**Finance Newsletter May/June 2023**

**Fiscal Year-End Resources**

The end of FY2023 is near, and close out will arrive shortly. KDE has developed numerous guides to assist you with year-end procedures.

KDE’s [Fund Balances, Revenues and Expenditures, Chart of Accounts and Indirect Cost Rates](https://education.ky.gov/districts/FinRept/Pages/Fund%20Balances%2C%20Revenues%20and%20Expenditures%2C%20Chart%20of%20Accounts%2C%20Indirect%20Cost%20Rates%20and%20Key%20Financial%20Indicators.aspx) webpage, provides the Chart of Accounts established by KDE, in both quick reference and detail form. The webpage contains other helpful information such as GASB 54 best practices, project numbers and more.

KDE also has a [MUNIS Support and Guides](https://education.ky.gov/districts/Pages/MUNIS-Guides.aspx) webpage. The page utilizes a drop-down list to display numerous documents on a variety of subjects including budgets, fixed assets, general ledger, fiscal year end, payroll and more.

Additional, helpful links are located on KDE's webpage [District Financial Reporting](https://education.ky.gov/districts/FinRept/Pages/default.aspx) shown below:

* [Redbook Guidelines](https://education.ky.gov/districts/FinRept/Pages/Accounting-Procedures-for-School-Activity-Funds.aspx)- Accounting Procedures for Kentucky School Activity Funds
* [Audit Contract – KDE webpage](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx)
* [Frequently Asked Audit Questions – KDE webpage](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx)
* [Finance Newsletters – KDE webpage](http://education.ky.gov/districts/FinRept/Pages/Financial%20Management%20Calendar%2C%20Financial%20Management%20Manual%2C%20Insurance%20Guidelines%2C%20Who%20Does%20What%20in%20DDS%2C%20Finance%20Newsletters.aspx)
* [District Payment Registers – KDE webpage](http://education.ky.gov/districts/FinRept/Pages/District-Payment-Registers.aspx)
* [On Behalf Payments Information – KDE webpage](http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx)
* [District Audit Reports from FY2020 through FY2022](https://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx) – KDE webpage

Districts are encouraged to review this information prior to, and during year-end procedures. Complete and accurate year-end practices will lead to a more efficient audit process and subsequent review by KDE. Please contact the District Financial Management Branch for more details.

**Important Dates**

**April 3**- Finance domain opened in the 2021-2022 School Report Card for review and data entry.

**April 10**- US ED site opened.

**April 15**- FY2022-2023 Audit Contract became available, and website opened for Audit Contract Acceptance statement.

**May 4**- US ED site closes.

**May 18**- Data must be entered in the School Report Card finance domain.

**May 31**- Window for Audit Acceptance statement closes with signed audit contract and peer review due to KDE.

**June 1-** The Pledge of Collateral window will open in SEEK. Please refer to KDE’s website at [Pledge of Collateral Information](https://education.ky.gov/districts/FinRept/Pages/Pledge%20of%20Collateral.aspx) for instructions.

**June 1-** The Fidelity Bond window will open in SEEK. Please refer to KDE’s website at [Fidelity Bond Information](https://education.ky.gov/districts/FinRept/Pages/Fidelity%20Bond.aspx) for instructions.

**June 30**- Notification from SCSDA of audit contract approvals or disapprovals.

**School Report Card Finance Domain Review**

The School Report Card Finance Domain is currently open for review and data entry. Districts are required to validate/approve district-level financial data entered by KDE and calculate/enter school-level spending data per student. Once again, this year, districts have the option to enter a financial narrative to be displayed on the school report card and KDE strongly encourages creating a narrative. The short 750-character narrative will be displayed on the district’s financial transparency page under the header: **A message from the superintendent**. This narrative will give parents, community members, and researchers, a better understanding of the district’s financial picture, which cannot be gathered by looking at the data alone.

Finance officers were provided guidance on calculating spending per student data and the guidance can also be found on the KDE’s [School Report Card Resources website](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Feducation.ky.gov%2Fdistricts%2Ftech%2Fsis%2FPages%2FSchool_Report_Card_Resources.aspx&data=05%7C01%7Cjackie.chism%40education.ky.gov%7Cd4dd9564832045687bef08db3447d9db%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638161255424184109%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=y%2FQsG4SDq1uA4s70dT8l9ChEnmdOE2UWwbXX73Fm4S4%3D&reserved=0). Additional guidance on entering the data and narrative have been provided to finance officers. Data entry must be completed by **May 18**. Please contact Jessi Carlton at (502)564-3930 ext. 2468 or Jessica.carlton@education.ky.gov with questions.

