SECTION B MISCELLANEOUS ISSUES

INDEX OF SUBJECTS IN THE ORDER PRESENTED IN THIS SECTION

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.
Legal Reference: - Miss. Code Ann. §37-37-1

B. Monthly Reports Mandated for Submission to the School Board

The Mississippi Department of Education has established requirements concerning the type of financial reports to be submitted to the board. At a minimum, the superintendent of schools shall furnish to the local school board the following required financial reports each month at the regular school board meeting:

A. Reconciled bank statements (see section G)
B. Statement of Revenues and Expenditures
C. Current Budget Status
D. Cash Flow Statement by Month
E. Combined Balance Sheet or Current Fund Equity Balances

The format of these reports is at the discretion of the district as long as all required components are included.

Legal Reference: Miss. Code Ann. §37-9-18; Mississippi State Board of Education Policy – Rule 71.3

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 ensures 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, support documentation of experience awarded, support documentation of licensure, wage authorizations, federal and state withholding authorizations, and other deduction information. Individual personnel files shall stand alone to support payroll checks issued to individuals.

School districts, as well as private firms under contract to provide substitute teachers to school districts, are required to conduct criminal records background and child abuse registry checks on all licensed and non-licensed employees hired after June 30, 2000.

Legal Reference: Miss. Code Ann. §37-9-17; 25-1-100

E. Receipt Files

All monies shall be receipted to the school district utilizing pre-numbered receipts (two/three parts) and be maintained in a bound book or ledger. Under no circumstance shall monies be deposited into any bank account without a proper receipting of such monies. Monies should be deposited to the bank timely (based on the district's policy). 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 supporting documentation for each receipt.

F. Bank Depository Reconciliations

Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement.

All bank statements shall be reconciled within 30 days of receipt. Bank statements should be reconciled to the district's general ledger cash balances in a timely, accurate manner. The district should also ensure proper internal controls surrounding the completion and review of bank reconciliations. Each bank reconciliation should be signed (or initialed) and dated by the person completing it and the person reviewing it.

As required by the State Board Policy, the presentation of reconciled bank statements shall be made at the next regular board meeting after the bank statements are reconciled.

In lieu of actual bank reconciliations, a certification from a designated individual listing all current district bank accounts by name, the specific time period covered, and a statement that the accounts have been reconciled is acceptable. Districts submitting a certification to the board should also submit a summary of the bank reconciliations. Full bank reconciliations should be available for review at the board meeting if requested. A copy of the certification and the summary should be made a part of the board minutes.

Legal Reference: Miss. Code Ann. §37-9-18; Mississippi State Board of Education Policy – Rule 71.3

G. Petty Cash/Change 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, if the person responsible shall be bonded, and provide adequate safeguards for the petty cash account. At no time shall any loan, personal or otherwise, be made from the petty cash account. Transactions should be accounted and reconciled at least monthly.

The petty cash account will be established by writing a check on the appropriate 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 always be equal to the original amount of the petty cash account. This shall be periodically checked by the superintendent or his/her designee. The petty cash account will be replenished in accordance with the district’s policies and procedures. 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 into the accounting records. Under no circumstances should petty cash be utilized as change cash.

A change cash account may be established, in the method approved by the school board, to make change for food service payments, athletic events, and other receipts of funds by the schools/districts. Change cash should be accounted for in the fund in which it originated from utilizing the appropriate balance sheet coding. Change cash should be accounted for and secured at all times. It is required that change cash accounts be reconciled and deposited on an annual basis before the end of the fiscal year. Change cash should never be used as petty cash or for any other purpose. Only the necessary amount for its intended use should be made available.

Legal Reference: Miss. Code Ann. §7-7-60

H. 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 district shall be transferred from the governmental funds to the payroll clearing fund. The district's portion transferred will be charged to the appropriate expenditure functions in the expenditure register of each governmental fund. The reconciled 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 a General Fund.

