

SECTION B MISCELLANEOUS ISSUES

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A. Accounting Systems

The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities. Sections E, F, G, H, I, J, K, M and N of this Manual have been established for the purpose of defining the accounting system to be used by all public school districts.

B. Timeliness

It is imperative that all financial records and supporting documentation be maintained on a timely basis and include accurate and reliable information. Timely shall be defined as monthly. All records and reports should be completed and filed by the end of the following month, unless other requirements apply.

C. Pre-numbered Documents

All receipts and checks shall be pre-numbered. Purchase orders and other control documents shall also be pre-numbered unless the school district clearly demonstrates that the use of pre-numbered documents would be inefficient. In such situations, adequate control shall be maintained by sequentially numbering the documents as they are used. The pre-numbering of documents insures that all such documents can be sequentially accounted for. Documents which are numbered by computer software will be allowed provided there are adequate controls to prevent the overriding of the computer program performing this function.

D. Personnel Files

There shall be individual personnel files in the school district central office which include contracts, a copy of teacher certificates, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals.

E. Receipt Files

All monies shall be receipted to the school district utilizing pre-numbered receipts (2 parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited to any bank account without a proper receipting of such monies. Any documentation necessary to support the receipts shall be maintained on file. All receipts shall include date, received from, amount, account classification and signature of receiver, at a minimum. Electronic transfers of funds should also have receipts assigned for reporting purposes. Receipt files should be prepared and filed by month. These files should contain receipts filed in numerical order along with all supporting documentation (i.e. remittance advices, etc.).

F. Paid Invoice Files

Paid invoice files are to be maintained in the following manner:

1. Paid invoice files shall contain all information necessary to support the payment transaction. School districts shall utilize a system of filing paid invoices which promotes easy access and review. Acceptable filing systems with appropriate supporting documentation include:
 - A. Filing paid invoices by fund and by check number or claim number.
 - B. Filing paid invoices by vendor in alphabetical order (PREFERRED).
 - C. Filing paid invoices by purchase order number.
 - D. Filing paid invoices by voucher number.

Upon receipt of all invoices, the district shall date the invoice as of the date it is actually received from the vendor.

Paid invoices shall be stamped "PAID" as a control feature to help prevent repayment. Paid invoices shall contain check number, claim number (if applicable), fund code, function code and object code. This could be accomplished by a cover sheet generated by your computer system and attached to the paid invoices.

G. Depository Reconciliations

All school districts are to properly reconcile all depository accounts monthly. This reconciliation should be completed in a timely manner. School districts shall maintain the bank statements intact following the reconciliation process. Cancelled checks may be pulled from the bank statements and filed numerically, only after an accurate and reliable reconciliation of the depository accounts has taken place. If canceled checks are filed numerically, all other remittance advises received in the bank statement shall be attached to, and filed with, the bank statement.

H. Quote or bid records

All school districts are to maintain quote or bid records which are cross-referenced to purchase orders, invoices and board approval, if applicable, to substantiate that applicable purchasing laws have been complied with. Records related to sealed bids received in response to advertisements are to be maintained in a bid file by bid number. Records related to quotes (bids obtained without formal advertising) may be maintained in a quote file by quote number or may simply be attached to, and filed with, the paid invoice. The school board's approved policies on purchasing should detail the district's procedures to be followed.

I. Petty Cash

A petty cash account may be established to handle small payments for incidental items that occur at the local school and/or at the district administrative office(s). This would include such items as postage, express charges, small supplies and similar items. The school board should approve policies and procedures in determining the amount, the designated person responsible for the petty cash account, determine if the person responsible shall be bonded, and provide adequate safeguards for the petty cash account. At no time shall any type loan, personal or otherwise, be made from the petty cash account. Transactions should be accounted for on a monthly basis.

The petty cash account will be established by writing a check on the district maintenance fund for the proper amount as authorized by the school board. The check will be made payable to the person who is responsible for the petty cash account. At no time should a petty cash account be established by writing a check on a fund which is under the control of the person who is responsible for the petty cash account.

Disbursements from the petty cash account shall be supported by invoices, statements, receipts or other documentation. This documentation shall remain with the petty cash account until the fund is replenished. The sum of this documentation and the remaining cash shall, at all times, be equal to the original amount of the petty cash account. This shall be periodically checked by the superintendent's office. The petty cash account will be replenished when the cash is nearly exhausted. Replenishment takes place by presenting an itemized listing of all disbursements with documentation to the superintendent's office. After verification by the superintendent's office, a check is written for the amount of the itemized listing and made payable to the person responsible. At this time the superintendent's office will enter the accounting data for the petty cash account disbursements into the accounting records.

J. Payroll Clearing Fund

A payroll clearing fund shall be established by each school district to account for salaries and the related salary withholdings paid from governmental funds. Each pay period the total gross amount of the payroll shall be transferred from the governmental funds to the payroll clearing fund. The gross amount transferred will be charged to the appropriate expenditure functions in the expenditure register of each governmental fund. The net payroll amounts due to school district personnel shall then be written from the payroll clearing fund. The matching portion of benefits paid by the LEA shall be transferred from the governmental funds to the payroll clearing fund. The LEA's portion transferred will be charged to the appropriate expenditure functions in the expenditure register of each governmental fund. The total amount due to outside entities for withholdings or benefits shall then be written from the payroll clearing fund. The payroll clearing fund shall be classified as an Agency Fund.

K. Accounts Payable Clearing Fund

An accounts payable clearing fund shall be established by each school district to account for claims paid from the governmental funds. Each month the total dollar amount of claims is transferred from the governmental funds to the accounts payable clearing fund. The amounts transferred will be charged to the appropriate expenditure functions of each governmental fund. The amounts due to individual vendors will then be written from the accounts payable clearing fund. The accounts payable clearing fund shall be classified as an Agency Fund.

L. Agency Funds

Agency Funds are custodial (assets equal liabilities) and thus do not involve measurement of results of operations. It is not necessary to budget Agency Funds. They include the clearing funds and the Club Funds.

M. Unemployment Compensation Revolving Fund

School districts which maintain an unemployment compensation revolving fund shall make all payments to the Mississippi Employment Security Commission from this fund. The unemployment compensation revolving fund shall be replenished before June 30 of each year. Replenishment takes place when the balance in the fund falls below the required 2% of the first \$6,000 of covered wages for an individual calendar year and shall be accomplished by an operating transfer between funds. Expenditures to the Mississippi Employment Security Commission from the revolving fund shall be coded to the appropriate expenditure function as it related to the individual for which the payment has been made.

N. Interest Income

Interest income shall be recorded as revenue in the fund which invests the principal amount. The school district's Board of Education may transfer unrestricted interest income to the General Fund. Interest income in excess of \$100 per fiscal year shall be allocated back to the fund or funds from which the deposit or investment was made. Interest income of less than \$100 can be deposited directly to the district maintenance fund. The board shall adopt policies and procedures that would reasonably allocate interest earned in excess of \$100 per fiscal year. Special rules may apply to interest income on the investment of federal funds. It is advisable to contact the Mississippi State Department of Education or the Office of the State Auditor regarding the allocation of interest income on federal funds.

O. Depositories

Section 37-7-333, Mississippi Code Annotated (1972), state in part that "All such allotments or funds shall be placed in the depository or depositories selected by the school board in the same manner as provided in Section 27-105-305 for the selection of county depositories. Provided, however, the annual notice to be given by the school board to financial institutions may be given by the school board at any regular meeting subsequent to the board's regular December meeting but prior to the regular May meeting. The bids of financial institutions for the privilege of keeping school funds may be received by the school board at some subsequent meeting, but no later than the regular June meeting; and the selection by the school board of the depository or depositories shall be effective on July 1 of each year. School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing. Such depository shall place on deposit with the superintendent of schools the same securities as required in Section 27-105-315."

Section 27-105-315, Mississippi Code Annotated(1972) states that "(1) Any financial institution in a county, or in an adjoining county where there is no financial institution in the county qualifying, whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation may qualify as a county depository, if the institution qualifies as a public funds depository under Section 27-105-5 or a public funds guaranty pool member under Sections 27-105-5 and 27-105-6. The qualified financial institution shall secure those deposits by placing qualified securities on deposit with the State Treasurer as provided in Section 27-105-5."

