SCHOOL BUSINESS BULLETIN

A publication of the Division of Program Finance

Bulletin Number 44 *July 2010*

In this Bulletin…

1. *Janna Duffy Leaves Program Finance……...2*
2. *Sarah Miller Joins the Team!.....2*
3. *Uniform Financial Accounting and Reporting Standards (UFARS) Helpdesk Reminder 2*
4. *Maximum Allowable Wage Reclassification – Food Service FY 2010.....2*
5. *Maintenance of Effort Certification for Licensed Pupil Support Staff.....2*
6. *UFARS Procedures - School Business Bulletin No. 41 Clarification.....4*
7. *UFARS Procedures - Course Code 633 for Maintenance of Effort (MOE) 4*
8. *UFARS Procedures - NCLB 08-09 (Course Code 011) Funds.....5*
9. *UFARS Procedures - Reporting Federal Funds by Course Code..... 5*
10. *UFARS Procedures - Using Federal Funds for Tuition Bill Costs 6*
11. *UFARS Procedures - Using Federal Funds for Contract Placement 6*
12. *UFARS Procedures - Using Federal Funds for Transportation Costs 7*
13. *FY 2010 UFARS Grid Release 10.6 .....7*
14. *Summary of the FY 2010 Audit Requirements.....8*
15. *FY 2010 Fiscal Compliance Table Reporting……...10*
16. *FY 2010 UFARS Submission Process. ……11*
17. *FY 2010 UFARS Edit Process……...11*
18. *FY 2010 Auditor Access Authorization in SERVS Financial……..14*
19. *FY 2010 Federal Indirect Cost Rates……15*
20. *FY 2011 Redesign Committee Update……...15*
21. *Governmental Accounting Standards Board (GASB) 54 Committee Update.16*
22. *Transportation Director List Serv……16*

1. Janna Duffy Leaves Program Finance

Janna Duffy has accepted a new position in Wisconsin. Her exemplary service and leadership established a new direction for the Division of Program Finance-Financial Management Team. We will work to maintain Janna's vision of positive working relationships between customers and MDE. She will be missed!

2. Sarah Miller Joins the Team!

The Division of Program Finance is pleased to announce that Sarah Miller has joined the team! She has been a business manager for the last 12 years in the Ortonville, Rockford and Delano Schools and brings a wealth of knowledge and experience to the team. Sarah can be reached at sarah.c.miller@state.mn.us or 651-582-8370.

3. Uniform Financial Accounting and Reporting Standards (UFARS) Helpdesk Reminder

A new customer service model has been developed by the Financial Management Team of MDE to address your UFARS and accounting questions in a consistent and timely manner. Questions should be sent to mde.ufars-accounting@state.mn.us. Common questions and answers will be shared through the School Business Bulletin.

4. Maximum Allowable Wage Reclassification – Food Service FY 2010

The average hourly wage for public school food service directors in Minnesota has been calculated. The allowable hourly wage reclassification for FY 2010 is $21.48. This is the maximum rate at which the labor of a superintendent or fiscal manager, who is performing the duties of a food service director, can be charged back to the food service fund.

For questions or information on the maximum allowable wage reclassification, please contact Greg Hein at greg.hein@state.mn.us or at 651-582-8460

5. Maintenance of Effort Certification for Licensed Pupil Support Staff

Minnesota Statutes, section 126C.44 requires all districts to annually certify they have met the maintenance of effort requirement relating to licensed pupil support staff. This certification is required whether the board levies the safe school levy or not. Last year this data was submitted via the UFARS Fiscal Compliance Table. This year districts are required to submit this data via the Levy Information System instead. This screen will remain available through December 31, 2010, so districts can enter final data.

The certification can be achieved through either of the following methods. Data for both methods must be submitted.

1) District's total spending on services provided by licensed pupil support staff employed by the district is not less than the sum of its expenditures for services provided by these employees in the previous fiscal year, excluding amounts spent under Minnesota Statutes section 126C.44, or

2) District's full time equivalent number of licensed pupil support employees for the current fiscal year is not less than the number for the previous year. The statute defines licensed pupil support employees as: licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologist, and licensed alcohol and chemical dependency counselors employed by the district.

In determining the number of full-time equivalent employees or total spending do not include contracted services. Total spending would include the cost of the employee plus any direct costs related to the services the employee provides as determined by the district. Consistency in methodology is important. Districts should maintain supporting documentation. Note: this reporting requirement only applies to independent districts, common districts and special districts. This provision does not apply to charter schools.

