



COMMONWEALTH of VIRGINIA  
Department of Education

January 31, 2014

TO: Division Superintendents

FROM: Patricia I. Wright, Superintendent of Public Instruction

**SUBJECT: Changes for the 2013-2014 Annual School Report – Financial Section**

This memorandum outlines changes to the 2013-2014 Annual School Report Financial Section (ASRFIN) related to Virginia's Local Education Agency (LEA) Indirect Cost Rate Methodology, as prescribed by the U. S. Department of Education (USED), the new Virginia Retirement System Hybrid Retirement Plan and Virginia Local Disability Program, and fiscal year 2014 changes to Required Local Effort and Required Local Match Programs.

**Changes Related to Virginia's LEA Indirect Cost Rate Methodology**

Based on a recent review of Virginia's LEA indirect cost rate methodology by the USED and the resulting LEA Delegation Agreement, the 2013-2014 ASRFIN will include sections to capture the following information. This additional data will be used to modify the calculation methodology for the Restricted and Unrestricted Indirect Cost Rates, effective with the fiscal year 2015 rates, to account more accurately for these activities.

1. **Object Code 2800, "Other Benefits," Expenditures:** The 2012-2013 ASRFIN Chart of Accounts provides the following description for expenditures to be coded to Object Code 2800:

*"Include annual and sick leave payments for personnel who terminate employment. Only employer-paid benefits payments made on the behalf of retirees, including retiree health insurance and health care credits, should be reported under this object code. **Also, report pension/retirement plans that are specific to your locality under this object code in the appropriate functions as well as the cost for contract buyouts.**"*

In order to account accurately for the portion of Object Code 2800 expenditures related to terminal leave payments, school divisions will be asked to separate terminal leave expenditures from any other expenditures coded to this Object Code. In addition, specific details relating to the employees receiving terminal leave payments will be required.

1. **Local Retirement Incentives:** The 2013-2014 ASRFIN will include a section allowing school divisions to indicate whether any local retirement incentives were offered during the fiscal year, the total expenditures for these incentives, and in what Function/Object Code these expenditures were coded.
2. **Identification of Subcontracts and Subcontract Expenditures:** Per USED guidance, only the first \$25,000 of expenditures for each subcontract will be included in the cost base used for calculating Indirect Cost Rates. Similarly, Indirect Cost Rates can only be applied to the first \$25,000 of expenditures for each

subcontract. The 2013-2014 ASRFIN will include a section to collect the portion of contract expenditures that represent subcontracts/subawards.

Details regarding the specific format and data points for these three required items to be collected will be communicated in the Superintendent's Memorandum announcing the 2013-2014 ASRFIN data collection.

### **Changes Related to the Virginia Retirement System Hybrid Retirement Plan and Virginia Local Disability Program**

With the addition of the Virginia Retirement System (VRS) Hybrid Retirement Plan for employees hired as of January 1, 2014, and those employees hired prior to this date who opt-in to the hybrid plan, the 2013-2014 ASRFIN will be updated to capture the employer share of contributions for Hybrid Plan employees versus the employer share of contributions for VRS Plan 1 and Plan 2 employees. The 2013-2014 ASRFIN Chart of Accounts will include the following modifications.

1. **Object code 2210, VRS (Virginia Retirement System) Benefits**, will be updated to the following:

**2210 VRS (Virginia Retirement System) Benefits for Plan 1 and Plan 2 Employees:** Payments into the trust fund of the Virginia Retirement System for Plan 1 and Plan 2 employees hired prior to January 1, 2014. Payments included here should only represent the employer share of payments into the Virginia Retirement System, and should not include any payments made directly by the employee. Do not include the employer share of payments into the Virginia Retirement System for those employees who participate in the new Hybrid Retirement Plan.

2. **Object code 2220** will be created with the following purpose:

**2220 VRS (Virginia Retirement System) Benefits for Hybrid Plan Employees:** Payments into the trust fund of the Virginia Retirement System for the Hybrid Retirement Plan. This includes all employees hired as of January 1, 2014, and any employees hired before this date who opt-in to the new Hybrid Retirement Plan. Payments included here should only represent the employer share of payments into the Virginia Retirement System (both the defined benefit and defined contribution amounts), and should not include any payments made directly by the employee. Do not include the employer share of payments for any Virginia Retirement System Plan 1 or Plan 2 employees.

Furthermore, with the addition of the Virginia Local Disability Program (VLDP), the 2013-2014 ASRFIN will be updated to capture payments into the VLDP (or comparable plan) separately versus payment into disability insurance plans for employees covered under VRS Plan 1 and Plan 2. The 2013-2014 ASRFIN Chart of Accounts will include the following modifications.

1. **Object code, 2500 Disability Insurance**, will be updated to the following:

**2500 Disability Insurance for VRS Plan 1 and Plan 2 Employees:** Payment into disability insurance plans for employees covered under Virginia Retirement System Plan 1 and Plan 2. Do not include any payments to the Virginia Local Disability Program (VLDP) or comparable plan (for divisions that opted out of VLDP) for employees covered under the new Hybrid Retirement Plan.

2. **Object code 2510** will be created with the following purpose:

**2510 VLDP (Virginia Local Disability Program) or Comparable Plan:** Payment into the VLDP or comparable plan (for divisions that opted out of VLDP) for employees covered under the new Hybrid Retirement Plan. Do not include any payments into disability insurance plans for employees covered under Virginia Retirement System Plan 1 or Plan 2.

### **Changes Related to Required Local Effort and Required Local Match**

The 2013 General Assembly approved changes to the required local effort for mandatory Standards of Quality programs. Beginning with fiscal year 2014, the SOL Algebra Readiness program and the Early Reading Intervention program are now included as part of the required local effort for mandatory Standards of Quality programs, and are no longer included as optional Incentive and Lottery-funded programs. In the 2013-2014 ASRFIN Excel template, tabs “Req. Local Effort Schedule E” and “Req. Local Match Schedule E.2” will include updates to reflect these changes.

Questions concerning pending changes for the 2013-2014 ASRFIN may be addressed to budget office staff at (804) 225-2025.

PIW/cr