

**CHANGES, CLARIFICATIONS, AND HIGHLIGHTS TO THE
2006-2007 ANNUAL SCHOOL REPORT FINANCIAL SECTION (ASRFIN)**

This attachment provides information regarding important changes and clarifications to the 2006-2007 (FY 2007) Annual School Report Financial Section (ASRFIN).

GENERAL ASRFIN CHANGES AND HIGHLIGHTS:

Revenue Structure Changes

Beginning in the 2006-2008 biennium, the commonwealth used a new budgetary structure (i.e., "service areas") for budgeting state Direct Aid to Public Education funds. This service area structure has been incorporated into the ASRFIN beginning with the FY 2007 template.

Requests for Deadline Extension

As required by Section 22.1-81, *Code of Virginia*, the submission deadline for the 2006-2007 ASRFIN is September 15, 2007 (or the next business day). School divisions and regional programs who wish to file for an extension (until October 2, 2007, per Section 22.1-81, *Code of Virginia*) for their 2006-2007 ASRFIN must request the extension in writing to Kent Dickey, Assistant Superintendent for Finance prior to the September 15, 2007 deadline. If an extension is granted, the deadline for submitting the 2006-2007 ASR Financial Section will be Tuesday, October 2, 2007. Please note, however, that the Code of Virginia does not permit submission extensions beyond this date. An explanation for the requested extension as well as an anticipated submission date must be included in the written request.

ASRFIN REVENUE CHANGES AND HIGHLIGHTS:

To reflect the change in budgeting State Direct Aid to Public Education funds, the revenue structure has been rearranged in the 2006-2007 ASRFIN template:

(1) The 2005-2006 State Retail Sales and Use Tax Section A and State SOQ Funds (Group I) Section B have been combined to form the 2006-2007 state SOQ Section A.

(2) The Fringe Benefits category formerly under the 2005-2006 State SOQ Funds Section B has been moved as a subset under the new 2006-2007 state SOQ Section A.

(3) A new category has been established titled, "School Facilities," under Section B. Lottery and School Construction have been moved from the state Incentive funds (Group II) and an Additional Lottery fund has been added to this category.

(4) Revenue Codes have been moved from the 2005-2006 State Incentive funds Group II, the 2005-2006 State Categorical funds Group III, and 2005-2006 Other State funds (including Group IV) and added to other revenue sections in the 2006-2007 ASRFIN template to better match the Direct Aid service areas.

State Revenue Codes Deleted

240242 Governor's School - Summer Residential
240249 Special Education - Inservice
240269 Southside Virginia Technology Consortium

State Revenue Codes Added

240237 Additional Lottery
240254 Voc Ed Conference Travel
240390 Hold Harmless Sales Tax
240480 Teacher Incentives in Hard-to-Staff School

Federal Revenue Codes Deleted

20605 Driver Education Enhancement
84243 Tech-Prep Education (Carl D. Perkins - Title II)
84369 State Assessments and Related Activities Grants
93576 Refugee & Entrant Assistance (Title V)

Federal Revenue Codes Added

84352 School Renovation/Technology Grants

Local Revenue Codes Added

1612055 Transportation of Non-Public School Pupils

End of Year Carry-Over Balances Deleted

SOL Algebra Readiness (state and local)

ASRFIN EXPENDITURE CHANGES AND HIGHLIGHTS:

District Wide Debt Service & Fund Transfers (function 67000)

Object code 9700 "Fund Transfers - Transfer to Inter-Agency Fund" has been expanded to isolate transfers to regional programs; which is needed to correctly calculate Required Local Effort.

The following four object codes have been added under Transfers to Other Funds - Resource Reallocation:

67000-9710 Fund Transfers - Regional Alternative Education Program
67000-9720 Fund Transfers - Regional Governor's School
67000-9730 Fund Transfers - Regional Career & Technical Center
67000-9740 Fund Transfers - Regional Special Education Program

Object Code 9700 should only be used for Inter-Agency fund transfers other than transfers to regional programs.