Example of the Total Spending Maintenance of Effort Calculation

The FY 2009 base year computation is the total spending on services provided by the licensed pupil support staff less the portion of FY 2009 safe school levy expenditures for these licensed pupil support staff.

FY 2009		
	Total Spending on Services provided by Licensed Pupil Support Staff (includes safe school levy expenditures)	$100
Less:	Safe School Levy Expenditures for Licensed Pupil Support Staff (the related portion in Finance 342)	20
	FY 2009 Base Maintenance of Effort (reported on FY 2009 Fiscal Compliance Table)	$ 80

The FY 2010 computation is the total spending on services provided by the licensed pupil support staff less the portion of FY 2010 safe school levy expenditures for these licensed pupil support staff. FY 2010 spending must be at least the amount of FY 2009 spending.

FY 2010		
	Total Spending on Services provided by Licensed Pupil Support Staff (includes safe school levy expenditures)	$100
Less:	Safe School Levy Expenditures for Licensed Pupil Support Staff (the related portion in Finance 339 & 342)	15
	FY 2010 Base Maintenance of Effort (to be reported on Levy Information System by December 31, 2010.)	$ 85

FY 2010 Verification of Maintenance of Effort		
	FY 2009 Base Maintenance of Effort	$80
	FY 2010 Base Maintenance of Effort	$85
	Results: FY 2010 ≥ FY 2009	

MDE has posted on the Website a document titled, 2009 Summary of Licensed Pupil Support Staff Maintenance of Effort which provides the expenditures and FTE's certified for FY 2009. To view the report visit this Web page: http://education.state.mn.us > Accountability Programs > Program Finance > Financial Management > School District Financial Profiles.

The department will be conducting reasonableness checks on the FY 2009 data certified to the department. If there appears to be Licensed Pupil Support Staff that should have been reported to the department, the reporting entity will be contacted to update their certification. At the conclusion of FY 2010 a comparison between FY 2009 and FY 2010 data will occur and a report will be generated providing a summary of the results.

Questions should be directed to Mary Weigel at 651-582-8770 or mary.weigel@state.mn.us.

6. UFARS Procedures - School Business Bulletin No. 41 Clarifications

In the examples on page 5, to clarify the usage of finance and source codes for federal special education:

- When you have special education finance codes 100, 400 and 800 series, use source code 400 because these are direct payments from the Minnesota Department of Education.
- For special education finance codes 200, 600 and 900 series, use source code 405 because these represent subawards and are not directly paid from MDE.
- All federal special education revenues should be coded using source code 400 if received directly from MDE. Revenues are not recorded at the specific program disability.

Questions should be sent to mde.ufars-accounting@state.mn.us

7. UFARS Procedures – Course Code 633 for Maintenance of Effort (MOE)

Districts that use federal special education funds (FIN 419 or 480) to reduce their maintenance of effort for FY 2010 are reminded that the MOE reduction is documented by reporting the applicable ESEA (Title I-VIII) expenditures using finance code (FIN) 000 and course code 633.

MDE will use the expenditures reported with FIN 000 and course code 633 to verify the district's 50 percent MOE reduction. MDE will compare what has been requested for the MOE reduction to the actual expenditures reported on UFARS with FIN 000 and course code 633. If a district fails to meet the

threshold by the amount requested for 50 percent MOE reduction, then the district will have not met the federal MOE requirements (See 34 CFR §300.203(a)).

For FY 2011, there is no 50 percent MOE reduction as there is no increase in IDEA Part B Section 611 funding from the federal government. Therefore, there are no additional freed-up funds to document on UFARS using FIN 000 and course code 633 in FY 2011.

In the future when there may be an increase in IDEA Part B Section 611 funds from one year to the next, a district that declares a 50 percent MOE reduction will be expected to record the use of their freed up funds using FIN 000 and course code 633 for the fiscal year that the 50 percent MOE reduction applies.

Questions should be directed to Carol Hokenson at 651-582-8849 or carol.hokenson@state.mn.us

8. UFARS Procedures - NCLB 08-09 (Course Code 011) Funds

If your district or charter school has unclaimed prior year funds in finance codes 401, 406, 414, 417 and/or 433, you may be in jeopardy of losing the funding. The funds need to be drawn down from the SERVS financial system using course code 011 by November 14, 2010.

