**Finance Newsletter January/February 2025**

**FY2024 Audit Cost Increase Justification**

The estimated cost of a district’s financial audit is established in the audit contract.  The audit contract is a three-party agreement between the State Committee for School District Audits (SCSDA), the school district, and the audit firm.  The audit contract requires written justification from the audit firm for any fee increase of $10,000 or 10%, whichever is less, to be approved by the SCSDA. Please submit the written justification to the Finance.Reports@education.ky.gov mailbox on or before February 28, 2025.

**2025-2026 SEEK Trend Web Form**

The [2025-2026 SEEK Trend](https://applications.education.ky.gov/Login/Applications) web form is now open and ready for districts to submit data for use in the determination of SEEK payments for July, August, and September 2025. The form will be open until **March 1, 2025,** and is located under the ‘SEEK Forms & Tools section of the website.  If your district does not provide estimates for Adjusted Average Daily Attendance (AADA); At Risk (Free Lunch); Home & Hospital and Limited English Proficiency (LEP) Learners and property assessments, the Kentucky Department of Education (KDE) will use trended data which **may not be as accurate as your district’s estimates, impacting your SEEK payments for several months.** You will not need to estimate exceptional child data, as the actual data will be available in early 2025.

If you have questions, please contact Sarah Tandy at (502) 564-3846, ext. 4454, or email Sarah Tandy.  If you do not have access to SEEK, your district WAAPOC can assist.

SCN evaluates the reported information to determine if a potential excess balance exists. The district’s AFR submission satisfies the requirement to report the financial position of the food service account on an annual basis. The food service fund includes funds for all child nutrition programs.  If it’s determined an excess balance exists, SCN will work with districts to ensure the accuracy of the information before establishing a spend-down plan to achieve compliance. Spend-down plans will be individually developed to ensure they are effective and reasonable for the district’s financial situation. SCN and the district will be responsible for monitoring the plan to ensure it remains relevant as the financial position of the program changes. Spend-down plans can vary with regards to purchases and timeframes, i.e., they may be short-term (in place for a zzl).

**Vendors Payments (W-9 versus W-8)**

W-9 before Payment (US-based individual or entity)

If a school district does business with a US-based individual or entity, it should obtain a Form W-9 from that entity before making any payments to them.

* [**Form W-9**](https://www.irs.gov/pub/irs-pdf/fw9.pdf)**,** officially titled “Request for Taxpayer Identification Number and Certification,” gathers information from **individuals and businesses, classified as independent contractors, who are based in the United States**. After a Form W-9 is collected, the school district would typically file a Form 1099 with the IRS.

W-8 before Payment (Foreign individual or entity)

If a school district does business with a foreign individual or entity, *and any part of those services were provided within the United States*, it should obtain a properly completed Form W-8 from that individual or entity, before making any payments to them. There are multiple types of W-8 forms and the two most used are:

* [**Form W-8BEN**](https://www.irs.gov/pub/irs-pdf/fw8ben.pdf), officially titled “Certification of Foreign Status of Beneficial Owner for United States Tax Withholding and Report (Individuals)”, gathers information from **a foreign worker (an individual) to prove their foreign status so that they don’t need to contribute as much federal income tax to the IRS.**
* [**Form W-8BEN-E**](https://www.irs.gov/pub/irs-pdf/fw8bene.pdf), officially titled “Certification of Foreign Status of Beneficial Owner for United States Tax Withholding and Report (Entities)”, gathers information from **a foreign entity to prove their foreign status so that they don’t need to contribute as much federal income tax to the IRS.**

Typically, foreign individuals or entities must pay a 30% tax on income from US payers, but if the foreign individual or entity’s home country has a tax treaty with the US, the applicable Form W-8 helps them claim a reduction or exemption from US federal tax withholding. Once the foreign individual or entity fill out the appropriate W-8 form, the form is valid for the year they signed and the following three years.

When a school district receives an appropriate W-8, it can calculate how much federal income tax to withhold. **If a school district doesn’t receive the appropriate form from a foreign worker or entity, it must apply a 30% federal tax to the foreign worker or entity, before making payment.**

1099 Reporting

After a Form W-9 or an applicable Form W-8 has been received, the school district must typically file a Form 1099-NEC as follows:

* [Form 1099-NEC](https://www.irs.gov/forms-pubs/about-form-1099-nec), officially titled “Nonemployee Compensation”, is used to report nonemployee compensation of $600 or more paid during the tax year. January 31st is the deadline to file 1099-NEC with the IRS and distribute copies to recipients (please note that [1099-MISC](https://www.irs.gov/forms-pubs/about-form-1099-misc) is used to report miscellaneous income other than non-employee compensation).

