

SCHOOL BUSINESS BULLETIN

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In this Bulletin...

<i>1. Dr. Charles Speiker Retires</i>	<i>1</i>
<i>2. New Financial Management Helpdesk.....</i>	<i>2</i>
<i>3. Uniform Financial Accounting and Reporting Standards (UFARS) Redesign Committee.....</i>	<i>2</i>
<i>4. FY 2011 School Finance Award</i>	<i>2</i>
<i>5. Budget and Accounting Restrictions for Early Childhood Family Education and School Readiness Programs.....</i>	<i>2</i>
<i>6. Reporting Transportation Costs in a Federal Program</i>	<i>3</i>
<i>7. Professional Development Funds.....</i>	<i>4</i>
<i>8. Build America Bonds (BABs).....</i>	<i>4</i>
<i>9. Food Service Accounting.....</i>	<i>5</i>
<i>10. UFARS Grid Release 10.5</i>	<i>5</i>
<i>11. Federal Special Education Program Compliance Findings</i>	<i>8</i>
<i>12. Summary of Action Steps for EDRS/UFARS Reconciliation and Related Guidance</i>	<i>10</i>
<i>13. UFARS/EDRS Reconciliation Flowchart.....</i>	<i>14</i>

1. Dr. Charles Speiker Retires

Dr. Charles Speiker retired from the Minnesota Department of Education (MDE) Program Finance Division, February 16, 2010. We sincerely appreciate the years of service Dr. Speiker has given to the Program Finance Division. He will be missed!

2. New Financial Management Helpdesk

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. For questions or information on the helpdesk, please contact Keri Lewis at mde.ufars-accounting@state.mn.us or 651-582-8480.

3. Uniform Financial Accounting and Reporting Standards (UFARS) Redesign Committee

In September of 2009, a subcommittee of the Advisory Committee on Financial Management, Accounting and Reporting began meeting to review and evaluate key UFARS design elements, and make recommendations to the Advisory Committee on Financial Management, Accounting and Reporting and the Minnesota Department of Education. These recommendations relate to changes needed to minimize districts' reporting burdens, as well as to more efficiently and effectively:

- Deliver the financial data needed to calculate state and federal aids.
- Meet state and federal data reporting requirements.
- Ensure that state and local policymakers and other stakeholders have the information needed to evaluate system performance and make informed program and budget decisions.

Committee meeting minutes are located at: <http://www.education.state.mn.us> > Accountability Programs > Program Finance > General Information > Advisory Committee on Financial Management > UFARS Redesign Committee.

For questions or information on the UFARS Redesign Committee, please contact Janna Duffy at mde.ufars-accounting@state.mn.us or 651-582-8788.

4. FY 2011 School Finance Award

Since FY 2003, the Minnesota Department of Education has recognized school organizations that exhibit sound fiscal health and financial management policies and procedures. The criteria for earning a School Finance Award is based on compliance with state statute on a number of finance issues and other means of demonstrating fiscal health. The FY 2011 School Finance Award evaluates FY 2011 self-evaluation characteristics and FY 2010 UFARS data. The criteria and form along with past School Finance Award winners are located on the MDE Website at: <http://www.education.state.mn.us> > Accountability Programs > Program Finance > Financial Management > School Finance Awards.

For questions or information on the School Finance Award, please contact Mary Weigel at mary.weigel@state.mn.us or 651-582-8770.

5. Budget and Accounting Restrictions for Early Childhood Family Education and School Readiness Programs

A reminder to districts when closing budgets for FY 2010 and planning budgets for FY 2011 that revenue for Early Childhood Family Education (ECFE) may only be spent for ECFE programs, and School Readiness revenue may only be spent to provide a School Readiness program. Each program's revenue must be reserved in a separate account in the Community Services Fund (Fund 04). Districts may not make a transfer out of either the ECFE or the School Readiness reserve account, not even to another account within the Community Service Fund.

The ECFE and School Readiness programs are also subject to expenditure limits. Limit each program's administration expenditures (UFARS Object 110) to five percent of annual program revenue. In addition, statutes limit expenditures for capital equipment used for ECFE programs to 10 percent of annual ECFE program revenue. A district anticipating an unusual circumstance requiring its ECFE capital expenditures to exceed the 10 percent limitation must have prior written approval from the commissioner. View Minnesota Statutes Sections 124D.135, subdivision 5. View Minnesota Statutes 124D.16, subdivision 3.

Application forms for approval to exceed the ECFE capital expenditure limit, and a spreadsheet document summarizing districts' compliance with FY 2009 ECFE and School Readiness expenditure limits, are posted on the MDE Website at: <http://education.state.mn.us> > Accountability Programs > Program Finance > Community Education ECFE School Readiness.