Questions should be directed to Lorraine Lawson at 651-582-8597 or mde.ufars-accounting@state.mn.us and Barb Lemmons at 651-582-8366 or barb.lemmons@state.mn.us

9. UFARS Procedures - Reporting Federal Funds by Course Code

Any FY 2010 federal expenditure reported in UFARS Finance Code Series 100, 400 or 800 should use course codes 000, 011, 012 (and course codes 642, 641, 640, 639, 638, 637, 636, 635, or 634 for the applicable Title Programs). Related revenues paid through SERVS should also use the same UFARS Course Codes.

Entries made in FY 2010 UFARS that reflect FY 2009 adjustments for federal programs that are not reflected in SERVS should use the course code 009 instead of 011. The end of year SERVS/UFARS reconciliation will reflect a variance and may result in a funding reduction.

- Course Codes 001 through 010 – Used only to reference a state fiscal year and not related to SERVS activity.
- Course Code 000 – Used to report the correlation between a state fiscal year and a federal award year in SERVS. When used with a federal finance code, it indicates that the federal award year is the same as the "current" state fiscal year in which the activity is reported.
- Course Code 011 – Used to report the correlation between a state fiscal year and a federal award year in SERVS. When used with a federal finance code, it indicates that the federal award year is "one year prior" to the state fiscal year in which the activity is reported.
- Course Code 012 – Used to report the correlation between a state fiscal year and a federal award year in SERVS. When used with a federal finance code, it indicates that the federal award year is "two years prior" to the state fiscal year in which the activity is reported.

For questions or information on the reporting of federal funds by course code, please contact Sarah Miller at sarah.c.miller@state.mn.us or 651-582-8370.

10. UFARS Procedures - Using Federal Funds for Tuition Bill Costs

For FY 2010, MDE withheld the amount declared from their final federal Part B Section 611 Allocation (FIN 419) for use toward tuition bill expenses. The amount is currently not reflected in the amount of the Part B Section 611 Allocation in SERVS.

MDE has created two new expenditures codes related to federal tuition billing. UFARS Object Code 308 will be used for the first $25,000 of a tuition bill payment and UFARS Object Code 309 will be used for the remaining portion of the tuition bill (amount in excess of $25,000).

Since the expense is not reported in SERVS for reimbursement, the 000/011/012 course codes should not be used. The following entries would be used to record the amount declared to be used for tuition bills at the end of FY 2010:

Debit – 01-xxx-xxx-419-308/309-010*
Credit – 01-122-xx
*Assumes current year funds were used. The split between 308 and 309 may be an estimate.
(The use of course codes is explained in more detail in the previous article.)

In February/March of the following year, MDE will calculate final tuition bills and make payments to the non-resident local education agency (LEA). In the following year, adjust the object codes 308/309 for the difference between the estimated tuition payments and the actual payments. The adjustment should take into account the amount of federal funds used as well as the split between 308/309. In the example used above, the UFARS Course Code 010 will identify that it is a prior year adjustment not reflected in SERVS. Note: This process may change in FY 2011.

For questions or information on the use of federal funds for tuition bill costs, please contact Sarah Miller at sarah.c.miller@state.mn.us or 651-582-8370.

11. UFARS Procedures - Using Federal Funds for Contract Placement

When LEAs report expenditures in SERVS for a special education student placed outside of the serving district, the reimbursement is reduced by the amount of the general education revenue earned for the time the student is placed.

The full expense should be recorded appropriately using the proper UFARS Finance Code, Object Code and Course Code.

Debit – 01-xxx-xxx-4xx-303/304-000*	$10,000	
Credit – Cash or Accounts Payable		$10,000

*Assumes that current year funds are being used.

The net reimbursement should be reflected in **two entries:**

Debit – Contra-Revenue for the Gen Ed Deduction: 01-xxx-xxx-4xx-495-000*	**$ 500**	
Debit – Cash	$9,500	
Credit – 01-xxx-xxx-4xx-400-000*		**$10,000**

*Assumes that current year funds are being used.

For questions or information on the use of federal funds for contract placement, please contact Sarah Miller at sarah.c.miller@state.mn.us or 651-582-8370.