I. 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 a General Fund.

J. 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.

Legal Reference: Miss. Code Ann. §71-5-359(5)

K. 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 by a fund 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.

Legal Reference: Miss. Code Ann. §37-59-43

L. Depositories

School districts must advertise and accept bids for depositories no less than once every three (3) years when it is determined that a more favorable rate of interest can be obtained.

The district shall establish a timeline for completing the depository bid process. After approval of the bid notice by the school board, a "Notice to Bidders" must be published in the local newspaper as required by MS Code 27-105-305. The board must review the depository bids and select a depository or depositories on or before the June board meeting.

The depository or depositories shall place on deposit with the school district the same securities as required in 27-105-315.

If a conflict of interest exists between a member of the board and a potential depository, all bids must be sent to the Office of the State Treasurer to complete the bid review process.

The Office of the State Treasurer's website has a sample depository bid form that may be used by the district.

Legal Reference: Miss. Code Ann. §37-7-333; 27-5-305; 27-105-315
Office of State Treasurer: School District Depository Bid Process Informational Guide

M. Single Audit Act

Mississippi public school districts, meeting the minimum threshold for expenditures of federal funds, must have an audit performed by the Mississippi State Auditor's Office or by an independent accounting firm as required by the Single Audit Act for the year in which the threshold is met.

The Mississippi State Department of Education shall have pass-through entity responsibilities for all Mississippi public school districts with pass-through grants. School districts should resolve any applicable audit findings with the audit resolution officer of the Mississippi Department of Education, Internal Audit Department; Mississippi State Auditor’s Office; or independent accounting firm.

Legal Reference: CFR Title 2, part 200, Subpart F

N. Inventories

Purchased Food and Supplies

At or near the fiscal year-end, a physical inventory of the goods on hand should be taken. 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 at the end of the fiscal year should be placed on the school district's balance sheet under the proper account (i.e., inventory of food, inventory of food production supplies, etc.) by making the necessary journal entries in the accounting records. School districts are allowed to have other inventories (i.e. instructional supplies), but they must be accounted for and reported in the same manner as prescribed above.

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.

O. Sixteenth Section Funds

This section provides a summary of the general responsibilities school districts have in relation to the management of sixteenth section funds.

The three main sixteenth section funds managed by school districts, as applicable, are (1) the Principal fund, (2) the Expendable (Interest) fund and (3) the Forestry Escrow fund. The management responsibilities involve the collection of revenues and expending of funds as well as capitalization of loan and investment options.

School districts are responsible for reporting the financial transactions and balances of the aforementioned funds annually to the Mississippi Secretary of State and the Mississippi Department of Education. The fund and other accounting group codes for sixteenth section financial transactions are prescribed in the appropriate coding sections of this manual.

I. The Principal Fund

"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." Miss. Code Ann. Section 29-3-113.

Sources of Funds:

1. Permanent easements and rights-of-way pursuant to Section 29-3-91.
2. Sales of lieu land pursuant to Section 29-3-15 through 29-3-25.
3. Permanent damage to the school trust land.
4. 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.
5. Sale of buildings pursuant to Section 29-3-77.
6. Sale of timber.
7. Sale of lieu land and purchase of substitute lands pursuant to Section 29-3-27.

Uses of Funds:

1. Expenses:

a. **Asbestos Removal:** If a school district's principal fund exceeds $5 million, up to $500,000 can be used for asbestos removal from school buildings. This is considered part of the repair of school facilities (Miss. Code Ann. Section 29-3-113).

b. **Interest Income:** Income generated from the principal fund can be used for various purposes, including current operating expenses of schools and any lawful expenditures authorized by the law. For example, interest from investments such as land sales or timber proceeds can be utilized according to legal guidelines (Miss. Code Ann. Section 29-3-113, 29-3-27).

2. Investments:

a. The principal fund should be invested in secure options like U.S. government obligations or certificates of deposit from approved state depositories. These investments should yield interest rates at least equal to passbook savings rates (Miss. Code Ann. Section 29-3-113).

b. Other investment options allowed for governmental entities in Mississippi can also be considered. Township funds may be combined into district accounts for investment purposes, with proper documentation to track the sources of the funds (Miss. Code Ann. Section 29-3-113, 27-105-33).

