS Project 135X)

School districts implementing the state preschool program are required to make the following available:

- Preschool services to all four-year-old children whose families meet income guidelines for free lunch under the National School Lunch Program
- Free, appropriate preschool education and related services to all three- and four-year-old children with disabilities.

The preschool program provides developmentally appropriate experiences, transportation, nutrition (one meal each day), health and social services, active parent involvement, program evaluation and collaboration with community agencies. Grants for this program are allocated based on the guidelines found in 702 KAR 3:250. (KRS 157.3175 & 702 KAR 3:250, 704 KAR 3:410, Repealed)

c. Extended School Services (MUNIS Project 120X)

The extended school program provides additional instructional time to students (K-12 grades) who have difficulty achieving their educational goals. The extended school program can be offered before or after regular school hours, on weekends, or during the summer. Grants for this program are allocated based on a formula found in 704 KAR 3:390. (KRS 158.070(7) & 704 KAR 3:340, 704 KAR 3:390)

d. Flexible Focus (MUNIS Project 15FX)

The Flexible Focus Fund (FFF) was created by the legislature. Basically, the allocations for five categorical programs (Professional Development or PD, Extended School Services or ESS, Preschool, Textbooks, and Safe Schools) have been modified to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population.

Notwithstanding KRS 157.3175(3) and (4) and 160.345(8) with regard to the state allocation for Professional Development, Extended School Services, Instructional Resources, and Safe Schools, local school districts shall be provided additional flexibility in the utilization of these funds. Local school districts shall continue to address the governing statutes and serve the intended student population but may utilize funds from these programs for general operating expenses in each year of the biennium. Local school districts that utilize these funds for general operating expenses shall report to the Kentucky Department of Education and the Interim Joint Committee on Education on an annual basis the amount of each program funding utilized for general operating expenses.

Funding Information:

[Flexible Focus Funding](#)

Guidance:

[Flexible Focus Guidance](#)

e. Successful School Rewards (MUNIS Project 145X)

The Kentucky Board of Education has established a system of determining successful schools and dispensing rewards. Each school's success is determined by measuring its improvement over a two year period based on an improvement goal established for each school. (KRS 158.6455 & 703 KAR 5:020)

f. Educational Technology (MUNIS Project 162X)

The Council for Education Technology develops a five-year plan for the Commonwealth outlining activities related to purchasing, developing, and using technology to:

- (1) Improve learning and teaching and the ability to meet individual students' needs to increase student achievement;
- (2) Improve curriculum delivery to help meet the needs for educational equity across the state;
- (3) Improve delivery of professional development;
- (4) Improve the efficiency and productivity of administrators; and
- (5) Encourage development by the private sector and acquisition by school districts of technologies and applications appropriate for education.

(KRS 156.660 - KRS 156.690)

g. Family Resource/Youth Service Centers (MUNIS Project 129X)

Grants are provided to eligible school districts to implement or continue Family Resource and Youth Service Centers designed to meet the needs of children and their families by providing services that will enhance students' abilities to succeed in school. The Cabinet for Families and Children establishes the criteria and awards all grants for this program. (Repealed, 156.496, 156.4975, 156.4977)

- (1) Family Resource Centers are located in or near schools with at least twenty percent of the students eligible for free meals. Each site must include the following components:
 - (a) Full-time preschool child care for children two and three years of age;
 - (b) After school child care for children ages four through twelve including full-time child care during the summer and on other days when school is not in session;
 - (c) Families in training: an integrated approach consisting of home visits, group meetings and the monitoring of child development designed to assist new and expectant parents;
 - (d) Family Literacy Services as described in KRS 158.360 or a similar program designed to provide opportunities for parents and children to learn together and promote lifelong learning; and
 - (e) Health services, referral to health services or both.
- (2) Youth Service Centers are located in or near schools with at least twenty percent of the students eligible for free or reduced-priced school meals. Each site must include the following components:
 - (a) Referrals to health and social services;
 - (b) Career exploration and development;
 - (c) Summer and part-time job development for high school students;
 - (d) Substance abuse education and counseling; and
 - (e) Family crisis and mental health counseling.

Other State Grants

- a. **School & Community Nutrition - State Revenue Matching** (MUNIS Code 510-3200)

The Division of School and Community Nutrition annually distributes state revenue matching funds to be used specifically for program purposes, which include local program supervision, operating the programs in participating schools, and intrastate distribution of commodities. (7 CFR 210.17 & 702 KAR 6:075)

- b. **School Bus Driver Training** (MUNIS Code 110-3125)

Grants provided to increase school bus driver training hours required by the Kentucky Board of Education. (KRS 156.160 (1) (k) & 702 KAR 5:080)

c. KECSAC State Agency Children (MUNIS Project 103X)

School districts are reimbursed for educational services provided to School-age children who are committed to or in custody of the Cabinet for Health and Family Services and placed or financed by the cabinet, in a Cabinet for Health and Family Services operated or contracted institution, treatment center, facility, including those for therapeutic foster care and excluding those for nontherapeutic foster care

See Section XI. Miscellaneous, KECSAC for additional information. (KRS 158.135(1) (b) & 157.360)

d. Textbooks (K-12) (MUNIS Project 160X)

State funds provide all kindergarten through 12th grade students with free textbooks and instructional materials. School districts are given a per pupil allotment with which to purchase textbooks and instructional materials. Adoption lists are approved by the State Textbook Commission. (KRS 157.100, & 704 KAR 3:455, Section 16)

e. Teacher Internship (MUNIS Project 142X)

All new teachers and out-of-state teachers with less than two years of experience must pass written tests prior to receiving state certification. They also must complete a one-year internship while employed as a teacher during which time they will receive supervision, assistance, and assessment. While serving the internship, new teachers are under the direction of a three-member beginning teacher committee that determines successful completion of the program. Funds are provided to train committee members and to pay for work done outside normal working hours. (KRS 161.030 (5))

f. Principal Internship (MUNIS Project 143X)

All new applicants for principal certification must pass a generic test to assure an acceptable level of communication skills, general knowledge, and professional education concepts related to instructional leadership, management, and supervisory skills; and a specialized examination on the current instructional and administrative practices in Kentucky public education. After successful completion of the examinations, beginning principals and assistant principals must successfully complete a one year internship program in which they will receive supervision, assistance, and assessment. Funds are provided for administration of this program. (KRS 161.027 (5) & 704 KAR 3:345)

g. Writing Program (MUNIS Project 150X)

Grants are provided to select school districts for the purpose of professional development for teachers aimed at improving writing instruction in order to improve student writing performance. The Kentucky Writing Program Advisory Committee Grants annually reviews professional development activities. (KRS 158.775 & 158.770)

h. Dropout Prevention (MUNIS Project 115X)

Grants are provided to eligible school districts for programming and technical assistance for those students who are at-risk of dropping out of school. Twenty (20) Dropout Prevention Programs are funded in school districts whose dropout rates are among the highest twenty-five (25) districts in the state and who report more than 100 student dropouts in any of the preceding three (3) years. Twenty (20) Dropout Programs are funded in school districts having high dropout rates but fewer than 100 dropouts per year. (KRS 158.146(4)(5) & 704 KAR 7:070)

i. Locally Operated Vocational Schools (MUNIS Code 110-3124)

School districts operating area vocational education centers are appropriated funds for operations. Funds are allocated by formula determined by the approved teacher count per school as specified in 705 KAR 2:140. The board of education provides all instructional and supervisory staff and assumes all operational responsibility for the center. These funds are distributed in four equal payments to the school district. (KRS 156.035 & 705 KAR 2:140)

j. State Operated Vocational Centers (MUNIS Code 110-3123)

Area vocational education centers operated by the Kentucky Tech System and serving secondary students from school districts receive funds determined by the number of full-time equivalent (FTE) students served. If the building is owned and operated by the state, all of the funds are transferred to the Department for Adult and Technical Education. If the vocational center building is owned by the board of education, twenty percent (20%) of the funds generated by FTE is transferred to the school district for building maintenance or retirement of the debt service. (KRS 151B.035 & 702 KAR 1:130(2))

Federal Sources

a. Basic IDEA-B, Section 611 (CFDA 84.027A, MUNIS Project 337X, 337XC, 337XP)

Flow-through funds to school districts, in accordance with the Individual with Disabilities Act (IDEA), to help provide the special education and related services needed to make a Free and Appropriate Public Education (FAPE) available to all eligible children, ages three through twenty-one, and in some cases, to provide early intervening services.

b. Preschool IDEA-B, Section 619 (CFDA 84.173A, MUNIS Project 343X, 343XC, 343XP)

Flow-through funds to school districts, in accordance with the Individual with Disabilities Act (IDEA), to assist in providing special education and related services to children with disabilities, ages three through five, with a Free and Appropriate Public Education (FAPE).

c. Title I, Helping Disadvantaged Children Meet High Standards (PL 103-382)

(1) Title I, Part A, Grants to Local Educational Agencies, (CFDA 84.010, MUNIS Project 310X, 310XD, 310XM, 310XT)

Flow-through funds for eligible school districts to ensure all children have a fair, equal and significant opportunity to obtain a high quality education and reach, at a minimum, proficiency on challenging state academic achievement standards and assessments. The funds may be used for a variety of purposes such as salaries for teachers to improve instruction, instructional materials, parent involvement activities and professional development. This program awards funds to all public school districts and beneficiaries include the at-risk students in the districts.

(2) Title I, Part C Migrant Education (CFDA 84.011, MUNIS Project 311X)

Flow-through funds for school districts with students meeting eligibility requirements for migrant programs. The purpose of the program is to support high quality and comprehensive educational programs for migratory children to help reduce the educational disruptions and other problems that result from repeated moves. It serves children of families meeting the statutory definition of migrant and provides supplemental services such as tutoring and health care, which remove barriers to success in school.

(3) Title I, Part D, Subpart 1, Neglected and Delinquent Children—State Agency Programs (CFDA 84.013, MUNIS Project 313X)

Funds provided to help provide educational continuity for neglected and delinquent children and youth in State-run institutions for juveniles and in adult correctional institutions, so that these youth can make successful transitions to school or employment once they are released.

Title I, Part D, Subpart 2, Delinquent Children—Local Agency Programs (CFDA 84.010, MUNIS Project 314X)

Funds made available to local educational agencies with high numbers or percentages of children and youth residing in locally operated (including county operated) correctional facilities for children and youth (including facilities involved in community day programs). Funds are to be used to carry out high quality education programs to prepare children and youth for secondary school completion, training, employment, or further education; to provide activities to facilitate the transition of such children and youth from the correctional program to further education or employment; and to operate programs in local schools for children and youth returning from correctional facilities, and programs which may serve at-risk children and youth.

d. Title II, Part A, Improving Teacher Quality (CFDA 84.367, MUNIS Project 401X)

Funds provided to districts increase student academic achievement through such strategies as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

e. Education for Homeless Children and Youth (Stewart B. McKinney Act) (CFDA 84.196, MUNIS Project 317X)

Competitive grants for school districts to assist in meeting the needs of homeless students. The program is to ensure that homeless children and youths are afforded the same free, appropriate public education as provided to other children and youths. Competitive grants to address the needs of homeless students in districts with high poverty and high homeless count are held every 3 years.

f. Carl Perkins Vocational, Basic Grant, (CFDA 84.048, MUNIS Project 348X)

Funded through the Carl D. Perkins Vocational and Technical Education Act of 2006. Funding provided to states to develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career and technical education programs.

g. Title I, Part A, School Improvement Section G (CFDA 84.377, MUNIS 460X)

School Improvement Grants under Section 1003(g) of the Elementary and Secondary Education Act of 1965 are grants to state educational agencies (SEAs). SEAs, in turn make sub grants to local educational agencies (LEAs) that demonstrate the greatest need and the strongest commitment to use the funds to provide adequate, needs-based resources in order to raise the achievement of students in their Priority Schools.

h. Title IV, Part B, 21st Century After School Learning Centers (CFDA 84.287, MUNIS 550X)

Competitive grants are provided through these funds for local school districts, community and faith-based organizations as well as other qualifying private and governmental organization to design and implement effective after school programs that improve student achievement.

i. Title VI, Part B, Rural Education Achievement Program (CFDA 84.358, MUNIS 350X)

The purpose of the programs are to address the unique needs of rural school districts that frequently lack the personnel and resources needed to compete effectively for federal competitive grants, and receive formula grant allocations in amounts too small to be effective in meeting their intended purposes.

- Subpart 2- Rural and Low-Income School Program- These funds are a flow-through to qualifying public school districts. Funds may be used for teacher recruitment and retention, professional development, educational technology, parental involvement activities, activities authorized under Title I Part A, Title IV Part A and Title III.

III. BUDGETING AND FINANCIAL ACCOUNTING

Overview

One of the important activities in translating the educational goals of schools into reality is adoption of a budget and approval of the local tax levy. Kentucky law charges the local school board with the responsibility to manage all school funds for the benefit of the district. Each local board must annually approve an allocation to each school council to allow the council the flexibility it needs to make staffing and other important decisions in relation to the school's improvement plan. The local board must establish policies for accounting and expenditure of district funds which meet statutory bidding and accounting procedures. The local board adopts the district budget and approves the local tax levy. The board works with the superintendent in forming the budget and should seek input from other district sources including school councils; however, the responsibility for making final decisions and balancing the competing needs of the district rests with the board. A planned process, both short and long range, is essential to assure effective budget development. Several important issues for consideration by local school boards include:

- What constitutes equity among schools within the local school district and how will the local board assure equity among its schools?
- The effect School Based Decision Making (SBDM) has on the local school board's role in budget adoption.
- Assurance that the board of education and school council consider the over-all picture of the budget in policy making, not just salaries, class size, or other individual components.
- How the budget(s) interact with the district and each school's mission statement and goals.
- Kentucky's goals for education and the significance of the shift from focus on input and process to results or output.

This budget development process is intended to assure that school councils and local school boards exercise an effective voice in the school district budget development and adoption process. The process is presented in the chronology of one year's budget. (See Appendix III-A, Budget Development Cycle.) The process should be widely known in the school system to assure broad understanding by all stakeholders (administrative staff, teachers, classified staff, students, parents, local business and professional community, other citizens) so they know how their perceptions of needs can be expressed. Enactment of this budget planning process should assure that the school council and the local board of education have ample opportunity to review

proposed expenditures and express their perceptions as to what expenditure allocation will best meet the learning goals of the school or district well in advance of the beginning of the fiscal year.

This budget development procedure focuses on the process for developing and adopting an annual budget. However, it must be emphasized that a local school and school district should have long range plans for all functions of the educational enterprise. Each budget is interconnected and interrelated to the preceding and succeeding budget. Further, each part of a single budget is also interconnected and interrelated because a decision to allocate funds to one area may mean that some other competing need will not be funded. Finally, school improvement is a long range process, and planned changes in many instances require several years. The Budget Development Cycle begins with enrollment projections. The origin and flow of information and the approximate time of the year for each stage of budget development are noted next to the description of that particular stage.

Revenue Projections - (October - November)

Projection of anticipated revenue must also be completed for both long term and short term. Projections of state and local revenue are closely interconnected in the Support Education Excellence in Kentucky (SEEK) funding formula. The projected enrollment and average daily attendance are the first data entered into the revenue projection. The projection of anticipated required local effort and local revenue from Tier I (KRS 157.440 (1)(a), Tier II, or the five cent (5¢) equivalent building fund tax (FSPK) shall be based on the following:

- a. Projection of assessed value of property subject to taxation based on multiplying the prior year certified assessed value by the average percent change experience in assessment for the prior three years. (By January, the projected local tax revenue in the Draft Budget may be supported by the local Property Valuation Administrator's (PVA) data on anticipated assessment. The district should maintain contact with the PVA to obtain tentative data from this office at the earliest possible time.)
- b. Application of the prior year equivalent tax rate enacted by the local board except where the projected assessed value would require a lower rate unless approved by the voters of the district.

The level of state funding per pupil through SEEK shall be projected based on the SEEK Forecast calculated by the Department of Education. The Department of Education shall provide to each superintendent a forecast of state revenue projected for the upcoming school year by December. This revenue projection will, in most

cases, utilize the average daily attendance projected by the local district superintendent based on the enrollment projection process described above.

Draft Budget - (January 31) (STW-GL-7)

Using locally generated data (projections and needs assessment) and the state SEEK Forecast from the Department of Education; the superintendent should be able to prepare a Draft Budget for review by the local board of education. KRS 160.470(6) (a) requires local boards of education to formally and publicly examine anticipated receipts and expenditures for the next fiscal year by January 31 of the preceding year. The legislation is interpreted to mean that a Draft Working Budget be proposed at a publicly advertised regular or special meeting of the board of education and filed along with other agenda materials in the district office. The Draft Budget need not be submitted to the Department of Education.