This general overview is provided for convenience. *As always, a school district should consult with its accountant on any specific tax related issues or concerns relating to payments to a specific individual or entity.*

**Program Code 131 is now “Read to Achieve”**

The Kentucky Department of Education provides guidance on how to use the segments we control for financial reporting, and we often receive requests to update the segment language to keep it current and relevant for reporting. The Division of Academic Program Standards has provided updated information to better define the use of program code **131**. Please see the changes below.

New:

**131 Read to Achieve**

Activities associated with implementing Read to Achieve grant requirements including approved professional learning and structured literacy instructional resources.

Old:

**131 Reading Recovery**

Activities associated with reading recovery programs which include short-term intervention of one-to-one tutoring for low-achieving readers.

You can access this guidance at [New KDE Chart of Accounts and Segment Descriptions FY2024-2025](https://www.education.ky.gov/districts/FinRept/Documents/NEW%20KDE%20Chart%20of%20Account%20Segment%20Descriptions%20ADA%20FY2024-2025.pdf). by following the guidance on page 3 of the document in this link [COA Changes](https://www.education.ky.gov/districts/Documents/COA%20Changes.pdf), you can change the name in Munis. If you have further questions, please contact Karen Conway at (502) 545-xxxx, or email karen.conway@education.ky.gov.

**Federal Regulations and SCN's Expanded Flexibility for Net Cash Resources**

Federal regulations mandate that state agencies monitor the net cash resources in a sponsor’s food service fund, ensuring these resources do not exceed three months' average expenditures as reported in the fund. However, the School and Community Nutrition (SCN) are utilizing a USDA flexibility found in 7 CFR 210.14(b) and 7 CFR 210.19(a)(1) to expand this threshold from three months to six months. This change provides additional flexibility for School Food Authorities with remaining funds from universal free meals, higher reimbursement rates, SCA funds, and other sources beyond traditional reimbursement. All sponsors who have a fund balance that exceeds six months of operating costs in SY 24-25 will be required to complete an excess balance reduction plan. SCN will evaluate the need for this flexibility on an annual basis. For any questions, please contact Katie Embree.

**SCN Supply Chain Assistance Funds and the District Funding and Reporting Branch**

Since the 2021-2022 school year, the USDA has provided four allocations of Supply Chain Assistance (SCA) Funds to National School Lunch Program Operators. These funds, distributed through the Division of School and Community Nutrition (SCN), aim to alleviate hardships, including increased costs, due to supply chain disruptions. SCA funds must be used exclusively to purchase unprocessed and minimally processed food items for the National School Lunch or School Breakfast Program. SCN ensures proper usage of these funds through Administrative Reviews of program sponsors.

Recent discussions within the Division of District Support identified a problem regarding the recording of funding sources in the Annual Financial Reports. Previous guidance suggested using local project numbers starting with a zero. However, new information regarding SEFA reporting in the audit process highlighted the need for a project number that ensures correct reporting. The updated project numbers should only be used for funds going forward which includes SY 24-25. Prior audits will not be reclassified.

* The Assistance Listing Number (ALN) (formerly CFDA) for the Supply Chain Assistance funds is 10.555. The assigned project number is 205XA.
* The Assistance Listing Number (ALN) (formerly CFDA) for the Storage and Distribution funds is 10.560. The assigned project number is 218X.

For questions about SCA Funds and allowable uses, please contact Katie Embree within the Division of School and Community Nutrition. For questions about project numbers and reporting, please contact Karen Conway within the Division of District Support.

**Finance Officer Spotlight**

Kristie McDuffee has been the director of finance with the Allen County School District since February 2023. Prior to working at Allen, she worked in the public sector at a CPA firm in Bowling Green as an intern, then as a full-time employee after graduating from Western Kentucky University (WKU) in May 2012 with a bachelor’s degree in accounting. She became a certified public accountant (CPA) for the state in May 2013. Graduating from Lindsey Wilson College in May 1996 with an associate of arts degree in business management, McDuffee’s career path has secured her positions in payroll, government auditing and accounting. She feels her skills and experience are an asset in her current position with Allen County.

McDuffee values her finance team, which consists of a payroll associate, accounts payable associate and an assistant finance officer. She makes efforts to foster an optimistic attitude and an upbeat and friendly environment within the workplace, allowing for her team to feel appreciated, empowered, and supported.

McDuffee was born and raised in Allen County and has nine grandchildren living in the community and a daughter who is a teacher in the district. She feels blessed to return home and serve the community. She takes her responsibility very seriously and strives daily to serve the students, staff, and citizens of the county. Her goal is to protect the assets of the district and to provide sound, fiscal management so that future generations will have the privilege of attending school in Allen County.