3. Loans:

a. **Building and Repair Loans**: The Board of Education can borrow funds at a minimum interest rate of 4% per year for up to 20 years. These loans can be used for building, equipment, or repairing district schools, or for forest stand improvement projects approved by the State Board of Education (Miss. Code Ann. Section 29-3-113, 29-3-47).

b. **Bus Purchase Loans:** Funds can also be borrowed for up to 10 years at the same interest rate for purchasing school buses (Miss. Code Ann. Section 29-3-113).

c. **Prohibition on Other Loans:** Borrowing from the school's principal fund for purposes other than those specified by law is unlawful. Any officer involved in such unauthorized borrowing is personally liable (Miss. Code Ann. Section 29-3-113).

Requirement for Principal Loans to be Repaid First

"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." Miss. Code Ann. Section 29-3-113

II. The Expendable (Interest) Fund

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. Gas and mineral leases, including bonus or delay rental payments.
2. Surface rental payments from agriculture, residential, commercial, industrial or other leases.
3. Investment income from Principal fund investments.
4. Sale of timber (85% of receipts).
5. Pro rata revenue from other districts.

Income from the Sixteenth Section Interest fund is considered a local funding source, and the expendable income may be spent for any educational purposes authorized by law. Miss. Code Ann. Section 29-3-115.

Uses of Funds:

Eligible Expenses within the Interest Fund:

1. Improvement of Sixteenth Section Lands: Funds may be used for clearing, draining, reforesting, and enhancing any designated lands (Miss. Code Ann. Section 29-3-115).

2. Payment of Taxes and Assessments: Money can be used to cover taxes, costs, expenses, and assessments related to the lands (Miss. Code Ann. Section 29-3-115; also, Section 29-3-57).

3. Attorneys' Fees: Funds can be spent on reasonable attorney fees incurred to resolve land title issues and to aid in the collection of funds (Miss. Code Ann. Section 29-3-115; also, Section 29-3-57).

4. Forest Management Decisions Review: The school board can contract a registered forester to review forestry management decisions or practices, paid from the fund (Miss. Code Ann. Section 29-3-45(1)(a)).

5. Management Assistance: Funds can be used for school land management assistance when needed resources are unavailable from other state agencies (Miss. Code Ann. Section 29-3-131).

6. Easements for Access to Land: The school board can purchase necessary easements for accessing specific lands, subject to fair market value assessments (Miss. Code Ann. Section 29-3-92(1)).

Eligible Expenses upon Board Approved Transfer to Other Funds:

7. Generally: Revenue from leases must be used and spent according to the same rules as other funds (Miss. Code Ann. Section 29-3-59).

8. Building and Repairing School Facilities: Funds can be used for constructing, repairing, and maintaining school buildings and facilities (Miss. Code Ann. Section 29-3-115).

9. Equipment Purchases: Money can be spent on buying furniture, school vehicles, and related equipment (Miss. Code Ann. Section 29-3-115).

10. Teachers' Salaries and Operations: The fund can cover teacher salaries and other operational expenses for maintaining schools (Miss. Code Ann. Section 29-3-115).

11. Education of District School Children: Expendable funds must primarily support the education of eligible children in the district, as mandated by law. Additional securities may be required to safeguard the funds (Miss. Code Ann. Section 29-3-109).

Investments: Unspent funds in the expendable fund can be invested in any manner authorized by law, similar to the investments allowed for the Principal Fund. (Refer to the Principal Fund section for details.) The income generated from these investments can also be spent in accordance with the rules governing the principal in the expendable fund.

III. The Forestry Escrow Fund

The Forestry Escrow fund is a restricted fund where income is comprised of fifteen percent (15%) of all receipts from the sales of forest products to pay for work performed by the State Forestry Commission. The other eighty-five percent (85%) is placed in the Interest fund.