For questions concerning Community Service Fund programs, contact Lisa DeRemee at lisa.deremee@state.mn.us or the MDE Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

6. Reporting Transportation Costs in a Federal Program

The method for allocating transportation cost to a federal program was re-examined by MDE and conclusions were presented to the Advisory Committee on Financial Management, Accounting and Reporting. After some discussion, a consensus was reached that the previous method of charging back transportation costs to the federal program as described in Business Bulletin 42 was cumbersome and that MDE's current way of tracking the transportation cost would satisfy the federal requirements on reporting. The decision was made that districts may use Object Dimension, Interdepartmental Transportation (Chargeback) 365 with the appropriate federal finance code to report transportation costs of the federal programs. Districts, in turn, can report the costs of the transportation in the State Educational Record View and Submission (SERVS) system in order to receive reimbursement.

Minnesota Statutes section 123B.92, subd. 5, requires school districts to allocate student transportation expenditures among categories by miles, hours or routes. Districts will need to determine a rate based on the district's total transportation expenditures for the entire school year in order to allocate the cost correctly. In addition, districts will need to document the miles, hours or routes that relate to the various federal programs on the supplemental sheet of the Pupil Transportation Annual Report (ED-01652). Before final rates are determined, districts may use estimated or prior year rates to report costs in SERVS. Once final rates are determined, the district will need to align reported expenditures with final rates.

MDE will change the UFARS Manual and programming to allow the federal programs to use the Object Dimension. In addition, Object Dimension 365's name will be changed to Interdepartmental Transportation (Allocation) to clarify that it is used to identify a district's transportation costs determined by an allocation method based on miles, hours or routes.

Object Code 360, Transportation Contracts With Private or Public Carriers will be used to report expenditures incurred from contracting for transportation of pupils to a federal program for contracts under \$25,000. Object Code 364 will be created to identify transportation costs associated with contracted services for federal programs over \$25,000. Object Code 364 would only be used to identify the cost of a federal program and not for regular to-and-from student transportation.

The Interdepartmental Transportation (Allocation) Object Code 365, Transportation Contracts With Private or Public Carriers Under \$25,000 Object Code 360, and Transportation Contracts With Private or Public Carriers Over \$25,000, Federal Programs Object Code 364, will be allowed to identify transportation costs paid with American Recovery and Reinvestment Act (ARRA) funds, Finance Code 151. The miles, hours and routes associated with ARRA Funds should be reported on the supplemental sheet of the Pupil Transportation Annual Report.

When a district reports student transportation expenditures in UFARS under the federal or ARRA finance codes, the expenditures will not be included in state aid calculations of Nonpublic Student Transportation, Special Education

Aid Entitlement or Desegregation/Integration Transportation Aid. These aid formulas will continue to use the expenditures reported in the traditional student transportation finance dimensions (700 series). State transportation aid is based on categorical expenditures in only certain finance dimensions.

Please disregard the procedure for reporting transportation expenditures to a federal program that was presented in the School Business Bulletin Issue 42. If you have any questions, please contact Kelly Wosika at 651-582-8855 or e-mail kelly.wosika@state.mn.us.

7. Professional Development Funds

For fiscal years 2010 and 2011 only, a school district or charter school may use revenue reserved for staff development under Minnesota Statutes section 122A.61, subd. 1, according to the requirements of general education revenue under Minnesota Statutes section 126C.13, subd. 5. Any fund balance in the balance sheet reserve account 403 on June 30, 2009 must be used for appropriate staff development activities and coded appropriately to finance codes 306, 307 or 308.

Funds received in FY 2010 and FY 2011 designated for staff development may be used during the regular school year and the summer for general and special school purposes, except as provided in sections 126C.10, subd. 14, 126C.12 and 126C.15. These expenditures should not be coded to finance codes 306, 307 or 308.

For questions or information on the Professional Development Funds, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

8. Build America Bonds (BABs)

Build America Bonds (BABs) are a new financing tool for state and local governments funded under the American Recovery and Reinvestment Act of 2009 which allows state and local governments to lower borrowing costs. Due to a direct federal payment subsidy, these taxable bonds will give state and local governments access to the conventional corporate debt markets. The Treasury Department will make a direct payment to the state or local governmental issuer in an amount equal to 35 percent of the interest payment of the Build America Bonds. As a result of this federal subsidy payment, state and local governments will have lower net borrowing costs and be able to reach more sources of borrowing than with more traditional tax-exempt or tax credit bonds.

The IRS is releasing Notice 2009-26 to provide state and local governments with guidance on implementation of the BABs. The guidance includes procedures regarding:

- How and when to request these payments.
- When the IRS will begin making these payments.
- How to make necessary elections to issue these bonds.
- How to satisfy the information reporting requirement for these bonds.
- Future implementation plans.

The 35 percent federal interest payment on BABs represents an interest subsidy. Interest subsidies qualify under Office of Management and Budget (OMB) Circular A-133 as federal expenditures reportable on the schedule of expenditures of federal awards (SEFA) and subject to single audit. However, on October 9, 2009, the OMB relayed guidance to the National Association of State Auditors, Comptrollers, and Treasurers that OMB is excluding ARRA Build America Bonds from the scope of the Single Audit. Therefore, due to OMB's exemption, recipients are not required to report BABs on the SEFA or include in the single audit.