An important component of the budget development process is a cash flow analysis which supports the importance of adequate reserves. The Kentucky Board of Education recommends that a reserve of at least 2% of total budgeted expenditures in Funds 1 and 51 be budgeted in the General Fund. It should be noted that the cash flow analysis may support the need for an even higher reserve.

Amounts budgeted for staff positions and salary levels should tentatively be based on projected enrollment and the district's staffing policy. The staff level data should be provided to school councils for their use in determining both certified and classified staffing levels within the budget appropriation contained in the Draft Budget.

Board approval of the Draft Budget should include authorization to develop bid specifications and advertise for supplies and equipment as included in the Draft Budget. This will allow the board to receive bids on equipment and make final decision as to funds available for equipment in time for these needed items to be delivered to schools before the opening of the school year.

Finally, the Draft Budget must contain sufficient funds to meet anticipated debt service requirements and lease obligations. It is strongly recommended that a district not obligate itself for debt service beyond eighty percent (80%) of its allocation for capital outlay, the revenue from the 5¢ equivalent tax levy for facilities and the allocation of state Facilities Support Program of Kentucky (FSPK) equalization funds KRS 157.440 (1)(b).

School Council Allocation - (March 1)

702 KAR 3:246 requires that by March 1 of each fiscal year, local boards of education must make an allocation to school councils based on the district's staffing

policy which shall include, as a minimum, funds for salaries of certified and classified positions. It should be noted that nothing prohibits a district from allocating additional funds for other school needs. An updated allocation is due May 1.

School Budget Appropriations - (March - May)

Every school shall be required to have a budget. The board allocation to each school budget shall provide sufficient funds for teaching supplies. School councils may determine the portion of the overall board allocation to be spent on teaching supplies. Development of the needs assessment for teaching supplies should begin with the teachers and other staff in grade level or departmental groups. School budget requests should be assembled by the school principal, approved by the school council, and submitted to the superintendent. Information provided shall include anticipated receipts from all sources, including fund raising. Receipts and expenditures shall be detailed for each activity account at the school. The school activity budgets should be considered by the local board in March, April, or no later than May. Fund raising requests from school support groups may be included as part of the local school budgets. Kentucky law requires that all fund raising activities, including school support groups, be approved by the local board of education. Board approval of school budgets and fund raising activities should be complete by the end of May.

Tentative Working Budget - (May 30)

KRS 160.470(6) (a) requires local boards of education to adopt a Tentative Working Budget on or before May 30 for the next fiscal year that shall include a minimum reserve of two percent (2%) of the total budget. [Appendix III-B1](#) contains a checklist of required submissions.

Tax Rates Levied Form- (Within 30 Days of Receipt of Assessment)

Upon receipt of its certified assessment and maximum permissible tax rates from the Department of Education, the district board of education has thirty (30) days within which to levy tax rates and submit a Tax Rates Levied Form for approval by the Kentucky Board of Education. An important consideration here is the potential impact of the failure of the local board of education to levy the maximum Tier I tax rate under the SEEK program. Failure to do so, particularly in the odd numbered years preceding the legislative session, will prevent the district from maximizing state Tier I equalization funds. A detailed discussion of the SEEK funding formula is presented in Section II, Revenue Sources.

Final Working Budget - (September 30)

The Final Working Budget should be ready for final approval based on the tax levy approved in the General Budget and other adjustments due to changes in estimated enrollment, staffing, etc. The Final Working Budget must be submitted to the Kentucky Department of Education by September 30 for the current year for subsequent approval by the Kentucky Board of Education. The Budget must be submitted even if the Tax Rates have not been adopted. Appendix III-B1 contains a checklist of required submissions. KRS 160.470(6) (b)

Accounting and Budget Administration - (July - June)

Accounting and budget administration shall be carried out pursuant to Kentucky Revised Statutes and Administrative Regulations on local school district finance and accounting. Of particular importance are the procurement statutes and regulations. Local district accounting policies should include direction as to requirements for monthly and annual financial reports and staff designated to monitor those reports. It is recommended that accounting services be provided by the district rather than a duplication of accounting staff at each school.

After adoption of the budget, it is essential that the uniform state accounting system is fully implemented to monitor expenditures as approved in the school and district budgets. The reporting system shall include monthly reports to the local board school council(s) and program managers to assure that the receipts and expenditures are actually taking place as forecast in the budget. Board policy requiring the encumbrance of purchase orders for all procurement is recommended. A monthly activity forecast from the cash flow analysis of the budget should be compared on a line by line basis to the actual experience. This comparison should also include comparison of the cumulative year-to-date forecast with the actual year-to-date experience.

Unaudited Annual Financial Report and Balance Sheet - (July)

The Unaudited Annual Financial Report and Balance Sheet must be submitted to the Kentucky Department of Education by July 25. Appendix III-B1 contains a checklist of required submissions. Data submitted in the Annual Financial Report is used in the calculation of local tax rates, SEEK allocation, and federal funding, therefore, it is vital that this information be accurate and timely.

Audited Annual Financial Report and Balance Sheet Audit - (August - November)

All accounts in the school system (board and school activity) must be annually audited by an independent auditor. Field work on the audit should begin as soon as possible after the end of the fiscal year. The audit report must be approved by the local board and submitted to KDE for review by November 15 of each year. Timely receipt of the auditor's recommendations will allow for more immediate implementation of corrective actions by the school staff. KRS 157.061

BUDGET DEVELOPMENT CYCLE		
Initiate Process of Projecting Enrollment/Average Daily Attendance (ADA) for Next Year	LEA	October
Initiate Annual Needs Assessment (i.e. Staff, Programs, Equipment, Facilities)	LEA	October
Confirm/Amend KDE Estimate of Current Year End of Year ADA and Next Year's Assessment	KDE and LEA	November
Forecast State SEEK (KRS 157.410 Tentative)	KDE to LEA	December
Local and State Revenue Projections/Preliminary Budget	LEA	November-December
Final State SEEK	KDE to LEA	December
School District Draft Budget-Review by Local Board (KRS 160.470)	LEA to KDE	January 31
School Council Allocations	LEA to SBDM Councils	March 1
School Councils Advise Superintendent/Board of Staffing Levels	LEA	March 31
Notification of Reemployment of Certified Staff for Next Year (KRS 161.750)	LEA	April 30
Notification of Certified Staff of Reduction in Duties (KRS 161.760(3))	LEA	May 15
Board Adopts Tentative Working Budget (KRS 160.470)	LEA to KDE	May 30
Notification of Salary of Certified Staff (KRS 161.760(1))	LEA	July 1
Annual Financial Report and Balance Sheet (KRS 157.060)	LEA to KDE	July 25
Board Sets Tax Rates and Submits Tax Rates Levied Form (KRS	LEA to KDE	Within 30 Days of of Assessment (July 30)
Publish Annual Financial Report in the Newspaper (KRS 424.220(6))	LEA	August 31
Tentative State SEEK	KDE to LEA	September
Board Submits Working Budget to KDE (KRS 160.470)	LEA to KDE	September 30

CHECKLISTS (KEEP)

Annual Financial Report

Electronic Submissions:

- _____ AFR Detail Function Magnetic Media File – AFFXXX00X.txt
- _____ AFR Summary Spreadsheet File – ASRXXX.00X.XLS
- _____ Balance Sheet Detail Magnetic Media File – BSXXX.00X
- _____ Balance Sheet Summary Spreadsheet File – BSFXXX.00X.XLS
- _____ Tax Collection Information
- _____ Local District’s Reconciliation of Taxes Collected (Form F-60B)

Hard Copy Submissions:

- _____ Tax Collector’s Report to Local Board of Education (Form F-60A)

Tentative Budget

Electronic Submissions:

- _____ Working Budget Magnetic Media File – TEDXXX.00X
- _____ Working Budget Spreadsheet File – TSFXXX.00X.XLS

Working Budget

Electronic Submissions:

- _____ Working Budget Magnetic Media File – WKDXXX.00X
- _____ Working Budget Spreadsheet File – WSBXXX.00X.XLS

NOTE: The “XXX” represents district number. The “00X” represents the sequence number.

IV. SBDM COUNCIL FINANCIAL MANAGEMENT (on web)

[SBDM Council Financial Management](#)

INSTRUCTIONS FOR DISTRICTS USING 702 KAR 3:246

CENTRAL OFFICE INSTRUCTIONS

Section 3 (Page 1)

- Enter the total General Fund, Fund 1, expenditures from the draft budget.
- Subtract from the total, all district-wide expenses such as transportation, itinerant teacher salaries, extended employment, extra duty and contingency.
- The remaining amount **MUST** be allocated to school councils.

SCHOOL COUNCIL ALLOCATION INSTRUCTIONS

Section 4 (Page 2)

- Enter school name, 95% average salary and projected enrollment.
- Enter number of certified positions, filled, new and vacant, allocated in Column A.
- Enter actual 185 day salaries for filled positions and 95% of the district certified salary for new or vacant positions in Column B.
Do not use columns C or D.
- Near the bottom of the page, total all salaries.

Section 5 (Page 3)

Repeat steps in Section 4 using classified salary schedules.

Section 6 (Page 4)

- Enter prior year end-of-year average daily attendance (ADA).
- Multiply ADA by [TBA](#) for a total minimum allocation.

Section 7 (Page 5)

- Enter amount to be allocated to schools from Section 3 (Page 1).
- Enter total Section 4 allocation (Page 2).
- Enter total Section 5 allocation (Page 3).
- Enter total Section 6 allocation (Page 4).

- The remaining balance **MUST BE ALLOCATED TO SCHOOLS**. This should equal the amount shown as Total “Other Funds Available” in the lower section of the form. The lower section of the form describes how the balance was allocated. If funds are allocated on a per pupil basis:
 - Enter total funds allocated on a per pupil basis.
 - Enter per pupil amount.
 - Enter ADA.
 - Enter Total “Other Funds Available”. This should equal the amount shown as “Balance” in the upper section of the form.

If funds are allocated based on needs identified by the school councils:

- Enter total amount allocated based on school needs.
- Enter Total “Other Funds Available”. This should equal the amount shown as “Balance” in the upper section of the form.

If funds are allocated based on a combination of the two methods.

- Enter total funds in each category.
- Total “Other Funds Available”. This should equal the amount shown as “Balance” in the upper section of the form.

School Council Working Budget, Revenue – Section A (Page 6)

- Enter total for salaries from the Section 4 and 5 calculations. (Pages 2 and 3).
- Enter total Section 6 allocation (Page 4).
- Enter the amount to be allocated to the school through Section 7 (Page 5).

- The total Fund 1 allocation must equal the “Amount To Be Allocated To Schools,” shown on Section 3 (Page 1).
- Multiply the prior year end-of-year average daily attendance for the school by the district’s per pupil allotment for professional development. A minimum of 65% of the district’s professional development funds must be allocated to schools through Section 9.
- Total the allocation for all sections to a grand total.

School Council Working Budget, Expenditures – Section B (Page 7)

Not for use by central office until budgeted numbers have been entered by the council. The form may then be used to report budgeted to actual expenditures.

School Council Allocation Certification (Page 8)

- Enter the names of ALL schools in the district, including schools without councils.
- For each school, list in the appropriate column the total allocation for certified staff (Section 4), classified staff (Section 5) and instructional supplies, materials, travel and equipment (Section 6).
- In the “Per Pupil Amount” column, this is the amount allocated for each student in average daily attendance (ADA) in each school for instructional supplies, materials, travel and equipment. This amount is automatically put in for you on the web form.
- Money not allocated in Sections 4, 5 and 6 must be allocated in Section 7.
- Total the allocation for each school. (This will be the total Fund 1 allocation and will not include the allocation for professional development.)
- Enter the professional development (Section 9) allocation for each school.

NOTE: If your district does not receive all or only a portion of the ADA on the high school students attending state funded vocational schools, you may reduce allocations to the high schools where those students are enrolled by the exact same proportion as those students are not in physical attendance at the

SCHOOL COUNCIL ALLOCATION FORMS

DISTRICT NAME _____

TOTAL FUND 1 EXPENDITURES FROM DRAFT BUDGET _____

LESS EXPENDITURES FOR DISTRICT WIDE EXPENSES _____
(To include pay for extended employment and extra duty for all employees as well as contingencies)

AMOUNT TO BE ALLOCATED TO SCHOOLS (Fund 1) _____

District _____

School _____

Enrollment _____

95% District Avg Salary _____

Certified Area	A		B		C		D
	# Positions Allocated by Board		Total Salaries for Allocated Positions		Positions Assigned by Council		Total 185 Day Salaries
	Filled	New/Vacant	Filled	New/Vacant	Filled	New/Vacant	All Positions
Primary School							
Grade 4							
Grade 5							
English							
Social Studies							
Math							
Science							
Foreign Language							
Health							
Physical Education							
Art							
Music							
Agriculture							
Business							
Distributive Ed.							
Industrial Ed.							

Home Economics							
Computer Literacy							
Other							
Subtotal Teachers							
Principal							
Asst. Principal							
Guidance Counsel							
Media Specialists							
Instructional Sup.							
Subtotal Admin's							
Grand Total							
Total Allocation Certified Staff							

Other						
Subtotal Classified						
Custodial Staff						
Subtotal Custodial						
Grand Total						
Total Allocation Classified Staff						

DISTRICT NAME _____

PRIOR YEAR END-OF-YEAR AVERAGE DAILY ATTENDANCE _____

3 1/2% OF SEEK BASE (.035 X BASE) **TBA**

TOTAL ALLOCATED (ADA X 3 1/2% SEEK BASE) _____

**TO BE ALLOCATED TO
SCHOOLS**

(See Section 3)

**LESS SECTION 4
ALLOCATION**

(Certified Staff)

**LESS SECTION 5
ALLOCATION**

(Classified Staff)

**LESS SECTION 6
ALLOCATION**

**(Supplies, Materials, Travel, and
Equipment)**

BALANCE

(To Be Distributed Under Section 7)

SECTION 7 - PER PUPIL

**(Per Pupil Amount =
)**

(ADA = _____)

SECTION 7 - BASED ON SCHOOL NEEDS

TOTAL "OTHER AVAILABLE FUNDS"

DISTRICT _____

SCHOOL _____

REVENUES	
SECTION 4 ALLOCATION (Page 2)	
CERTIFIED SALARIES	—
SECTION 5 ALLOCATION (Page 3)	
CLASSIFIED SALARIES	—
SECTION 6 ALLOCATION (Page 4)	
\$113.19 X AVG DAILY ATTENDANCE	—
SECTION 7 ALLOCATION (Page 5)	
PER PUPIL ALLOCATION	—
NEEDS IDENTIFIED BY COUNCIL	—
TOTAL SECTION 7 ALLOCATION	—
TOTAL FUND 1 ALLOCATION	
SECTION 9 ALLOCATION (FUND 2)	

65% PROFESSIONAL DEVELOPMENT

—

GRAND TOTAL ALLOCATION

=

DISTRICT _____

SCHOOL _____

EXPENDITURES		
<u>CODE</u>	<u>DESCRIPTION</u>	<u>BUDGETED</u>
0110	Certified Salaries	
	Principals	_____
	Assistant Principals	_____
	Guidance Counselors	_____
	Media Specialists	_____
	Teachers	_____
	Other Certified Staff	_____
0130	Classified Staff	
	Office Managers	_____
	Secretaries	_____
	Clerks	_____
	Aides	_____
	Custodians	_____
0330	Other Professional Services	_____
0420	Cleaning Services	_____
0430	Repairs & Maintenance	_____
0440	Rentals	_____
0530	Communications	_____
0540	Advertising	_____
0550	Printing and Binding	_____
0580	Travel	_____
0610	General Supplies (Instructional)	_____

0630	Food	_____
0640	Books & Periodicals	_____
0670	Student Activities	_____
0690	Other Supplies & Materials	_____
0733	Furniture & Fixtures	_____
0734	Computers & Related	_____
0735	Other Instructional Equipment	_____
0810	Dues, Registration & Other Fees	_____
0840	Contingency	_____
0892	Open House, Orientation, Parent Meetings	_____
0894	Instructional Field Trips	_____
0895	Other Student Travel	_____
0899	Other Miscellaneous Expenditures	_____
	GRAND TOTAL EXPENDITURES	<u>_____</u>

				TBA			
				TBA			
				TBA			
				TBA			
				TBA			
TOTALS BY CATEGORY							
TOTAL AMOUNT AVAILABLE FOR ALLOCATION							

THIS REPORT INDICATES:

MARCH 1 ALLOCATION

*** Section 9 monies come from Fund 2.**

DISTRICT NAME _____

V. RESTRICTED FUNDS/BALANCES

Facilities Support Program of Kentucky (FSPK) also known as the Building Fund, School Facilities Construction Commission (SFCC) Funds, and Support Education Excellence in Kentucky (SEEK) Capital Outlay are provided by the legislature to meet the facility needs of the school district as shown on its facility plan. The following details the legal requirements, eligibility criteria, and use of these funds.