The State Forestry Commission has exclusive authority and control over prescribing forestry management practices and scheduling timber harvesting. This authority applies when the Commission determines that timber stands, or other forest products are economically ready for harvesting. Miss. Code Ann. Section 29-3-45(1)(b)

<u>Management of Forest Lands</u>

Section 29-3-45 of the Mississippi Code outlines the management of forest lands as follows:

1. The Board of Education must enter into an agreement with the State Forestry Commission for the supervision and management of forest lands and products.

2. Timber or forest products cannot be sold from these lands without approval from the State Forestry Commission.
3. The Commission sets prices and terms for timber sales to maximize returns.
4. Any forestry management decisions, including timber sales, must be reviewed by a registered forester paid from the 16th Section Interest Fund.
5. Implementation of these decisions requires approval from both the State Forestry Commission and the Secretary of State.

Sources of Funds:

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

Uses of Funds:

1. Payment of work performed by the Mississippi Forestry Commission.
2. Private contractor work approved by the board under supervision of the Mississippi Forestry Commission.

Investments. Unspent Forestry Escrow funds can be invested in any manner authorized by law. The income from such investment may be placed in the Forestry Escrow fund or transferred to the Interest fund and spent accordingly.

Transfer of Excess Forestry Escrow Funds into Other Accounts

"When it becomes evident that the amount of money in the forestry escrow fund is in excess of the amount necessary to accomplish the work needed to achieve the goals set by the board of education and the forestry commission, the state forestry commission shall advise said board to release any part of such funds as will not be needed, which may then be spent for any purpose authorized by law." Miss. Code Ann. Section 29-3-47.

Shared Townships

When a township accommodates two or more school districts within the same county, the available funds of the township are distributed among these districts. This distribution is based on two factors: (1) the number of students residing in each district within the township and enrolled in its schools, compared to (2) the total number of students residing in the township and enrolled in all districts within it. Students who are homeschooled, transfer to another district, or attend private schools are not included in the calculation for revenue sharing.

More information on the requirements for reporting and distribution of shared township revenue and the responsibilities of managing districts and sharing districts can be found in the *School Trust Lands Policies and Procedures Manual* prepared by the Public Lands Division of the Office of the Secretary of State of Mississippi.

Legal Reference, Mississippi Code Title 29, Chapter 3: Sixteenth Section and Lieu Lands

Office of the Secretary of State of Mississippi, *School Trust Lands Policies and Procedures Manual*

P. Tuition

Tuition shall be defined as the money paid for the purpose of providing educational services for students attending other school districts, post-secondary programs, or private placement facilities. 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 codes. The district receiving the students should account for the tuition revenue under the local revenue codes.

Tuition from individuals should be collected and accounted for as prescribed by the school district's board policy.

Q. Ad Valorem Tax Requests, Escrow and Shortfall Calculations

REQUEST
MS Code 37-57-104 requires school boards to submit to their levying authority a request for ad valorem taxes, in dollars, for the support of the school district for the upcoming fiscal year. This request must be submitted **<u>on or before August 15</u>**. It is the responsibility of the levying authority to set the millage rate necessary to generate those funds.

The amount a district may request is set by formula and capped by state law.

When calculating the request, the district must first calculate the base:

Add:	Cash basis Ad Valorem collected Oct –Sept
	Homestead Reimbursement (Sept & March)
	Ad Valorem Tax Reduction Funds
	Ad Valorem Tax Escrow (previous year) if any
	Ad Valorem Tax Shortfall Notes (base year) if any
Deduct:	Ad Valorem Tax Escrow (base year) if any

Once the base has been calculated, the base may be increased by a percentage, if the district has properly advertised the intent to increase taxes.

There are three scenarios for an increase:

Proposed increase of less than or equal to 4%

The base may be increased by an amount less than or equal to 4% if a properly executed ad is published in accordance with state law. (Once per week for two consecutive weeks preceding the public hearing) 27-39-207.

