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MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Brad C. Smith
Chief Executive Officer

DATE: May 7-8, 2015

**DISCUSSION/
ACTION:** Training on Finance and Audit Items

Background:

Board members have requested receiving more training on finance and audit items.

Key Points:

Staff have prepared suggestions for training the Board on areas pertaining to finance and auditing.

Anticipated Action:

The Finance Committee and Board will review the proposed list and identify areas for which they would like to receive training.

Contact: Bruce Williams, 801-538-7514
Debbie Davis, 801-538-7639

School Finance Training Topics (30 minutes each)

1. What is the minimum school program and what is the WPU?
 - a. Discussion of Equity
 - b. Discussion of Growth

Summary: The Minimum School Program is outlined in 53A-17a and is the foundation for funding of the public education system in Utah. MSP funds are distributed according to formulas provided by State law, and State Board rules. This training will be focused on the discussion of the concept of the "basic program," the concepts of equity and growth, and will cover terms and acronyms used in the discussion of the MSP.

2. What revenue sources pay for education
 - a. State Basic Levy
 - b. Local property taxes
 - c. Voted and Board levies
 - d. Balance the MSP using state and local revenues
 - e. Recapture

Summary: Various revenue sources combine to fund the "basic program." This training will cover the different types of revenue, how their values are generated, and which entities govern the rates and expenditures associated with these revenues.

3. What types of data are used in the various calculations (ADM, Oct. 1, special education counts, district of residence)

Summary: Many types of data are used to calculate the various MSP funding formulas established in statute and rule. This training will cover the types of data, where the data is generated, and basic rules, standards, and monitoring procedures that govern the data.

The first three sessions are foundational and those desiring to understand the Minimum School Program will need to understand these concepts to understand the remaining training topics. A brief explanation of terms and programs can be found at:

<http://schools.utah.gov/finance/Minimum-School-Program/MSP-Descriptions.aspx>

This website has not been updated for some time, and is not all encompassing, but can serve as a partial index and listing of reference material. This MSP description listing can be used by Board members to gain an initial understanding of the various programs listed below.

4. Basic program calculations (Above the Line)
 - a. K-12
 - b. NESS
 - c. Prostaff
 - d. District Admin Costs

5. Restricted Basic Programs (Above the line)
 - a. Special Education Add On
 - b. Special Education Self-Contained
 - c. Special Education Preschool
 - d. Special Education Extended Year
 - e. Special Education State Programs (Impact Aid, High Cost Pool, Prison, Extended year Stipends)
 - f. CTE Add on
 - g. Class Size

6. Related to Basic Programs (Below the line)
 - a. To/From Pupil Transportation
 - b. Transportation Guarantee Levy
 - c. Flexible Allocation

7. Special Populations (probably an hour session) (Below the line)
 - a. Enhancement for At Risk Students/Gang Prevention
 - b. Youth in Custody
 - c. Adult Education
 - d. Enhance for Accelerated Students (Gifted and Talented, Advanced Placement, International Baccalaureate)
 - e. Concurrent Enrollment
 - f. Title I Schools in Improvement –paraeducators

8. Other Programs (Below the line) (probably two one hour sessions)
 - a. SchoolLAND Trust
 - b. Charter School Local Replacement
 - c. Charter School Admin Costs
 - d. K-3 Reading Improvement Program
 - e. Educator Salary Adjustments
 - f. Teacher Salary Supplement Program

- g. Library Books and Electronic resource
- h. School Nurses
- i. Critical Languages/Dual Immersion
- j. USTAR
- k. Early Intervention –extended day kindergarten
- l. Beverly Taylor Sorenson Arts Learning
- m. Teacher Supply Money
- n. Special Education Intensive Services
- o. UPASS

Summary: Sessions 4-8 will cover the formulas or formula concepts and data that are used to calculate the cost of the various MSP programs. We will also cover any restrictions or specific uses of funds.