[Construction Webpage](#)

[Construction Power Point](#)

Facilities Support Program of Kentucky (FSPK)

Legal Requirements: KRS 157.440(1)(b) requires the following:

1. The district shall commit at least a five-cent (5¢) equivalent tax to debt service on facility bond issues, new facilities, or major renovations of existing school facilities.
2. The five-cent (5¢) equivalent tax is in addition to the minimum thirty cent (30¢) equivalent tax required by KRS 160.470(9).
3. The levy shall be made no later than October 1 of each odd-numbered year. Eligibility for equalization funds for the biennium shall be based on the district funds committed to debt service on that date.
4. The five-cent (5¢) equivalent tax shall be equalized at one hundred fifty percent (150%) of the statewide average per pupil assessment. (The General Assembly sets the level of equalization in the Biennial Budget.)
5. The equalization funds shall be committed to debt service on facility bond issues to the greatest extent possible, but any excess equalization funds not needed for debt service shall be deposited to a restricted building fund account. The funds may be escrowed for future debt service or used to address priorities listed in the approved facilities plan.

Eligibility Criteria: The eligibility calculation for FSPK equalization shall be based on the current year certified assessment and the prior year's adjusted average daily attendance (AADA). Debt service must be within \$10,000 of or exceed the local five-cent (5¢) equivalent tax by October 1 of each odd numbered year (Refer to Attachment A: "Facility Support Program of Kentucky").

Use of Funds: KRS 157.440 requires that revenues generated by the FSPK local five-cent (5¢) equivalent tax and FSPK state equalization funds be limited to debt service on facility bond issues, new facilities, and major renovations of existing facilities as listed in the district's approved facility plan. Allowable expenditures include the following: purchase of sites related to construction, construction and equipping of new school buildings, and debt service on facility bond issues. Expenditure of these funds for equipment will not be permitted, except in the equipping of a new school or in conjunction with a major renovation project. Computers are not considered equipment for these purposes. There is no provision in the statute that would permit reimbursement of general fund expenditures for maintenance and property insurance or any other expenditure from these funds for a district with identified facility needs. Equalization funds not committed to debt service shall be deposited to a restricted building fund account. Expenditure restrictions for equalization funds are the same as for revenues generated by the five-cent equivalent tax levy. Any district that is not eligible for equalization and has not accepted assistance from SFCC may be permitted upon written application to the District Financial Management Branch to transfer the FSPK local five-cent (5¢) equivalent tax revenue for other school purposes.

School Facilities Construction Commission (SFCC)

Legal Requirements: KRS 157.611 through 157.640 establishes the School Facilities Construction Commission (SFCC) to assist local school districts in meeting their capital construction needs. The SFCC shall use the statement of school facility construction needs and local available revenue as certified by the Kentucky Board of Education to determine the rate of participation of each school district in any given biennium. The amount allocated to school districts is based on available state funding and the percentage of a district's unmet facility needs to the total statewide needs. The SFCC portion of the bond sale shall be limited to twenty (20) years with a level repayment schedule.

Eligibility Criteria: To participate in the SFCC funding program, a district must have unmet facility needs as shown by the approved facilities plan less any available local revenue. Eligibility also requires that the FSPK local five cent (5¢) equivalent tax revenue be budgeted for facility debt service, new buildings, additions, or major renovations (Refer to Attachment B: "Major Renovation as Defined in the Kentucky School Facilities Planning Manual") of existing facilities and all "available local revenue" be transferred to a restricted account for school

building construction on June 30 of each year. "Available local revenue" is defined in KRS 157.615 as the following from the AFR and Balance Sheet:

	MUNIS BALANCE SHEET CODES
Building Fund Account Balance	32-8723
	32-8727 (case by case)
	32-8734
	32-8735
	32-8737 (only in even numbered years)
	32-8738
+ 80% Capital Outlay Fund Allotment	310-3200
+ Capital Outlay Fund Account Balance	31-8723
	31-8727 (case by case)
	31-8734
	31-8735
	31-8737 (only in even numbered years)
	31-8738

Use of Funds: The school district is required to expend “all available local revenue” as defined above before funds generated by SFCC bond sales are expended. “All available local revenue” for a project shall be expended for major renovations and/or construction of the identified project. The balance of funds in the construction accounts remaining after the completion of a project may be expended on the next project of the approved facilities plan. These costs may include site acquisition, architectural and engineering services, financial and legal services, and equipment.

MAJOR RENOVATION AS DEFINED IN THE
KENTUCKY SCHOOL FACILITIES PLANNING MANUAL
 [School Facilities Planning Manual](#)

MAJOR RENOVATION - A renovation project at a permanent center including three or more building systems and an estimated cost of twenty percent (20%) of the current replacement cost of the building or portion thereof. The building shall be a minimum of 30 years old, or 30 years shall have passed since its last major renovation; with the exception of restructuring an open space school for conventional classrooms. 702 KAR 4:160 (Section1)(12)

Building systems are defined as foundations, exterior walls, roofing, ceilings, structural, mechanical (HVAC), electrical (including lighting), plumbing, sewage, doors and hardware, windows, floor finishes and coverings, technology and fixed equipment.

Power wiring for the technology portion of KERA will meet the major renovation requirement for category 1d. (KERA strands) priority projects on the facility plan. Guaranteed energy savings contract or GESC is defined by KRS 45A.345(28).

Fixed Equipment means furnishings or equipment that are secured to the wall, floor, or ceiling to operate or function in the manner intended by the product manufacturer, such as bleachers, student lockers, casework with sinks, or plumbing fixtures.

Construction Fund 360 (See BG-5 on Facilities web site)

Construction funds are established for the purpose of paying all costs arising out of the construction or remodeling of school facilities.

a. Sources of construction funds are as follows:

- (1) Proceeds from the sale of school revenue bonds
- (2) Transfers from the Capital Outlay Fund 310
- (3) Transfers from the Building Fund 320
- (4) Transfers from the General Fund 1
- (5) Interest earned on investments (IE: Sale of Building investment)

b. Appropriate disbursements from the construction funds are as follows (BG-5):

- (1) Site acquisition and improvement
- (2) Direct payment of construction costs
- (3) Architectural and engineering fees
- (4) Construction manager fee
- (5) Administrative costs (miscellaneous bank fees, etc.)

c. Residual funds left over from a completed construction project may be used as follows:

157.420(4) (d)

- (1) Cash balances may be returned to the appropriate fund.
- (2) Capital Outlay and FSPK funds may be applied to debt service, principal payments, a capital improvement at the project site, or applied to a categorical priority listed on the facility plan. (Can be used for Categories 1-4 but not Category 5)

- (3) Residual SFCC funds require approval from the School Facilities Construction Commission. If these funds are to be spent on another site, the project must be the next priority listed on the district's facility plan.
- (4) Fixed equipment, including mounted televisions, library furnishings, science case-work, kitchen equipment, bleachers, etc., may also be purchased (with approval) with FSPK, Capital Outlay or SFCC funds. Classroom furniture (desks & chairs) may also be purchased for a new building. Examples of **inappropriate requests** would be library books, computers, band uniforms, copiers, AV equipment, central office furniture, pianos and music equipment, lawn mowers, and the non-fixed equipment or furnishings. (702 KAR 4:160)
- (5) For all bond sales, regardless of fund source, approvable contingency expenditures are required to increase the value of bond investor's collateral (the project). Expenditures for non-fixed equipment, which could easily be moved to another site, are generally not permitted for this reason. KDE has allowed classroom desks and chairs to be purchased as an exception to this rule because it is essential for the building to be utilized for its intended purpose.

Education Technology Funds

Funds for education technology come from two sources: (a) Education Technology Funding Program administered by SFCC and (b) board of education matching funds.

These funds may only be used for technology related purchases approved by the Knowledge, Information & Data Services (KIDS) and shall be subject to audit by the board of education's independent auditor.

KRS 157.611(3)(4) provides that SFCC through the Education Technology Funding Program shall assist boards of education in meeting their education technology needs by distributing state funds appropriated for this purpose for bonding, purchase or lease of educational technology equipment and related software. Funds appropriated for education technology shall be maintained, administered and audited separately.

Sick Leave Escrows

The purpose of establishing sick leave escrows is to have designated balances set aside to pay retiring employees for unused sick leave days.

KRS 161.155 (10) provides that a board of education may compensate, at the time of retirement, an employee or a teacher for each unused sick leave day. The rate of compensation for each unused sick leave day shall be based on a percentage of the daily salary rate calculated from the employees or teachers last annual salary, not to exceed 30%. Per KRS 161.155 (10)(b) states “that the maximum number of sick leave days a district board of education may recognize is three hundred (300).”

The primary benefit of this escrow is to avoid placing an undue hardship on the general fund for the year in which an inordinate number of teachers elect to retire.

KRS 157.420 (3) provides that a school district that compensates its teachers or employees for unused sick leave at the time of retirement may create an escrow to maintain the amount necessary to pay teachers or employees who qualify for receipt of the benefit. The escrow is limited to not more than fifty percent (50%) of the maximum liability for the current year. Balances deposited into this escrow shall not be used for any other purpose than to pay retiring employees for unused sick leave based on the board of education’s policy.

If a school district elects to establish such an escrow, it should develop a policy for implementation and secure the board of education’s approval. The school district should then determine its maximum annual obligation based upon the number of eligible employees and the district rate of compensation. Once the annual liability is determined, the school district may designate a portion of the General Fund balance as reserve for sick leave.

VI. DEBT MANAGEMENT

Bond Debt Documents

Under the provisions of KRS 156.070 (5), the Kentucky Board of Education has set regulations governing the issuance of capital construction and renovation bonds and school revenue bonds. KRS 162.080 to 162.300 set forth the methods and authorization for school districts to finance capital construction projects and to issue refunding bonds. 702 KAR 3:020 (2) require the Commissioner of Education to disapprove the sale of any school revenue bond issue, which he deems to be financially unsound. The school districts' Working Budgets, submitted annually, are reviewed by the Division of District Support under KRS 160.470(6)(b) to determine that the proper amounts are budgeted for the payment of principal and interest on any revenue bond debt. If the proper amount is not budgeted, a revised budget is required to be submitted to the Division of District Support.

Under 702 KAR 4:160(2), the school district submits a proposed budget (BG-1) for any capital construction project for which school revenue bonds are to be sold. The Division of District Support reviews the budget to verify that the school district is able to support such bonds through revenue from Capital Outlay funds, Facility Support Program of Kentucky (FSPK) funds that include the five-cent equivalent local revenue and state equalization funds, and School Facilities Construction Commission (SFCC) funds. This review should be prior to the development of plans by the architects and engineers. The amount of bonds is restricted to the amount of revenue available for debt service.

During the course of design of the facilities, the school district's architect and engineer are required to submit cost estimates. Should the estimates exceed the budget by ten percent or more, a revised budget must be submitted to the District Facilities Branch for approval by the District Financial Management Branch to ensure that adequate funding is available at the local level.

The school district hires a fiscal agent and bond counsel as specified in 702 KAR 3:020(3) to assist in developing the revenue bond issue and to work with the District Facilities Branch on the bidding as the date for the construction project nears. The fiscal agent will assist the school district in preparing a financing plan including funds available for debt service and proposed debt service schedule. Upon receipt of bids for the capital construction, the architect and

engineer submit the required documentation on the bids to the District Facilities Branch, which ensures that adequate funds are budgeted to cover all costs required to provide a functional facility upon completion. A revised budget that is tailored to the bids received, including any other expenditure, is submitted to the District Facilities Branch and subsequently approved by the Division of District Support.

The architect submits the contract documents a minimum of ten working days prior to the school revenue bond sale date and the fiscal agent submits a preliminary official statement to the Division of District Support for review. Under KRS 45.812, a report of the costs associated with the sale of revenue bonds must be submitted to the Capital Projects and Bond Oversight Committee and the Interim Joint Committee on Appropriations and Revenue.

The legislative intent of SFCC is to “help local school districts meet the school construction needs of the state in a manner which will insure an equitable distribution of funds based on unmet need.” This mission is to be accomplished by assisting boards of education to finance construction of new facilities or the major renovation of existing school facilities through funds appropriated by the General Assembly. 750 KAR 1:010 sets out Commission procedures for determining eligibility and the level of participation of each school district, making the offer of assistance to the school districts, determining allowable expenditure of funds, and accumulating credit for those districts that maintain their eligibility, but do not have sufficient funds to complete their first priority project.

Bonding Potential

Bonding potential refers to the capacity of the school district to pay for the annual debt service of a bond issue. Available revenue is equal to 80% of the projected revenue for Capital Outlay, the required five-cent levy to participate in FSPK, state equalization of the five-cent FSPK levy, and SFCC funds. Other local revenue may include a building fund levy in addition to the five-cent required minimum or other un-obligated funds that a board of education devotes to debt service.

A school district’s current debt service reduces the amount available for new debt service, but the structure of that debt also affects the bonding potential of the available revenue. If the debt service schedule drops off in a few years, new debt can be structured to increase the bonding potential. If the debt service schedule balloons at some point, the

available revenue could not support as many new bonds. Tailoring the proposed debt service to the existing debt service is usually done with the assistance of a fiscal agent.

Bond Payee Disclosure

KDE and SFCC must comply with KRS 45.812. This requires, for issues involving SFCC, that bond issue information be submitted to the Capital Projects and Bond Oversight Committee the third Monday of each month, and a Bond Payee Disclosure Form and preliminary information be submitted at least fourteen (14) days prior to the Committee's regularly scheduled meeting. The SFCC requires this information to be submitted by noon one working day prior to the above fourteen (14) day deadline set by the Committee. For non-SFCC issues, the bond issue information must be submitted to Committee staff ten (10) days prior to the bond sale.

Report all costs associated, either directly or indirectly with the issuance of revenue bonds and also report the Payee (i.e. fiscal agent, trustee, other). In the case of an advanced refunding, negative arbitrage in an escrow fund should be disclosed as well as prices, as of the date of the estimate, of any open market securities in escrows. The Bond Payee Disclosure Form should include a brief description of the project and a tentative payment schedule.

Bond Payee Disclosure Forms must be submitted to the following: (Check contacts names)

Capital Projects and Bond Oversight Committee
Capitol Annex
Frankfort, Kentucky 40601
Telephone: (502) 564-8100

Interim Joint Committee on Appropriations and Revenue
Capitol Annex
Frankfort, Kentucky 40601
Telephone: (502) 564-8100

District Facilities Branch
Kentucky Department of Education
300 Sower Boulevard
Frankfort, Kentucky 40601
Telephone: (502) 564-4326

District Financial Management Branch
Kentucky Department of Education
300 Sower Boulevard
Frankfort, Kentucky 40601
Telephone: (502) 564-3846

Division of District Support
Kentucky Department of Education
300 Sower Boulevard
Frankfort, Kentucky 40601
Telephone: (502) 564-3846

If the bond issue involves SFCC participation, the Bond Payee Disclosure Form must also be submitted to:

Executive Director
School Facility Construction Commission
229 W. Main Street, Suite 102
Frankfort, Kentucky 40601
Telephone: (502) 564-5582

Bond Sales

In order for the Division of District Support to adequately provide the necessary services and timelines for the bond sale and construction/renovation, the following schedule should be adhered to:

- a.** The architect and/or construction manager must provide to the District Facilities Branch a copy of the tabulation of bids, proposal form and bid security of the low bidder, and proposed contract with the general contractor or prime contractor. Projects utilizing owner direct purchases will require an executed and notarized letters of authorization and proposed purchase orders. This information must be provided at the earliest opportunity after bids are received and approved by the board of education, but not any later than ten days prior to the scheduled sale of the bonds.
- b.** A revised financial page of the BG-1 reflecting the actual cost and sources of funding must be submitted to the District Facilities Branch a minimum of ten days prior to the scheduled sale of the bonds. The Division of District Support must approve the contract documents and financial budget prior to a bond sale being authorized by the Kentucky Department of Education (KDE).
- c.** The fiscal agent must provide to the District Financial Management Branch a copy of the Preliminary Official Statement, Notice of Bond Sale, and Official Terms and Conditions no later than ten days prior to the scheduled sale of the bonds.

Failure to meet the timelines indicated above or the adequate resolution of any discrepancies found in the submissions could result in rescheduling of the bond sale.