Proposed increase of more than 4% but not more than 7%

The base may be increased by an amount more than 4% but not greater than 7%, if properly executed ad is published in accordance with state law. (Five days per week for three consecutive weeks preceding the public hearing) 37-57-104.

Proposed increase of more than 7%

If the district plans to increase the base by more than 7%, an election on the matter is required. The referendum is to be called by the levying authority, and the district must have three-fifths (3/5) of the registered, qualified electors voting in favor of the increase 37-57-104.

Request for Debt Service

In addition to the operating request, the district must also deliver a request to cover any debt service needs (i.e. 3 mill levy notes, shortfall notes, or General Obligation Bonds). This request should be enough to cover the principal, and interest amounts due during the fiscal year. See note 2.

BUDGET ADVERTISEMENT

As required by 27-39-207 the advertisement in the newspaper shall meet the following:

- The advertisement shall be no less than one-fourth (¼) page in size.
- The type used shall be no smaller than eighteen (18) point.
- The advertisement shall be surrounded by a one-fourth-inch solid black border.
- The advertisement shall not be placed in any portion of the newspaper where legal notices and classified advertisements appear.
- The advertisement shall appear in a newspaper that is published at least five (5) days a week, unless the only newspaper in the county is published less than five (5) days a week.

Required language.

NOTICE OF PROPOSED AD VALOREM TAX EFFORT
(Name of the school district)

The (name of the school district) will hold a public hearing on its proposed school district budget for fiscal year (insert the year) on (date and time) at (meeting place). At this meeting, a proposed ad valorem tax effort will be considered.

The (name of the school district) is now operating with a projected total budget revenue of $____. Of that amount, ___ percent or $____ of such revenue is obtained through ad valorem taxes. For next fiscal year, the proposed budget has total projected revenue of $____. Of that amount, (___ percent) or $____ is proposed to be financed through a total ad valorem tax levy.

For the next fiscal year, the proposed increase in ad valorem tax effort by (name of the school district) may result in an increase in the ad valorem tax millage rate. Ad valorem taxes are paid on homes, automobile tags, business fixtures and equipment, and rental real property.
Any citizen of (name of the school district) is invited to attend this public hearing on the proposed ad valorem tax effort and will be allowed to speak for a reasonable amount of time and offer tangible evidence before any vote is taken.

Escrow and Shortfall Calculations

At the end of every fiscal year, the district must make calculations to determine if excess Ad Valorem collections have been received or if a shortfall of collections has occurred.

If the district determines that an excess/escrow exists, the excess should be reported in the account "fund equity - restricted for Ad Valorem" in the district maintenance fund. The base calculation from any one of the three years immediately preceding the current year can be used when determining if an escrow exists. 37-57-107

Shortfalls are calculated by comparing the total of actual Ad Valorem, Homestead Exemption, and Ad Valorem tax reduction funds received to the original Ad Valorem request given to the levying authority. 37-57-108

If the district determines that a shortfall exists, a promissory note may be issued. The issuance of a promissory note is not required; it is a district decision.

To help the school district better understand the above mentioned 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 preparing its ad valorem tax requests, ad valorem tax escrow and/or shortfall calculations.

Legal Reference: 37-57-1; 37-57-104; 37-57-105; 37-57-107; 27-39-207; 37-57-108; 37-61-9

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. (program not funded since 2012) ____________

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). This includes, but is not limited to, joint vocational centers and county wide child development centers.

Ad Valorem Tax Escrow Calculation Form

<u>Base Calculation</u>:

[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) ____________________

<u>Add:</u> ***[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 ____________________

<u>Deduct:</u> 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.]

Ad Valorem Tax 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.

R. Revenue and Expenditure/Expense Recognition

For the types of funds using the modified accrual basis or accrual basis of accounting, see "Basis of Accounting" in Section A of this manual.