For questions or information on the Build America Bonds accounting, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766. For questions or information on the Build America Bonds program, please contact Chris Kubesh at chris.kubesh@state.mn.us or 651-582-8319.

9. Food Service Accounting

All revenues and expenditures recorded in the Food Service Fund (02) must use a valid 7XX finance code. The final UFARS submission will not load if finance code 000 or any other invalid finance codes are used in conjunction with fund 02.

Capital expenditures from the food service fund may only be made if there is sufficient prior year fund balance to make the purchase and if the MDE Nutrition division has approved the purchase. Only capital expenditures related to the production, serving and storage of food are allowable. Cafeteria capital items are not allowed.

Food service deficits must be eliminated by a fund transfer from the General Fund in the following year, unless a plan to eliminate the deficit by the end of the third year is filed with the commissioner by January 1 of the second fiscal year. Food service deficits in entities with Food Service Management Companies must be eliminated by a payment from the Food Service Management Company.

Food Service net cash resources are limited to no more than three months worth of operating expenditure (1/3 of annual expenditures).

For questions or information on Food Service Accounting, please contact Greg Hein at greg.hein@state.mn.us or 651-582-8460.

10. UFARS Grid Release 10.5

New Finance Code 498/698

School Lunch Equipment Assistance (Fund 02)

Record revenues and expenditures related to the School Lunch Equipment Assistance grants. These competitive grants are for the purpose of purchasing, renovating or replacing equipment used for the National School Lunch Program (CFDA No. 10.579, P.L. 111-5).

New Finance Code 842/942

Abstinence Supplement Continuation Grant – Regular Federal Competitive (Fund 01)

Record revenues and expenditures related to the Abstinence Supplement Continuation Grant. The Abstinence Supplemental Funding grant's purpose is to increase the number of parents who have the knowledge, skills and comfort level to provide healthy sexuality information, including effective abstinence messages, to their children (CFDA No. 93.938).

New Finance Code 851/951

No Child Left Behind (NCLB) – Adequate Yearly Progress (AYP) Improvement Grant II (Fund 01)

Record revenues and expenditures related to Title I, NCLB-AYP Improvement Grants (CFDA 84.010, Title I, Elementary and Secondary Education (ESEA) P.L. 107-110.) This finance code is to be used only with Program 216.

New Finance Code 852/952

Statewide System of Support – Cambridge Grant (Fund 01)

Record revenues and expenditures related to the Statewide System of Support Grant. The purpose of this grant is to provide high quality and comprehensive school diagnostic reviews (CFDA 84.010, Title I, Elementary and Secondary Education (ESEA) P.L. 107-110).

New Finance Code 854/954**Project YES Native American Youth in Minnesota Grant (Fund 01)**

Record revenues and expenditures related to the Project YES Native American Youth in Minnesota grants. The purpose of this grant is to increase Native youth engagement in their schools and communities. The grantee will be expected to provide opportunities for Minnesota's tribal communities to partner in supporting the implementation of effective youth engagement strategies statewide. (Title IV, Part A Safe and Drug-Free Schools and Communities; CFDA 84.186B).

New Finance Code 879/979**Deaf Hard of Hearing Professional Development Grant (Fund 01)**

Record revenues and expenditures related to the Deaf/Hard of Hearing Professional Development grants. The purpose of this grant is for the coordination and provision of professional development opportunities for teachers of the deaf/hard-of-hearing student community (CFDA No. 84.027A).

New Finance Code 880/980**Minnesota Digital Library Statewide Initiatives (Fund 01)**

Record revenues and expenditures related to the Minnesota Digital Library program. The Minnesota Digital Library Coalition provides the citizens of Minnesota expanded access to the state's unique print resources by encouraging and assisting libraries, museums, historical societies and other repositories with digitizing and documenting their unique collections and storing this information in the Minnesota Digital Library (CFDA No. 45.310, P.L. 104-208 as amended by P.L. 108-81).

New Finance Code 881/981**Interlibrary Loan and Delivery Statewide Initiatives (Fund 01)**

Record revenues and expenditures related to the Interlibrary Loan and Delivery program. The Statewide Interlibrary Loan and Delivery project supports the direct provision of interlibrary loan and delivery service to public libraries, school libraries, and special libraries (e.g., hospital libraries, museum libraries, tribal college libraries, and correctional institutional libraries) and multi-type library systems, where appropriate. In addition, it supports public libraries that route loans through the Minitex Delivery System. It supports the increased sharing of resources on MnLink Gateway (CFDA No. 45.310, P.L. 104-208 as amended by P.L. 108-81).

New Finance Code 882/982**Title IV, Part B – 21st Century Community Learning Centers Technical Assistance Grants (Fund 04)**

Record revenues and expenditures related to the 21st Century Community Learning Centers Technical Assistance Grants (CFDA No. 84.287C).