12. UFARS Procedures - Using Federal Funds for Transportation Costs

For FY 2010 districts may code federal transportation expenditures to either object codes 303/304 or to object codes 360/364/365. Due to timing issues, districts may not have approved budgets allowing usage of object codes 360, 364 and 365; and in those cases continue to use object codes 303 and 304. However, when districts use object code 303 or 304 to report transportation expenditures, they must use program code 760 to indicate the expenditures relate to student transportation.

For FY 2011 and later, when reporting federal contracted transportation expenditures, districts should use object code 360 for contracted private or public carriers amounts under $25,000 and object code 364 for contracted private or public carriers amounts over $25,000.

Districts using object code 365 are required to allocate student transportation expenditures among categories by miles, hours or routes. For federal programs, the results of the allocation should be reported on the supplemental sheet of the Pupil Transportation Annual Report (ED-01652).

For questions or information on the use of federal funds for transportation costs, please contact Kelly Wosika at kelly.wosika@state.mn.us or at 651-582-8855.

13. FY 2010 UFARS Grid Release 10.6

New Source Codes

495 Special Education Contract Placement General Education Deduction (contra-revenue account)

Record the amount of the general education revenue earned for the time a special education student is placed outside of the serving district.

Payment Description – N/A

New Object Codes

308 Federal Tuition Bill Payments (Amount up to $25,000)

Include expenditures for special education federal tuition bill payments. This code should report only the amount of the cost up to $25,000. Refer to object code 309 to record the amount in excess of $25,000 of the cost.

309 Federal Tuition Bill Payments (Excess Amount over $25,000)

Include expenditures for special education federal tuition bill payments. This code should only report the amount of the cost in excess of $25,000. Refer to object code 308 to record the initial $25,000 of the cost.

New Finance Codes

883/983 Voluntary School Choice-Choice Information & Support Services (Fund 01)

Record revenues and expenditures relating to the Choice Information and Support Services grant. This grant provides support for students and families participating in the Choice is Yours (CIY) Program. Individual learning plans will be developed, mentoring and coaching for students and parents, coordination of informational meetings, assist students and families to obtain transportation. (CFDA 84.361A)

884/984 Autism Team Training in Evidence Based Practices (Fund 01)

Record revenues and expenditures related to the autism team training in evidence based practices grant. This grant will provide training on evidence based practices for school teams, technical assistance to providers/coaches, faculty and staff associated with MDE's training initiative with the National Professional Development Center on Autism Spectrum Disorders. (CFDA 84.027A.)

893/993 Perkins Leadership Grant-Minnesota Foundation for Student Organizations (Fund 01)

Record revenue and expenditures related to the single source grant to the Minnesota Foundation for Student Organizations, funded under the Carl D. Perkins Vocational and Applied Technology Education Act of 1990 (P.L. 105-332; CFDA No. 84.048A). The purpose of this grant is to provide funding to the Minnesota Foundation for Student Organizations to distribute to the individual career and technical education student organizations to carry out leadership activities.

Revised Finance Codes

791 Projects Funded by Certificates of Participation/Lease Purchase (COP/LP) Agreement with Related Lease Levy Authority

Record proceeds of certificate of participation/lease purchase agreements and related expenditures for building projects in the building construction fund (Fund 06). The COP/LP agreement is retired with the lease levy authorized under Minnesota Statute 126C.40. The activity in this code applies to Balance Sheet 413, Reserved for Building Projects Funded by Certificates of Participation/Lease Purchase (COP/LP) agreement with related lease levy authority.

Revised Balance Sheet Code

413 Reserved for Building Projects Funded by Certificates of Participation/Lease Purchase (COP/LP) Agreement with Related Lease Levy Authority

This account represents the June 30 balance in the building construction fund (Fund 06) for projects funded by certificates of participation/lease purchase agreement with related lease levy authority under Minn. Stat. 126C.40. It is related to Finance Code 791, Projects Funded by Certifications of Participation/Lease Purchase Agreement with Related Lease Levy Authority. *This reserve account is not allowed to go deficit.*

For questions or information on the UFARS grid release, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

14. Summary of the FY 2010 Audit Requirements

Minnesota statutes require reporting entities to complete and submit an annual audit of their financial activities. These audits must be conducted in compliance with U.S. Generally Accepted Governmental Auditing Standards, the federal Single Audit Act and the Minnesota Legal Compliance Guide issued by the Office of the State Auditor.

