

## CHANGES, CLARIFICATIONS, AND HIGHLIGHTS TO THE 2010-2011 ANNUAL SCHOOL REPORT FINANCIAL SECTION (ASRFIN)

This attachment provides information regarding important changes and clarifications to the 2010-2011 (fiscal year 2011) Annual School Report Financial Section (ASRFIN).

### **GENERAL ASRFIN CHANGES AND HIGHLIGHTS:**

#### **Validation of Completed Excel Template before Submission**

As in prior years, once the Excel template is complete and the "Final Error Check" macro has been run, the user must click a button on the "Final Check Worksheet" sheet to accept any remaining warnings and finalize the file for submission. An additional dialogue box has been added that warns the user if they have completed the "Final Error Check" macro, but have not clicked on the button to validate the file prior to submission. Please remember to validate your final template to avoid delays in successfully submitting your Excel file through SSWS.

#### **Valid Excel File Extensions**

Please only save the ASRFIN file using the .xls or .xlsm Excel extensions. Saving as .xlsx (the default file extension for Excel 2007) will permanently erase the template's macros and require the user to start over with a new ASRFIN template. Directions for saving the ASRFIN template using these file extensions are included in Attachment A – ASRFIN Download Instructions.

#### **Requests for Deadline Extension**

As required by [Section 22.1-81, Code of Virginia](#), the submission deadline for the 2010-2011 ASRFIN is September 15, 2011. School divisions and regional programs that wish to file for an extension (until September 30, 2011, per [Section 22.1-81, Code of Virginia](#)) for their 2010-2011 ASRFIN must submit a written request signed by the division superintendent, or designee, to Kent C. Dickey, deputy superintendent for finance and operations, prior to the September 15, 2011, deadline. **Please note that e-mail extension requests will not be accepted.** If an extension is granted, the deadline for submitting the 2010-2011 ASR Financial Section will be Friday, September 30, 2011. 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:**

The following Revenue Codes have been added or deleted in the 2010-2011 ASRFIN template to reflect actual payment activity in fiscal year 2011.

#### **State Revenue Codes Added**

240214	Textbooks (SOQ)	State SOQ
240214	Textbooks (Lottery)	State Lottery
240235	Special Education – Vocational Education	Incentive
240242	Governor's School – Summer Residential Statewide Program	Incentive

240243	Governor's School – Summer Residential Special Program	Incentive
240249	Special Education Endorsement Program	Incentive
240373	Composite Index Hold Harmless (General Fund)	Incentive
240373	Composite Index Hold Harmless (Lottery)	State Lottery
240261	Virtual Virginia	Categorical
240236	Project Discovery	Other State

**State Revenue Codes Deleted**

240209	Enrollment Loss
240233	Support for School Construction, Operating, and Textbooks
240357	Virginia Star Program – PIF

**Federal Revenue Codes Added**

84371	Virginia Striving Readers Intervention Initiative
84388	ARRA School Improvement Grants
84410	ARRA Education Jobs Fund
99998	Other ARRA Federal Funds

**Other ARRA Federal Funds**

If your division has received any American Recovery and Reinvestment Act of 2009 (ARRA) federal funds that are not detailed in sections F or G, those funds must be reported under revenue source code 99998, "Other ARRA Federal Funds," located near the end of Section G. You can access this sheet directly from the "Revenues" worksheet by selecting the "Show Sheet" button on the revenue line for 99998, "Other ARRA Federal Funds," or from the navigation menu on the "Important Reminders" worksheet.

On the "ARRA Federal Funds Worksheet" you should enter the description of the revenue in the description column (column C) and the amount of the revenue in the amount column (column D). Please enter a detailed description of the revenue. Excel will automatically sum the amounts entered in column D of the worksheet and will transfer the total to line 99998, "Other ARRA Federal Funds," on the "Revenues" worksheet. To return to the "Revenues" worksheet from the "ARRA Federal Funds Worksheet," select the button labeled "Return" located to the right of the amount column. You can also return to the "Revenues" worksheet by clicking on the "Revenues" worksheet tab; however, if you are navigating the ASRFIN Excel template using the navigation menu, selecting the "Revenues" tab will leave the "ARRA Federal Funds Worksheet" available until you go back to the navigation menu.

**Federal Revenue Codes Deleted**

84298	Innovative Education Programs (Title V, Part A)
84323	Special Education Program Improvement

Federal Revenue CFDA number 10550, "Cash in Lieu of USDA Commodities," should be used by those divisions that receive the value of the food in cash in the CLOC (Cash in Lieu of Commodities) program. Please note school divisions should not report the value of the

commodities received, only cash received, as this would incorrectly inflate the revenue of the school nutrition program.