New Finance Code 892/992**Peace Jam and Circle of Youth Involvement Grant (Fund 01)**

Record revenues and expenditures related to the Peace Jam and Circle of Youth Involvement grants under the Title IV Part A Governor's Program. The purpose of this grant is to provide opportunities for youth through the Peace Jam and Circle of Youth Engagement curriculum (CFDA No. 84.186B).

Revised Finance Code 335**Quality Compensation – Alternative Teacher Professional Pay System (Fund 01/04)**

Added: The participating districts have developed an education improvement plan and an alternative teacher pay system. Teachers in the following programs may be paid using quality compensation revenue only if they are members of the teacher's bargaining unit: program code 520 (adult basic and continuing education, program code 580 (early childhood family education) and program code 582 (school readiness).

Revised Finance Code 599**Miscellaneous Direct Federal Revenue**

Added: Record federal interest subsidy payments for Build America Bonds (BABs) and Qualified School Construction Bonds (QSCB) to this code in the debt service fund.

Revised Finance Code 791**Projects Funded by Certificates of Participation (Lease-Purchase Agreement)**

Revised wording to further clarify: Record certificate of participation revenues and the related expenditures for building projects in the building construction fund.

Revised Balance Sheet Code 413**Reserved for Projects Funded by Certificates of Participation (Lease-Purchase Agreement)**

Revised wording to further clarify: This account represents the remaining funds from issuances of Certificates of Participation.

Revised Balance Sheet Code 451**Reserved for QZAB and QSCB Payments (Fund 01 and 07)**

Added QSCB: Represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments.

New Source Code 306**Refund of an Overpayment of State Aids/Grants (contra-revenue account)**

Record payments made to the Minnesota Department of Education for overpayment of state aids/grants. Use the appropriate course code (codes 001 through 010) to reflect the state fiscal year that the aid entitlement was earned or grant was awarded—not the state fiscal year that the refund was paid in. Use the appropriate finance code when applicable.

New Source Code 406**Refund of an Overpayment of Federal Aids/Grants (contra-revenue account)**

Record payments made to the Minnesota Department of Education for overpayment of federal funds. For transactions not reflected in the State Educational Record and Submission (SERVS) system: Use the appropriate course code (codes 001 through 010) to reflect the state fiscal year that the federal award was granted—not the state fiscal year that the refund was paid in. Use the appropriate finance code. For transactions that are reflected in the State Educational Record and Submission (SERVS) system: Use the appropriate course code (codes 000, 011, 012, 013, 014, and 015) to reflect the appropriate federal award year of the funds—not the state fiscal year that the refund was paid in. Use the appropriate finance code. Interest payments resulting from the overpayment of federal funds and paid to the Minnesota Department of Education should be recorded in object code 896—Taxes, Special Assessments and Interest Penalties.

New Object Code 364**Transportation Contracts with Private or Public Carriers Paid with Federal Funds (Excess Amount over \$25,000)**

Include expenditures incurred when contracting for the transportation of pupils and paid for with federal funds. Contracts could be with privately owned school bus companies, parents or guardians who transport their children in the family vehicle, other public entities (e.g., school districts or transit services) or privately owned charter carriers. Also, include the purchase of bus passes for pupils who use public transit services.

For each contract paid for with federal funds, the first \$25,000 of the contract should be coded to object code 360 and the amount in excess of \$25,000 should be coded to object code 364. Do not use this object code when the contract is paid with state or local funds.

Revised Object Code 251**Tax Advantage Employer-Sponsored Health Arrangements**

Expanded description beyond HRAs: Record expenditures made to a trust account that includes the costs for employer-sponsored tax-advantage health arrangements authorized under Internal Revenue Code Section 501(c)(9). These include health savings accounts (HSA), medical savings accounts (MSA), health reimbursement accounts (HRA) and health flexible spending arrangements (FSA).

Revised Object Code 303**Federal Subawards and Subcontracts – Amount up to \$25,000**

Clarified applicable finance codes and added: For Transportation Contracts with Private and Public Carriers, refer to object code 360.

Revised Object Code 304**Federal Subawards and Subcontracts – Excess Amount over \$25,000**

Clarified applicable finance codes and added: For Transportation Contracts with Private and Public Carriers, refer to object code 364.

Revised Object Code 360**Transportation Contracts with Private or Public Carriers (includes Federal Payments – Amount up to \$25,000)**

Added: Include all expenditures incurred when contracting for the transportation of pupils and paid for with state or local funds. For each contract paid for with federal funds, the first \$25,000 of the contract should be coded to object code 360 and the amount in excess of \$25,000 should be coded to object code 364.

Revised Object Code 365**Interdepartmental Transportation (Allocation)**

Added: Minnesota Statutes section 123B.92, subd. 5, requires school districts to allocate student transportation expenditures among categories by miles, hours or routes. Districts will need to determine a rate based on the district's total transportation expenditures for the entire school year in order to allocate the cost correctly. In addition, districts will need to document the miles, hours or routes that relate to the various federal programs on the supplemental sheet of the Pupil Transportation Annual Report (ED-01652). In the interim, before final rates are determined, districts may use estimated or prior year rates to report costs in the State Educational Record and View Submission (SERVS) system. Once final rates are determined, the district would need to align reported expenditures with final rates.