Minnesota statutes also provide the following reporting deadlines for the FY 2010 reporting cycle: audited final UFARS data and the Fiscal Compliance Table are due, November 30, 2010 and the hard copy Audit Report is due December 31, 2010. If the audit is mailed, it must be postmarked on or before December 31, 2010.

Each audit must include the components listed below. The Minnesota Department of Education (MDE) reviews each audit and any missing components will be requested from the reporting entity. Reporting entities failing to provide the necessary information will be included in a report issued to the various divisions within MDE that administer federal programs. This report will be used in the evaluation process for determining future fiscal monitoring site visits.

Requirements of the audit

1. Financial statements must be based on audits conducted in accordance with Generally Accepted Government Auditing Standards (Yellow Book), the federal Single Audit Act and the Minnesota Legal Compliance Guide issued by the Office of the State Auditor. In a Single Audit engagement, please refer to the OMB Circular for reporting requirements**.** The audited financial statements must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards (UFARS) compliance. If there are any state or federal written findings, the MDE requires that corrective action plans be included within the LEA audit. Audit Findings should be labeled by fiscal year and audit finding number. For example, the first finding in an FY 2010 audit would be labeled 2010-1.

2. The **student activity audit** must be listed in the table of contents of the full district audit unless a separate report is issued. If all student activities are under board control, a statement to that effect must be contained in the financial notes. This procedure will help verify that a student activity audit has been completed or that student activities are under board control and were audited with the General Fund. If there are any written findings, the MDE requires a corrective action plan for each finding.

3. The LEA audits must also contain a **Uniform Financial Accounting and Reporting Standards Fiscal Compliance Table**. Please include a copy of the fiscal compliance table which includes a comparison between audited data and UFARS including the difference column. The fiscal compliance table should be included in the table of contents and located at the end of the audit report. The reporting entity or auditor must enter the audited data into the fiscal compliance table that is located on the MDE's Website. Please run the fiscal compliance table comparison report after the audited data has been entered and review the results. Any differences between UFARS data and audited financial data must be corrected. The entry of the audited data to the fiscal compliance table must be completed by November 30, 2010.

4. Management Letters must be included with the audit. If a letter was not issued for the reporting entity, please enclose a memo or letter stating that fact.

In summary, the required components that must be submitted to the MDE and the Office of the State Auditor (OSA) are:

- Report on Financial Statements
- Management’s Discussion and Analysis (prepared by the LEA)
- Report on Entity's Internal Control Structure
- Report on Entity's Compliance with Laws and Regulations
- Corrective Action Plan for all written findings (including Student Activity Audit)
- Student Activity Audit or statement that the activities were audited with the General Fund
- UFARS Fiscal Compliance Table
- Single Audit Reports, if applicable
- Management Letter

Send **one hard copy of the audit** to the MDE; Attn: Mary Weigel and **one electronic copy of the audit** to the State Auditor's Office at singelaudit@osa.state.mn.us no later than December 31, 2010. Also, if the LEA is responsible for sending their audits to MDE, please be sure they are aware of the required reports to submit.

For further information, please contact Mary Weigel at 651-582-8770 or mary.weigel@state.mn.us.

15. FY 2010 Fiscal Compliance Table Reporting

The fiscal compliance table is completed by the reporting entity or the auditor at the conclusion of an audit and after the financial statements have been completed. This report provides a comparison between the UFARS data and the audited financial statements. The fiscal compliance table must be completed electronically and a printed copy of the results, which include the comparison between audited data and UFARS data, and any differences between the two must be included with the audited financial statements.

The fiscal compliance table with instructions can be found by going to the MDE Website at http://education.state.mn.us, select Data > Data Submissions. Scroll down to Fiscal Compliance Table. Since this is an online active database, each time entries are made the numbers will change at MDE.

For FY 2010, the fiscal compliance table will include both the audited financial data and Operating Capital $51 Transfer.

- Laws 2008, chapter 363, article 2, section 46, subdivision 1, as amended by Laws 2009, chapter 96, article 5, section 11 allows a FY 2010 one-time $51 per FY 2008 adjusted marginal cost pupil unit transfer from the reserve for operating capital after the board adopts a written resolution that the district's operating capital needs are being met. Districts may transfer money from its Reserved for Operating Capital (424) account to its Undesignated General Fund Balance account (422). The FY 2010 fiscal compliance table will have three data elements: Per Pupil Amount, AMCPU (Adjusted Marginal Cost Pupil Units) and Total Transfer. These three data elements will result in a mathematical equation (the Per Pupil Amount times the AMCPU should equal the Total Transfer Amount). **These three data elements must be filled with zeros if no transfer was made.**

  The FY 2008 AMCPU report that should be used for the FY 2010 operating capital transfer is located on the MDE Website. http://education.state.mn.us > Accountability Programs > Program Finance > General Education.