### **Sales Tax Revenue Edit Check**

As provided in the section entitled "State Retail Sales and Use Tax" on page 13 of Attachment C, the Governmental Accounting Standards Board (GASB) directs that local school divisions may accrue either one or two months of sales tax revenues (per GASB 33 and GASB 34). In order to assist school divisions in complying with this directive, the 2010-2011 ASRFIN template contains an additional edit check that allows for entry of only one- or two-month accrual of state sales tax revenues on the Revenues sheet. The ASRFIN Excel template will preload the one-month accrual state sales tax data for both the one percent and the one-eighth percent amounts. For school divisions that accrue on a two-month basis, the Department will make a patch available to facilitate entry of two-month accrual state sales tax data. This patch will be distributed to school divisions in mid-August, after August sales tax payments are finalized. The Department will provide further instruction regarding how to run the patch on your ASRFIN Excel template at that time. Please see page 13 of Attachment C for more information about the new edit check.

### **ASRFIN BEGINNING AND END OF YEAR BALANCE CHANGES AND HIGHLIGHTS**

Under Beginning of Year Carry-Forward Balances, "Competitive Leadership Grants (State Share Only)" has been removed. School divisions that received a Leadership Development grant in fiscal year 2008 (the last year the grants were awarded) were allowed to retain any unspent balances and were permitted to spend any remaining balances for the intended purposes during the ensuing two fiscal years (fiscal years 2009 and 2010). Therefore, school divisions that received such awards in fiscal year 2008 should have no Beginning of Year Carry-Forward Balances at the start of fiscal year 2011. All remaining balances from the Leadership Development Grant must be returned to the Commonwealth of Virginia. Please submit a refund check made out to "Treasurer of Virginia" and include "Refund of Leadership Development Grant" in the memo line. All refund checks should be sent to:

Virginia Department of Education  
Office of Accounting  
P.O. Box 2120  
Richmond, VA 23218-2120

Chapter 890, 2011 Acts of Assembly, allows localities to carry over into fiscal year 2012 any remaining state textbook fund balances that are unexpended as of June 30, 2011. Localities electing to carry forward such unspent state funds must appropriate the funds to the school division for expenditure in fiscal year 2012 for the same purpose. These carry-over funds should be reported on the "Recapitulation" sheet under Section 2: End-of-Year Carry Over Balances on the "Textbooks" balance lines.

Similarly, Chapter 890 allows any locality that has met its required local effort for Standards of Quality accounts and required local match for Incentive or Lottery-funded programs in which the

locality elected to participate in fiscal year 2011 to carry over into fiscal year 2012 any remaining state Direct Aid to Public Education fund balances. Localities electing to carry forward such unspent state funds must appropriate the funds to the school division for expenditure in fiscal year 2012. These carry-over funds should be reported on the "Recapitulation" sheet under Section 2: End-of-Year Carry Over Balances on the "Other State Accounts" balance lines.

Effective with the 2010-2011 ASRFIN, "Textbooks" and "Other State Accounts" are the only available End of Year Carry Forward balances. The "School Construction Funds" and "Lottery Carry-Over Balances" lines have been removed from the template since neither was funded in fiscal year 2011.

### **ASRFIN EXPENDITURE CHANGES AND HIGHLIGHTS:**

#### **Program 10 – Non-Regular Day School (excludes preschool expenditures)**

The expenditure code structure has changed to separate non-special education preschool expenditures (for students without an IEP) from Nonregular Day School expenditures. Program 8 is now exclusively for reporting expenditures for the custody, care, and instruction of children in pre-kindergarten programs such as Head Start, Virginia Preschool Initiative, and other pre-kindergarten programs. Nonregular Day School expenditures, activities that are not directly related to the educational services offered by a LEA, should be reported under a new Program 10. This change affects the "District 61100" and "District 61310" expenditure functions. Please note that special education preschool expenditures should be reported under Program 2 – Special Education, in the applicable function(s).

#### **Object Code 1660 – Employee Bonuses**

A new object code for reporting employee bonuses (1660 – Employee Bonuses) has been added to all expenditure sheets except for the "District 67000" sheet. This object code covers one-time bonus payments provided to instructional and support personnel. Do not include National Board Certification Teacher bonuses in this object code. Object Code 1650 was established for reporting National Board Certification Teacher bonuses. Please note that you cannot report bonuses without reporting associated regular salaries and wages in the same function/program.