Deleted: Chargeback object code 365 cannot be used with a federal finance code.

Revised Object Code 896**Taxes, Special Assessments and Interest Penalties**

Added: Use this code to record all expenditures incurred by the district for any local, state, or federal tax or interest penalty.

For questions or information on the UFARS Grid Release 10.5, please contact Karen Dykoski at karen.dykoski@state.mn.us or 651-582-8766.

11. Federal Special Education Program Compliance Findings

There are two federal special education program compliance findings issued to the Minnesota Department of Education (MDE) which require corrective action by the department. These findings and MDE's corrective action plans are outlined below. As part of the corrective action, Local Education Agencies (LEAs) will be required to reconcile special education expenditures reported for FY 2009 and later on EDRS and UFARS, and FY 2009 state and federal special education aid will be recalculated based on the revised expenditure data.

FINDING FROM THE SEPTEMBER 14, 2009, UNITED STATES DEPARTMENT OF EDUCATION, OFFICE OF SPECIAL EDUCATION PROGRAM (OSEP) VERIFICATION VISIT

Birth–2 Maintenance of Effort (MOE)

“Finding: The state has not, as required by 34 CFR § 303.124(b), implemented procedures to ensure compliance with the Part C non-supplanting/maintenance of effort requirement.”

“Required Actions: With its Federal Fiscal Year 2010 Part C Application, the state must provide a written assurance that Minnesota has maintained MOE for FY 2010. The state must provide a copy of correspondence to the Office of the Legislative Auditors (OLA) of the need to review under the State’s Single Audit and the procedures to comply with the tracking of expenditures to meet Part C MOE requirements.”

MDE’s Corrective Action Plan: MDE plans to use the Tuition Billing System to isolate the birth–2 state aid and local costs. This enables MDE to meet the short deadline as outlined in the finding and also avoids burdening districts with additional financial reporting requirements. At this time, there is no requirement for MDE to determine a district level birth–2 MOE. However, there is an expectation school districts maintain the same level of local costs as they did in the previous year for birth–2 activities. As a result of this finding, beginning with FY 2010, the MOE calculations for Part B, Section 611, will reflect expenditures for ages 3–21 and will be posted to the MDE Website under Program Finance > Minnesota Funding Reports (MFR). Again, there is no action required by the districts for this finding.

FEDERAL COMPLIANCE AUDIT FOR FY 2009 CONDUCTED BY THE OFFICE OF THE LEGISLATIVE AUDITOR (OLA)

UFARS/ EDRS Reconciliation Special Education and Transition Disabled FY 2009

“Finding: The Department of Education did not always verify that it paid local education agencies for actual special education program expenditures.”

“OLA Recommendation: The department should verify that its payments to local education agencies agreed with actual special education expenditures reported at year end.”

MDE’s Corrective Action Plan: For state fiscal year 2009, MDE will verify that its special education payments to (LEAs) agree with audited expenditures reported under the UFARS by implementing the following procedures:

- LEAs will be required to reconcile expenditures reported through EDRS, which were used to make state special education aid payments and federal aid payments for Individuals with Disabilities Education Act (IDEA) Part B, Sections 611 and 619, with audited expenditures reported through UFARS.
- MDE is currently transitioning away from the use of EDRS for payment of special education aids. For state FY 2010 and later, federal aid payments for IDEA Part B, Sections 611 and 619, are being made using the new State Educational Record View and Submission (SERVS) system. MDE will require expenditures reported through SERVS to match the audited expenditures reported through UFARS.
- The reconciliation process outlined above for state FY 2009 will continue to be used for state special education for FY 2010 and until the transition is completed to the new system.

In order to avoid a future finding for state special education aid, MDE will also verify that FY 2009 state special education payments agree to audited expenditures reported on UFARS.

LEAs receiving federal and state special education aid in FY 2009 will be asked to reconcile their UFARS Special Education Comparison Report at the finance code level and the total of all disabilities. If your district’s report does not reconcile, you will need to correct your data either on EDRS or UFARS. Failure to reconcile will result in MDE taking the lesser of the two expenditures to determine your state and/or federal aid. Detailed instructions explaining the reconciliation process are attached.

Questions concerning the findings can be directed to Tom Melcher at tom.melcher@state.mn.us or 651-582-8828 or Carol Hokenson at carol.hokenson@state.mn.us or 651-582-8840. For assistance with the reconciliation process, please contact the MDE staff listed below—Article 12.

12. Summary of Action Steps for EDRS/UFARS Reconciliation and Related Guidance

The April 1, 2010, memo from Tom Melcher addressed the Federal Special Education Program Compliance Findings, the reconciliation of FY 2009 expenditures reported on UFARS and EDRS, and the recalculation of FY 2009 State and Federal Special Education Aid. The memo attachments also addressed the timelines involved in this process and how they relate to the three phases of activities for reconciliation.