(2) Notwithstanding the foregoing, any financial institution not meeting the prescribed ratio requirement whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation, may receive county funds in an amount not exceeding the amount that is insured by that insurance corporation and may qualify as a county depository to the extent of that insurance.

A memo dated September 15, 2001 from the Treasury Department of the State of Mississippi to Banks stated in part, "Pledging to the State Treasurer on behalf of public entities will begin on October 1, 2001. Arrangements with your particular Safekeeping Banks should be made to start implementation of such pledging on October the first."

P. Deferred Compensation Plans

Deferred compensation plans offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code (IRC) authorize certain state and local governments to provide deferred compensation plans for their employees. The deferred compensation plans of Mississippi school districts are the plans authorized by IRC Section 457. Liability for federal income taxes under IRC Section 457 plans is deferred until the funds are withdrawn by the participant or designated beneficiary in accordance with the terms of the agreement. The participant becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. Due to the implementation effective January 1, 1997 of changes made to the federal Internal Revenue Code in 1996, the deferred amounts and related earnings held by the Mississippi Deferred Compensation Plan (MDCP) are no longer accessible to the school district and its creditors; i.e., the assets are held by the MDCP for the exclusive benefit of the employees who made the deferrals. Consequently, the assets held by the MDCP and the related liability should not be reflected on the school district's financial statements for fiscal years ending on or after June 30, 1997.

Q. Single Audit Act

Mississippi public school districts will have single audits performed by the Mississippi State Auditor's Office or by an independent accounting firm for the fiscal year ending June 30, 1986, and for each succeeding fiscal year thereafter for which the school district is required to have a single audit performed. Federal cost-sharing can help, in part, to defray the cost of single audits. Reimbursement by the federal government is generally limited to the ratio of total federal assistance expended by the recipient during the year audited to the recipient's total expenditures for that year. The Mississippi State Department of Education shall have pass-through entity responsibilities for all Mississippi public school districts. School districts should contact the audit resolution officer with the Mississippi State Department of Education to resolve any audit findings that affect federal programs in their district.

R. Inventories

Purchased Food and Supplies

At or near the fiscal year-end, school personnel should take a physical inventory of the goods on hand. This would include supplies and food items. ***[NOTE: Guidance for items inventoried as capital assets is provided in Section G of this manual.]*** The district should plan this process in advance and should provide inventory teams with detailed instructions regarding their function. The count should be recorded on worksheets that contain, at a minimum, the following information:

1. Number of units on hand
2. Description of units
3. Unit price
4. Total unit amount

The inventory on hand should be priced under the First-in, First-out (FIFO) method. Under FIFO, the most recent invoice price is assigned to the units remaining on hand. The grand total of the inventory on hand should be placed on the school district's balance sheet under the proper account (i.e., inventory of food, inventory of supplies, etc.) by making the necessary journal entries in the accounting records.

Donated Commodities

Procedures established by the Mississippi Department of Education's Child Nutrition Division should be followed. Details may be found in the Policy and Procedures Manual for Child Nutrition Programs.

S. Sixteenth Section Funds

The following statutes concerned with sixteenth section issues are presented for your convenience and review.

Section 29-3-113, Mississippi Code Annotated (1972):

The principal fund shall be a permanent township fund which shall consist of funds heretofore or hereafter derived from certain uses or for certain resources of school trust lands which shall be invested and, except as otherwise provided in this section, only the interest and income derived from such funds shall be expendable by the school district. The principal fund shall consist of:

- (a) Funds received for easements and rights-of-way pursuant to Section 29-3-91;
- (b) Funds received for sales of lieu land pursuant to Sections 29-3-15 through 29-3-25;
- (c) Funds received from any permanent damage to the school trust land;
- (d) Funds received from the sale of nonrenewable resources including but not limited to the sale of sand, gravel, dirt, clays and royalties received from the sale of mineral ores, coal, oil and gas;
- (e) Funds received from the sale of buildings pursuant to Section 29-3-77;
- (f) Funds received from the sale of timber; and
- (g) Funds received pursuant to Section 29-3-23(2).

It shall be the duty of the Board of Education to keep the principal fund invested in any direct obligation issued by or guaranteed in full as to principal and interest by the United States of America or in certificates of deposit issued by a qualified depository of the State of Mississippi as approved by the State Treasurer. The certificates of deposit may bear interest at any rate per annum which may be mutually agreed upon but in no case shall said rate be less than that paid on passbook savings. The Board of Education is likewise authorized to invest said funds in interest bearing deposits or other obligations of the types described in Section 27-105-33, as the same now is or may hereafter be amended, or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that one hundred percent (100%) of said funds are hereby authorized to be so invested. For the purposes of investment, the principal fund of each township may be combined into one or more district accounts; however, the docket book of the county superintendent shall at all times reflect the proper source of such funds. Provided that funds received from the sale of timber shall be placed in a separate principal fund account, and may be expended for any of the purposes authorized by law.

The Board of Education shall have authority to borrow such funds at a rate of interest not less than four percent(4%) per annum and for a term not exceeding twenty (20) years, for the erection, equipment or repair of said district schools, to provide local funds for any building project approved by the State Board of Education or to provide additional funds for forest stand improvement as set forth in Section 29-3-47. In addition, the board may borrow such funds under the same interest restrictions for a term not exceeding ten (10) years to provide funds for the purchase of school buses. The Board of Education of any school district in any county that has an aggregate amount of assets in its principal fund in excess of Five Million Dollars (\$5,000,000.00), may deduct an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00) for the purpose of covering the cost of asbestos removal from school district buildings. Such asbestos removal shall be construed to constitute the repair of school district facilities as prescribed in Section 29-3-115. No school land trust funds may be expended after the annual payment date until the payment is made on such loan. The annual payment can be made from any funds available to the school district except minimum foundation program funds. It shall be unlawful for the Board of Education to borrow any sixteenth section school funds in any other manner than that prescribed herein, and if any such funds shall be borrowed or invested in any other manner, any officer concerned in making such loan and investment or suffering

the same to be made in violation of the provisions of this section, shall be liable personally and on his official bond for the safety of the funds so loaned.

Section 29-3-115, Mississippi Code Annotated (1972)

The expendable funds derived from sixteenth section or lieu lands may be expended for the building and repair of schoolhouses, teachers' homes, and other school facilities, the purchase of furniture, school vehicles and equipment for same, the payment of teachers' salaries, and for all other purposes in operating and maintaining the schools of the district to which such funds belong for which other available school funds may be expended. Such funds may also be expended for clearing, draining, reforesting and otherwise improving any sixteenth section lands of township to which any such available funds may belong. Such funds may also be expended for the purpose of paying any drainage district taxes, costs, expenses, and assessments for which the sixteenth section may be liable, and in such case the same shall be paid by the board of education out of any funds which would otherwise be paid over to the school district entitled thereto under the provisions of sections 29-3-115 through 29-3-123. Such funds may also be expended to pay all reasonable and necessary attorneys' fees incurred to clear the title on any sixteenth section lieu lands located outside the county.

Section 29-3-119, Mississippi Code Annotated (1972)

- (1) Where there is only one (1) school district in the township to which the available funds belong, such school district shall be entitled to the whole of such funds, and the funds shall be handled in the manner set forth in this section.
- (2) In cases where a township having available funds is occupied by two (2) or more school districts or parts of school districts, the available funds of the township shall be divided between the districts lying wholly or partly within such township in proportion to the number of children residing in that portion of each district which lies within such township and who are enrolled in the schools of that district, as compared to the total number of children residing in such township and enrolled in the schools of all districts lying wholly or partly in that township. For such purpose, annual lists shall be made of all children who reside in the township and who are enrolled in the schools of each district lying wholly or partly in that township, which lists shall be made in accordance with Section 29-3-121. Municipal separate school districts shall be entitled to their pro rata part of such funds in the same manner as other school districts.
- (3) Where there is no child residing in a township in which funds are available for distribution and where one or more school districts embrace all or part of any such township, such funds shall be distributed in the following manner:
 - (a) Where any such township is located wholly within one (1) school district, the available township funds shall be distributed to that school district.
 - (b) Where any such township having such funds available for distribution is located either in whole or in part in two (2) or more school districts, such available funds shall be distributed to the two (2) or more school districts in proportion to the number of children residing in that part of the two (2) or more school districts which is common or coextensive to each of the school districts, distribution being made on the basis of the enrollment of the school children in their respective school districts.
- (4) The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, promptly after collecting such funds. The custodial school district shall make its books and records pertaining to the income and funds of any shared township available for inspection and copying to all other school districts sharing in the

income from the township upon reasonable notice of such request. Any district entitled to such funds which is not paid promptly may assert a claim against the custodial school district for its share of the funds not later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.