Fiscal agents must submit the Final Official Statement to KDE and SFCC, where SFCC is involved, no later than 30 days after the sale date of the bonds. The statements must contain the same information as that submitted in preliminary form except the actual interest rate received at the time of competitive bid will be used.

A certificate of project completion must be filed with SFCC by the school district. The certification must summarize the application of the bond proceeds, investment earnings, and any remaining funds from either source. In addition,

the certificate must verify the use of cash contribution by the school district as may be required for eligibility for SFCC funding. [Facilities Planning Manual](#)

Accounting Guidance for Debt Service on Bonds and Capital Leases

Beginning with fiscal year 2013, **all** districts must maintain a debt service fund (fund 400) for recording any debt service payments on bonds made by the district or made by others on-behalf of the district. The debt service fund must be reflected in all financial information submitted to the Kentucky Department of Education (KDE) for Tentative Budget (TB), Annual Financial Reports (AFR) and Working Budget (WB). Principal and interest payments for capital leases, such as Kentucky Inter-local School Transportation Association (KISTA) bus or copier leases, may be recorded either in the fund in which the original lease was recorded or in the debt service fund.

THE DEBT PAYMENT PROCESS - BONDS

The debt service fund does not eliminate the need for capital outlay fund or building fund. If a debt service payment is made with capital outlay or building funds, a fund transfer to the debt service fund shall be posted to move the revenues from the capital outlay or building fund into the debt service fund. Residual construction funds may be transferred to the debt service fund to be used to pay debt service only with a prior approved BG-1 from KDE.

THE DEBT PAYMENT PROCESS - CAPITAL LEASES

Districts are not required to record principal and interest payments on capital leases, such as KISTA bus capital leases or copier capital leases, in the debt service fund. Generally accepted accounting principles (GAAP) allow principal and interest payments on capital leases to be recorded either in the fund in which the lease is originally recorded or the debt service fund. (Principal and interest payments on operating leases are not to be recorded in the debt service fund.)

Fee Structure

Fee is based upon the actual amount of bonds issued.

Fees to include: attorney fees, printing of bonds and official statements, advertising the bond issue, travel of the fiscal agent, and other normal expenses related to the bond closing.

Fees not to include: title search or rating service.

The maximum fee schedule of SFCC also applies to refundings, except the cost of verification of the escrow, bond rating fees, escrow agent fees, and special tax counsel may be added to the cost of issuance for the refunding bonds.

Advanced and Current Refunding

Preliminary Financing Plan:

The school districts' fiscal agent must submit a refunding bond financing plan to KDE and SFCC, where SFCC is involved in meeting a portion or all of the refunding bond debt payments. At a minimum, the plan should include the following information:

- a. A schedule of the prior bond payments, shown by SFCC and local portions.
- b. Call requirements of the prior bonds.
- c. Estimated cost of escrow.
- d. Sources and uses of funds of the refunding bonds.
- e. Interest cost savings report, nominal and net present value basis, shown by SFCC and local portions.

A composite refunding bond issue combines refunding bonds with new bond issues to provide needed construction funds and increase the future bonding capacity of the school district. However, the financing plan must demonstrate that the interest cost savings requirements are being met as though the bonds were not a part of a composite issue.

Required Interest Cost Savings

Due to the many varied structures which may occur in a refunding issue, the only true measure of interest cost savings is a comparison of the refunding bond payments to the prior bond payments with these savings computed by discounting the interest cost savings each fiscal year (computed July 1 - June 30) at the average coupon of the refunding bonds on a semi-annual compounding basis. This is commonly referred to as "net present value savings" or "NPV savings". The NPV savings may be adjusted by adding back the accrued interest and any contingency paid to the school district at closing due to bond rounding. The refunding bonds should be structured using a similar maturity schedule as the refunded bonds for evaluation purposes. A generally accepted industry standard is that the NPV savings should equal 5% of the principal amount of the bonds being refunded. The criteria to be used for advance refundings will generally be a net present value savings of 5% of the principal amount of the prior bonds.

Rather than to strictly apply the 5% NPV rule to all school revenue refunding bond issues, some leeway needs to be granted, especially in light of the remaining term of the prior bonds. For instance, a school district may only have 4-5 years remaining of a prior issue. They plan to include a refinancing of these bonds in order to realize some interest cost savings, but mainly to increase their bonding capacity due to the 4-5 lean bonding years. Otherwise, the school district may have to delay the construction of a needed school until the prior bonds are paid in full.

KDE and SFCC review current refundings on a case-by-case basis. In addition, KDE and SFCC may grant an exception to the advance refunding criteria, which in their sole opinion the case may warrant, and which they determine is to the benefit of the school district and/or the SFCC.

Financing Plans

Information must be submitted to KDE and SFCC so that it is received at least three (3) weeks prior to the competitive sale date of the refunding bonds. A cover letter should accompany the schedules and must set forth in summary form the savings being projected.

KDE or SFCC, where SFCC is involved, must notify the financial advisor at least ten (10) days prior to the competitive sale if the refunding bond savings or structure does not meet the policies of KDE and SFCC.

A copy of the preliminary official statement for refunding bonds must be submitted to KDE and SFCC, where SFCC is involved, at least five (5) working days prior to the competitive sale.

Refunding Bond Payment Dates

As a general rule, the principal and interest payment dates for the refunding bonds should be the same as the prior bonds. However, if the prior bond payment dates are January 1 and July 1, this should be avoided due to the change in

fiscal years occurring on July 1. It is recommended in these cases the new payment dates be adjusted to August 1 and February 1. Likewise, a problem occurs when refundings are being conducted in the last quarter of a fiscal year. The Depository Trust Corporation requires a principal payment not occur sooner than 90 days prior to the delivery date. This presents a problem when a prior bond payment occurs in the last quarter of a fiscal year, soon after the delivery of the refunding bonds. The normal remedy available to the financial advisor is to: a) have one short interest and principal payment sized to produce level savings; b) schedule delivery of the refunding bonds after the school district and SFCC have made their schedule payments; or c) avoid any interest or principal payments at all for the refunding bonds during this quarter. If remedy in c) above is a part of the refunding bond structure, this produces a larger savings up-front and in most instances will result in a lower overall gross savings, but equitable net present value savings.

Final Maturity Date of Refunding Bonds

In refunding bond issues where SFCC is a participant, the new payments of SFCC cannot extend past the originally agreed upon fiscal year, nor can any SFCC bond payment during a fiscal year exceed the originally agreed upon amount.

In stand-alone refundings, school districts may not extend the term of the refunding bonds, unless the refunding issue is a part of an overall restructuring plan, subject to special approval of KDE and available to a limited number of school districts.

Leases

Per KRS 65.944, no school district shall enter into a lease if the lease price exceeds one hundred thousand dollars (\$100,000) without first receiving the approval of the lease from the:

STEPS TO ISSUE SCHOOL REVENUE BONDS

1. School district submits proposed budget (BG-1).
2. Division of District Support reviews proposed budget to verify school district's ability to support bonds with available revenue. The amount of bonds is restricted to the revenue available for debt service.
3. School district contracts with architect and engineer to design facilities.
4. Architect/engineer submits estimates of cost. If the cost estimates exceed the bonding potential by 10% or more, a revised budget must be submitted to the Division of District Support
5. School district hires fiscal agent and bond counsel to develop the bond issue 702 KAR 3:020).
6. The board of education advertises and receives bids for a construction contract.
7. Bid information is submitted to the District Facilities Branch by the architect and engineer for review to ensure that adequate funds are budgeted for the completion of the facility.
8. The revised budget is tailored to the bids and submitted to the. Division of District Support
9. The board of education adopts a resolution to issue bonds.
10. Contract documents are processed and submitted a minimum of ten (10) days prior to the bond sale. The fiscal agent submits the Preliminary Official Statement to the Division of District Support.

11. Bond Payee Disclosure Form (a report of the cost associated with the sale of the bonds) must be submitted to the Legislative Research Commission (LRC) for review by the Capital Construction and Bond Oversight Committee if SFCC funds are involved. The Capital Construction and Bond Oversight Committee reviews and makes recommendations on the bond issue before the sale.
12. Bonds are sold.

FINANCING TECHNOLOGY

The State Board for Elementary and Secondary Education at its May 1993 meeting amended the State Technology Master Plan to establish the useful life of technology hardware at three years for financing purposes. This amendment allows districts to issue bonds for technology as provided in House Bill 698 enacted by the 1992 General Assembly. The School Facilities Construction Commission (SFCC) at its April 1993 meeting established the following guidelines:

1. No SFCC bond sales for computer technology due to limitations imposed by House Bill I enacted by the 1993 special session.
2. Only local (no SFCC funds included) bond sales for computer technology will be allowed, and the debt service will not exceed three years.
3. New Department of Education approved BG-1's will have computer equipment separated from other equipment. SFCC funds will be used only for other equipment.
4. If a school district elects for local bonding for computer technology and has SFCC bonds to sell that will be handled under the same indenture, two debt service schedules will be required--twenty (20) year debt service schedules for SFCC and no longer than three (3) year debt service schedules for computer technology.

5. SFCC construction/renovation bonds will be allowed for telecommunication and power wiring for computers. The three-year useful life also limits the length of lease agreements for computers. KRS 65.944 requires that all leases over \$100,000 be submitted to the Chief State School Officer and be approved by the Commissioner of Education. House Bill I requires that the department verify that only local funds are used for debt beyond this biennium. Therefore all proposed leases should be submitted to the Kentucky Department of Education, Division of District Support, at least 14 days prior to board consideration with the cost of the equipment and cost of financing shown separately. Districts may not enter into such lease agreements without Department approval.

Use of Construction Funds for Technology Projects

Construction funds plus any interest earned on construction funds may be spent on technology projects for fixed equipment which is part of the building, i.e. conduit, cabling, drops, receptacles, cable tray, etc., when approved by the District Facilities Branch.

This includes voice, video and data systems. Please be advised that stand-alone equipment, i.e. computer stations, printers, file servers, switches, routers, fax machines, copiers, software, etc., are not appropriate expenditures of capital construction funds.

When capital construction funds are utilized for technology projects, districts shall comply with 702 KAR 4:160. Major projects shall be bid in accordance with KRS 45A and KRS 162.160 for projects above \$20,000 and \$7,500 respectively (KRS 424.260)

It should be added that the Deputy Commissioner and the Agenda Committee may review our position after consulting with key constituent groups, including local superintendents and L.S.A.C.

If you should need additional information concerning this matter, please contact the District Facilities Branch at 502-564-4326.

APPROVAL OF LEASE AGREEMENTS

School district personnel should be aware of the provisions of KRS 65.944 concerning lease agreements. All lease agreements in excess of \$100,000 must be reviewed by the District Financial Management Branch and approved by the Commissioner. Technology lease agreements of any amount must be reviewed by the District Financial Management Branch and approved by appropriate personnel in the Department.

To expedite the process, the District Financial Management Branch has established procedures for districts to follow. On the attached you will find all information needed. Proposed lease agreements and accompanying documents must be sent to the District Financial Management Branch to the attention of LaTonya Bell.

If you have any questions, please call Ms. Bell at (502) 564-3846.

Attachment

LEASE ARRANGEMENTS REVIEW

School District Name: _____

Date Received: _____

Amount of Lease: _____

Interest Rate: _____

Date Approved: _____

Or

Disapproved: _____

Items that must be included:

- ____ 1. Actual lease agreement (not a proposal)
- ____ 2. List of equipment, including unit price
- ____ 3. Cost of financing
- ____ 4. Evidence of approval of Master Plan
- ____ 5. Term not to exceed three years
- ____ 6. Price Contract or Bid
- ____ 7. Letter of Approval from Local Board Attorney

Lease will be sent to the following for review:

- ____ 1. Office of Legal Services for approval pursuant to KRS 65.944 for over \$100,000 and that lease is sound for under \$100,000.
Date sent: _____ Date Returned: _____
- ____ 2. Division of District Support for approval of equipment.
Date sent: _____ Date Returned: _____
- ____ 3. District Financial Management Branch for assurance of ability to pay.
Date sent: _____ Date Returned: _____

After all three have signed off, approval letter will be sent from:

- ____ 1. Commissioner - \$100, 000 and over
- ____ 2. Deputy Commissioner – Under \$100,000
An Equal Opportunity Employer M/F/D

VII. [Attendance Manual](#) (follow this link to the Attendance Manual)

- **Superintendent's Annual Attendance Report (SAAR)**
- **Growth Factor Report**
- **Contracts for Nonresident Pupils**
- **Student Drop Out Questionnaire**
- **702 KAR 7:125 Pupil Attendance**

VIII. PROCUREMENT

Bid Law

One of the most important operations of any local board of education is the procurement process.

Procurement by local boards of education is governed by several statutes and regulations. KRS 45A.345(17) defines procurement as:

...the purchasing, buying, renting, leasing, or otherwise obtaining any supplies, services, or construction. It also includes all functions that pertain to the obtaining of any public procurement, including description of requirements, selection, and solicitation of sources, preparation and award of contract, and all phases of contract administration.

In layman's terms, it means anytime you pay for something using public funds.

A local board of education may choose one of two legal options in establishing procurement policies and procedures. They are KRS 424.260, referred to as the Bid Law, and KRS 45A, known as the Model Procurement Code. The school board must formally elect to operate under KRS 45A, otherwise it automatically operates under KRS 424.260. A district operating under KRS 45A must bid items costing \$20,000 or more. A district operating under the Bid Law must bid items costing \$20,000 or more. Exceptions are perishable meat, fish and vegetables, and professional services. These thresholds apply to the district as a whole and not to individual schools. For example, a district operating under the Bid Law is required to make newspaper advertisements for competitive sealed bids when the total, or aggregate of all schools', expenditures for "like" items can reasonably be expected to exceed \$20,000 during a one-year period.

"Like" items are those which can be reasonably grouped together so as to attract competitive bids from a single vendor such as athletic supplies, instructional supplies, or tires and tubes for school buses.

Another way to determine if items being purchased are "like" items is by how they would be classified as an expenditure on the financial report. For example, items

that fall under Object Code 0610, instructional supplies would be considered “like” items. Each school district should have a listing of purchase categories in the central office.

Professional services are excluded from bidding under KRS 424.260. Those services would include physicians, auditors, fiscal agents, attorney, and architects.

Administrative regulation 702 KAR 3:135 describes the bidding procedures to be utilized by boards of education pursuant to KRS 424.260 and Chapter 45A of the Kentucky Revised Statutes.

702 KAR 3:135. Bidding Procedures.

RELATES TO: KRS 45A.350, 156.031, 156.070, 156.076, 424.260 STATUTORY AUTHORITY: KRS 156.070, 156.160

NECESSITY AND FUNCTION: KRS 45A.343 authorizes school districts to elect to procure pursuant to KRS 45A.345 through 45A.460 or under KRS 424.260; KRS 156.070 gives the Kentucky Board of Education the management and control of the public schools and gives it authority to prescribe regulations necessary for the efficient management, control, and operation of the schools under its jurisdiction; KRS 156.076 allows a board of education, under certain conditions, to advertise for bids and award contracts for supplies and equipment covered by price contracts secured by the Department of Finance at the request of the Kentucky Board of Education; and KRS 424.260 requires a school district to make newspaper advertisements for bids for purchase of certain materials, supplies, equipment, or contractual services exceeding \$20,000. This regulation standardizes the bidding procedures to be utilized by boards of education if applicable.

Section 1. For those school districts electing not to adopt KRS 45A.345 to 45A.460 the following requirements shall apply:

- (1) Notices for bidding advertised by boards of education for purchases of materials, supplies, equipment, or contractual service, where advertising for such bids is required or allowed by statute, shall describe what is to be bid for and the time and place for receiving and opening of bids.
- (2) All bids shall be submitted in writing, typewritten or in ink, and sealed, and they shall be opened and read publicly at the time and place designated for the bid opening.
- (3) No bid shall be changed after it is opened. This shall not prevent the acceptance or rejection of alternates which are specified as a part of the regular bid forms and specifications. Negotiation of contracts subsequent to time bids are submitted shall be prohibited. Late bids or proposals shall not be considered.
- (4) If the lowest bid is not accepted, the board shall record in the minutes the reason for the rejection.
- (5) All bids submitted and related information shall be filed and made available for review by interested parties.

(6) Notification of the awarding of the contract shall be given in writing to all bidders. This notice shall include a list of all bidders together with their bid amounts.

Section 2. A bid which does not conform to this administrative regulation or does not conform with the contract specifications shall be rejected as being non responsive. A bid which is accepted in non-compliance with this administrative regulation shall be void.