- Safe School Levy Maintenance of Effort will no longer be reported in the fiscal compliance table and will be reported through the Levy Information System. The Levy Information System memo will contain instructions on how to report this data.

MDE is in the process of developing a procedure to report prior period adjustments or other fund balance adjustments. MDE expects the following of fund balance reporting.

- At the reserve and unreserved fund balance level, prior year ending fund balances will equal current year beginning fund balances;
- At the fund balance level, the calculation of current year beginning fund balances plus total revenues minus total expenditures equals ending fund balance which should equal the current year ending fund balance as reported to MDE.

The department will issue further instructions on how entities should be reporting fund balance discrepancies identified and the reason for these discrepancies.

For further information, please contact Mary Weigel at 651-582-8770 or mary.weigel@state.mn.us.

16. FY 2010 UFARS Submission Process

The statutory requirements for financial reporting deadlines for UFARS data are:
Minnesota Statutes, section 123B.77, subd. 2. Audited financial statement. Each district must submit to the commissioner by September 15 of each year unaudited financial data for the preceding fiscal year. These financial data must be submitted in the format prescribed by the commissioner.

Minnesota Statutes, section 123B.77, subd. 3. Statement for comparison and correction. By November 30 of the calendar year of the submission of the unaudited financial data, the district must provide to the commissioner audited financial data for the preceding fiscal year.

LATE UFARS SUBMISSIONS
LEAs may upload unaudited and audited UFARS file via the MDE Website through 11/30.
After 11/30, the MDE Website link will be deactivated. After 11/30 and until the close of the UFARS submission process (12/31), LEAs may contact MDE for approval to late submit, subject to the requirements:

Requirements to resubmit a UFARS file after 11/30

If a reporting entity needs to submit after the 11/30 deadline, it must notify MDE and provide an explanation for the late submission. A notification from the auditor must also be sent to MDE stating whether or not the corrections would change the final audited financial statements sent to MDE (by 12/31). If the correcting entries do change the final audited financial statements, the auditor notification must also include a statement indicating that the audit firm will restate the financial statements or use a prior period adjustment. If there is a restated audit, it must be submitted to MDE no later than 1/31. A revision to the fiscal compliance table must accompany the restated audit.

For questions or information on the UFARS submission process, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

17. FY 2010 UFARS Edit Process

Edit checks for UFARS submission files can be divided into three categories:

1. Fatal errors
2. Reporting errors
3. Warnings

Errors need to be fixed prior to the final submission of audited UFARS data. Warnings should be checked to make sure data is accurate.
- If unaudited or audited UFARS data does not pass the “fatal error” edit check, the UFARS submission will not load.
- If unaudited or audited UFARS does not pass the “reporting error” edit check, the UFARS submission will be accepted and errors will be reported.

- If unaudited or audited UFARS does not pass the "warning" edit check, the UFARS submission will be accepted and warnings will be reported.

FATAL ERRORS
There are three fatal errors:

1. A fatal error occurs when a submitted file has an incorrect organization number, type or site.

2. Another fatal error occurs when the data of the file is earlier than the last submitted file.

3. The last type of fatal error occurs when the wrong fiscal year is in the header of the file. Any of these errors will cause the UFARS submission to fail.

REPORTING ERRORS
There are two types of reporting errors: 1) restricted and unrestricted grid errors, and 2) reporting errors. An error report will be printed that lists the following conditions that do not pass the data edit check:

Balance Sheet Edits
- **(error)** If assets do NOT equal liabilities plus fund balance in each fund.
- **(error)** If balance sheet codes 403, 408, 411, 416, 417, 418, 419, 423, 424, 425, 426, 428, 434, 435, 436, 438, 441, 445, 446, 447, 450, 451 and 452 are less than zero.
- **(error)** If balance sheet code 422 Unreserved/Undesignated in agency fund 9 has a fund balance.

Fund Dimension Edits
- **(error)** If transfer source code 649 and object code 910 do not equal.
  (error) If a fund 02 revenue/expenditure does not have a valid finance code (701, 702, 703, 705, 706, 707 or 709).