### KDE to Offer Statewide Federal Programs Training

The Kentucky Department of Education will offer a statewide federal program training at no cost to school districts on June 13-15 at the Central Bank Center in downtown Lexington. The same content will be offered on three different days. We will re-engage with some of the same topics from the fall 2022 training, but also will concentrate on new training needs that have emerged during monitoring.

The training will be provided by [The Bruman Group](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMTEsInVyaSI6ImJwMjpjbGljayIsInVybCI6Imh0dHBzOi8vYnJ1bWFuLmNvbS8_dXRtX21lZGl1bT1lbWFpbCZ1dG1fc291cmNlPWdvdmRlbGl2ZXJ5IiwiYnVsbGV0aW5faWQiOiIyMDIzMDQxMC43NDkyODI0MSJ9.ww-36JWMbMxWxkNwwJOVwE5p96CNlNHtq-nJXKDQt2s/s/947322311/br/157771160597-l) (formerly Brustein and Manasevit), a legal firm that is nationally recognized for its federal grants management and education regulatory and legislative practice.

The training will benefit district staff who are responsible for the oversight and administration of federal education programs and compliance with legal requirements. District superintendents, finance officers and federal program coordinators are strongly encouraged to attend.

[Register online for this Bruman Group training about federal programs](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMTIsInVyaSI6ImJwMjpjbGljayIsInVybCI6Imh0dHBzOi8vZG9jcy5nb29nbGUuY29tL2Zvcm1zL2QvZS8xRkFJcFFMU2NRY3JRVzE2R3lwQzAzYm9peGw1YjZsUlVEcFU3TzRBcVRwdVo0cDg0TS1OeWdWdy92aWV3Zm9ybT91dG1fbWVkaXVtPWVtYWlsJnV0bV9zb3VyY2U9Z292ZGVsaXZlcnkiLCJidWxsZXRpbl9pZCI6IjIwMjMwNDEwLjc0OTI4MjQxIn0.eJBbpY6LI9SpP85_iH8OI1o38QAv2OeMFhrHEEfM5_M/s/947322311/br/157771160597-l). Although registration will remain open until the training, space is limited so please register early to secure a spot for your preferred date. Attendees must register individually.

For more information, email Leslie Bridges or call her at (502) 564-3791, ext. 4040.

**Now Available-Paid Lunch Equity Tool**

All sponsors of the National School Lunch Program (NSLP) with pricing sites (paid student lunch prices) must comply with Paid Lunch Equity (PLE) requirements as stated in [7 CFR 210.14](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.ecfr.gov%2Fcurrent%2Ftitle-7%2Fsubtitle-B%2Fchapter-II%2Fsubchapter-A%2Fpart-210%23p-210.14(e)&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C128ba47b08fc4872a71208db3b4e2453%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638168979542925479%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=cwbvTpISN%2Bh9LdhOZl%2Fn9ZK5ueKL8wWCVm8fcc9ri28%3D&reserved=0). The PLE requirements do not apply to schools who implement the Community Eligibility Provision. In [SP 11-2023](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Ffns-prod.azureedge.us%2Fsites%2Fdefault%2Ffiles%2Fresource-files%2FSP11-2023os.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C128ba47b08fc4872a71208db3b4e2453%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638168979542925479%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=yCPzptRQhwgg%2FmyW2Ex%2BbPTj60%2B%2FHuBz1aQWjZsoMSo%3D&reserved=0), the USDA issued guidance for SY 23-24 and this includes the PLE tool. Guidance for SY 23-24 states that sponsors must complete the tool to see if a price increase is required for SY 23-24, and if a price increase for paid student lunches is required, the sponsor can either increase prices or request an exemption. According to [SP 06-2023](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Ffns-prod.azureedge.us%2Fsites%2Fdefault%2Ffiles%2Fresource-files%2FSP06_CACFP05_SFSP02-2023os.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C128ba47b08fc4872a71208db3b4e2453%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638168979542925479%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=Ug%2F0%2FMPkvmE3%2BBY1NPD35Pr1xTKmyt7yL4r1Hjjatb8%3D&reserved=0), exemptions will not be granted if the sponsor has a negative non-profit school food service fund balance as of June 30, 2022. The division of School and Community Nutrition (SCN) staff are completing the PLE tool for sponsors. At the beginning of May, SCN staff will contact food service directors to review the completed tool and provide technical assistance regarding any pricing changes or approve exemption requests. For questions, please contact Katie Embree with the Division of School and Community Nutrition.