#### **Object Code 3100 – Purchased Services – Virtual School Programs**

Object code 3100 – Purchased Services – Virtual School Programs has been added to the 2010-2011 ASRFIN for reporting contractual costs of all virtual school programs, including Multidivision Online Providers or virtual school programs contracted separately by school divisions. This object code has been added to the "Elementary 61100", "Secondary 61100", and "District 61100" sheets. Note: Virtual Virginia does not apply here since school divisions make tuition payments to the Virginia Department of Education. Virtual Virginia tuition payments should be included in Object Code 3810 – Tuition Paid – Other Divisions In-State.

**Escrow Deposits Removed**

Object Codes 9410 (Fund Transfers - State Funds Paid to Escrow from Additional Support for School Construction & Operating Costs and School Construction) and 9420 (Fund Transfers - Local Funds Paid to Escrow from Additional Support for School Construction & Operating Costs and School Construction) are no longer available on the "District 67000" sheet. These codes were originally created in order to distinguish between state and local funds paid to escrow from School Construction grants and Additional Support for School Construction and Operating Costs funds. However, these escrow accounts are no longer active so these expenditure Object Codes have been removed. The 9400 Object Code (Fund Transfers – Deposits to Escrow) is still available for payments to other locally funded escrow accounts.

**Object Code 2210 – VRS Benefits (Employer Share)**

Please note that Object Code 2210 – VRS Benefits should not include any VRS benefits paid by employees. This object code should only reflect the employer share of VRS benefits paid to the Virginia Retirement System. If a school division pays the employee share of VRS benefits on behalf of the employee, those expenses should be reflected here as well. Employee paid benefits that are collected by a school division on behalf of employees and paid by the school division to the Virginia Retirement System should not be reported on the ASRFIN.

**Summer School Expenditures**

Please note that if a school division has revenues for remedial summer school, there should be expenditures reported under Program 6 – Summer School. A new edit check has been added to assist with this requirement.

**School Bus Replacements and Additions**

School bus additions and replacements should not be reported under Purchased Services (3000 level Object Codes). Object code 8100 – Capital Outlay Replacement and object code 8200 – Capital Outlay Additions should be used for this purpose.

**SUPPLEMENTAL SCHEDULES CHANGES AND HIGHLIGHTS:**

**Schedules A and B Maintenance of Effort Analysis**

For the 2010-2011 ASRFIN, the calculation of LEA Maintenance of Effort for the federal Individuals with Disabilities Education Act (IDEA) has been modified on Schedules A and B. In accordance with federal IDEA regulation, VDOE will still calculate each school division's IDEA Maintenance of Effort using the following four tests:

- Option 1:** Local Special Education Spending (Total Expenditures);
- Option 2:** Local Special Education Spending Per Pupil (Per Capita);
- Option 3:** Local & State Special Education Spending (Total Expenditures); and
- Option 4:** Local & State Special Education Spending Per Pupil (Per Capita).

A school division must pass any one of these four tests to meet the IDEA Maintenance of Effort requirement; however, only Options 1 and 3, which use total expenditures, will be calculated in the 2010-2011 ASRFIN file.

If your school division does not meet the IDEA Maintenance of Effort requirement using either Option 1 or 3, testing Options 2 and 4 will be run by VDOE's Office of Financial and Data Services. Again these tests will not be part of the 2010-2011 ASRFIN but will be conducted internally by VDOE. Your division will then be contacted by VDOE's Office of Financial and Data Services to inform you of the results of the calculations for Options 2 and 4. If your division passes either Option 2 or 4, you will be notified that your division has met its IDEA Maintenance of Effort requirement. However, if your division fails Options 2 and 4, VDOE's Office of Financial and Data Services will contact you to discuss possible allowable reductions to the expenditures your division reported on Schedules A and B.

In all cases, VDOE's Office of Financial and Data Services will officially notify all divisions of their status relative to determining whether or not they met their IDEA Maintenance of Effort requirement. This notification will include specific information on which of the four IDEA MOE tests the division passed or failed and the specific information used for calculating testing options 2 and 4 for fiscal year 2011, including the December 1, 2010 special education child count total used in the calculations.

### **Schedules A and B Maintenance of Effort Guidance Document**

The Office of Financial and Data Services, within the Division of Special Education and Student Services of the Virginia Department of Education has provided additional guidance on IDEA Maintenance of Effort requirements. The department's guidance is provided below and is also included in Attachment C – ASRFIN Instruction Manual.

### ***IDEA Maintenance of Effort Guidance***

The following additional guidance on IDEA MOE requirements has been provided by Paul Raskopf, director of the Office of Financial and Data Services, in the Division of Special Education and Students Services of the Department of Education.