Section 29-3-121, Mississippi Code Annotated (1972):

It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year, as provided by Section 29-3-119. The superintendent of the custodial school district shall make such lists available, upon request, to each school district sharing in the revenues of the township. Any school district failing to timely provide the list to the superintendent of the custodial school district shall forfeit its right to such funds unless the school board of the custodial school district and the school board of the other district or districts entitled to such funds have executed a written agreement providing for the distribution of such funds in a manner agreed upon by the school districts. All such lists shall be retained and preserved by the superintendent of the custodial school district as a public record. Such lists shall not be made, however, as to any township which is wholly within one (1) school district. If any superintendent of a school district participating in the division of such funds shall challenge in writing the accuracy of any such list, the Office of the State Auditor, upon receipt of such challenge, may, in its discretion, order and arrange for and supervise a recount of the children enrolled in the schools of such district and who reside in such district. All costs incurred in conducting the recount shall be borne by the challenging district and the district in which the recount is conducted on a pro rata basis, as determined from the results of the recount. Such costs may be paid from the school district's share of the available township funds. Such recount, when obtained, shall supersede the original list for the purposes of Sections 29-3-115 through 29-3-123.

The following information is presented to help clarify the statutes reported above.

Principal Funds

A single sixteenth section principal fund should be established for all townships where the land area encompasses a single school district. All transactions should be accounted for within this one fund.

If an individual township's land area includes the land area of two or more school districts, then a separate principal fund should be established to account for transactions resulting from the generation of revenue from the sixteenth section land within that individual township that is legally required to be placed in a sixteenth section principal fund. This will facilitate the division of shared sixteenth section principal fund's net income.

Sources of Funds:

1. Easements and right-of-ways.
2. Permanent damages.
3. Sale of lieu lands.
4. Sale of 16th Section lands for industrial purposes.
5. Sale of non-renewable resources; sand, gravel, dirt, clay, royalties from mineral ores, coal, oil and gas.
6. Sale of buildings.
7. Interest on investments and loans.
8. Pro rata revenue from other districts.

Uses of Funds:

1. Purchase of investments.
2. Purchase of lieu lands
3. Loans for school building purposes, forest stand improvements and purchase of school buses.
4. Transfer of expendable revenues to the district maintenance fund or a building fund by board order.

Interest Funds

A single sixteenth section interest fund should be established for all townships where the land area encompasses a single school district. All transactions should be accounted for within this one fund.

If an individual township's land area includes the land area of two or more school districts, then a separate sixteenth section interest fund should be established to account for transactions resulting from the generation of revenue from the sixteenth section land within that individual township that is legally required to be placed in a sixteenth section interest fund. This will facilitate the division of shared sixteenth section interest fund's net income.

Sources of Funds:

1. Oil, gas and mineral leases, including bonus or delay rental payments.
2. Payments from agriculture, residential, commercial, industrial or other leases.
3. Interest on investments.
4. Sale of timber (optional).
5. Transfers from other funds.
6. Pro rata revenue from other districts.

Uses of Funds:

1. Purchase of investments.
2. Transfers to the district maintenance fund or to a building fund by board order.
3. Pay drainage district taxes and assessments.
4. Improvement of sixteenth section lands.
5. Cost of land reclassifications.
6. Board authorized attorney fees.

Forestry Escrow Fund

Section 29-3-47 of the Mississippi Code establishes the forestry escrow fund for the school district. A portion of this section reads: "For its services the state forestry commission shall be entitled to receive its actual expenses incurred in the discharge of the duties herein imposed. In order to provide funds with which to pay for the general supervision and sale of forest products, fifteen percent (15%) of all receipts from the sales of forest products shall be placed by the board in a forestry escrow fund and reserved to pay for work performed by the state forestry commission. Such payments shall be equal to the actual expenses incurred by the commission as substantiated by itemized bills presented to the board."

Section 29-3-45 of the Mississippi Code gives direction for the management of sixteenth section lands. A portion of this section read: "The board of education shall by order placed upon its minutes, enter into an agreement with the State Forestry Commission for the general supervision and management of all lands classified as forest lands, as here in above provided, and of all timber under the control of the board on sixteenth section lands, and lieu lands which have not been so classified; however, any school board may contract with private persons or businesses for the reforestation of sixteenth section lands. When such agreement has been entered into, no timber shall be sold from any of said sixteenth section lands or lieu lands except such as have been marked for cutting by the State Forestry Commission's employees, and the said Forestry Commission, or its designated employee, shall fix the minimum total cash price or minimum price per unit, one thousand (1,000) feet or other measure, at which said marked timber shall be sold. Said sales may be made for a lump sum or upon a unit price as in the opinion of the board may be calculated to bring the greatest return. Sales shall be made upon such other terms and conditions as to manner of cutting, damages for cutting of unmarked trees, damages to trees not cut and other pertinent matters as the Board of Education shall approve."

Sources of Funds:

1. 15 % of timber and forest product sales.
2. Interest on investments.

Uses of Funds:

1. Purchase of investments.
2. Payment of itemized invoices submitted by the Mississippi Forestry Commission.
3. Transfer of any excess of legally restricted funds, as determined by written documentation from the Mississippi Forestry Commission.
4. Transfer of expendable revenues to the district maintenance fund or to a building fund by board order.

T. Tuition

Tuition shall be defined as the money paid to another school district for the purpose of providing educational services for students attending the other school district. This would include the money transferred to another school district for providing the basic education for transfer students (when the agreement calls for tuition to be paid) or for other agreed upon services (e.g., vocational education, alternative school programs, special education, pupil transportation, etc.). The tuition expenditure of the district transferring the students should be accounted for under the appropriate instructional expenditures function with the tuition expenditure object code. The district receiving the students should account for the tuition revenue under the local revenue code.

U. Ad Valorem Tax Requests, Escrow and Shortfall Calculations

Section 37-57-1, Mississippi Code Annotated (1972), states:

(1) (a) The boards of supervisors of the counties shall levy and collect all taxes for and on behalf of all school districts which were within the county school system or designated as special municipal separate school districts prior to July 1, 1986. Such taxes shall be collected by the county tax collector at the same time and in the same manner as county taxes are collected by him, and the same penalties for delinquency shall be applicable. The governing authorities of the municipalities shall levy and collect all taxes for and on behalf of all school districts which were designated as municipal separate school districts prior to July 1, 1986. Such taxes shall be collected by the municipal tax collector at the same time and in the same manner as municipal taxes are collected by him, and the same penalties for delinquency shall be applicable. The county or municipal tax collector, as the case may be, shall pay such tax collections, except for taxes collected for the payment of the principal of and interest on school bonds or notes and except for taxes collected to defray collection costs, into the school depository and report to the school board of the appropriate school district at the same time and in the same manner as the tax collector makes his payments and reports of other taxes collected by him. Provided, however, the State Board of Education shall determine the appropriate levying authority for any school district created or reorganized after July 1, 1987.

(b) For the purposes of this chapter and any other laws pertaining to taxes levied or bonds or notes issued for and on behalf of school districts, the term "levying authority" means the board of supervisors of the county or the governing authorities of the municipality, whichever levies taxes for and on behalf of the particular school district as provided in paragraphs (a) and (b) of this subsection.