# FY2023 Audit Acceptance Statement Web Form

The Audit Acceptance Statement web form, which includes the justification section for using the same audit firm for more than five consecutive fiscal years, must be completed and submitted electronically through KDE’s [SharePoint](https://staffkyschools.sharepoint.com/sites/dsapps/DFMB/Lists/DistAudAccStat/Default.aspx?District_x003a_ID=178) site. The Audit Acceptance Statement electronic web form submission instructions, are located at [Financial Audit Contract Information](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx).

For questions regarding the Audit Acceptance Statement web form, please contact Gail Cox (502) 564-3846, ext.4462 or Kelli Young (502) 564-3846, ext. 4417.

# FY2023 Audit Contract

The “Audit Contract and Requirements for FY2022-2023” are now available for review at [Financial Audit Contract Information](http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx).

The electronic submission of the audit contract and any associated documents, are required to be submitted electronically to KDE on or before May 31, 2023 to Finance Reports, with the “DISTRICT NAME AUDIT CONTRACT DOCUMENTS” in the subject line.

For questions regarding the contract, please contact: Kim Carter (502) 564-3846, ext. 4440; Kelli Young (502) 564-3846, ext. 4417, or Marshall Smith (502) 564-3846, ext. 4463.

## **What the FY2022 Audit Findings Statistics Indicated**

The Kentucky Department of Education (KDE) compiled FY2022 audit findings for all 171 districts. As shown below, there were fifty-one (51) audit findings among thirty-eight (38) districts statewide.



Material weaknesses are deficiencies that could have a material effect on the financial statements or create material noncompliance. The table above shows twenty-two (22) material weakness findings for fourteen (14) districts which infers there are districts with more than one material finding.

Ten (10) of the findings were repeated from the previous year:



KDE categorized these findings to provide indicators of common issues. Payroll is the leading category followed by noncompliance, audit adjustments and approvals. Additionally, approvals, audit adjustments, journal entries and noncompliance had repeated findings.



Providing a snapshot of the FY2022 results may assist districts and KDE in determining common issues and confusion. KDE encourages districts to use this data to improve operations going forward.

For further questions or concerns over this information, please feel free to contact Marshall Smith, DFMB Administrative Branch Manager at (502) 564-3846, ext. 4463, or email Marshall Smith.

## **What the FY2022 Audit Management Letter Comments Statistics Indicated**

The Kentucky Department of Education (KDE) documented the FY2022 management letter comments for all 171 districts and found 762 total comments **with 197 noted as repeats** from the previous year. As shown below, 87.3% of the comments were Redbook related.



The 613 **Redbook** management letter comments were analyzed and categorized to provide indicators of common issues. The “Receipts/Revenue” comments totaled 117 or 19.1%. This category was followed by “Expenditures” and “Forms” at 79 or 12.9% and 72 or 11.7%, respectfully. The 89 **General (non-Redbook)** management letter comments were also categorized. “Payroll” was the largest category at 15 or 16.9% followed by “Purchasing” at 14 or 15.7%.

KDE has established several rules and regulations to ensure districts have the flexibility needed to operate school activity funds while ensuring proper safeguards, commonly referred as “Redbook” located on KDE’s webpage at [Accounting Procedures for School Activity Funds](https://education.ky.gov/districts/FinRept/Pages/Accounting-Procedures-for-School-Activity-Funds.aspx). The Redbook enables districts to provide necessary reporting of monies received and expended through a method of uniform accounting for school activity funds. Student activity funds commonly deal in cash and involve many district personnel and volunteers which makes safeguarding funds both important and challenging.

Management letter comments provide unique opportunities for strengthening the internal controls and operating efficiencies of a district by notifying management of issues before they rise to the level of audit findings. KDE encourages districts to use management letter comments, as well as the information presented here, to reflect on their operations and look for opportunities to improve.

For further questions or concerns over this information, please feel free to contact Marshall Smith, DFMB Administrative Branch Manager at (502) 564-3846, ext. 4463, or email Marshall Smith.

**HB 553 and “Growth Districts”**

Please see some guidance below from the Kentucky Department of Education’s Division of District Support, Office of Finance and Operations, as it relates to HB 553 (2023 Regular Session) and “growth districts.” If you have any questions, please email krystal.smith@education.ky.gov and sarah.tandy@education.ky.gov.