The information provided below is a summary of the action steps necessary for the reconciliation process. In addition to the summary of action steps, a flowchart has been included as a companion to the written instructions.

Summary of Action Steps for EDRS/UFARS Reconciliation

If the subtotal discrepancy for “ALL DISABILITIES” is zero, no reconciliation is required.

If the subtotal discrepancy for “ALL DISABILITIES” shows a discrepancy, then reconciliation is required. The district needs to consider the following:

- If there are off-setting entries within the same category (e.g., salaries, contracted services or supplies/materials/equipment), the off-setting entries do not have to be addressed (see example below).
- The district needs to only address the discrepancies that are not off-set in the “TOT ALL DISABILITIES” column. To do this, the district will have to review the Program and Object Code portion of the summary portion.

Following is the summary of the reconciliation process. You can also refer to the attached flow chart that outlines the process.

1. If EDRS is the problem:
 - Changes need to be made to EDRS.
 - Follow instructions on Page 5 of the Reconciliation Instructions attached to the April 1, 2010, memo from Tom Melcher.
2. If UFARS reporting caused the discrepancy between UFARS and EDRS (either greater than or less than), the Local Education Agency (LEA) must do the following:
 - Email mde.ufars-accounting@state.mn.us with a copy of the correcting journal entries that would reconcile UFARS to EDRS. Corrections must reconcile UFARS and EDRS to the program and object code level. This step must be completed by all LEAs with subtotal discrepancies.
 - The Minnesota Department of Education (MDE) will send an auto-generated email response with an incident number assigned to the initial email. Upon receipt of the auto-generated email response from MDE, the LEA should forward the auto-generated response to their auditor with a request for them to communicate one of the following:
 - a. The correcting journal entries are material and the LEA is required to send MDE a revised UFARS submission.
 - b. The correcting journal entries are immaterial but the district has chosen to send MDE a revised UFARS submission.

- c. The correcting journal entries are immaterial and the district will not send MDE a revised UFARS submission.

Materiality at this stage does not necessarily mean a change to the financial statements. If the entries are material (see a. above), the auditor must also indicate one of the following:

- 1) The correcting journal entries will not impact the FY 2009 financial statements.
- 2) The correcting journal entries will result in a restatement of the FY 2009 financial statements and a revision to the FY 2009 fiscal compliance table.
- 3) The correcting journal entries will result in a prior period adjustment (PPA) in the FY 2010 financial statements and will be reported on the FY 2010 fiscal compliance table.

The auditor's determination must be emailed to MDE at mde.ufars-accounting@state.mn.us by forwarding the email received by the district (with the incident number in the RE: line of the email). This step must be completed by all LEAs with subtotal discrepancies.

If the entries are determined immaterial by the Auditor, the LEA has the option of resubmitting their UFARS file (the preferred method); however, the resubmission is not required. Not resubmitting the UFARS file may result in the loss of aid; MDE will use the lesser of EDRS or UFARS.

Note: In the reconciliation process, the auditor has two roles in Phase 1 and 2 (expenditure) and Phase 3 (revenue):

1. To determine the need for a revised UFARS file,
 2. To state the impact of material changes on the financial statements.
- Failure to reconcile* will result in the following action by MDE.
 - a. No response by district:
 - i. MDE will use the lesser of EDRS or UFARS and may notify Fiscal Compliance Monitors.
 - b. Response without discrepancy resolved:
 - i. MDE will use the lesser of EDRS or UFARS and may notify Fiscal Compliance Monitors.

*To reconcile means to identify the discrepancy and correct the discrepancy in EDRS/UFARS and/or submit documentation if not corrected through EDRS/UFARS.

Clarification of "TOT ALL DISABILITIES" and UFARS Finance Codes Involved in Reconciliation

MDE needs to clarify the UFARS/EDRS Comparison report to hopefully reduce the burden on districts to reconcile the discrepancies between the two source systems of UFARS and EDRS. Just to highlight the materials in the April 1, 2010, mailing:

1. Districts do not have to reconcile UFARS Finance Dimension 421 or 422 (Funding Source Codes H, W and #).
2. Districts that have a zero discrepancy for the subtotal of "TOT ALL DISABILITIES" do not have to do any reconciliation even if there are discrepancies within the UFARS Object Codes and EDRS Service Codes.
3. If there is a discrepancy in the subtotal for "TOT ALL DISABILITIES" then the district needs to consider:
 - a. If there are off-setting entries within the same category (e.g., salaries, contracted services or supplies/materials/equipment) the off-setting entries do not have to be addressed. Please see the example below.
 - b. The district needs to only address the discrepancies that are not off-set in the "TOT ALL DISABILITIES" and to do this the district will have to review the program and object code portion of the summary report.