(2) The levying authority for the school district shall, at the same time and in the same manner as other taxes are levied by the levying authority, levy a tax of not less than twenty-eight (28) mills for the then current fiscal year, less the estimated amount of the yield of the School Ad Valorem Tax Reduction Fund grant to the school district as determined by the State Department of Education or twenty-seven percent (27%) of the basic adequate education program cost for such school district, whichever is a lesser amount, upon all of the taxable property of the school district, as required under Section 37-151-7(2)(a). However, in no case shall the minimum local ad valorem tax effort for any school district be equal to an amount that would require a millage rate exceeding fifty-five (55) mills in that school district. Provided, however, that if a levying authority is levying in excess of fifty-five (55) mills on July 1, 1997, the levying authority may levy an additional amount not exceeding three (3) mills in the aggregate for the period beginning July 1, 1997, and ending June 30, 2003, subject to the limitation on increased receipts from ad valorem taxes prescribed in Sections 37-57-105 and 37-57-107. Nothing in this subsection shall be construed to require any school district that is levying more than fifty-five (55) mills pursuant to Sections 37-57-1 and 37-57-105 to decrease its millage rate to fifty-five (55) mills or less. In making such levy, the levying authority shall levy an additional amount sufficient to cover anticipated delinquencies and costs of collection so that the net amount of money to be produced by such levy shall be equal to the amount which the school district is required to contribute as its said minimum local ad valorem tax effort. The tax so levied shall be collected by the tax collector at the same time and in the same manner as other ad valorem taxes are collected by him. The amount of taxes so collected as a result of such levy shall be paid into the district maintenance fund of the school district by the tax collector at the same time and in the same manner as reports and payments of other ad valorem taxes are made by said tax collector, except that the amount collected to defray costs of collection may be paid into the county general fund. The levying authority shall have the power and authority to direct and cause warrants to be issued against such fund for the purpose of refunding any amount of taxes erroneously or illegally paid into such fund where such refund has been approved in the manner provided by law.

Section 37-57-104, Mississippi Code Annotated (1972), states:

(1) Each school board shall submit to the levying authority for the school district a certified copy of an order adopted by the school board requesting an ad valorem tax effort in dollars for the support of the school district. The copy of the order shall be submitted by the school board when the copies of the school district's budget are filed with the levying authority pursuant to Section 37-61-9. Upon receipt of the school board's order requesting the ad valorem tax effort in dollars, the levying authority shall determine the millage rate necessary to generate funds equal to the dollar amount requested by the school board. For the purpose of calculating this millage rate, any additional amount that is levied pursuant to Section 37-57-105(1) to cover anticipated delinquencies and costs of collection or any amount that may be levied for the payment of the principal and interest on school bonds or notes shall be excluded from the limitation of fifty-five (55) mills provided for in subsection (2) of this section.

(2) (a) Except as otherwise provided under paragraph (b) or (c) of this subsection, if the millage rate necessary to generate funds equal to the dollar amount requested by the school board is greater than fifty-five (55) mills, and if this millage rate is higher than the millage then being levied pursuant to the school board's order requesting the ad valorem tax effort for the currently existing fiscal year, then the levying authority shall call a referendum on the question of exceeding, during the next fiscal year, the then existing millage rate being levied for school district purposes. The referendum shall be scheduled for not more than six (6) weeks after the date on which the levying authority receives the school board's order requesting the ad valorem tax effort.

When a referendum has been called, notice of the referendum shall be published at least five (5) days per week, unless the only newspaper published in the school district is published less than five (5) days per week, for at least three (3) consecutive weeks, in at least one (1) newspaper published in the school district. The notice shall be no less than one-fourth (1/4) page in size, and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The notice may not be placed in that portion of the newspaper where legal notices and classified advertisements appear. The first publication of the notice shall be made not less than twenty-one (21) days before the date fixed for the referendum, and the last publication shall be made not more than seven (7) days before that date. If no newspaper is published in the school district, then the notice shall be published in a newspaper having a general circulation in the school district. The referendum shall be held, as far as is practicable, in the same manner as other referendums and elections are held in the county or municipality. At the referendum, all registered, qualified electors of the school district may vote. The ballots used at the referendum shall have printed thereon a brief statement of the amount and purpose of the increased tax levy and the words "FOR INCREASING THE MILLAGE LEVIED FOR SCHOOL DISTRICT PURPOSES FROM (MILLAGE RATE CURRENTLY LEVIED) MILLS TO (MILLAGE RATE REQUIRED UNDER SCHOOL BOARD'S ORDER) MILLS," and "AGAINST INCREASING THE MILLAGE LEVIED FOR SCHOOL DISTRICT PURPOSES FROM (MILLAGE RATE CURRENTLY LEVIED) MILLS TO (MILLAGE RATE REQUIRED UNDER SCHOOL BOARD'S ORDER) MILLS." The voter shall vote by placing a cross (X) or checkmark (√) opposite his choice on the proposition. If a majority of the registered, qualified electors of the school district who vote in the referendum vote in favor of the question, then the ad valorem tax effort in dollars requested by the school board shall be approved. However, if a majority of the registered, qualified electors who vote in the referendum vote against the question, the millage rate levied by the levying authority shall not exceed the millage then being levied pursuant to the school board's order requesting the ad valorem tax effort for the then currently existing fiscal year. Nothing in this subsection shall be construed to require any school district that is levying more than fifty-five (55) mills pursuant to Sections 37-57-1 and 37-57-105 to decrease its millage rate to fifty-five (55) mills or less. Further, nothing in this subsection shall be construed to require a referendum in a school district where the requested ad valorem tax effort in dollars requires a millage rate of greater than fifty-five (55) mills but the requested dollar amount does not require any increase in the then existing millage rate. Further, nothing in this subsection shall be construed to require a referendum in a school district where, because of a decrease in the assessed valuation of the district, a millage rate of greater than fifty-five (55) mills is necessary to generate funds equal to the dollar amount generated by the ad valorem tax effort for the currently existing fiscal year.

(b) Provided, however, that if a levying authority is levying in excess of fifty-five (55) mills on July 1, 1997, the levying authority may levy an additional amount not exceeding three (3) mills in the aggregate for the period beginning July 1, 1997, and ending June 30, 2003, subject to the limitation on increased receipts from ad valorem taxes prescribed in Sections 37-57-105 and 37-57-107.

(c) If the levying authority for any school district lawfully has decreased the millage levied for school district purposes, but subsequently determines that there is a need to increase the millage rate due to a disaster in which the Governor has declared a disaster emergency or the President of the United States has declared an emergency or major disaster, then the levying authority may increase the millage levied for school district purposes up to an amount that does not exceed the millage rate in any one (1) of the immediately preceding ten (10) fiscal years without any referendum that otherwise would be required under this subsection.

(3) If the millage rate necessary to generate funds equal to the dollar amount requested by the school board is equal to fifty-five (55) mills or less, but the dollar amount requested by the school board exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%), but not more than seven percent (7%) (as provided for under subsection (4) of this section), then the school board shall publish notice thereof at least five (5) days per week, unless the only newspaper published in the school district is published less than five (5) days per week, for at least three (3) consecutive weeks in a newspaper published in the school district. The notice shall be no less than one-fourth (1/4) page in size, and the type used shall be no smaller than eighteen (18) point and surrounded by a one-fourth-inch solid black border. The notice may not be placed in that portion of the newspaper where legal notices and classified advertisements appear. The first publication shall be made not less than fifteen (15) days before the final adoption of the budget by the school board. If no newspaper is published in the school district, then the notice shall be published in a newspaper having a general circulation in the school district. If at any time before the adoption of the budget a petition signed by not less than twenty percent (20%) or fifteen hundred (1500), whichever is less, of the registered, qualified electors of the school district is filed with the school board requesting that a referendum be called on the question of exceeding the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%), then the school board shall adopt, not later than the next regular meeting, a resolution calling a referendum to be held within the school district upon the question. The referendum shall be called and held, and notice thereof shall be given, in the same manner provided for in subsection (2) of this section. The ballot shall contain the language "FOR THE SCHOOL TAX INCREASE OVER FOUR PERCENT (4%)" and "AGAINST THE SCHOOL TAX INCREASE OVER FOUR PERCENT (4%)." If a majority of the registered, qualified electors of the school district who vote in the referendum vote in favor of the question, then the increase requested by the school board shall be approved. For the purposes of this subsection, the revenue sources excluded from the increase limitation under Section 37-57-107 also shall be excluded from the limitation described in this subsection in the same manner as they are excluded under Section 37-57-107. Provided, however, that any increases requested by the school board as a result of the required local contribution to the Mississippi Adequate Education Program, as certified to the local school district by the State Board of Education under Section 37-151-7(2), Mississippi Code of 1972, shall not be subject to the four percent (4%) and/or seven percent (7%) tax increase limitations provided in this section.