**AADA Growth (School Year 2022-2023)**

[HB 553 (2023 Regular Session)](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Frecorddocuments%2Fbill%2F23RS%2Fhb553%2Fbill.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C968703e1731742c56d1d08db45a5aed6%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638180350120374813%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=BTcbUhJfE1MfQDQndHnnGns81qu18Euj0bue4g0uIFA%3D&reserved=0) as passed and signed into law provided a mechanism for “growth districts” to receive additional funding. The calculation compared the 2nd month growth factor collected in [2018-2019 or 2019-2020](https://education.ky.gov/districts/enrol/Pages/Historical-SAAR-Data.aspx), dependent upon your district’s choice of AADA, and the [2022-2023 2nd month growth factor.](https://education.ky.gov/_layouts/download.aspx?SourceUrl=https://education.ky.gov/districts/enrol/Documents/2019%20SAAR%20Summary%20ReportsADA.xlsx) Additionally, the bill provided that KDE “…shall recalculate the exact final amount…” for each district’s fiscal year [2022-2023 Final SEEK](https://education.ky.gov/districts/SEEK/Pages/default.aspx). Payments for district’s that receive growth using this calculation will be included in your district’s May and June SEEK payments. For a breakdown of the amounts, please email krystal.smith@education.ky.gov or sarah.tandy@education.ky.gov for the spreadsheet.

**AADA Loss (School Year 2023-2024)**

If the district’s 2022-2023 end of year AADA, as collected in SAAR, has decreased by 10% or more when compared to your current funded AADA in 2022-2023 SEEK Final, the district will qualify under the provisions of [KRS 157.360(10)](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Flaw%2Fstatutes%2Fstatute.aspx%3Fid%3D50934&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C968703e1731742c56d1d08db45a5aed6%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638180350120374813%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=TZIeWFYEWX25puxFk7ZoYO9IITMmJLTY7ibJZrG8VQU%3D&reserved=0) which provides 2/3rds of the loss in AADA back to your funded AADA. If your AADA declines or stays the same in the following year, your district AADA will be adjusted to reflect the addition of 1/3rd of the loss.

Additionally, during the 2022 Special Session, [HB 1](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Frecorddocuments%2Fbill%2F22ss%2Fhb1%2Fbill.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C968703e1731742c56d1d08db45a5aed6%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638180350120374813%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=GsQINfBNvLsOIg%2BBozCC8dLQfpZ4Ll9HxLdOjiriHtg%3D&reserved=0) was passed to include a 3% threshold using the same AADA claw back provision in KRS 157.360(10) for districts that were located in counties included in the Presidential Declaration of a Natural Disaster designated [FEMA-4663-DR-KY](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgis.fema.gov%2Fmaps%2Fdec_4663.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C968703e1731742c56d1d08db45a5aed6%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638180350120374813%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=8Xe6a4hqYBNH8KuvClgkWPPMIdz3LpwEpCMB17jVrVc%3D&reserved=0) (July 2022 Storms and Flooding) and [FEMA-4630-DR-KY](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgis.fema.gov%2Fmaps%2Fdec_4630.pdf&data=05%7C01%7Cjackie.chism%40education.ky.gov%7C968703e1731742c56d1d08db45a5aed6%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638180350120374813%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=ncyWkVajpGK%2FZ1LdU3NfEdmBsywWYb1FysHXsPehzJw%3D&reserved=0) (December Wind/Tornados).

The initial calculation for this provision will take place in the Fall of 2023 and will be reflected in the 2023-2024 SEEK Tentative calculation.

**What do you need to do to qualify for these funds?**

No action will be required on your part for growth or the loss calculation as these will be included in the respective SEEK calculations as indicated above. Questions should be directed to krystal.smith@education.ky.gov and sarah.tandy@education.ky.gov.

**Finance Officer Spotlight**

Stacy McKnight has worked with Breathitt County Board of Education for 32 years. Prior to accepting the role of finance officer in 2018, she worked as the HR director and payroll clerk. McKnight is a 1990 graduate of Morehead State University with a bachelor’s degree in accounting. She earned her MBA from Morehead in 2007 as well as her certification as a school financial manager through UK’s Gatton College of Business and Economics in 2018.

McKnight is passionate about her role in providing students and staff the tools they need to be successful. The district is preparing to open a new elementary school in the fall of 2023 as well as beginning the construction of a new Area Technology Center. The new Breathitt Elementary School is the first new school built in the district since 1989. While the challenges of the job continue to grow, McKnight finds her role extremely rewarding and is proud to work as the finance officer in the Breathitt County Schools.

McKnight has been married to husband, Darin, for 32 years, and has one daughter, Emma, who is 19 years old.