9. District Voted and Board Levies and associated Guarantee Programs

Summary: School Districts have the ability to levy taxes. State statute provides a guarantee for those LEAs who levy a required rate to their taxpayers. We will discuss these taxes, the guarantee programs, and potentially the effects of SB97 from the 2015 general session on these programs.

10. District Capital Outlay Programs

Summary: State statute provides funding to school districts to support capital bonding, facility construction and renovations through the capital outlay foundation program. The Capital Outlay enrollment growth program provides additional support to Districts that are experiencing a net enrollment increase. We will discuss these programs, the calculation of the districts property tax yield per ADM, and how funding is allocated to school districts under these programs. We will potentially discuss the effects of SB97 from the 2015 general session on these programs.

11. Budgetary process for the legislative session

- a. Projection of student counts (growth)
- b. Projection of local tax revenues

Summary: We will discuss the budgetary projection process that occurs prior to the legislative session for the MSP, and associated programs. We will cover the projection of student counts, projections of local property tax revenues, critical deadlines, and internal controls over this process.

12. How the MSP is calculated and paid to LEAs

Summary: We will discuss the process by which the MSP is calculated and how funds are transferred to LEAs.

13. Statewide Online Education program

- a. How it works
- b. How it interacts with the MSP

Summary: We will discuss the purpose of the Statewide Online Education Program, the process by which students can enroll in these courses, and how transfer of MSP funds occurs between LEAs and providers.

14. Reporting

- a. Financial Statement Audits
- b. Single Audits
- c. Legal compliance Guide reviews
- d. Annual Financial Reports
- e. Annual Program Reports

Summary: We will discuss the types of reporting and monitoring that occur over LEA expenditures and financial reporting by the USOE and other external regulatory bodies.

15. Redevelopment Agencies (RDAs)

Summary: We will discuss the fundamentals of RDAs, what impacts they have on LEAs, and how they work.

OTHER TOPICS

1. Federal Funds

- a. Award process
- b. Reimbursement process
- c. Monitoring process

Summary: (You could probably do a session for each federal program we have.) At this point a discussion of the purpose of the federal programs might be best. ??

2. National School Lunch Program

- a. Federal programs
- b. Liquor tax

3. Requirements for Pupil Transportation

4. School Construction Requirements

Potential Training Topics for the Board/Audit Committee

# Topics	Potential Provider	Estimated Schedule
1 Opening Conference/Training by OSA on: <ul style="list-style-type: none"> a Mgt/Board/Audit Responsibilities for State Audit b Audit Reports/Opinions (CAFR/Single Audit) <ul style="list-style-type: none"> i. Types of findings 	OSA	Audit started in March
2 Internal Audit Governing Regs <ul style="list-style-type: none"> a Utah Code b Board Rule c Internal Audit Charter <ul style="list-style-type: none"> i. Annual risk assessment ii. Annual audit plan (priorities) iii. Assurance vs Consulting projects 	Int. Audit	
3 Internal Audit Process <ul style="list-style-type: none"> a Opening conference/engagement letter b Fieldwork c Reporting <ul style="list-style-type: none"> i. Protected Documents 	Int. Audit	
4 Board Governance <ul style="list-style-type: none"> a Enterprise Risk Management b Liability c Role Clarity 	Int. Audit/Other	
5 Financial Reporting System <ul style="list-style-type: none"> a FINET and BASE - general use/background b System Internal Controls c Reports in FINET and BASE d Chart of Accounts e Budget process - after appropriations through SFY closeout 	Int. Acctg/State Finance	
6 Federal Program Regulations - Uniform Guidance <ul style="list-style-type: none"> a Omni-Circular b EDGAR 	Int Audit/Other	
7 Subrecipient Monitoring <ul style="list-style-type: none"> a Subaward Process b During-the-award Monitoring c Subrecipient Audit Reviews 	Int Audit/Other	