(4) If the millage rate necessary to generate funds equal to the dollar amount requested by the school board is equal to fifty-five (55) mills or less, but the dollar amount requested by the school board exceeds the seven percent (7%) increase limitation provided for in Section 37-57-107, the school board may exceed the seven percent (7%) increase limitation only after the school board has determined the need for additional revenues and three-fifths (3/5) of the registered, qualified electors voting in a referendum called by the levying authority have voted in favor of the increase. The notice and manner of holding the referendum shall be as prescribed in subsection (2) of this section for a referendum on the question of increasing the millage rate in school districts levying more than fifty-five (55) mills for school district purposes.

(5) The aggregate receipts from ad valorem taxes levied for school district purposes pursuant to Sections 37-57-1 and 37-57-105, excluding collection fees, additional revenue from the ad valorem tax on any newly constructed properties or any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year, and amounts received by school districts from the School Ad Valorem Tax Reduction Fund pursuant to Section 37-61-35, shall be subject to the increase limitation under this section and Section 37-57-107.

(6) The school board shall pay to the levying authority all costs that are incurred by the levying authority in the calling and holding of any election under this section.

(7) The provisions of this section shall not be construed to affect in any manner the authority of school boards to levy millage for the following purposes:

- (a) The issuance of bonds, notes and certificates of indebtedness, as authorized in Sections 37-59-1 through 37-59-45 and Sections 37-59-101 through 37-59-115;
- (b) The lease of property for school purposes, as authorized under the Emergency School Leasing Authority Act of 1986 (Sections 37-7-351 through 37-7-359);
- (c) The lease or lease-purchase of school buildings, as authorized under Section 37-7-301;
- (d) The issuance of promissory notes in the event of a shortfall of ad valorem taxes and/or revenue from local sources, as authorized under Section 27-39-333; and
- (e) The construction of school buildings outside the school district, as authorized under Section 37-7-401. Any millage levied for the purposes specified in this subsection shall be excluded from the millage limitations established under this section.

Section 37-57-105, Mississippi Code Annotated (1972), states: (1) In addition to the taxes levied under Section 37-57-1, the levying authority for the school district, as defined in Section 37-57-1, upon receipt of a certified copy of an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars for the support of the school district, shall, at the same time and in the same manner as other ad valorem taxes are levied, levy an annual ad valorem tax in the amount fixed in such order upon all of the taxable property of such school district, which shall not be less than the millage rate certified by the State Board of Education as the uniform minimum school district ad valorem tax levy for the support of the adequate education program in such school district under Section 37-57-1. Provided, however, that any school district levying less than the uniform minimum school district ad valorem tax levy on July 1, 1997, shall only be required to increase its local district maintenance levy in four (4) mill annual increments in order to attain such millage requirements. In making such levy, the levying authority shall levy an additional amount sufficient to cover anticipated delinquencies and costs of collection so that the net amount of money to be produced by such levy shall be equal to the amount which is requested by said school board. The proceeds of such tax levy, excluding levies for the payment of the principal of and interest on school bonds or notes and excluding levies for costs of collection, shall be placed in the school depository to the credit of the school district and shall be expended in the manner provided by law for the purpose of supplementing teachers' salaries, extending school terms, purchasing furniture, supplies and materials, and for all other lawful operating and incidental expenses of such school district, funds for which are not provided by adequate education program fund allotments. The monies authorized to be received by school districts from the School Ad Valorem Tax Reduction Fund pursuant to Section 37-61-35 shall be included as ad valorem tax receipts. The levying authority for the school district, as defined in Section 37-57-1, shall reduce the ad valorem tax levy for such school district in an amount equal to the amount distributed to such school district from the School Ad Valorem Tax Reduction Fund each calendar year pursuant to said Section 37-61-35. Such reduction shall not be less than the millage rate necessary to generate a reduction in ad valorem tax receipts equal to the funds distributed to such school district from the School Ad Valorem Tax Reduction Fund pursuant to Section 37-61-35. Such reduction shall not be deemed to be a reduction in the aggregate amount of support from ad valorem taxation for purposes of Section 37-19-11. The millage levy certified by the State Board of Education as the uniform minimum ad valorem tax levy or the millage levy that would generate funds in an amount equal to a school district's district entitlement, as defined in Section 37-22-1(2)(e), shall be subject to the provisions of this paragraph. In any county where there is located a nuclear generating power plant on which a tax is assessed under Section 27-35-309(3), such required levy and revenue produced thereby may be reduced by the levying authority in an amount in proportion to a reduction in the base revenue of any such county from the previous year. Such reduction shall be allowed only if the reduction in base revenue equals or exceeds five percent (5%). "Base revenue" shall mean the revenue received by the county from the ad valorem tax levy plus the revenue received by the county from the tax assessed under Section 27-35-309(3) and authorized to be used for any purposes for which a county is authorized by law to levy an ad valorem tax. For purposes of determining if the reduction equals or exceeds five percent (5%), a levy of millage equal to the prior year's millage shall be

hypothetically applied to the current year's ad valorem tax base to determine the amount of revenue to be generated from the ad valorem tax levy. For the purposes of this section and Section 37-57-107, the portion of the base revenue used for the support of any school district shall be deemed to be the aggregate receipts from ad valorem taxes for the support of any school district. This paragraph shall apply to taxes levied for the 1987 fiscal year and for each fiscal year thereafter. If the Mississippi Supreme Court or another court finally adjudicates that the tax levied under Section 27-35-309(3) is unconstitutional, then this paragraph shall stand repealed.

(2) When the tax is levied upon the territory of any school district located in two (2) or more counties, the order of the school board requesting the levying of such tax shall be certified to the levying authority of each of the counties involved, and each of the levying authorities shall levy the tax in the manner specified herein. The taxes so levied shall be collected by the tax collector of the levying authority involved and remitted by the tax collector to the school depository of the home county to the credit of the school district involved as provided above, except that taxes for collection fees may be retained by the levying authority for deposit into its general fund.

(3) The aggregate receipts from ad valorem taxes levied for school district purposes, excluding collection fees, pursuant to this section and Section 37-57-1 * * * shall be subject to the increased limitation under Section 37-57-107; however, if the ad valorem tax effort in dollars requested by the school district for the fiscal year exceeds the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall publish notice thereof once each week for at least three (3) consecutive weeks in a newspaper having general circulation in the school district involved, with the first publication thereof to be made not less than fifteen (15) days prior to the final adoption of the budget by the school board. If at any time prior to said adoption a petition signed by not less than twenty percent (20%) or fifteen hundred (1500), whichever is less, of the qualified electors of the school district involved shall be filed with the school board requesting that an election be called on the question of exceeding the next preceding fiscal year's ad valorem tax effort in dollars by more than four percent (4%) but not more than seven percent (7%), then the school board shall, not later than the next regular meeting, adopt a resolution calling an election to be held within such school district upon such question. The election shall be called and held, and notice thereof shall be given, in the same manner for elections upon the questions of the issuance of the bonds of school districts, and the results thereof shall be certified to the school board. The ballot shall contain the language "For the School Tax Increase Over Four Percent (4%)" and "Against the School Tax Increase Over Four Percent (4%)." If a majority of the qualified electors of the school district who voted in such election shall vote in favor of the question, then the stated increase requested by the school board shall be approved. For the purposes of this paragraph, the revenue sources excluded from the increased limitation under Section 37-57-107 shall also be excluded from the limitation described herein in the same manner as they are excluded under Section 37-57-107.