The Department is required by federal regulation to ensure all school divisions in Virginia comply with Section §300.203 of the IDEA regulations, which requires that school divisions meet a MOE requirement. This requirement is that school divisions must spend at least the same amount of local or local plus state dollars for a current school year on the delivery of special education and related services, as were spent the previous year.

In making this annual determination for each school division in Virginia, the Department uses the information submitted by divisions in their ASR to compare year to year local and state expenditures for the provision of special education and related services.

### ***IDEA MOE Tests***

As specified in Section §300.203 of the IDEA regulations, there are four ways a school division can meet its MOE requirement:

1. Spend the same total amount of local funds only as were spent for the previous year;

2. Spend the same amount of local plus state funds as were spent for the previous year;
3. Spend the same per capita amount of local funds as were spent for the previous year;
4. Spend the same per capita amount of local plus state funds as were spent for the previous year.

A school division is only required to pass one of the tests listed above. Also, the division is not required to pass the same test each year.

There is no flexibility in the IDEA for any waiver or variance of a school division's annual MOE requirement.

If a division does not pass at least one of the tests listed above, the Department will contact them to discuss the situation. Under certain conditions specified in the IDEA regulations, a school division may reduce the expenditures needed to meet their MOE requirement. The information in this document is intended to provide school divisions with the criteria the Department will use to determine whether a division may reduce their required expenditures and to document the division is meeting its MOE requirement.

### ***IDEA MOE Possible Allowable Reductions to Expenditures***

The possible allowable reductions specified in IDEA Sections §300.204(a), Section §300.204(b), Section §300.204(c), Section §300.204(d) and Section §300.205 and the criteria the Department will use in considering them in addressing any school division's failed initial MOE test are listed below.

#### *1. Section §300.204(a):*

"...The voluntary departure, by retirement or otherwise, or departure for just cause of special education or related services personnel..."

This possible reduction is determined by the school division identifying which personnel, over the course of the previous school year, left school division employment through their own choice. The division then identifies the costs associated with each departure. This can be done in two ways. If the departure was for a position that was not filled during the year, then the full cost associated with that departure can be counted for the reduction. Or, if the position was filled and the new staff were hired at a lower level on the division pay scale, then the difference between the two costs associated with the position can be counted for the reduction. Note: a reduction-in-force does not constitute a voluntary departure.

Departure for just cause means employment was terminated by the division following a personnel disciplinary action and is included under this provision.

#### *2. Section §300.204(b):*

"...A decrease in the enrollment of children with disabilities..."

If the school division experiences a decrease in the enrollment of students with disabilities in comparing their current year December 1 special education child count total to the previous year's December 1 special education child count total, then the per capita cost of local expenditures or local expenditures plus state expenditures can be multiplied by the reduction in the enrollment to produce a dollar amount that may be an allowable reduction under this section.

3. *Section §300.204(c):*

“...The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child-...”

(1) Has left the jurisdiction of the agency;

(2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated;

(3) No longer needs the program of special education.

An exceptionally costly program means an individual program for an individual child that is at least 20 percent more than the average cost per child for providing special education and related services in a school division. An example of this would be a student that has returned from a private program.

If a possible reduction for a student previously served in a private program is being considered, adjustments will need to be made to local expenditures previously reported in the division's ASR for both the current and previous year. This will be necessary because funds used to pay for private placements are Comprehensive Services Act (CSA) funds, accounted for on the books of the local government and which are not included in expenditures reported in the ASR.

An exceptionally costly program can also be a program that is no longer needed at a particular level of intensity or can also be a program that can now provide the same level of services for a reduced expenditure, where the reduction is no more than 20 percent of the previous cost for the program.

Any possible reduction generated by a change in service or program (not a situation where a student has left the division or has reached the age at which FAPE is no longer required) will be considered on an individual, case-by-case basis and will require documentation that there will be or was no reduction in FAPE to impacted students.

4. *Section §300.204(d):*

“...The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities...”

Allowable reductions under this section can include costs for construction projects that have ended or for equipment previously purchased for which there is no need for an additional purchase. Construction costs related to special education would generally be prorated across the total project costs. These possible reductions would be considered on an individual, case-by-case basis.

5. *Section §300.205:*

For any fiscal year in which the allocation received by a school division exceeds the amount the division received the previous fiscal year, the division may reduce the level of expenditures otherwise required by not more than 50 percent of the amount of that excess.

This possible reduction would only be applicable in a year where the division's federal Part B grant award was higher than the previous year's Part B grant award.