Program Dimension Edits
- **(error)** If program code 930 does NOT equal zero.

Object Dimension Edits
- **(error)** If object codes 535 and 589 do NOT equal zero.
- **(error)** If object codes 195, 295, 365, 398, 545 do NOT equal zero.

Source Dimension Edits
- **(error)** If source code 474 does not equal object 491 in fund 02.
- **(error)** If source code 020 and 299 do not equal zero.

Use of Course Codes in FY 2010 on SERVS AYP Mandatory Set Asides

For districts in AYP status, course codes must be used to identify the set-aside designation and the federal award year related to the set-aside. The course codes are:
634 Highly qualified-current year
635 LEA level activities-current year
636 Neglected-current year
637 Homeless-current year
638 Parent involvement-current year
639 School choice and SES-current year
640 Professional development-current year

641 Professional development-prior year
642 Professional development-second prior year
At the end of FY2010, SERVS and UFARS must reconcile. SERVS only displays course code 000, but the UFARS/SERVS reconciliation will include the following:
SERVS 000 = UFARS 000+640+639+638+637+636+635+634

Maintenance of Effort (MOE) Reduction
Districts that have been approved for the 50 percent maintenance of effort reduction will use course code 633 in combination with finance code 000 to track the state and local expenditures for activities allowable under the Elementary and Secondary Education Act (ESEA) that otherwise would have been used for special education. Regardless of how much was declared, MDE will use the amount reported in UFARS (up to the maximum amount eligible) in the MOE calculation.

SERVS/UFARS Reconciliation
UFARS expenditures are expected to be equal to the amount reported on SERVS by:

- Finance code
- Object code
- Course code

UFARS revenues are expected to be equal to the amount reported on SERVS by:

- Finance code
- Source code
- Course code

A UFARS/SERVS comparison report will be generated daily for district use in reconciling UFARS to SERVS. It is important to provide assurance that federal aid has been paid based on audited financial activity reported in UFARS. If the expenditures in SERVS are greater than UFARS, the state will identify UFARS as the audited and final expense, and will require the repayment of any funds claimed in excess of the UFARS amount (by UFARS finance code, object code and course code).

WARNINGS

- If balance sheet code 422 in Fund 02 is less than zero for one to three consecutive fiscal years.
    - According to Minnesota Statute, section 124D.111, subd. 3, a district may incur a deficit for up to three years without making a permanent fund transfer if the LEA submits to MDE, by January 1 of the second fiscal year, a plan for eliminating the deficit at the end of the third fiscal year.
- If expenditures in any object code except chargeback codes 195, 295, 365, 395, 398, 535, 545, 589 and 895 are less than zero.
    - Other accounts should not have a negative balance unless an unusual circumstance exists.
- If finance codes 302, 306, 307, 308, 317, 330, 342, 401, 740 and 830 show no expenditure activity.
    - Finance code 302, 306, 307, 308, 317 and 330 do not apply to charter schools.
    - Finance code 342 will apply if you have a Safe School Levy.
    - Finance code 401 will apply if you have a Title 1 Program.

    - Finance code 740 will apply if you have a Special Education Program.
- Finance code 830 will apply if you have a Career and Technical Program
- If finance code 796 in funds 1, 2, 4 has levy authority but no expenditure amounts.
    - Schools that have a Health Benefits Levy should be aware that they have no related expenditures reported. This has been a common mistake.
- If finance code 798 in fund 4 has levy authority but no expenditure amount.
    - Schools that have a School Age Care Levy should be aware that they have no related expenditures reported. This has been a common mistake.

UFARS turnaround reports are generated after each UFARS submission. To ensure accuracy, it is **crucial** to always review these turnaround reports.

For questions or information on the UFARS edit process, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

18. Auditor Access Authorization in SERVS Financial

School districts and charter schools completing an annual audit must submit access authorization for any auditors who need access to SERVS Financial on behalf of their organization. The appropriate role for an auditor in SERVS Financial is "View all - read only". Along with an authorization form submitted by the agency head (superintendent or director), auditors must request "View all - read only" access to the organization(s) they'll be auditing. Auditor's may request "View all - read only" access to multiple organizations under the same account (username and password) in SERVS Financial.