Revenue Recognition

Modified Accrual Basis:

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 to finance expenditures of the fiscal period. "Available" refers to the collectability of the receivable within the current period or soon enough thereafter to be used to pay for liabilities of the current period. A general criterion for availability is 60 days, although a longer or shorter period may be used, except for property taxes (where the maximum period may not be more than 60 days). The availability period will be disclosed in the notes to the financial statements. Each entity should adopt a revenue accrual policy that implements the susceptibility-to-accrual criterion and applies it consistently. This policy should also be disclosed in the notes to the financial statements. Revenues are measurable when the amount of the revenue is subject to reasonable estimation.

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

The essential elements of the accrual accounting method include:

1. The deferred outflows of resources and the subsequent amortization of the deferred costs (prepaid expenses, supplies, etc.).

2. The deferred inflows of resources until they are earned (property taxes received in advance, leases receivable, etc.).

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 inflows of resources) 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 expenditure. For this reason, should a school district receive money in advance for a reimbursable program, then that revenue should be recorded as a deferred inflow of resources. The school district would recognize the revenue at the point in time the expenditures occur.

Expenditure/Expense Recognition

Modified Accrual Basis:

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 accrual.

Accrual Basis:

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

The essential elements of the accrual accounting method include:

1. The deferred outflows of resources and the subsequent amortization of the deferred costs (prepaid expenses, etc.).

2. The deferred inflows of resources until they are earned (property taxes received in advance, leases receivable, etc.).

3. The capitalization of certain expenditures and the subsequent depreciation of the capitalized costs (depreciation of cost of machinery).

4. The accrual of revenues that have been earned and expenses that have been incurred.

Legal Reference: GASB's

S. 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 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 with taxes and revenues attributable to the fiscal year in which the note was issued.

Legal Reference: 37-59-37, 75-17-105

T. Capital Projects Fund

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Generally, 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.

Legal Reference: GASB 54

U. Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Generally, Debt Service Funds are used when a tax levy is in place to repay a particular debt (three mill note, general obligation bond, shortfall note) of the school district. If accumulation of resources is not necessary (e.g., repayment of sixteenth section principal fund loans, repayment of a short-term note for equipment), 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 levying authority.

Once all requirements of an individual Debt Service Fund have 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).

The Mississippi Department of Education may also establish, at their discretion, other debt retirement funds as needed.

Legal Reference: GASB 54, 27-105-367

V. Debt Extinguishment (Advance Refunding)

The following guidance on accounting for, and disclosure of, advance refunding that results in defeasance of debt is based on Section D 20 of the Codification of Governmental Accounting and Financial Reporting Standards (Codification) 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 D 20.103 of the Codification provides further guidance as to what constitutes "risk-free."

Advance refunding debt can be done for various 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 D 20 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 another 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.

Legal Reference: GASB 23, 65 & 86

W. Compensated Absences

Section 37-7-307(5), Mississippi Code Annotated (1972), requires that “Upon retirement from employment, each licensed and non-licensed 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 non-licensed 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. Certain parts of GASB 16 have been affected by GASB 34.

Recognition of Expenditure:

The liability for compensated absences will be reflected in the GASB 34 entity-wide financial statements.

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__

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)

Category	Years of Service	Probability Factor
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 1 for each category reflected above.]

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

	Estimated Days' Pay.
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 (17.9%)	________
Total liability for compensated absences for licensed employees	________

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

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

Category	Years of Service	Probability Factor
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 Days' Pay.
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 (18.9%)	___________
Total liability for comp. absences for non-licensed employees	___________

Attachment 1 Liability for Compensated Absences - Licensed Employees
As of June 30

(Page of)

Category

Employee's Name:	Days Leave Accumulated*	Probability Factor	Estimated Days Payable
Page Total			
Attachment 1 Total for Category			

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

Attachment 2 Liability for Compensated Absences – Non-licensed Employees

As of June 30

(Page of)

Category

Employee's Name:	Days Leave Accumulated*	Probability Factor	Estimated Days Payable

Page Total

Attachment 2 Total for Category

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