Model Procurement Code (KRS Chapter 45A)

If the local board chooses to adopt the Model Procurement Code, contracts and purchases for materials, supplies, and equipment exceeding \$20,000 must be procured by competitive sealed bids. However, under certain conditions outlined in KRS Chapter 45A, formal bidding may not be necessary. In those situations, other methods of procurement are permitted under the law. A brief summary of the alternatives follows:

- a.** Competitive Negotiations are possible when specifications cannot be made sufficiently specific to permit an award on the basis of either the lowest bid price or the lowest evaluated bid price; sealed bidding is inappropriate because the available sources of supply are limited; or the bid prices received through sealed bidding are unresponsive or unreasonable.
- b.** Noncompetitive Negotiations process may be used when a written determination is made that competition is not feasible and it is further set forth in writing by a designee of the local school district that:
 - (1) An emergency exists which will cause public harm as a result of the delay in competitive procedures;
 - (2) There is a single source within a reasonable geographical area of the product or service to be procured;
 - (3) The contract is for the services of a licensed professional, such as attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineer services;
 - (4) The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, fish or meat;
 - (5) The contract is for replacement parts where the need cannot be reasonably anticipated and stockpiling is not feasible;
 - (6) The contract is for proprietary items for resale;

- (7) In school districts the contract relates to an enterprise in which the buying or selling by students is a part of the educational experience;
- (8) The contract or purchase is for expenditures made on authorized trips outside of the boundaries of the local public agency;
- (9) The contract is for the purchase of supplies which are sold at public auction or by receiving sealed bids;
- (10) The contract is for group life insurance, group health and accident insurance, group professional liability insurance, worker's compensation insurance, or unemployment insurance; or
- (11) The contract is for a sale of supplies at reduced prices that will afford a purchase at savings to the district.

Sample Model Procurement Policy

The _____ Board of Education this _____ day of June, 20__, adopts the Kentucky Model Procurement Code as prescribed in Chapter 45A of the Kentucky Revised Statutes.

- a.** Conditions and procedures for delegation of purchasing authority:
- (1) Bids on all items, which have been advertised for competitive sealed bids, shall be submitted to the board at its next regular or special meeting together with recommendations of the superintendent after evaluation of the bids concerning the award of the contract to the lowest bidder or lowest evaluated bidder.
 - (2) The superintendent is hereby designated as the chief purchasing officer for the _____ School District. The superintendent recommends the treasurer to act as purchasing office with authority to enter into and administer contracts and make written determinations and findings with respect thereto. The superintendent further recommends that the Director of Federal Programs, Director of Special Education and the principals and assistant principals for all schools in the district have authority to make small purchases related to their individual and specific areas of responsibility.

The superintendent will make recommendations to the board as to additional staff members authorized to approve the issuance of purchase orders for procurement of goods and services.

<u>POSITION</u>	<u>DATE APPROVED</u>	<u>BOARD ORDER #</u>	<u>PURCHASING AREA APPROVED</u>
_____	_____	_____	_____
_____	_____	_____	_____

702 KAR 3:030. Insurance Requirements.

[Kentucky School District Insurance Guide](#)

UNDER CONSTRUCTION

General Specifications

- a.** All bids shall be valid for a period of sixty (60) days from the bid opening date to allow for tabulation, study, and acceptance by the board. A bidder may withdraw his bid after it has been submitted only if a written request is submitted and received prior to acceptance by the board.
- b.** It is to be understood that the bidder, if awarded an order or contract, agrees to protect, defend, and save harmless the board of education from any suits or demands for payment that may be brought against it for the use of any patented material, process, article, or device that may enter into the manufacture, construction, or form a part of the work covered by either order or contract; and he further agrees to indemnify and save harmless the board of education from suits or actions of every nature and description brought against it for, or an account of any injuries or damages received or sustained by any party or parties by, or for any of the acts of the contractors, his servants or agents.
- c.** KRS 45A.455 prohibits conflicts of interest, gratuities, and kickbacks to employees of the board of education in connection with contracts for supplies or services whether such gratuities or kickbacks are direct or indirect.
- d.** KRS 45A.990 provides severe penalties for violations of the laws relating to gratuities or kickbacks to employees which are designed to secure a public contract for supplies or services.
- e.** No bid can be corrected, altered, or signed after being opened. All prices and quotations must be in ink or typewritten. No pencil figures will be accepted. Mistakes are to be crossed out and corrections inserted adjacent thereto and initialed by the person signing the-bid.

- f.** Proposals must be submitted on behalf of insurers licensed in the state of Kentucky and are strongly recommended to, have a General Policyholder's rating of "A+ or A" and a financial size category of "Class _____" (minimum of XII), as listed in the latest published report of the Best Insurance Guide or shall be submitted on behalf of a self-insurance pool meeting the requirements of the State Department of Education. All insurance policies bids shall be non-assessable. Each bid must be accompanied by a specimen policy, including all pertinent endorsements.
- g.** The board of education reserves the right to waive defects and informalities in proposals, to reject any or all proposals, or to accept any proposal as may be deemed to its interest, and to award items, combination of items, or lots. In case of identical bids, the board reserves the right to select and to award the contract by whatever method it chooses.
- h.** For any clarification to this bid, please contact_____.

GLOSSARY OF TERMS

Actual Cash Value	The present-day value of property, arrived at by taking the replacement cost and deducting for depreciation brought about by physical wear and tear and obsolescence.
Agreed Amount	An amount of insurance specified in the contract as being sufficient to nullify the effect of the coinsurance clause of the contract.
Blanket Coverage	Insurance covering more than one class of property at a single location, or one or more classes of property at more than one location.
Boiler	A closed vessel in which water or other liquid is heated, steam or vapor is generated, steam is superheated, or in which any combination of these functions is accomplished, under pressure or vacuum, for use externally to itself, by the direct application of energy from the combustion of fuels, or from electricity, solar or nuclear energy.
Boiler & Machinery Insurance	Insurance against loss due to accidents to boilers, pressure vessels, or machinery.
Coinsurance	A form of property insurance in which the insured share's in losses proportionately to the extent that the amount of insurance falls short of a specified percentage of the value of the insured property. Coinsurance provides for the full payment, up to the amount of the policy, of all losses if the insured has insurance at least equal to the named percentage of the value of the property covered. The loss payment in the case of most partial losses is reduced proportionately, if the amount of insurance falls short of the named percentage. Coinsurance is designed to provide a rate credit for carrying an agreed proportion of insurance to value.

Deductible	An amount to be deducted from a loss, to be assumed by the insured.
Endorsement	A changes, as of coverage, written on or added to an insurance policy.
Personal Property	Any property that is not real property and that is movable or not attached to the land. Business personal property, owned by the insured, usual to the occupancy of the insurance.
Replacement Cost	Insurance providing that the insured will be paid the cost of replacing the damaged property without deduction for depreciation, subject to the policy limit.
Real Property	Of or pertaining to permanent immovable things. Buildings or structures including additions and extensions; fixtures, machinery and equipment constituting a permanent part of and pertaining to the service of the building.
Self-Insurance Fund	Employers, who engage in similar activities with smaller risks, may form an association to self-insure their liability. The fund members pay premiums to the fund. The fund is administered by a group of trustees who collect and manage the group funds, pay claims, and purchase specific excess and aggregate excess insurance. Any fund surplus is returned to group members as a dividend, and any fund deficit must be paid by the group members as an assessment.
Steam Boiler	For purposes of this regulation, a steam boiler is construed to be any boiler (hot water or steam) operating at more than fifteen (15) pounds per square inch gauge. Domestic hot water heating boilers are not included.

**Ordinance -Deficiency
Clause Or Increased
Cost Of Construction
Endorsement**

Insurance provided coverage to insure that property will be replaced at today's code property will be replaced at today's code standards.

Sample Bid Invitation

INVITATION TO BID

The _____ Board of Education invites you to submit a sealed bid on insurance coverage in accordance with the detailed specifications and general conditions of this bid.

Bids must be mailed or delivered to _____
(Name)

(Address)
not later than the specified bid opening time.

Additional copies of the invitation to bid may be obtained from

(Name) (Place)
prior to the time and date specified for bid opening.

TIME AND PLACE OF BID OPENING

Bids will be opened _____
(Place) (Time & Date)

All bids must be received by the time designated and none will be considered thereafter. Failure to have bid in prior to bid opening will automatically prevent the reading of your bid. The board of education cannot assume the responsibility for any delay as a result of failure of the mails to deliver bids on time. At the specified time, all bids will be opened and read aloud. Any interested parties may attend. No immediate decision will be rendered concerning the proposals submitted.

BID TABULATION

Tabulations will be made by the board and each qualified bidder will be mailed a formal tabulation after the board has taken official action.

Property Insurance Bid Specifications

1. The Named Insured shall read: The Commonwealth of Kentucky for the benefit of the _____.
(Board of Education)
2. The contract period shall commence _____ at 12:01 a.m.
(Date)
3. The bidder agrees to insure a three-year policy contract, payable annually, with rates guaranteed annually. The insurance company must notify the Name Insured of any rate increase at least 90 days prior to the anniversary date. It is understood and agreed that any additions and/or amendments added by the board will be automatically included upon notification at the rate used in insuring similarly constructed buildings under the existing policy.
4. The policy shall be endorsed to provide the Named Insured a 90-day written notice of cancellation or non-renewal during the policy period, except for non-payment of premium.
5. Insurance shall cover on a blanket basis all buildings, contents, and improvement/betterments contained in the enclosed statement of values with a/a _____ percent coinsurance clause and a \$_____ per occurrence deductible.
(Amount)
6. The insurance shall provide:
 - (a) All risks of physical loss or damage, subject to normal exclusions, on real and personal property.
 - (b) Replacement cost coverage on real and personal property, except where noted on Statement of Values. Replacement cost coverage shall not require replacement of destroyed property on the same site where the property was destroyed.
 - (c) Agreed Amount Clause on real and personal property.
 - (d) Other (Specify)
 - (e) To ensure that all property losses are replaced to existing codes, we strongly recommend the following coverage.
 - (f) Ordinance Deficiency Clause or Increase Cost of Construction Endorsement.

7. Schedules of incurred losses for the past three years are enclosed.
8. Any and all applicable taxes must be included in the premiums. Bids may be rejected if incorrect calculations are found.
9. Alternates (optional); alternate bids must be accompanied by a detailed proposal, including sample policy forms.
10. The insurance company shall furnish to the board of education an annual report of all claims incurred.

Sample Property Insurance Bid Form

In compliance with this Invitation to Bid, in consideration of the detailed description attached hereto, and subject to all conditions thereof, the undersigned agrees if this bid be accepted within the time stipulated, to furnish insurance coverage upon which prices are quoted in accordance with the specifications.

Name of Company _____

Address _____

Telephone Number _____

Name of Local Agency _____

Agency Representative _____
(Typed) (Signature)

Title _____ Date _____

Address _____

Telephone Number _____

Check One:

Rates Guaranteed _____ Annually _____ Three Years

Annual Installment \$ _____

Three-year Premium \$ _____

Boiler/Machinery Insurance Bid Specifications

1. The Named Insured shall read: _____
2. The contract period shall commence _____ at 12:01 a.m.
(Date)
3. The bidder agrees to issue a three-year policy contract, payable annually with rates guaranteed annually. The insurance company must notify the Named Insured of any rate increase at least 90 days prior to the anniversary date. The policy shall be endorsed to provide the Named Insured a 90-day written notice of cancellation or non-renewal during the policy period, except for non-payment of premium.
4. A schedule of Boiler/Machinery objects, by location, is attached.
5. A schedule of the previous 3-year loss history is attached.
6. The limit per accident shall be equal to the replacement value of the real and personal property in the building in which the boiler is located.
7. The coverage will be on a Broad Form basis, including repair and replacement cost, subject to a deductible of \$_____.
8. Extra expense coverage with a \$100,000 limit per covered location shall be included.
9. Automatic coverage of newly acquired or replaced objects shall be included.
10. The insurance company shall finish to the Board of Education an annual report of all claims incurred.

Sample Boiler/Machinery Insurance Bid Form

In compliance with this Invitation to Bid, in consideration of the detailed description attached hereto, and subject to all conditions thereof, the undersigned agrees if this bid be accepted within the time stipulated, to furnish insurance coverage upon which prices are quoted in accordance with the specifications.

Name of Company _____

Address _____

Telephone Number _____

Name of Local Agency _____

Agency Representative _____
(Typed) (Signature)

Title _____ Date _____

Address _____

Telephone Number _____

Check One:

Rates Guaranteed _____ Annually _____ Three Years

Annual Installment \$ _____

Three-year Premium \$ _____

Information for Bid Offer

Details of proposal are to be supplied by bidder, to be placed on a separate sheet, itemized in sequence, and attached to bid offer form. All items must be answered.

a. General Information:

- (1) Name of proposed carrier.
- (2) Best financial rating and a copy of latest Annual Financial Report.
- (3) If the company recommended pays dividends or returns unearned premiums, state the percentage actually paid during each of the past ten years.

b. Service:

- (1) Claims and loss adjustments to be handled by (give name, address, and telephone number).
- (2) Loss prevention - comment on the nature, scope, and extent, and frequency of the services listed below that your bid will include: an annual inspection and written report of this inspection broken down by building. This report shall contain recommendations for eliminating fire hazards in the interest and concern of safety of living, of building, and of reducing rates and premiums.
- (3) Underwriter - state the name, address, telephone number and title of the officer with whom the school district would confer on matters pertaining to this insurance' if placed with the proposed company.
- (4) Agent - state the name, address and telephone number of the local agent or representative.
- (5) Other services which your company will provide.

Sample Bid Invitation

INVITATION TO BID
ON
SCHOOL TRANSPORTATION VEHICLE INSURANCE

Part 1

To Insurance Companies:

The _____ Board of Education whose address
is _____,
(Street)
_____, Kentucky,
(City)

hereby invites you or your agent to bid on insurance for the school transportation vehicles operated in this school district either by this board or under contract to this board. This insurance is to provide coverage for property damage, bodily injury, and uninsured motorist's coverage up to the limits below. The property damage and bodily injury insurance is to cover any claims that might be assessed or adjudged against the above named board and/or its contractor as the result -of negligence on the part of the vehicle drivers or operators for this board or its contractors. The insurance called for on this bid shall be issued in accordance with the Kentucky Revised Statutes, the Kentucky Administrative Regulations, and the Kentucky Standard School Bus Endorsement- as they pertain to school transportation vehicle insurance. The above named board reserves the right to reject any and all bids.

School bus insurance coverage shall be for a period of one year, from
_____ 20 ____, to _____, 20 ____.

The policy issued on the coverage. required shall contain a clause giving the board the option to renew the coverage at the beginning of each year for two additional years provided such renewals is mutually agreeable to both parties. _____
Yes No

The insurance coverage limits on each vehicle to be these amounts:

Property Damage Each Accident \$ _____

Bodily Injury Liability Per Person	\$	_____
Bodily Injury Liability Per Accident	\$	_____
Uninsured Motorist Coverage	\$	_____
"No Fault" Coverage Per Person	\$	_____

Any bid to be considered must be submitted on the attached Bid Form for School Transportation Vehicle Insurance, Part III, of this Invitation to Bid. This sealed bid must reach the office of the above named board of education on or before:

_____ , 20 ____, _____ a.m. _____ p.m.
 (Month) (Day)

The information required in Part III may be secured from the Office of the Superintendent of the above named school district.

 (Board of Education) (Superintendent)

_____ , 20 ____
 (Month) (Day)

BID FORM
FOR SCHOOL TRANSPORTATION
VEHICLE INSURANCE

Part II

To: _____ Board of Education

In response to your invitation, the _____
Insurance Agency of _____, Kentucky, representing the
_____ Insurance Company of _____,
_____ submits the bid shown herein on the vehicles
used in this district in transporting pupils to and from school and for related uses.
The property damage and bodily injury coverage provided by the insurance on this
bid protects the board of education and/or the contractor against claims up to the
prescribed limits arising from negligence of the board's or contractor's driver or
operator of the vehicle. The "No Fault" coverage protects the board and/or
contractor against claims up to the prescribed limits for injury regardless of who
might be adjudged negligent. The insurance on this bid will be issued in
accordance with the requirements of the Kentucky Revised Statutes, the Kentucky
'Administrative Regulations and the Kentucky Standards School Bus Endorsement
as they pertain to school transportation vehicle insurance. Uninsured motorist's
coverage is also required to be included in the bid.