To get started, the school superintendent or director must submit the SERVS Financial Access Authorization form to MDE. Auditors who are new MDE-Account users must setup an MDE-Account and request access to SERVS Financial by selecting their role and the organization(s) they represent. Existing MDE-Account users will skip account setup and begin by requesting access to SERVS Financial for their role and the organization(s) they represent. View a tutorial on how to register for SERVS

For assistance with questions regarding the access authorization process, contact mde.servsfinancial@state.mn.us or 651-582-8500.

19. FY 2011 Federal Indirect Cost Rates

The Federal Indirect Cost Rates for FY 2011 are located on the MDE Website. To view the Cost Rates, visit this Web page: http://education.state.mn.us > Accountability Programs > Program Finance > Financial Management > Reports. Chapter 13 of the UFARS manual contains a section about the **new** calculation and use of indirect costs.

For questions or information on the indirect cost rates, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

20. UFARS Redesign Committee Update

The UFARS Redesign Committee met on July 15, 2010, and made the following recommendations to the Advisory Committee on Financial Management, Accounting and Reporting:

1. Should MDE require budget information to be reported (e.g., by July 1 of current fiscal year), and published for use by legislators and others? If yes, when to initiate and would budget info be updated during the course of the FY?

Committee Recommendation: Yes - a new submission category titled "budgeted" will be added so districts can submit budget information starting September 15 through January 10. Information will be provided to policy makers and legislative staff on a preliminary basis in October, with an update based on January data to be used during the legislative session. Implementation will be no sooner than FY 12.

2. Should an additional digit be added to the object dimension?

Committee Recommendation: Yes – stay left justified (e.g. 100 becomes 1000). The advisory committee should work with MDE to develop the coding structure. Implementation will be no sooner than FY 12.

3. Should an additional digit be added to the finance dimension?

Committee Recommendation: Yes – stay left justified. The advisory committee should work with MDE to develop the coding structure. The additional digit would not indicate a 'sub-series' but would be a unique code. The fourth digit allows for expansion. Implementation will be no sooner than FY 12.

4. Should a second additional digit (fifth digit of the finance code) be added to the finance dimension to reflect time (e.g., federal award year)?

Committee Recommendation: Yes – stay left justified (e.g. 1000 becomes 10000). The advisory committee should work with MDE to develop the coding. Implementation will be no sooner than FY 12.

5. Should any new dimensions be added to UFARS (PPA, Time, Project)? If so, how many digits?

Committee Recommendation: No.

6. What can be done to simplify/reduce the number of existing codes within various dimensions?

Committee Recommendation:

a. Evaluate length of time for reuse of codes (7 years).
b. Use of flowchart for determination of need for new codes.

c. Manual evaluation of existing structure and clean-up. Recommended that the advisory committee form a subcommittee for review of existing UFARS structure.
d. Add accounting procedure section of manual.

7. What is the best approach to training on the changes recommended by this committee and what is the appropriate timeline?

Committee Recommendation: MDE will need to do training nine months before implementation using a variety of mediums such as MASBO; Regions; SBB and other resources.

8. Batch Upload Process.

Committee Recommendation: No change in UFARS, therefore, no recommendation needed.

For questions or information on the UFARS Redesign Committee, please contact Sarah Miller at sarah.c.miller@state.mn.us or 651-582-8370.

21. Governmental Accounting Standards Board (GASB) 54 Subcommittee Update

The GASB 54 Subcommittee had their first meeting July 14, 2010, to discuss the implementation of GASB Statement No. 54 effective for the financial statements for periods beginning after June 15, 2010. This Statement will not affect the calculation of fund balances; however, it will improve the usefulness of fund balance information as stated in the financial statements. Governing bodies will establish policies outlining the order in which resources are to be expended to meet financial obligations. This Statement establishes the following fund balance components: Nonspendable; Restricted; Committed; Assigned and Unassigned. The GASB 54 Subcommittee and Program Finance are in the initial stages of researching the Statement's impact on current Minnesota Legislation, federal reporting, school policies, financial reports and the UFARS manual.

For questions or information on the GASB 54 Committee, please contact Sarah Miller at sarah.c.miller@state.mn.us or 651-582-8370.

22. Transportation Director List Serv

MDE has a Transportation Director E-mail List Serv which provides information to Minnesota school districts on pupil transportation. The e-mail messages will include topics such as state pupil transportation reporting, legislative information, MDE policies and the "Vehicle Newsletter".

If you would like to be included in this transportation list serv, please send an e-mail to kelly.wosika@state.mn.us