Section 37-57-107, Mississippi Code Annotated (1972), states:

Beginning with the tax levy for the 1997 fiscal year and for each fiscal year thereafter, the aggregate receipts from taxes levied for school district purposes pursuant to Sections 37-57-105 and 37-57-1 shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years, as determined by the school board, plus an increase not to exceed seven percent (7%). For the purpose of this limitation, the term "aggregate receipts" when used in connection with the amount of funds generated in a preceding fiscal year shall not include excess receipts required by law to be deposited into a special account * * *. The additional revenue from the ad valorem tax on any newly constructed properties or any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year may be excluded from the seven percent (7%) increase limitation set forth herein. Taxes levied for payment of principal of and interest on general obligation school bonds issued heretofore or hereafter shall be excluded from the seven percent (7%) increase limitation set forth herein. Any additional millage levied to fund any new program mandated by the Legislature shall be excluded from the limitation for the first year of the levy and included within such limitation in any year thereafter. For the purposes of this section, the term "new program" shall include, but shall not be limited to, (a) the Early Childhood Education Program required to commence with the 1986-1987 school year as provided by Section 37-21-7 and any additional millage levied and the revenue generated therefrom, which is excluded from the limitation for the first year of the levy, to support the mandated Early Childhood Education Program shall be specified on the minutes of the school board and of the governing body making such tax levy; (b) any additional millage levied and the revenue generated therefrom which shall be excluded from the limitation for the first year of the levy, for the purpose of generating additional local contribution funds required for the adequate education program for the 2003 fiscal year and for each fiscal

year thereafter under Section 37-151-7(2); and (c) any additional millage levied and the revenue generated therefrom which shall be excluded from the limitation for the first year of the levy, for the purpose of support and maintenance of any agricultural high school which has been transferred to the control, operation and maintenance of the school board by the board of trustees of the community college district under provisions of Section 37-29-272.

The seven percent (7%) increase limitation prescribed in this section may be increased an additional amount only when the school board has determined the need for additional revenues and has held an election on the question of raising the limitation prescribed in this section. The limitation may be increased only if three-fifths (3/5) of those voting in the election shall vote for the proposed increase. The resolution, notice and manner of holding the election shall be as prescribed by law for the holding of elections for the issuance of bonds by the respective school boards. Revenues collected for the fiscal year in excess of the seven percent (7%) increase limitation pursuant to an election shall be included in the tax base for the purpose of determining aggregate receipts for which the seven percent (7%) increase limitation applies for subsequent fiscal years. Except as otherwise provided for excess revenues generated pursuant to an election, if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and Section 37-57-1 exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made. It will be the further duty of such board to hold said funds and invest the same as authorized by law. Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available. Under no circumstances shall such excess funds be expended during the fiscal year in which such excess funds are collected.

For the purposes of determining ad valorem tax receipts for a preceding fiscal year under this section, the term "fiscal year" means the fiscal year beginning October 1 and ending September 30.

To help the school district better understand the above referenced calculations, the following forms are presented on the next three pages:

1. "Ad Valorem Tax Request Calculation Form"
2. "Ad Valorem Tax Escrow Calculation Form"
3. "Shortfall Calculation Form"

The school district is encouraged, but not required, to use or refer to these forms when making its ad valorem tax requests, ad valorem tax escrow and/or shortfall calculations.

Ad valorem tax collections which are in excess of the legal limitation will be reported as a fund equity reserve for ad valorem in the district maintenance fund (General Fund). A separate fund is not required to account for the excess collections.

Ad Valorem Tax Request Calculation Form

Calculation of Ad Valorem Tax for Operations

[NOTE: The district is allowed to choose any of the three previously completed fiscal years in determining the base. A fiscal year is defined as beginning October 1 and ending September 30, per Section 37-57-107, Mississippi Code Annotated (1972).]

Base Calculation:

Ad valorem tax received from October 1 through September 30 (for the base year to be used). _____

Homestead reimbursement received from October 1 through September 30 (for the base year to be used). _____

Add:

[NOTE: Use actual receipts for the base year used above.]

Ad valorem tax reduction funds received during the prior fiscal year. _____

Ad valorem tax escrow at beginning of the prior fiscal year. _____

Shortfall notes issued for the prior fiscal year. _____

Deduct:

Ad valorem tax escrow at end of the prior fiscal year. _____

Total Base Amount _____

Percentage increase allowable _____

New program(s) **[Note: As legally allowed]** _____

New property **[Note: Estimated from information from the district's levying authority(ies).]** _____

Subtotal _____

Deduct:

Ad valorem tax reduction funds to be received for the request year. _____

Ad valorem tax escrow at the end of the prior fiscal year. _____

Total Ad Valorem Tax Requested for Operations **[See NOTE 1 below]** _____

ADD: [Note: All other ad valorem tax requirements of the school district. See Note 2 below.]

NOTE 1: Proper communication between you and your levying authority is essential. Communicate to your levying authority that your district is requesting this amount in total and the total should be allocated as noted above. There should be no doubt that Homestead Reimbursement is to be considered by the levying authority in its calculation of the levies and not a concern of the school district at this point.

NOTE 2: Debt service ad valorem requirements and/or other requested ad valorem amounts should be listed separately and by individual statutory authority(ies).

Ad Valorem Tax Escrow Calculation Form

Base Calculation:

[NOTE: *The district is allowed to choose any of the three previously completed fiscal years in determining the base. A fiscal year is defined as beginning October 1 and ending September 30, per Section 37-57-107, Mississippi Code Annotated (1972).]*

[NOTE: *The district should rework the "Ad Valorem Request for Form" prepared at the beginning of the fiscal year using actual amounts instead of estimated amounts, if estimations were used in its operations request.]*

Ad valorem tax received from October 1 through September 30 (for the base year used).

Homestead reimbursement received from October 1 through September 30 (for the base year used)

Add: **[NOTE: Use actual receipts for the base year used above.]**

Ad valorem tax reduction funds received during the prior fiscal year

Ad valorem tax escrow at beginning of the prior fiscal year

Shortfall notes issued for the prior fiscal year

Deduct: Ad valorem tax escrow at end of the prior fiscal year

Total Base Amount

Percentage increase allowable

New program(s) **[Note: As legally allowed]**

New property **[Note: As per updated information received from your levying authority(ies).]**

Subtotal

Deduct: Ad valorem tax escrow at the end of the prior fiscal year

Total Ad Valorem Tax Allowed

Determination of Tax Escrow:

[Note: Ad Valorem local support revenue only, not debt or other required tax levy amounts.]

Ad valorem tax received during 7/1 through 6/30 for the current fiscal year.

Homestead reimbursement received during 7/1 through 6/30 for the current fiscal year.

Ad valorem tax reduction received 6/30 for the current year.

Ad valorem tax escrow at the end of the prior fiscal year, if applicable.

Total Receipts

Less: Total Ad Valorem Tax Allowed from above

Amount of Ad Valorem Tax to Escrow

[NOTE: If Tax Escrow calculation results in a negative amount, complete the "Ad Valorem Shortfall Calculation Form" worksheet.]

Shortfall Calculation Form

Shortfall Borrowing

Total local source revenues budgeted as sent to the levying authority: _____

[NOTE: Include estimated ad valorem revenue and/or revenues from local sources for the district maintenance fund. The debt service and/or other ad valorem tax requirement(s) would require a separate calculation(s).]

Less: Ad Valorem Receipts

[NOTE: Ad valorem by statute includes the following]

Ad valorem tax received from 7/1 through 6/30 for the current fiscal year _____

Homestead reimbursement received during from 7/1 through 6/30 for the current fiscal year _____

Ad valorem tax reduction funds received from 7/1 through 6/30 for the current fiscal year _____

Ad valorem tax escrow at the end of the prior fiscal year, if applicable _____

Total Ad Valorem Receipts _____

Other local source revenues received from 7/1 through 6/30 for the current fiscal year, if used.

Total Receipts _____

Total amount allowed for shortfall borrowing _____

NOTE: For the above calculated shortfall to be used in future ad valorem calculations the amount or a lesser amount has to be an actual borrowing of the school district.

Section 37-57-108, Mississippi Code Annotated(1972): In the event that the amount of revenue collected or estimated to be collected from local sources, on behalf of a school district during a fiscal year, is less than the amount provided for in the duly adopted budget of said school district for the fiscal year, then the school district may issue promissory notes in an amount and in the manner set forth in Section 27-39-333, not to exceed the estimated shortfall of revenue from local sources, but in no event to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for the fiscal year. A school district issuing notes under the provisions of this section shall not be required to publish notice of its intention to do so or to secure the consent of the qualified electors or the tax levying authority of such school district.