Date insurance coverage to begin: _____

Date insurance coverage ends: _____

Is this company approved by the Kentucky State Department of Insurance? _____

Is this a Stock or Mutual Company? _____

Is the person signing this bid a licensed agent? _____

Bid signed by: _____
(Position)

Date signed: _____, 20 ____

IX. MISCELLANEOUS

Bond of Depository

The terms and conditions for bonds of depository are summarized in KRS 160.570 as follows:

- (1) Each board of education may designate up to three depositories and shall appoint a bank, trust company, or savings and loan association to serve as its depository. The depository may be designated for a period not to exceed two years.
- (2) The depository selected shall, before entering upon its duties, execute bond for the faithful performance of its duties KRS 41.240, to be approved by the local board of education in accordance with Kentucky Board of Education administrative regulations, and to be approved by the commissioner of education.

The Kentucky Board of Education has also prescribed certain requirements relative to the penal sum of the depository bond in 702 KAR 3:090 which reads in part:

- (1) It shall be the duty of each local board of education, on the advice of the superintendent, to determine the penal sum of the bond of depository at least thirty (30) days prior to the depository entering upon its duties and by July 1 of each fiscal year thereafter.
- (2) No depository bond shall be approved which, in the opinion of the commissioner of education, is inadequate to insure the deposits of the local board of education, pursuant to the commissioner's authority in KRS 156.010.
- (3) As security for this bond, the depository bank shall deposit with its escrow agent, collateral in an amount equal to the penal sum of the bonds. This collateral shall consist of United States Government Bonds, Kentucky School Revenue Bonds and/or Federal Government Agency obligations such as obligations of the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation. The escrow agent shall file safekeeping receipts with the local board of education as evidence that collateral has been pledged in accordance with the provisions of the bond executed by the depository institutions.

The auditing guidelines provide that under 12 USC Section 1823 (e) a security agreement, including a pledge of collateral for deposit, may not be valid against the FDIC unless it satisfies the following requirements:

- (1)(a) The agreement is in writing.
- (b) The agreement is executed by the depository institution and any person claiming an adverse interest including the obligors contemporaneously with acquisition of the asset by the depository.
- (c) The agreement is approved by the board of directors of the depository institution or its loan committee and the approval is reflected in the minutes of the board or committee.
- (d) The agreement has been an official record of the depository institution continuously from the time of execution.

Use the attached worksheet to determine the minimum amount of collateral protection above FDIC limits for your district. Your depository contract shall contain an escalator clause to cover deposits, which may at any time exceed the amount of your bond. It should also include collateral coverage for all other accounts of the board (including School Activity Funds and active construction accounts), which may exceed FDIC limits. Finally, should the depository institution, at any time, substitute a different type of collateral, it should notify the local board of education, immediately.

Please complete and submit the attached depository bond form including a listing of collateral to this office for approval by the commissioner of education. Please retain a completed copy for your records. The termination of the bond should coincide with the close of the fiscal year on June 30.

Rev.7/00
COMMONWEALTH OF KENTUCKY
Department of Education
Division of District Support

Bond of Depository for Public School Funds

The undersigned, _____ Bank of _____, Kentucky, hereinafter referred to as the Depository, hereby acknowledges itself bound to the Commonwealth of Kentucky, and the _____ Board of Education, in the penal sum of _____ dollars (\$ _____)* that it, as depository of the _____ Board of Education, shall well and truly discharge the duties of said office according to law, account for, to the proper authorities, and pay over to all parties legally entitled thereto on proper warrants all funds that my come into its hands as Depository of the Board of Education aforesaid for a maximum of 2 years, beginning July 1, 20_____.

As collateral for this undertaking the undersigned hereby pledges _____ (type of collateral** - attach portfolio) in the principal sum of _____ dollars (\$ _____)*** deposited in escrow with the _____ Bank of _____, Kentucky, hereinafter referred to as the Escrow Agent, evidenced by the safekeeping receipt filed in the offices of the local board of education, provided, however, that at no time shall the amount of collateral be reduced without the execution of a new bond which shall have prior approval by the Kentucky Department of Education, Division of District Support, Frankfort, Kentucky.

The undersigned, the Depository, hereby reserves the right unto itself, (1) to detach and collect for its own use and benefit all coupons of said bonds as they mature; (2) to substitute for any of said bonds, other United States Government bonds and/or Kentucky School Revenue Bonds of the same face or par value; (3) to terminate all liability under this bond and escrow deposit by giving thirty (30) days' notice, in writing, of its intention to do so to the chairperson of the _____ Board of Education, by registered mail, addressed to such chairperson at _____, Kentucky, and to the chairperson of the Kentucky Board of Education, by registered mail, addressed to such chairperson at Frankfort, Kentucky. Within the thirty days, the Depository shall make statements with the board, pay over all funds in its hand to the board, and exhibit to the Escrow Agent a copy of the settlement, duly receipted by the secretary and chairperson of the board. The Board of Education shall cancel this bond only by giving thirty (30) days notion in writing, of its intention to do so, to the Depository, by registered mail, and to the chairperson of the Kentucky Board of Education by registered mail.

It is further conditioned that liability of this bond in not to be effectual until Federal Deposit Insurance protection is exhausted.
IN WITNESS WHEREOF, the undersigned has caused its corporate name to be subscribed and

its corporate seal to be affixed hereof, this _____ day of _____, 20__.

Name of Bank

By (Bank Official) _____ Title

We hereby certify to the Commissioner of Education that the bond appearing hereon is a true copy of the bond executed and delivered by the Depository of this Board of Education, and it was approved by the _____

Board of Education on _____, 20__.

Chairperson _____ Secretary

Note: Mail completed copy to the Kentucky Department of Education, Division of District Support, Frankfort, Kentucky.

* Should agree with penal sum.

** This collateral shall consist of United States Government Bonds, Kentucky School Revenue Bonds, and/or Federal Government Agency Obligations.

*** May not be less than penal sum. 2200-051

IX. MISCELLANEOUS (Continued)

The bond of your treasurer expires _____. The terms and conditions for the treasurer's bond are summarized in KRS 160.560 as follows:

"The treasurer shall execute an official bond for the faithful performance of the duties of his office, to be approved by the local board and the commissioner of education. The bond shall be guaranteed by a surety company authorized to do business in this state, and shall be in the amount determined by the board of education in accordance with the administrative regulations promulgated by the Kentucky Board of Education. The premium on the bond shall be paid by the board of education. A copy of the bond shall be filed with the board of education and with the commissioner of education."

The Kentucky Board of Education adopted the following regulation, 702 KAR 3:080, relative to the penal sum of the bond of treasurer:

(1) It shall be the duty of each local board of education, on the advice of the commissioner of education, to determine the amount of the penal sum of the bond of treasurer of the local board of education by July 1st of each year.

(2) No treasurer's bond shall be approved which, in the opinion of the

commissioner of education, is inadequate to safeguard the funds of the local board of education.

Based upon figures contained in your current Working Budget and other factors, the minimum suggested penal sum of your treasurer's bond is \$_____.

Please complete and submit the attached treasurer's bond form to this office for approval by the commissioner of education. Please retain a completed copy for your records.

COMMONWEALTH OF KENTUCKY
Department of Education
Division of District Support

Bond of Treasurer

Of the _____ Board of
Education We

Principal, and

_____, surety, do hereby acknowledge ourselves jointly and severally indebted to the
Commonwealth of Kentucky in the penal sum of _____ dollars
(\$ _____), that _____, Principal of

_____ Kentucky, as Treasurer of the
_____ Board of Education, shall
discharge the duties of said office according to law, account for, to the proper authorities, and
pay over to all parties legally entitled thereto, on the proper vouchers only, any and all funds that
may come into _____ hands as treasurer of the Board of Education aforesaid,
beginning _____.

(Month/Day/Year)

and continuous until cancelled or until _____ successor is duly appointed and
qualified. This bond can be terminated by the surety upon written notice to the Department of
Education and school district given by registered mail sixty (60) days in advance.

WITNESS our hands this _____ day of _____, _____.
(Year)

_____, Treasurer.

FOR SURETY COMPANY ONLY:

By _____, Title

Number of Bond _____ Annual Premium of Bond \$

Approved _____, _____
(Year)

By the _____ Board of
Education

Chairperson _____
Secretary _____

IX. MISCELLANEOUS (Continued)

Check Issuance Policy

Each board of education is required by KRS 160.560 to have a check issuance policy. If this policy changes, the board of education must submit copies of the policy and minutes of the board adoption to Kay Kennedy, Director, Division of District Support.

IX. MISCELLANEOUS (Continued)
Electronic Transfer of Funds

TO: Bethany Crockett
Finance and Administration Cabinet
FAX #: (502) 564-7882

FROM: _____ District Contact Person
_____ Phone Number
_____ Fax Number

Kentucky Department of Education
Direct Electronic Transfer of Funds

Use Form SAS63 for authorization of EFT.
[Form SAS63](#)

IX. MISCELLANEOUS (Continued)

702 KAR 4:100. Emergency School Loan Fund; Repayments.

Inquiries and payments on outstanding issues should be directed to: Kentucky Department of Education, Division of District Support, 500 Mero Street, Frankfort, KY 40601, Phone Number (502) 564-3846.

IX. MISCELLANEOUS (Continued)

Employee Contracts

Per KRS 161.011 (5), all classified employees hired by a local school district must be given a written contract. The attached sample classified contracts are for your use. Also, classified employees currently employed must be told by May 15 of each year if they have been rehired for the following year. Classified employee contracts must be renewed annually unless one of the exceptions under KRS 161.011(5) or (6) applies.

If you have any questions concerning the classified contracts please contact Division of District Support at (502) 564/3930.

Attachments:

1. Classified Contract - Hourly
2. Classified Contract - Salary
3. Classified Contract - Hourly Renewable
4. Classified Contract - Salary Renewable

MODEL
CONTRACT FOR EMPLOYMENT
CLASSIFIED EMPLOYEE
HOURLY

Job Title _____
(Enter all job titles for individual employee.)

Classification Number _____
(Enter all classification numbers for individual employee.)

This contract is entered into this _____ day of _____, 20____, by and
between the _____ Board of Education whose
address is _____,
(Street)(City)

Kentucky _____ (the "District") and _____
(Zip) (Name of Employee)

whose address is _____,
(Street) (City)

_____, _____ (the "Employee").
(State) (Zip)

WITNESSETH:

The district agrees to employ the employee subject to the following conditions:

The duties to be performed are to begin on _____ (month/date), 20 ____ as
required by the superintendent and for the number of days stipulated within the fiscal year ending June
30, 20 ____.

THE DISTRICT AGREES:

1. To pay the employee an hourly salary of _____, _____ hours
per day, for _____ days with adjustments authorized by the superintendent. The employee's working
schedule shall be established in writing by his/her immediate supervisor.
2. That any work done in addition to the conditions specified in this contract must receive prior
approval of _____ and that the employee will be paid for any overtime
at an hourly rate of _____.

3. To pay the employee for his/her services at the pay period time shown in this item and for the period of time covered by each pay period as shown in this item:

4. To provide the employee access to a copy of the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to the employee's responsibilities.

5. To provide the employee with training required for state certification, if applicable, and any other training the district deems necessary for the employee to carry out his/her duties.

6. To direct the principals of the schools, the teachers, and other school personnel to provide their reasonable cooperation to the employee in performing his/her tasks.

To provide the employee with written policies outlining:

terms and conditions of employment;
employee rights and procedures for layoff or reduction of employees;
fringe benefits; and
discipline guidelines and procedures.

8. To evaluate the employee annually by his/her immediate supervisor in a manner approved by the district. The employee shall be provided a copy of the evaluation form.

THE EMPLOYEE AGREES:

1. To abide by the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to his/her responsibilities.

2. To be under the general supervision of the superintendent, who, in accordance with state law, has authority to hire, assign, transfer, or dismiss the employee. The employee shall report directly to his/her immediate supervisor who has direct supervisory authority over the employee.

3. To report for work at times specified by the district.

4. To wear clean clothes and to present a clean personal appearance.

5. If requested by the district, to provide a certificate from a physician designated by the district attesting to his/her physical fitness to perform duties assigned. This certificate is to be provided prior to commencing duties.

6. If requested by the district, to complete the training required for state certification and any other training required by the district.

7. To not report for work when his/her physical condition is such that it would impair the ability of the employee to carry out his/her duties.

8. To notify the person/persons designated by the district as far in advance as possible when the employee is unable to report to work and to give a legitimate reason for not reporting for work.

- 9. To utilize tools, equipment, and school property in accordance with the manufacturer's use and/or installation data. Alterations shall not be made without authorization by the district.
- 10. To utilize tools, equipment, and school property issued or authorized by the district.
- 11. To satisfactorily perform all duties specified in the job description.

Other Agreements:

12. _____

MUTUAL AGREEMENT:

It is agreed by the district and the employee that this contract ends June 30, 20____, and is subject to renewal at the discretion of the superintendent.

2. It is agreed to by the district and the employee that the district may terminate this contract for any reason specified in KRS 161.011 (6) or in the written policies provided the employee as referred to under number seven of the section titled "District Agrees."

3. It is agreed to by the district and the employee that the employee may terminate this contract by giving the district at least _____ days written notice.

This contract and the applicable attachments and references shall constitute the full agreement between the parties. No other document, publications, or oral statement may change the terms and conditions of this contract.

Other Agreements:

5. _____

 Board of Education

 Superintendent's Signature

 Employee's Signature

 Employee's Social Security Number

MODEL
CONTRACT FOR EMPLOYMENT
CLASSIFIED EMPLOYEE
SALARIED

Job Title _____
(Enter all job titles for individual employee.)

Classification Number _____
(Enter all classification numbers for individual employee.)

This contract is entered into this _____ day of _____, 20____, by and
between the _____ Board of Education whose
address is _____,
(Street)(City)

Kentucky _____ (the "District") and _____
(Zip) (Name of Employee)

whose address is _____,
(Street) (City)

_____, _____ (the "Employee").
(State) (Zip)

WITNESSETH:

The district agrees to employ the employee subject to the following conditions:

The duties to be performed are to begin on _____ (month/date), 20 ____ as required
by the superintendent and for the number of days stipulated within the fiscal year ending June 30, 20 ____.

THE DISTRICT AGREES:

1. To pay the employee a yearly salary of _____ for _____ days. The employee's normal daily work schedule is _____ to _____. Variations to the normal work schedule must be approved by the immediate supervisor of the employee.
2. That any work done in addition to the conditions specified in this contract must follow established board policy for that job title.
3. To pay the employee for his/her services at the pay period time shown in this item and for the period of time covered by each pay period as shown in this item:

4. To provide the employee access to a copy of the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to the employee's responsibilities.

5. To provide the employee with training required for state certification, if applicable, and any other training the district deems necessary for the employee to carry out his/her duties.

6. To direct the principals of the schools, the teachers, and other school personnel to provide their reasonable cooperation to the employee in performing his/her tasks.

To provide the employee with written policies outlining:

terms and conditions of employment;
employee rights and procedures for layoff or reduction of employees;
fringe benefits; and
discipline guidelines and procedures.

8. To evaluate the employee annually by his/her immediate supervisor in a manner approved by the district. The employee shall be provided a copy of the evaluation form.

THE EMPLOYEE AGREES:

1. To abide by the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to his/her responsibilities.

2. To be under the general supervision of the superintendent, who, in accordance with state law, has authority to hire, assign, transfer, or dismiss the employee. The employee shall report directly to his/her immediate supervisor who has direct supervisory authority over the employee.

3. To report for work at times specified by the district.

4. To wear clean clothes and to present a clean personal appearance.

5. If requested by the district, to provide a certificate from a physician designated by the district attesting to his/her physical fitness to perform duties assigned. This certificate is to be provided prior to commencing duties.

6. If requested by the district, to complete the training required for state certification and any other training required by the district.

7. To not report for work when his/her physical condition is such that it would impair the ability of the employee to carry out his/her duties.

8. To notify the person/persons designated by the district as far in advance as possible when the employee is unable to report to work and to give a legitimate reason for not reporting for work.

9. To utilize tools, equipment, and school property in accordance with the manufacturer's use and/or installation data. Alterations shall not be made without authorization by the district.

10. To utilize tools, equipment, and school property issued or authorized by the district.

To satisfactorily perform all duties specified in the job description.

Other Agreements:

12. _____

MUTUAL AGREEMENT:

1. It is agreed by the district and the employee that this contract ends June 30, 20___, and is subject to renewal at the discretion of the superintendent.

2. It is agreed to by the district and the employee that the district may terminate this contract for any reason specified in KRS 161.011 (6) or in the written policies provided the employee as referred to under number seven of the section titled "District Agrees."

3. It is agreed to by the district and the employee that the employee may terminate this contract by giving the district at least _____ days written notice.

This contract and the applicable attachments and references shall constitute the full agreement between the parties. No other document, publication, or oral statement may change the terms and conditions of this contract.