SUPPLEMENTAL SCHEDULES CHANGES AND HIGHLIGHTS:

Schedule C - School Nurse Staffing

Section 2, "Estimated School Nurse Hours Provided by Local Health Department Paid from All Funds," has been expanded. Section 2 of Schedule C now provides a place to enter 1) the total school nurse hours provided to students by the local health department nurses in FY 2007 paid from state and local fund sources and 2) of the total local health department nurse hours entered on line 1, enter the local health department nurse hours that were paid from State funds. Excel will calculate the total nurse hours funded solely from local funds.

Please note that if the local health department has placed a clinic on school grounds to offer health clinic services as they would in any other clinic and is not there to specifically provide nursing services to students, those nurse hours should not be included on Schedule C.

Schedule E - Required Local Effort

Changes have been made to Sections one and two to bring the data in line with the additional expenditure codes in District 67000.

Under Section one, "Qualifying Expenditures for Operations," Excluded Inter-Fund Transfers (sub-function 67300) has been divided into two object codes: Capital Purchased by Locality (9600) and Transfer to Inter-Agency Fund (9700).

Section two, "Adjustment for State Funds," has been modified to include five new Inter-Agency transfers:

State Funds Passed Through - Excluding Regional Programs
State Funds Passed Through to Regional Alternative Program
State Funds Passed Through to Regional Governor's School
State Funds Passed Through to Regional Career & Technical

Education Center
State Funds Passed Through to Regional Special Education
Program.

The "Sum of Debt Service Expenditures Paid from Federal Funds" has been removed from Section three, "Adjustment for Federal Funds." This change corresponds to the changes made to Schedule G.

Section five, "Verify Required Local Effort," includes the one-time FY 2007 "Required Local Effort Neutral Credit for Hold Harmless Sales Tax." For the purpose of calculating required local effort in fiscal year 2007, Chapter 847, 2007 Appropriation Act, contains language authorizing the hold harmless sales tax payment to be counted as a credit toward the local share of costs of the Standards of Quality (SOQ). Further, additional state payments in fiscal year 2007 from Enrollment Loss and Supplemental Basic Aid resulting from the corrected sales tax estimate may also be counted as a credit toward the local share of costs of the SOQ in fiscal year 2007. This provision only applies to fiscal year 2007; calculation of required local effort in fiscal year 2008 will employ the normal calculations without any credit provided toward the local share of SOQ costs.

Similar to previous years, the data for Schedule E, including the new expenditure codes, are populated as the Excel template is completed and does not require any additional data entry for completion.

Schedule E.2 - Required Local Match

A new schedule has been added as Schedule E.2, "Calculation of Expenditures for Operations from Local Funds in Support of the Division's Required Local Match," in accordance with Item 146 of Chapter 847, 2007 Appropriation Act.

Chapter 847 directs the Department of Education to verify the appropriation of a locality's share of local matching funds required for any Incentive or School Facilities program in which a school division elects to participate. The Department of Education must also verify that the required local matching funds are actually spent. Similar to Required Local Effort for Standards of Quality accounts, this language amendment instructs the department to make calculations based on submitted school division data to ensure that school divisions have appropriated adequate local funds, above the required local effort for the Standards of Quality, to support the required local match based

on the Incentive and School Facilities programs in which the division has elected to participate. If the department's calculations indicate that insufficient funds have been appropriated to meet the required local matching funds for one or more programs, state payments for such programs will not be made until the division can certify that sufficient local funding has been appropriated to meet the required local match. Beginning in fiscal year 2008, any amount a locality has not expended by the end of a fiscal year in support of the required local match must be paid by the locality into the general fund of the state treasury.

Schedule G - Capital Expenses

School divisions no longer will be required to report total debt service or capital lease expenditures (Sub-Function 67100) that were paid from Federal funds. However, for purposes of calculating qualifying local funds for purposes of meeting required local match, school divisions should report the total capital expenditures that were paid from loans, bonds or temporary financings under Revenue Codes 4104010 (local bond issues), 4104020 (loans from Literary Fund), 4104030 (proceedings from bond issues), and 4104040 (temporary loans).