Section 27-39-333, Mississippi Code Annotated (1972): Any political subdivision which, during a fiscal year, estimates that the amount of the ad valorem taxes or other anticipated revenue from local sources to be collected therein is less than the amount estimated at the time of formulation of its budget for the fiscal year due to circumstances which were unanticipated at the time of formulation of the budget and which will prevent the political subdivision from meeting its financial obligations may, with the approval of the levying authority for such political subdivision, issue promissory notes in an amount equal to the estimated shortfall of ad valorem taxes and/or revenue from local sources but in no event to exceed twenty-five percent (25%) of its budget anticipated to be funded from the sources of the shortfall for the fiscal year.

V. Revenue and Expenditure/Expense Recognition

Revenue RecognitionModified Accrual Basic:

Revenues are defined as an increase in the governmental unit's current financial resources. Revenues are recognized when they are susceptible to accrual, which means they must be both measurable and available. Revenues are measurable when the amount of the revenue is subject to reasonable estimation. Revenues are available when the revenue is subject to collection within the current period, or after the end of the period but in time to pay liabilities outstanding at the end of the current period.

Accrual Basis:

Revenues are recognized when the earning process is complete or virtually complete and an exchange has taken place. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more(or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

Recognizing revenue under both methods of accounting normally results in recording certain receivables (assets). These receivables consist of the uncollected but realized portions of the related revenue recognized for the current period.

A liability account (deferred revenue) results for certain cash and asset transactions when they are measurable but not yet earned. Cash received in advance and assets such as donated commodities received and valued under the consumption method of inventory valuation are reported as deferred revenue (liability account) in these cases. The revenue is recognized when these type transactions have met both the measurable and earned criterion.

Federal reimbursable programs stipulate that federal money is not available to school districts until such time it is earned. Being earned generally means that the school district must incur the expense. For this reason, should a school district receive money in advance for a reimbursable program, then that revenue should be recorded as a deferred revenue. The school district would recognize the revenue at the point in time the expenditures occur.

Expenditure/Expense Recognition

Expenditures are recognized when the related liability is incurred, if measurable, except for interest and principal on general long-term debt, which is recognized when due and payable. Expenditures should be accrued at the end of the year when they are expected to use expendable financial resources. Generally, this means that expenditures that will be paid within a short period after the year-end are subject to year end-end accrual.

Accrual Basis:

Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of the process.

The essential elements of the accrual accounting method include:

1. The deferral of expenditures and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.),
2. The deferral of revenues until they are earned (property taxes received in advance).
3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery), and
4. The accrual of revenues that have been earned and expenses that have been incurred.

W. Revenue Anticipation Notes

Section 37-59-37, Mississippi Code Annotated (1972) states, "The school board of any school district shall have the power and authority to borrow money for the anticipated current year's expenses of such school district in anticipation of the collection of ad valorem taxes and other revenues of such school district for the then current fiscal year. The money so borrowed shall bear interest at a rate not greater than that allowed in Section 75-17-105 and shall be repaid within fourteen (14) months from the date of such borrowing out of the taxes and revenues in anticipation of which such money is borrowed. Such money shall be used for no other purpose than the payment of the current year's expenses of such school district. Pending the expenditure of funds borrowed under the provisions of this section, such funds may be invested in any manner in which any school district, municipality, county, state agency or other public body may invest surplus funds.

The amount borrowed under the provisions of this section shall in no event exceed the estimated amount of taxes and revenues collected or to be collected during the last preceding fiscal year, unless the tax levy for the current fiscal year has been made, then the amount borrowed under the provisions of this section shall in no event exceed the estimated amount of taxes and revenues collected or to be collected during the current fiscal year. Revenue anticipation notes issued under the provisions of this section shall be issued within the same fiscal year during which the tax levy is or will be made and other revenues received which it is anticipated will produce the funds from which the said notes will be repaid.

In borrowing money under the provisions of this section, it shall not be necessary to publish notice of intention so to do or to secure the consent of the qualified electors of such school district, either by election or otherwise. Such borrowing shall be authorized by order or resolution of the school board and may be evidenced by negotiable note or notes, signed and executed in such form as may be prescribed in such order or resolution. Such note or notes may be sold at a negotiated sale. Money may be borrowed in anticipation of ad valorem taxes and other revenues under the provisions of this section, regardless of whether or not such borrowing shall create an indebtedness in excess of statutory limitations.

Money may likewise be borrowed by any such school district, as herein provided, for the purpose of paying current interest maturities on any bonded indebtedness of such school district in anticipation of the collection of taxes for the retirement of such bonded indebtedness and the payment of any interest thereon."

Section 37-59-37, Mississippi Code Annotated (1972), allows Mississippi public school districts to borrow during the fiscal year in anticipation of the collection of ad valorem taxes and other revenues of the school district for that fiscal year. The statute requires that the money so borrowed "... shall be repaid within fourteen (14) months from the date of such borrowing." However, since the statute further requires that the repayment is to be made "... out of the taxes and revenues in anticipation of which such money is borrowed", the notes are technically still required to be repaid by the end of the fiscal year.

This latter repayment requirement is also deemed to be met if the repayment amount is escrowed at the fiscal year-end as provided for by the Mississippi School Boards Association (MSBA) Cash Flow Management Program. Since the amount that can be borrowed under the above statute may exceed the amount exempt from federal arbitrage requirements and because of the other potential benefits offered, school districts are encouraged to participate in this MSBA program.

X. Capital Projects Fund

A Capital Projects Fund is used to account for the purchase, construction or major renovation of a school district facility. Expenditures from a Capital Projects Fund are primarily classified under the facilities acquisition and construction services function. It is permissible to use other available functions for items that do not fall into the facilities acquisition and construction services area. Capital Projects Funds are ordinarily not used to account for the acquisition of short lived assets (furniture, fixtures, equipment, etc.), unless the financing of these items is an inseparable part of the major project. Normally, these items would be financed and accounted for in the General or Special Revenue Funds.

A separate fund must be used when the project is to be financed by a note or bond issue.

Y. Debt Issues

General Long-Term Debt Account Group

All long-term liabilities not accounted for in a proprietary fund must be presented in the General Long-Term Debt Account Group. Long-term liabilities included consists of bonds, notes, loans, capital leases, judgements, if long term, compensated absences and other liabilities that are long-term in nature. Any past due general long-term debt principal payments would be reduced from the General Long-Term Debt Account Group and recorded as current liabilities within the fund repaying the debt.

The long-term liability credit accounts reported in the account group will be offset with debit accounts titled "Amount Available in Debt Service Funds" and/or "Amount to be Provided for Retirement of General Long-Term Debt". The "Amount Available in Debt Service Funds" account should agree in amount with the related Debt Service fund balance(s). Any remaining amount needed to balance the account group's credit amounts would be reported within the "Amount to be Provided for Retirement of General Long-Term Debt".

Expendable resources used to repay the long-term debt principal and interest costs are accounted for within Funds classified as Debt Service Funds. No fund liabilities would be reported unless a payment of principal or interest is past due.

Debt Service Funds

As described earlier, Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Generally, Debt Service Funds are used when a tax levy is in place to repay a particular debt of the school district. If accumulation of resources is not necessary (e.g., repayment of sixteenth section principal fund loans), then a Debt Service Fund is not necessary and repayment can be made directly from an appropriate operating fund of the school district.

A separate Debt Service Fund is to be used for each levy established by the district's levy authority.

Once all requirements of an individual Debt Service Fund has been satisfied, any remaining funds within the individual Debt Service Fund are handled in accordance with requirements of Section 27-105-367, Mississippi Code Annotated (1972).

Z. Debt Extinguishment (Advance Refunding)

The following guidance on accounting for, and disclosure of, advance refunding that result in defeasance of debt is based on Section D20 of the Codification of Governmental Accounting and Financial Reporting Standards (Codification) as of June 30, 1995, published by the Governmental Accounting Standards Board (GASB).

In an advance refunding transaction, new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Defeasance of debt can be either legal or in-substance. A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes, as discussed below, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the face of the balance sheet; only the new debt, if any, is reported as a liability.

Debt is considered defeased in-substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing and collection of interest principal. Section D20.103 of the Codification provides further guidance as to what constitutes "risk-free."