NOTE: If the Department reviews and approves individual situations where an allowable reduction to a school division's expenditures has been identified, the actual expenditures reported in the ASR do not change. The adjusted expenditures are used only for the purpose of determining whether the division has met its IDEA MOE requirement.

***Final IDEA MOE Decision***

Once the Department has determined whether or not a division has met the division's MOE requirement, each division will receive written notification of their final status. For those divisions that failed an initial test but had approved allowable reductions to their expected expenditures, the letter will detail those reductions. The final, approved expenditures will set the MOE "target" for the next year.

For FY 2011 only, there is one possible additional option for a division whose final status was failure to meet their MOE requirement. If this is the case, the U.S. Department of Education has issued guidance which will allow a school division to use some of their State Fiscal Stabilization Funds (SFSF) to meet their IDEA Maintenance of Effort requirement. This would only be the case for SFSF already allocated for special education services.

If the final status for a division is failure to meet their MOE requirement, the Department would have to pay the amount of the division shortfall to the U.S. Department of Education. The Department would then establish a payment plan for the division to provide reimbursement to the Department.

If this was the final situation, the division's MOE expenditure requirement for the next year would be the actual division expenditure for the failed year.

Questions related to a division's IDEA MOE requirement should be directed to Mr. Paul J. Raskopf at [paul.raskopf@doe.virginia.gov](mailto:paul.raskopf@doe.virginia.gov) or at 804-225-2080.

## **Schedule K – Table 15**

In order to account more accurately for expenditures related to regional programs, the Schedule K - Table 15 methodology has been modified to reflect the changes that were included as part of Table 15 in the 2009-2010 Superintendent's Annual Report. Under the revised methodology, state payments for Regional Alternative Education Programs and Academic Year Governor's Schools are now allocated to school divisions according to their participation in these programs and added back to both state revenues and total expenditures for the participating divisions, rather than adding them to state revenues only. As a result of this technical change, state revenues for regional programs will appear as a pass-through of funds for local divisions, which allows for local expenditures to more accurately reflect their correct funding level.

There have been two changes impacting the four jointly-operated divisions beginning with the 2010-2011 ASRFIN. For the four combined divisions only, Schedule K will not appear for the non-fiscal agent division in the ASRFIN template. These divisions include Bedford City, James City County, Fairfax City, and Emporia City. This is because all of the relevant data for Schedule K is reported with the fiscal agent division's ASRFIN. The fiscal agent divisions include Bedford County, Williamsburg City, Fairfax County, and Greensville County. In addition to this template change, the fiscal agent division's Schedule K page of the superintendent's verification report will only be available after both school divisions in the participating jointly-operated division have successfully submitted their ASRFIN template and accepted all warnings.

## **CHANGES FOR THE FISCAL YEAR 2012 ASRFIN**

### **School Nurse Expenditure Reporting**

Starting in fiscal year 2012, School Nurse Salaries and Wages (Object Code 1131 on the "District 62220" sheet) will be updated to only include salaries and wages for licensed school nurses. A new Object Code 1134 will be created to capture the salaries and wages for unlicensed school nurse personnel. The new Object Codes and descriptions are as follows:

- 1131 Licensed-School Nurse Salaries and Wages: Compensation for those **licensed personnel** who conduct a health service program at a school or system for the evaluation, improvement and protection of the health of students and school personnel in accordance with state law and local policies and procedures. (Attendance & Health function only.)
- 1134 Unlicensed-School Nurse Salaries and Wages: Compensation for those **unlicensed personnel** who conduct a health service program at a school or system for the evaluation, improvement and protection of the health of students and school personnel in accordance with state law and local policies and procedures. (Attendance & Health function only.)

Please note that the School Nurse Schedule C should only include expenditures and FTEs for **licensed** school nurses.

### **Special Education Maintenance of Effort Monitoring Under IDEA**

Beginning with the fiscal year 2012 ASRFIN, IDEA Maintenance of Effort will no longer be analyzed as part of Supplemental Schedules A and B. The department is working to develop a separate SSWS application under the management of the Office of Financial and Data Services, within the Division of Special Education and Student Services to collect the necessary data to determine each division's IDEA Maintenance of Effort. The 2011-2012 ASRFIN will still capture the special education revenue and expenditures on the Supplemental Schedules A and B for purposes of determining Foster Care funding as well as to transfer information to the new SSWS application where further analysis will be completed by school divisions and DOE staff. Additional information regarding the new SSWS application will be provided by the Office of Financial and Data Services in a future superintendent's memorandum.