Other Agreements:

5. _____

Board of Education

Superintendent's Signature

Employee's Signature

Employee's Social Security Number

MODEL
CONTRACT FOR EMPLOYMENT
CLASSIFIED EMPLOYEE
HOURLY-Renewable Contract For Classified Employee Who Has Completed At Least Four Years Of
Continuous Active Service

Job Title _____
(Enter all job titles for individual employee.)

Classification Number _____
(Enter all classification numbers for individual employee.)

This contract is entered into this _____ day of _____, 20____, by and
between the _____ Board of Education whose
address is _____,
(Street)(City)

Kentucky _____ (the "District") and _____
(Zip) (Name of Employee)

whose address is _____,
(Street) (City)

_____, _____ (the "Employee").
(State) (Zip)

WITNESSETH:

The district agrees to employ the employee subject to the following conditions:

The duties to be performed are to begin on _____ (month/date), 20 ____ as
required by the superintendent and for the number of days stipulated within the fiscal year ending June
30, 20 ____.

THE DISTRICT AGREES:

1. To pay the employee an hourly salary of _____, _____ hours
per day, for _____ days with adjustments authorized by the superintendent. The employee's working
schedule shall be established in writing by his/her immediate supervisor.

2. That any work done in addition to the conditions specified in this contract must receive prior
approval of _____ and that the employee will be paid for any overtime

at an hourly rate of _____.

3. To pay the employee for his/her services at the pay period time shown in this item and for the period of time covered by each pay period as shown in this item:

4. To provide the employee access to a copy of the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to the employee's responsibilities.

5. To provide the employee with training required for state certification, if applicable, and any other training the district deems necessary for the employee to carry out his/her duties.

6. To direct the principals of the schools, the teachers, and other school personnel to provide their reasonable cooperation to the employee in performing his/her tasks.

To provide the employee with written policies outlining:

terms and conditions of employment;
employee rights and procedures for layoff or reduction of employees;
fringe benefits; and
discipline guidelines and procedures.

8. To evaluate the employee annually by his/her immediate supervisor in a manner approved by the district. The employee shall be provided a copy of the evaluation form.

THE EMPLOYEE AGREES:

1. To abide by the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to his/her responsibilities.

2. To be under the general supervision of the superintendent, who, in accordance with state law, has authority to hire, assign, transfer, or dismiss the employee. The employee shall report directly to his/her immediate supervisor who has direct supervisory authority over the employee.

3. To report for work at times specified by the district.

4. To wear clean clothes and to present a clean personal appearance.

5. If requested by the district, to provide a certificate from a physician designated by the district attesting to his/her physical fitness to perform duties assigned. This certificate is to be provided prior to commencing duties.

6. If requested by the district, to complete the training required for state certification and any other training required by the district.

7. To not report for work when his/her physical condition is such that it would impair the ability of the employee to carry out his/her duties.

- 8. To notify the person/persons designated by the district as far in advance as possible when the employee is unable to report to work and to give a legitimate reason for not reporting for work.
- 9. To utilize tools, equipment, and school property in accordance with the manufacturer's use and/or installation data. Alterations shall not be made without authorization by the district.
- 10. To utilize tools, equipment, and school property issued or authorized by the district.
- 11. To satisfactorily perform all duties specified in the job description.

Other Agreements:

12. _____

MUTUAL AGREEMENT:

It is agreed by the district and the employee that this contract ends June 30, 20___, and is subject to automatic renewal each fiscal year thereafter, unless the following occurs: Written notice is provided or mailed to the employee by the superintendent, no later than May 15, that the contract is not being renewed due to incompetency, neglect of duty, insubordination, inefficiency, misconduct, immorality, or other reasonable grounds which are specifically contained in board policy.

2. It is agreed to by the district and the employee that the district may terminate this contract for any reason specified in the written policies provided the employee as referred to under number seven of the section titled "District Agrees."

3. It is agreed to by the district and the employee that the employee may terminate this contract by giving the district at least _____ days written notice.

This contract and the applicable attachments and references shall constitute the full agreement between the parties. No other document, publications, or oral statement may change the terms and conditions of this contract.

Other Agreements:

5. _____

Board of Education

 Superintendent's Signature

 Employee's Signature

 Employee's Social Security Number

MODEL
CONTRACT FOR EMPLOYMENT
CLASSIFIED EMPLOYEE
SALARIED-Renewable Contract for Classified Employee Who Has Completed At Least Four Years of
Continuous Active Service

Job Title _____
(Enter all job titles for individual employee.)

Classification Number _____
(Enter all classification numbers for individual employee.)

This contract is entered into this _____ day of _____, 20____, by and
between the _____ Board of Education whose
address is _____,
(Street)(City)

Kentucky _____ (the "District") and _____
(Zip) (Name of Employee)

whose address is _____,
(Street) (City)

_____, _____ (the "Employee").
(State) (Zip)

WITNESSETH:

The district agrees to employ the employee subject to the following conditions:

The duties to be performed are to begin on _____ (month/date), 20 ____ as required
by the superintendent and for the number of days stipulated within the fiscal year ending June 30, 20 ____.

THE DISTRICT AGREES:

1. To pay the employee a yearly salary of _____ for _____ days. The employee's normal
daily work schedule is _____ to _____. Variations to the normal work schedule must
be approved by the immediate supervisor of the employee.
2. That any work done in addition to the conditions specified in this contract must follow
established board policy for that job title.

3. To pay the employee for his/her services at the pay period time shown in this item and for the period of time covered by each pay period as shown in this item:

4. To provide the employee access to a copy of the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to the employee's responsibilities.

5. To provide the employee with training required for state certification, if applicable, and any other training the district deems necessary for the employee to carry out his/her duties.

6. To direct the principals of the schools, the teachers, and other school personnel to provide their reasonable cooperation to the employee in performing his/her tasks.

7. To provide the employee with written policies outlining:

Terms and conditions of employment;
Employee rights and procedures for layoff or reduction of employees;
Fringe benefits; and
Discipline guidelines and procedures.

8. To evaluate the employee annually by his/her immediate supervisor in a manner approved by the district. The employee shall be provided a copy of the evaluation form.

THE EMPLOYEE AGREES:

1. To abide by the state laws, Kentucky Administrative Regulations, and the district's policies that pertain to his/her responsibilities.

2. To be under the general supervision of the superintendent, who, in accordance with state law, has authority to hire, assign, transfer, or dismiss the employee. The employee shall report directly to his/her immediate supervisor who has direct supervisory authority over the employee.

3. To report for work at times specified by the district.

4. To wear clean clothes and to present a clean personal appearance.

5. If requested by the district, to provide a certificate from a physician designated by the district attesting to his/her physical fitness to perform duties assigned. This certificate is to be provided prior to commencing duties.

6. If requested by the district, to complete the training required for state certification and any other training required by the district.

7. To not report for work when his/her physical condition is such that it would impair the ability of the employee to carry out his/her duties.

8. To notify the person/persons designated by the district as far in advance as possible when the employee is unable to report to work and to give a legitimate reason for not reporting for work.

9. To utilize tools, equipment, and school property in accordance with the manufacturer's use and/or installation data. Alterations shall not be made without authorization by the district.

10. To utilize tools, equipment, and school property issued or authorized by the district.

To satisfactorily perform all duties specified in the job description.

Other Agreements:

12. _____

MUTUAL AGREEMENT:

1. It is agreed by the district and the employee that this contract ends June 30, 20____, and is subject to automatic renewal each fiscal year thereafter, unless the following occurs: Written notice is provided or mailed to the employee by the superintendent, no later than May 15, that the contract is not being renewed due to incompetency, neglect of duty, insubordination, inefficiency, misconduct, immorality, or other reasonable grounds which are specifically contained in board policy.

2. It is agreed to by the district and the employee that the district may terminate this contract for any reason specified in the written policies provided the employee as referred to under number seven of the section titled "District Agrees."

3. It is agreed to by the district and the employee that the employee may terminate this contract by giving the district at least _____ days written notice.

This contract and the applicable attachments and references shall constitute the full agreement between the parties. No other document, publication, or oral statement may change the terms and conditions of this contract.

Other Agreements:

5. _____

Board of Education

Superintendent's Signature

Employee's Signature

Employee's Social Security Number

LIMITED CONTRACT OF EMPLOYMENT

Pursuant to KRS 161.730, this contract is entered into this _____ day of _____,
20___, by the _____ School District of _____,
Kentucky, (hereinafter called the District), and _____ of
Name
_____, (hereinafter called the Teacher),
Address County State
a teacher holding a _____ teacher's certificate issued in accordance
Kind of Certificate
with the laws of Kentucky and now in force.

THE TEACHER HAS BEEN APPOINTED BY THE SUPERINTENDENT OF THE DISTRICT FOR ONE YEAR.
THE PARTIES TO THIS CONTRACT AGREE TO THE FOLLOWING CONDITIONS:

1. The services to be performed by the teacher shall be such as are required by law and by the policies of the district, and those duties assigned by the superintendent and the teacher's supervisor.
2. The duties to be performed are to commence on the first day required by the school calendar adopted or amended by the district and approved by the Kentucky Department of Education for the school year, for the number of days required by the school calendar, to end no later than June 30 of the school year.
3. In consideration of the services provided for by this contract the teacher shall be paid a salary in accordance with his or her qualifications and the salary schedule adopted by the district and approved by the Kentucky Board of Education for the year coming within the limits of this contract.
4. The salary shall be payable not later than the end of each month during the period of employment or in accordance with a plan adopted by the district in compliance with state law.
5. The teacher shall be entitled to sick leave and other leave and fringe benefits in accordance with state law and district policies.
6. The teacher shall keep records and reports and furnish them to the district superintendent at regular periods designated by the superintendent, state law, and district policies.
7. The power of the district to transfer, suspend or dismiss the teacher, as provided for in KRS 160.380, 161.760, and 161.790, or other applicable statutes, is in no manner impaired or affected by this contract.
8. This contract shall remain in effect for one school year unless it is terminated in compliance with KRS 161.780, 161.790 or any other applicable statute. This contract may be renewed by the superintendent if accepted by the teacher. This contract may be subject to nonrenewal under KRS 161.750.

Agreed to as of the date written above:

School District

By: _____
Superintendent

Teacher

CONTINUING CONTRACT OF EMPLOYMENT

This contract of continuing employment is entered into this _____ day of _____,
20____, by the _____ School District of _____,
Kentucky, (hereinafter called the District), and _____ of
Name
_____, (hereinafter called the Teacher),
Address County State

a teacher holding a _____ certificate issued in accordance with the
Kind of Certificate

laws of Kentucky and now in force.

WHEREAS, the superintendent of the district did appoint the teacher for continuing employment at a salary to be determined annually by the teacher's qualifications and by a salary schedule to be adopted by the district and approved by the Kentucky Board of Education, and

WHEREAS, KRS 161.730, 161.720, and 161.810 provide for continuing contracts with each district for teachers who are qualified by the terms of those laws;

Pursuant to this appointment and in consideration of the salary to be paid in the manner and at the times prescribed by law, and of the salary for any and all subsequent school terms to be fixed annually by the district according to law and to be paid in the manner and at the times prescribed by law, the teacher agrees to perform in a thorough and professional manner all of the duties of the position and employment under the direction of the superintendent of the district, and further agrees to observe faithfully and enforce the rules and regulations lawfully prescribed.

THE PARTIES MUTUALLY AGREE:

1. The services to be performed by the teacher shall be those that are required by law and by the policies of the district, and those duties assigned by the superintendent and the teacher's supervisor.
2. The duties to be performed are to commence on the first day required by the school calendar adopted or amended by the district and approved by the Kentucky Department of Education for the school year, for the number of days required by the school calendar, to end no later than June 30 of the school year.
3. The services to be performed under this contract shall begin on the dates herein specified and shall be continued from year to year for the respective school terms prescribed from year to year by the district.
4. This continuing contract of employment shall remain in effect, except as modified or terminated by mutual consent, in writing, of the board or local superintendent, as applicable, and the teacher, or until terminated with

written notice, stating cause or causes, to the teacher under KRS 161.790, or by written resignation of the teacher. The expression "cause or causes" as used in this paragraph, in addition to those contained in KRS 161.790, shall mean failure on the part of the teacher to fulfill this contract.

5. The power of the district to transfer, suspend or dismiss the teacher as provided in KRS 160.380, 161.760, and 161.790, or other applicable statutes, is in no manner impaired or affected by this contract.

6. This contract shall not operate to prevent the suspension of the services of the teacher based upon the lack of a need for said services. In case of the suspension of the teacher on account of the lack of need of the services of the teacher, it shall be done pursuant to the provisions of law relating to suspension of teachers' contracts as provided in KRS 161.800.

7. The teacher shall receive from year to year the benefit of all provisions of law relating to increase of teachers' salaries in accordance with the lawful salary schedule of the district and amount of experience or by reason of certificate or degree issued or conferred by an approved institution of learning.

8. The salary shall be payable no later than the end of each month during the period of employment or in accordance with a plan adopted by the district in compliance with state law.

9. The teacher shall be at all times subject to any and all laws now existing, or that may later be lawfully enacted relating to the fixing of salaries of teachers, the increase or decrease of salaries, and the length of the school term.

10. The teacher shall be entitled to sick leave days, both current and accumulated, which come within the conditions enacted by the district pursuant to KRS 161.155.

11. This contract shall terminate if, at the beginning of any school term, the teacher does not hold a valid teacher's certificate covering the period of such term. However, if at the end of the preceding school term the teacher shall have been the holder of a certificate then in effect, but which thereafter expires, and if the certificate is eligible for renewal but renewal is prevented by personal illness of the teacher, or by other just cause beyond the control of the teacher, the teacher shall be allowed to pursue renewal with the Education Professional Standards Board, and the operation of this contract shall be suspended until the certification is renewed.

12. The teacher shall keep records and reports and furnish them to the district superintendent at regular periods designated by the superintendent, state law, and district policies.

13. This contract shall go into effect only if the teacher assumes his or her duties for the _____ school year.

Agreed to as of the date above:

School District

By: _____
Superintendent

Teacher

Investment Policy

KRS 66.480 requires a written investment policy to include standards and types of investments and provides that the governing body of a school district may invest or reinvest money, subject to its control and jurisdiction, provided that its general procedure for action is approved by the Kentucky Board of Education (KBE).

KRS 66.480 (3), as amended, requires local boards of education to have a written investment policy that includes at least the following adopted by January 1, 1995:

- "(a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;
- (b) A list of the permitted types of investments;
- (c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;
- (d) Standards for written agreements pursuant to which investments are to be made;
- (e) Procedures for monitoring, control, deposit, and retention of investments and collateral;

Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;

- (g) Standards for the qualification of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and other factors that make a firm capable and qualified to transact business with the local government or political subdivision;
- (h) Requirements for periodic reporting to the governing body on the status of invested funds."

You are requested to submit your investment policy for Department of Education review and subsequent approval by the KBE no later than January 1, 1995. The staff review will be a checklist review to determine if the points in KRS 66.480 (3) (a) - (h) are included. Your investment policy will not have to be approved on an annual basis. Following this initial approval, it will be necessary to submit your policy only when changes are made.

Please submit your investment policy to:

Office of Finance and Operation
300 Sower Boulevard
Frankfort, Kentucky 40601
(502) 564-3930

Kentucky Educational Collaborative for State Agency Children (KECSAC)

The Kentucky Educational Collaborative for State Agency Children (KECSAC) was established in 1992 (KRS 158.135) to meet the educational needs of State Agency Children (SAC). The Kentucky Educational Collaborative for State Agency Children is a statewide collaborative that works with state agencies, school districts and local programs to ensure that State Agency Children receive a quality education comparable to all Kentucky students.

KRS 158.135 defines “State Agency Children” are those children who are committed to or in the custody of the Commonwealth and are being served in community-based and residential treatment programs funded and/or operated by one of Kentucky’s three state agency programs that provides direct care to children: the Department for Community Based Services (DCBS), the Department of Juvenile Justice (DJJ), and the Department for Behavioral Health, Developmental and Intellectual Disabilities (BHDID). State agency children programs are designed to meet the often intense needs of this underserved youth population.

Providing the educational services for these youth is currently the responsibility of Local Education Agencies (LEA) with support from the Kentucky Department of Education and the Department of Juvenile Justice. KECSAC works with local education agencies and programs to ensure the education provided meets the varying needs of State Agency Children. This education may include academic, pre-vocational, vocational, special education, social skills, and post-secondary offerings, which are in compliance with state and federal education laws and regulations. Currently 53 school districts provide educational services for approximately 13,000 SAC annually. School districts are reimbursed from State Agency Children’s Fund for the supplemental costs of providing educational services to these children.