Original Run Date FIN 419

Run Date 03/26/10

	SPECIAL ED EDRS* AMT	UFARS** AMT	DIFFERENCE
TOT ALL DISABILITIES			
Administration/Supervision	85,564.75	85,564.75	0.00
Licensed Classroom Teacher	66,886.95	116,279.80	49,392.85- (1)
Non-Licensed Classroom Staff	6,631.36	47,901.65	41,270.29- (1)
Licensed Instructional Support Staff	90,663.14	0.00	90,663.14 (1)
Non-Instructional Support	25,110.75	25,110.75	0.00
Contracted Personnel/Service	1,925.61	0.00	1,925.61 (2)
Staff Travel	8,045.47	8,045.47	0.00
Individual Instructional Supplies	25,311.91	13,250.23	12,061.68 (3)
Office Supply/Materials/Dissemination	0.00	12,061.68	12,061.68- (3)
Fringe Benefits/Fixed Charges	70,791.69	73,295.69	2,504.00- (4)
Equipment Office/Instructional	20,380.43	20,380.43	0.00
Staff Development	21,059.59	22,985.20	1,925.61- (2)
SUBTOTAL	422,371.65	424,875.65	2,504.00

*Electronic Data Reporting System

**Uniform Financial Accounting and Reporting Standards

Notes:

1. The three differences when added together are off-setting entries and the sum is zero. If this was Finance 740, these three differences are all salary and are calculated at .68 to get the program aid. There is no discrepancy in the calculation of special education regular program aid.
2. The two differences when added together are off-setting. Since this is a federal Finance Dimension, and payable at 100 percent, the off-setting differences do not need to be addressed.
3. The two differences are off-setting and the sum is zero. The districts do not have to address the off-setting differences. If this was Finance Dimension 740, equipment and supplies are all calculated at .47 of the expenditure.
4. This discrepancy of \$2,504.00 does not have an off-setting error. This discrepancy will need to be researched in the program by object code portion of the report to determine what is to be corrected.

Classification of Expenditures for State Special Education Aid

Listed below are the classifications of the expenditures for state special education aid entitlements. These classifications are based upon the percent eligible for special regular education program aid:

- Salaries – 68 percent of the expenditure is eligible for special education regular program aid. EDRS Service Codes are: A and U.
- Contacted Services – 52 percent of the expenditure is eligible for special education regular program aid. EDRS Service Codes are: B and p.
- Contracted Student Placements – 52 percent of the expenditure over and above the general education revenue is eligible for special education regular program aid. EDRS Service Code is C.
- Supplies/Materials/Equipment – 47 percent of the expenditure is eligible for special education regular program aid. EDRS Service Codes are: G, H, J, P, and u.

Special Note about Adjustments

History from fiscal monitoring activities has indicated in the past that districts have made adjustments to data to reconcile UFARS and EDRS to have no discrepancy. The outcome from these adjustments was to have a negative

impact on the district’s special education aids, both state and federal. The districts that had this issue did not validate the correct expenditures prior to making the adjustments and adjusted the wrong data, hence the loss of state special education aids. It is important that the district take the time to validate one system—either EDRS or UFARS—to have the correct information. After the data has been validated, then the adjustments can be made. Reconciling without validating one set of data or the other could negatively impact the aids paid to the district.

UFARS/EDRS Comparison Reports

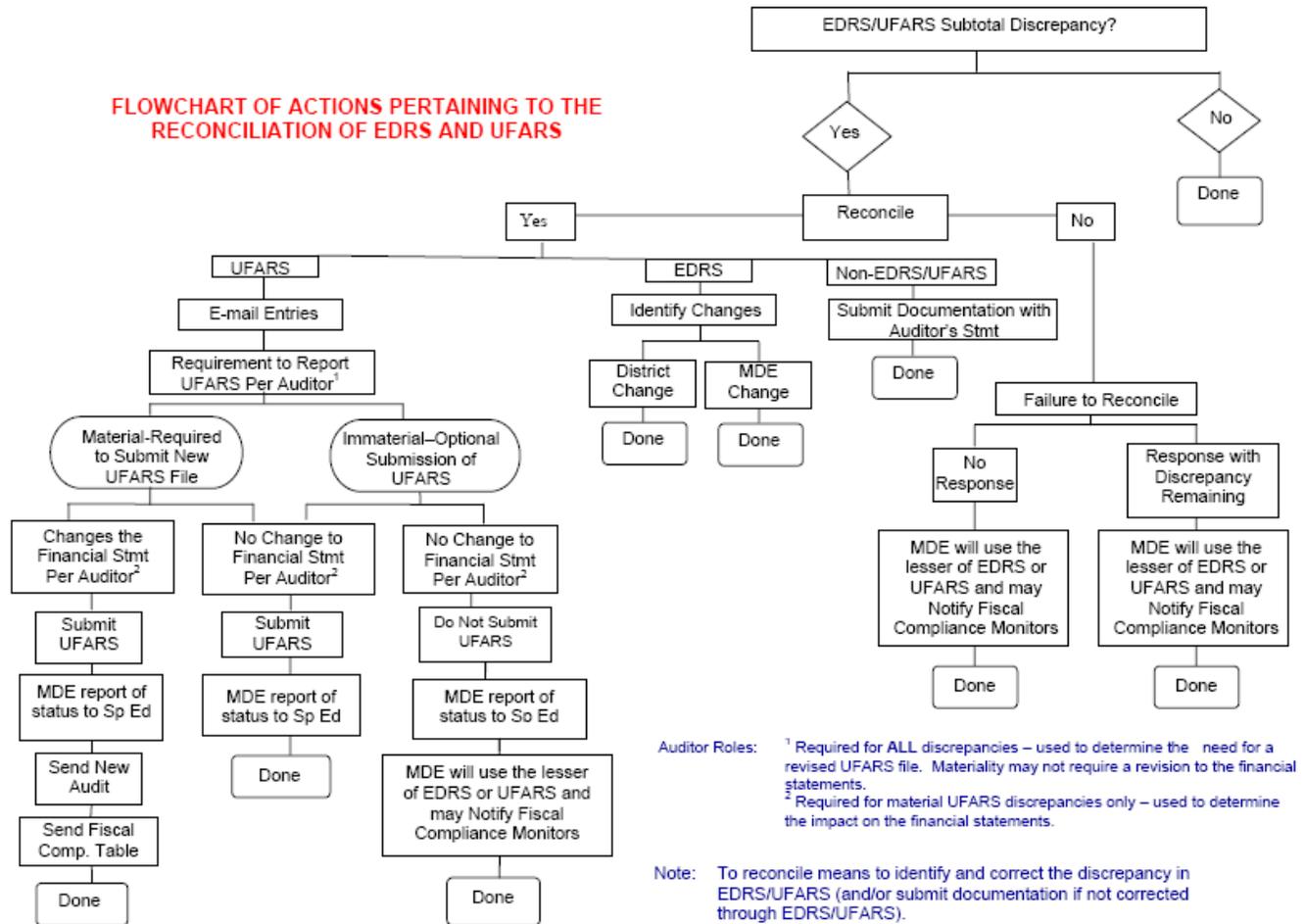
MDE is making some adjustments to the UFARS/EDRS reports that should be reflected on Wednesday, April 14, 2010. These adjustments include:

- Lines in error on EDRS are no longer included in the EDRS data on the Comparison Report.
- Removed Service Code D and T/UFARS Object Code 390 from the comparison report for federal funds.
- Removed UFARS Finance Dimension 756 and 761 from the UFARS/EDRS Comparison Report since MDE does all the data entry for these Finance Dimension (Funding Source Code X, U, P and M).
- Updated FIN 799 to reflect those expenditures eligible for state special education aids by removing benefits (Object Codes 210-299, and 397).
- Clarified that UFARS Object Code 820 Course Code 640 is reflected in the Service Code R portion of the report.
- Clarified that Object Codes 368 (Out-of-state Travel) and 199 (Benefits in Lieu) are contained in the report for federal finance codes and are now listed on the report as being included.
- Negative entries on UFARS will be combined in the UFARS/EDRS Comparison report.
- Added UFARS Object Code 340 – Insurance to the report for Service Code J for Finance Dimensions 419 and 420.
- Clarified that Object Code 191 (Severance) has been added to the benefits on the report for federal funds.
- Added Disability Code 422 to Funding Source Code R (Local Collaborative Time Study (LCTS) Funds—UFARS Finance Dimension 799).
- Clarified that UFARS Object Code 396 is for Finance Dimension 740.

Questions concerning the findings can be directed to Tom Melcher at tom.melcher@state.mn.us or 651-582-8828 or Carol Hokenson at carol.hokenson@state.mn.us or 651-582-8840. For assistance with the reconciliation process, please contact the MDE staff listed below.

Name	Reconciliation Area	Phone Number	Email Address
George Holt	Receive reconciliation documentation	651-582-8889	george.holt@state.mn.us
Mike Matlock	Receive requests to grant access to EDRS	651-582-8767	mike.matlock@state.mn.us
Michelle Jones	EDRS and federal funds	651-582-8577	michelle.jones@state.mn.us
Mona Regan	EDRS and federal funds	651-582-8638	
Mike Landers	Transition-Disabled Reconciliation	651-582-8810	mike.landiers@state.mn.us
Mary Weigel	UFARS uploads for adjustments	651-582-8770	mary.weigel@state.mn.us
Karen Dykoski	UFARS uploads for adjustments	651-582-8766	karen.dykoski@state.mn.us
Pam Schneider	Transition Disabled EDRS	651-582-8305	pam.schneider@state.mn.us
Carol Hokenson	Supervisor, Program Finance-Special Education	651-582-8840	carol.hokenson@state.mn.us
Janna Duffy	Supervisor, Program Finance-UFARS	651-582-8788	
Kelly Wosika	Reconciliation, Transportation	651-582-8855	kelly.wosika@state.mn.us

13. UFARS/EDRS Reconciliation Flowchart



Questions concerning the findings can be directed to Tom Melcher at tom.melcher@state.mn.us or 651-582-8828 or Carol Hokenson at carol.hokenson@state.mn.us or 651-582-8840. For assistance with the reconciliation process, please contact the MDE staff listed above – Article 12.