Debt may be advance refunded for a variety of reasons. However, the most common reason debt is advance refunded is to take advantage of lower interest rates.

The accounting and reporting requirements for advance refunding vary depending on whether the debt is general long-term debt or debt of Enterprise or Internal Service Funds. The following guidance only addresses general long-term debt; refer to Section D20 of the Codification for guidance regarding debt of Enterprise or Internal Service Funds.

For advance refunding resulting in defeasance of debt reported in the General Long-term Debt Account Group, the proceeds of the new debt should be reported as an Other Financing Source under Revenue Function Code #6150, "Proceeds of Refunding Bonds." Payments to the escrow agent from resources provided by the new debt should be reported as an Other Financing Use under Expenditure/Expense Function Code #7500, "Payment to Refunded Bond Escrow Agent." Payments to the escrow agent made from other resources of the entity (e.g., from monies in the old Debt Service Fund) should be reported as Debt Service Expenditures under Expenditure/Expense Code #6300, "Advance Refunding Escrow."

The transactions discussed above should be reported in the fund receiving the proceeds; in most cases, this will mean that the transactions should be reported (1) in the Debt Service Fund used to pay the debt that was advance refunded or (2) in a new Debt Service Fund established just to report the proceeds of the refunding bonds and the payments to the escrow agent. A new Debt Service Fund should be used in order to show clearing on the accounting records that the refunding proceeds were transferred to an escrow agent rather than being used to directly retire the old debt or as debt service for the new debt.

The total proceeds from the new debt, including the proceeds paid directly to the escrow agent by the purchaser of the new bonds or by another party, should be reported in the applicable fund. Issuance costs paid from the bond proceeds, whether through the school district or directly by another party, should be recorded as Debt Service Expenditures under Expenditure/Expense Function Code #6900, "Other."

The General Long-term Debt Account Group should be adjusted to remove the old debt defeased and to add the new debt.

A general description of the advance refunding should be provided in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include (a) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding and (b) the economic gain or loss resulting from the transaction. For each subsequent fiscal year following an advance refunding for which debt defeased in substance remains outstanding, the amount of the debt, if any, outstanding at the fiscal year-end should be disclosed. Refer to Sections D20.111 through D20.616 of the Codification for further guidance on these disclosures and the related calculations.

AA. Compensated Absences

Section 37-7-307(5), Mississippi Code Annotated(1972), requires that "Upon retirement from employment, each licensed and nonlicensed employee shall be paid for not more than thirty (30) days of unused accumulated leave earned while employed by the school district in which the employee is last employed. Such payment for licensed employees shall be made by the school district at a rate equal to the amount paid to substitute teachers and for nonlicensed employees, the payment shall be made by the school district at a rate equal to the federal minimum wage. The payment shall be treated in the same manner for retirement purposes as a lump sum payment for personal leave as provided in Section 25-11-103(e). Any remaining lawfully credited unused leave, for which payment has not been made shall be certified to the Public Employees' Retirement System in the same manner and subject to the same limitations as otherwise provided by law for unused leave."

GASB 16 establishes the basic concept that a liability for compensated absences should be recorded when future payments for such absences have been earned by employees. Thus, the Statement establishes the basic principle that there should be no accrual for compensated absences that are dependent on the performance of future services by employees, or when payments are dependent on future events that are outside the control of the employer and employees.

Recognition of Expenditure:

Only the portion of the estimated future payments for compensated absences that will use current expendable resources should be reported as a liability of the governmental fund. Consequently, each school district will probably have a liability for compensated absences for licensed and non-licensed employees that it will need to reflect in its general purpose financial statements.

Each school district should determine its liability for compensated absences at least annually and account for such liability in accordance with the guidance provided in GASB Statement 16. The forms presented on the following pages should be used or consulted in calculating the liability for compensated absences.

Liability for Compensated Absences
As of June 30, 20__

Page 1 of 2

Section 1: Total Liability for Compensated Absences is Computed as Follows:

Total liability for compensated absences for licensed employees (Section 2)

Total liability for compensated absences for non-licensed employees (Section 3)

Total liability for compensated absences

Section 2: Liability for Compensated Absences for Licensed Employees can be Computed as Follows:

(Estimated Days Payable = Days Leave Accumulated x Probability Factor)

<u>Category</u>	<u>Years of Service</u>	<u>Probability Factor</u>
A	25 years or more	100%
B	At least 20 but < 25	90%
C	At least 15 but < 20	60%
D	At least 10 but < 15	40%
E	At least 5 but < 10	20%
F	Under 5 year	10%

[Note: Complete an Attachment 1 for each category reflected above.]

(Liability for Salaries Only = Total Estimated Days Payable x Daily Rate of Pay for Substitute Teachers)

	Estimated
	<u>Days Pay.</u>
Total for Category A from Page ____ of Attachment 1	_____
Total for Category B from Page ____ of Attachment 1	_____
Total for Category C from Page ____ of Attachment 1	_____
Total for Category D from Page ____ of Attachment 1	_____
Total for Category E from Page ____ of Attachment 1	_____
Total for Category F from Page ____ of Attachment 1	_____
Total estimated days payable	_____
Daily rate of pay for substitute teachers	_____
Liability for salaries only	_____
Add: Employer's share of FICA on salary (7.65%)	_____
Employer's share of PERS contribution on salary (9.75%)	_____
Total liability for compensated absences for licensed employees	=====

Liability for Compensated Absences
As of June 30, 20__

Page 2 of 2

Section 3: Liability for Compensated Absences for Non-licensed Employees can be Computed as Follows:

(Estimated Days Payable = Days Leave Accumulated x Probability Factor)

		Probability
<u>Category</u>	<u>Years of Service</u>	<u>Factor</u>
A	25 years or more	100%
B	At least 20 but < 25	90%
C	At least 15 but < 20	60%
D	At least 10 but < 15	40%
E	At least 5 but < 10	20%
F	Under 5 years	10%

[Note: Complete an Attachment 2 for each category reflected above.]

(Liability for Salaries Only = Total Estimated Days Payable x Daily Rate of Pay at Federal Minimum Wage)

	Estimated <u>Days Pay.</u>
Total for Category A from Page ____ of Attachment 2	_____
Total for Category B from Page ____ of Attachment 2	_____
Total for Category C from Page ____ of Attachment 2	_____
Total for Category D from Page ____ of Attachment 2	_____
Total for Category F from Page ____ of Attachment 2	_____
Total estimated days payable	_____
Daily rate of pay at federal minimum wage	_____
Liability for salaries only	
Add: Employer's share of FICA on salary (7.65%)	_____
Employer's share of PERS contribution on salary (9.75%)	_____
Total liability for comp. absences for non-licensed employees	=====

(Page of)

[illegible]

Attachment 1 Total for Category_____

B-31

Attachment 2

Liability for Compensated Absences - Nonlicensed Employees
As of June 30

(Page of)

Category ____

	Days		
	Leave	Probability	Estimated
<u>Employee's</u>	<u>Accumulated*</u>	<u>Factor</u>	<u>Days Payable</u>
<u>Name:</u>			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Page Total _____

Attachment 2 Total for Category ____

* Not to exceed a maximum of thirty (30) days per employee.

BB. Accounting for Sixteenth Section Leases

- A. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$10,000 at the signing of the lease. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$10,000	
	Surface leases (Revenue code 5110)		\$10,000

2. The second year and following:

“No entry would be required. Under the modified accrual basis of accounting revenues are recognized when they are both measurable and available.”

- B. A ten year sixteenth section surface lease contract was signed with yearly payments of \$1,000. The lessee paid \$1,000 at the signing of the lease and intentions are to make yearly payments as scheduled in the lease agreement. The lease transactions for this situation would be recorded as follows:

1.	The first year:	<u>Debit</u>	<u>Credit</u>
	Cash	\$1,000	
	Surface leases (Revenue code 5110)		\$1,000

- C. Sixteenth section surface leases which are past due at June 30, 200X should be recorded as a receivable if they are expected to be received within sixty days of end of the fiscal year. Assuming the district is due \$40,000 for past due leases and 15,000 is expected to be received within 60 day the following entry should be made:

Sixteenth section lease receivable	15,000	
Surface leases (Revenue code 5110)		15,000