The management and operation of this statewide collaborative is the responsibility of Eastern Kentucky University’s College of Education. At the beginning of each fiscal year, KECSAC enters into a Memorandum of Agreement (MOA) with each school district to provide educational services to State Agency Children. School districts submit reimbursement requests to KECSAC quarterly in the KDE approved format. Upon approval from KECSAC, and in accord with funding guidelines approved by KDE, DJJ and our Interagency Advisory Group, the Kentucky Department of Education prepares the school districts’ payments.

Questions regarding school district payments should be directed to Karen Wirth, KDE (502) 564-1979. Programmatic questions should be directed to KECSAC at (859) 622-6552.

Salary Schedules

Applicable Statutes and Regulations: KRS 160.291, 161.760, 157.320, 157.350, 157.390 and 702 KAR 3:070, 3:075, and 3:100.

The superintendent of schools shall give notice no later than June 15 each year to each teacher who holds a contract valid for the succeeding school year, stating the best estimate as to the salary to be paid to the teacher.

Teacher means any regular or special teacher, principal, supervisor, superintendent, assistant superintendent, librarian, director of pupil personnel, or other member of the teaching or professional staff engaged in the service of the public elementary and secondary school *for whom certification is required as a condition of employment*.

Single salary schedule (185 day salary schedule) means a schedule adopted by the local board of education *from which all teachers are paid for one hundred and eighty-five (185) days and is based on training, experience* as provided in KRS 157.390, and such other factors as the Kentucky Board of Education may approve and which does not discriminate between salaries paid elementary and secondary teachers. If the budget bill contains a minimum statewide salary schedule, no teacher shall be paid less than the amount specified in the biennial budget salary schedule for the individual teacher's educational qualifications and experience.

Each local board of education shall adopt and submit a single salary schedule to the Department for approval by the Kentucky Board of Education. The 185-day salary schedule shall be submitted with the Professional Staff Data (PSD) Report due prior to October 1 each year.

Experience means employment as a teacher, other than as a substitute, for a minimum of one hundred forty (140) days during a school year in a public or nonpublic elementary or secondary school or college or university that is approved by the public accrediting authority in the state in which teaching duties were performed. A teacher who is employed by a local board of education for at least one hundred forty (140) days of a school year and who performs teaching duties for the equivalent of at least seventy (70) full school days during that school year, regardless of the schedule on which those duties were performed, shall be credited with one (1) year of experience. A teacher who is employed by a local board of education for at least one hundred forty (140) days during each of two (2) school

years and who performs teaching duties for the equivalent of at least seventy (70) full school days during those years shall be credited with one (1) year of experience. No more than one (1) year of experience shall be credited for the performance of teaching duties during a single school year.

Salary schedule summary (F10-6) means the summary of all salaries paid teachers by the local board of education from the 185 day salary schedule. Teachers shall be grouped by training, experience and source of funds. The summary shall include salaries paid to all certified staff for 185 days, extended days and extra services.

The summary is an excellent tool to determine:

Average and total salaries paid to all staff in certified positions for the 185 day school term,

Total cost of paying teachers for days worked beyond the 185 day school term,

Total cost to the district for extra services paid professional staff, and

Cost of salaries paid to professional staff from categorical programs such as Title I, etc.

The salary schedule summary shall be submitted to the Division of District Support with the PSD Report due prior to October 1. “The Department of Education professional staff data report shall be completed for teachers paid by or under the supervision of the local school district as of September 15 and shall be submitted to the Department of Education prior to October 1 of each school year.” (702 KAR 3:100).

Single salary schedule for substitute teachers shall be based on training, experience and rank in accordance with KRS 157.390. The schedule shall be adopted by the local board of education and may be the same, higher or lower than the rate of pay for a regular full-time teacher. The local board of education shall submit a per diem pay schedule for substitute teaching to the Division of District Support with the PSD Report due prior to October 1.

Classified employees are those district staff for whom certification is *not* required as a condition of employment. Examples are bus drivers, food service workers, preschool teachers and secretaries.

Salary schedule(s) for classified staff shall be submitted to the Division of District Support prior to October 1 with the Classified Staff Data (CSD) Report. The CSD Report includes position and salary information for classified staff employed during the fiscal year. A CSD Report update is due prior to October 1 of each year.

Procedures for Implementing the Utility Gross Receipts License Tax for Local School Districts (KRS 160.613 AND 160.614)

EXHIBIT A - Suggested format of the required advertisement to be published in the local newspaper announcing the public hearing for the proposed levy.

EXHIBIT B - Suggested format of the board proceedings and resolution authorizing the tax levy to be adopted by the board and included in the minutes. A review of the resolution by the board attorney is encouraged.

EXHIBIT C - Suggested format of the monthly tax return to be used by the utility company to pay the tax collector.

EXHIBIT D - Suggested format of the policy and tax return to be used by organizations that hold Direct Pay Authorizations issued by the Kentucky Revenue Cabinet.

OTHER CONSIDERATIONS ARE:

KRS 160.603 provides that the board of education shall advertise one (1) time in a newspaper of general circulation published in the county, that a public hearing at a place, date, and time will be conducted for the purpose of hearing comments and complaints regarding the proposed levy. The meeting may not be conducted earlier than one (1) week and not later than two (2) weeks from the date of the advertisement. In the event a combined taxing district desires to levy identical taxes, they shall jointly advertise the conduct of a public hearing in compliance with KRS 160.603. It is suggested that a court reporter be employed to transcribe the conduct of the hearing. This suggestion is made to assure that the public interest will be sufficiently served.

After the board of education has satisfied the public hearing requirements, the board should adopt a resolution authorizing the levy of the tax. The order, or resolution, shall state the effective date of the tax which shall take effect not earlier than thirty (30) days, nor more than ninety (90) days after the adoption of the resolution by the board. We would suggest, however, making the tax effective on bills rendered on, and after the first day of the second month, after the tax is passed. This would give the utility companies sufficient time to develop procedures for the administration of the tax.

provides for a recall election on the levy if a petition is brought within thirty (30) days of the order or resolution.

Any board of education may authorize the levying of a tax provided for in statutes mentioned herein above. Two or more boards of education may agree in writing to levy identical taxes under the provision of said statutes, provided, however, any school district levying taxes under the terms of such an agreement shall be deemed to constitute a combined taxing district, and the receipts from the tax shall be held in a common fund and disbursed on the basis of an average daily attendance as set forth in KRS 160.644.

All receipts and administrative costs resulting from the tax will be shared on the basis of average daily attendance of each school district levying the tax.

The law provides that the board of education shall appoint a person to collect the tax.

KRS 160.615 requires payment by the twentieth day of the month. In the event any utility is unable to remit the tax by the twentieth due to existing billing practices, such utility may apply to the district finance officer for an extension of not more than ten days. Such extensions may be granted on a continuing basis. If the extension is granted, interest and penalties shall be waived for the period of the extension.

Written notice by a subscriber that the service is being furnished outside the county imposing the tax is sufficient to relieve the utility from payment of the tax on the service. Such notice is accepted in good faith.

After the tax has been levied by the board of education, a meeting of the utility company officials and tax collector is suggested for the purpose of reviewing regulations and procedures. The utility company will probably request copies of the following documents:

Notice of the public hearing designating the date of publication (Exhibit A)

Resolution, or Order, enacted by the board of education (Exhibit B)

Tax return form to be filed with the tax collector (Exhibit C)

Maps and other documents identifying school boundaries in the event the tax is not being levied county-wide.

EXHIBIT A

NOTICE OF PUBLIC HEARING
ON PROPOSED UTILITY GROSS
RECEIPTS LICENSE TAX FOR SCHOOLS

Notice is hereby given that the board of education of _____ school district will meet at the _____ school district board of education office on _____, 20____ at _____ local time for the purpose of conducting a public hearing at which time said board of education will hear comments and complaints regarding a proposed levy in said _____ school district of a Utilities Gross Receipts License Tax for schools at a range of three percent of charges for utility services, including cable television, and for the purpose of having such proposal explained by or on behalf of said board of education.

This notice is given in compliance with Section 160.603 of the Kentucky Revised Statutes and in compliance with a resolution of said board of education, authorizing the publication of this notice and evidencing the intention of said board of education to levy such tax within the _____ school district.

Signed _____, Chairperson

Signed _____, Secretary

EXHIBIT B

School Board proceedings should include, and the minutes should contain, the following:

MINUTES OF A _____ MEETING OF THE
_____ SCHOOL DISTRICT OF _____ COUNTY,
KENTUCKY HELD ON THE ____ DAY OF _____, 20____.

A _____ meeting of the _____ School District Board of Education of _____ County, Kentucky was held in the City of _____, Kentucky, on _____, 20____ at _____ o'clock. _____ presided as chairperson, and the following duly qualified and acting members of the board were present:

The following were absent:

The secretary of the board, _____, was also present. A motion was made by _____ and seconded by _____ that the following order and resolution be adopted:

RESOLUTION AND ORDER OF THE _____ SCHOOL DISTRICT BOARD OF EDUCATION OF _____ COUNTY, KENTUCKY PROVIDING FOR THE LEVY OF A UTILITY GROSS RECEIPTS LICENSE TAX OF THREE PERCENT FOR SCHOOLS.

WHEREAS, the _____ School District Board of Education has determined that the existing sources of revenue for school purposes in the _____ School District are insufficient to maintain an acceptable educational program in said district, and

WHEREAS, KRS 160.593 authorized any board of education to levy a utility gross receipts license tax of three percent for schools as provided for in KRS 160.613 and 160.614, after compliance with the public hearing requirement contained in KRS 160.603, and

WHEREAS, the _____ Board of Education has complied with the public hearing requirements contained in KRS 160.603.

NOW, THEREFORE, BE IT ORDERED AND RESOLVED by the board of education of the _____ school district, _____ Kentucky that the Utility Gross Receipts License Tax for schools of three percent of the gross receipts derived from the furnishing of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas, and cable television services, as authorized by KRS 160.613 and 160.614 and as requested by the above-named board of education be and the same is hereby levied on the furnishing of all such services within _____ school district which are billed to consumers residing in the _____ school districts on or after the ____ day of _____, 20____.

The foregoing resolution and order was first read to the members of the board in its entirety, and after thorough consideration, the yea and nay vote was taken on the motion to adopt and pass said Resolution and Order, and the result was as follows:

Yeas for the Motion

Nays for the Motion

The minutes were then ready by the secretary, and no corrections being found necessary, it was moved by _____ and seconded by _____ that they be approved as read and ordered signed. The motion was carried with the following voting yea:

And the following voting nay:

Thereupon the chairperson of the board and the secretary of the board signed said minutes with the approval of the members present when the meeting was held. There being no further business coming before the board it was moved, seconded and unanimously carried that the meeting be adjourned.

Chairperson

_____ School District Board of Education

ATTEST:

Secretary

_____ School District Board of Education

EXHIBIT C

Name and Address of Taxpayer:

_____ School District
_____ County

UTILITY GROSS RECEIPTS LICENSE TAX FOR SCHOOLS
For The Month Of _____, 20_____

1. Total receipts (Exclusive of Kentucky Sales Tax) _____

2. Deductions:

Resale _____
Energy Direct Pay Authorization _____
Cash Discounts _____
Federal Excise Taxes _____
Service and Installation Charge _____
Interstate Services _____
Other - Attach Schedule _____

Total Deductions _____

3. Adjusted Receipts _____

4. Gross Receipts (Line 3 divided by 1.03) _____

5. Amount of Tax Due (3% of Line 4) _____

Make Check Payable to _____

Mail Check to _____

SEE INSTRUCTIONS ON FOLLOWING PAGE

INSTRUCTIONS

LINE 1. TOTAL RECEIPTS: Enter all receipts, exclusive of Kentucky sales tax, derived from the furnishing, within the taxing jurisdiction of the county, or telephonic and telegraphic communication services, electric power, water, natural, artificial, mixed gas, and cable television services.

LINE 2. DEDUCTIONS: Enter on Lines 2(a) through 2(g) the amounts, which may properly be deducted, from total receipts.

Resale Items: Enter all receipts for which the purchaser has issued a properly executed resale certificate. (A certificate on file to verify resale items for Kentucky sales tax purposes is acceptable.)

Energy Direct Pay Authorization: Enter all receipts for which the purchaser has executed an Energy Direct Pay Authorization. (The energy direct pay authorization issued to the purchaser by the Kentucky Revenue Cabinet for Kentucky sales tax purposes is acceptable.)

Cash Discounts: Enter the amount of cash discounts taken by customers provided such amounts have been included in total receipts.

Federal Excise Taxes: Enter the amount of Federal Excise Tax on communication services imposed under Chapter 33, Internal Revenue Code.

Service and Installation Charges: Enter the amounts received for service and installation charges, which are separately stated on customer billings.

Interstate Services: Enter amounts received from telephonic and telegraphic communication services in which the origin or destination of the service is outside the state.

Other: Enter the total of all other deductible items, which may include adjustments to prior periods, corrections or errors, etc.

LINE 3. ADJUSTED RECEIPTS: Subtract Line 2 (Total Deductions) from Line 1 (Total Receipts).

LINE 4. GROSS RECEIPTS: If the amount of Line 3 includes receipts derived from a rate increase for school tax, divided the amount on Line 3 by 1.03.

LINE 5. SCHOOL TAX DUE: Multiply the amount on Line 4 by 3%.

EXHIBIT D

POLICY

Re: ENERGY AND ENERGY-PRODUCING FUEL

Relates to KRS 160.613

The utility gross receipts license tax for schools does not apply to the sale, use, storage or other consumption of energy or energy-producing fuels in the course of manufacturing, industrial processing, mining or refining to the extent that the cost of all energy or energy-producing fuels used exceeds three percent (3%) of the cost of production. The phrase “in the course of manufacturing, etc.” as used in this policy refers to those phases of a company’s operations in which the expenses incurred are properly included in the computation of the cost of production.

The term “cost of production” as used in KRS 160.613 means the total of all costs, according to accepted accounting principles, incurred in manufacturing, producing, industrial processing, refining, mining, or fabricating of tangible personal property except for the cost of the energy or energy-producing fuels used therein. The following accounts or similar classifications normally will be reflected in the computation of the cost of production:

- Direct Materials
- Direct Labor Cost
- Overhead Expenses:
 - Depreciation-Plant Equipment
 - Insurance-Plant Equipment
 - Taxes-Plant Equipment
 - Rent or Depreciation-Plant Building
 - Compensation Insurance
- Indirect Materials
- Indirect Labor
- Miscellaneous Factory Expenses
- Administrative Expenses Allocated to Cost of Production
- Office Expenses Allocated to Cost of Production

With respect to the allocation of administrative and office expenses to production, a consideration degree of flexibility exists within the scope of acceptable accounting practices. Therefore, no attempt is made to dictate specific requirements for the allocation of such expenses. However, all taxpayers claiming an exemption for energy or energy-producing fuels under KRS 160.613 shall be liable for the tax and shall pay directly to the department, in accordance with the provisions of KRS 160.615, a utility gross receipts license tax for schools computed by multiplying the gross cost of all utility services received by the tax rate levied under the provisions of this section. Consumers of energy and energy-producing fuel who are entitled to an exemption under this policy may apply to the Kentucky Revenue Cabinet for an “Energy Direct Pay Authorization”, and upon issuance thereof by the Cabinet, shall be responsible for the payment of taxes due

under this policy directly to the school district's tax collector.

The application for an Energy Direct Pay Authorization shall be made upon a form prescribed by the Kentucky Revenue Cabinet. The applicant must set forth an itemization of the accounts included in the computation of cost of production based upon costs incurred in the last completed fiscal or calendar year ending prior to the date of the application. If the energy cost exceeds three percent of the cost of production as defined herein, the taxpayer shall then estimate the tax by multiplying the cost of production by three percent and then multiplying the resulting figure by three percent. The taxpayer shall then be required to report and make monthly payments equal to one-twelfth of the total estimated tax.

Four months after the end of the first fiscal or calendar year ending subsequent to the date of the authorization, the taxpayer shall then file a return reconciling his estimate to the amount of tax due and either pay the additional tax due or, if no additional tax is due, credit the overpayment on his next year's estimate or apply for a refund. At the same time, the taxpayer shall make his estimate for the succeeding year and adjust the payments for the months remaining so that the total tax to be paid for the year will agree with the total estimated tax. This estimate shall include the same information hereinbefore described.

An Energy Direct Pay Authorization may not be used for any purchases other than energy or energy-producing fuels used in the course of manufacturing, industrial processing, mining, or refining. This means that water and telephone services will be subject to full tax.