Minnesota Department of Education

SCHOOL BUSINESS BULLETIN

A publication of the Program Finance Division

Bulletin Number 37 *June 2008*

In this *Bulletin*…

1. *GASB Statement 45* 2
2. *School Finance Award* 3
3. *New Food Service Financial Management Tools* 3
4. *Summary of FY 2008 Audit Requirements* 3
5. *2006 – 2007 Audit Reviews and Corrective Action Plans* 5
6. *FY 2008 Compliance Table* 5
7. *Reporting of Federal Funds* 6
8. *Finance Dimension 715, Integration/Desegregation Transportation is Gone* 9
9. *Indirect Cost Rates Applicable for FY 2009* 10
10. *$51 Operating Capital Transfer (Laws 2008, Ch. 363, Section 46, Subd. 1)* 10
11. *School Technology and Operating Capital Aid (Laws 2007, Ch. 146, Art. 4, Section 11)* 10
12. *Reserve for Alternative Facilities Program – Balance Sheet Code 409* 11
13. *Reserved for Deferred Maintenance – Balance Sheet Code 405 Minnesota Statutes, section 123B.591* 12
14. *FY 2008 UFARS CHANGES-JUNE* 12
15. *Federal Tuition Accounting* 19
16. *Reserve for QZAB Payments Balance Sheet Code 451* 21
17. *Loading FY 2008 UFARS Data Files* 22

1. GASB Statement 45

GASB Statement 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures and related assets and liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The requirements of this Statement are effective in three phases. Districts that were included in phase 1 for the implementation of GASB 34 must implement GASB 45 for FY 2008. Districts that were in phase 2 or phase 3 must implement for FY 2009 or FY 2010, respectively.

Chapter 13 of the UFARS manual provides districts with accounting entries relating to OPEB expenditures.

Special Thanks to the GASB 45 Committee

Members of the Division of Financial Management and Accountability of the MDE extend their appreciation to each member of the GASB 45 Committee for their work on this project.

Committee Members	*Affiliation*
Greg Hierlinger	State Auditor's Office
Stella Johnson	Rosemount-Apple Valley-Eagan School District
Tom Karlson	State Auditor's Office
Matt Mayer	Kern DeWenter Viere
Deborah Medlin	Eikill Schilling LTD
Joe Primus	Columbia Heights School District
Tiffany Rodning	Minnesota School Boards Association
Nancy Schulzetenberg	Kern DeWenter Viere
Darwin Viker	Larson Allen Weishair

MDE Staff
Janna Duffy
Colleen Leemon
Debrah Firkus
Ken Moos
Mary Weigel

2. School Finance Award

This is a final reminder before the FY 2009 data and procedures take effect for the FY 2009 award. Please make sure that the fund balance policy and budget is in place before July 1. The Minnesota Department of Education (MDE) Website contains the current FY 2008 winners and the application for FY 2009 at:

http://education.state.mn.us > Accountability Programs > Program Finance > Financial Management > School Finance Awards

For further information, contact Charles Speiker at mde.ufars-accounting@state.mn.us or at 651/582-8737.

3. New Food Service Financial Management Tools

MDE Food and Nutrition Services enhanced the annual Food Service District Financial Report to provide additional information. The new report is now an interactive Excel spreadsheet, as opposed to a pdf file. It will allow districts to compare their financial information with 6 other districts and to the state averages. In addition, it will break out labor and benefits (previously combined) and will provide information on net cash resources and fund balances. This will allow for a quick and easy way for districts to check compliance with Minnesota Statutes, section 124D.111. A UFARS guide specific to the Food Service fund has also been updated and will be published. These documents are available on the MDE Website under Program Finance – Financial Management – Reports. They are also under Learning Support – Food and Nutrition Services – School Nutrition Programs – Financial Management-SNP.

For further information, please contact Greg Hein at 651/582-8550 or e-mail greg.hein@state.mn.us

4. Summary of FY 2008 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 2008 reporting cycle: audited final UFARS data and the Compliance Table are due December 1, 2008, (November 30 falls on a Sunday for FY 2008 data reporting) and the hard copy Audit Report is due December 31, 2008. If the audit is mailed, it must be postmarked on or before December 31, 2008.

Each audit must include the components listed below. The MDE reviews each audit. Any missing components will result in correspondence requesting the missing component(s). 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.

Components of the audit

1. **Financial statements in audits** must be 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**.** If there are any state or federal written findings, the MDE requires that correction 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 2008 audit would be labeled 2008-1.

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 audit has been completed or that student activities are under board control and were audited with the General Fund.

3. The LEA audits must also contain a **Uniform Financial Accounting and Reporting Standards Compliance Table**. Please present the table as the last page of the financial report. The compliance table should be included in the table of contents. The reporting entity or auditor must enter the audited data into the compliance table form located on the MDE's Website. Please run the 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 compliance table must be completed by December 1, 2008.

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

In summary, the required items 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
- Student Activity Audit or statement that the activities were audited with the General Fund
- UFARS Compliance Table
- Single Audit Reports (if Single Audit engagement)
- Management Letter

Send **one hard copy of the audit** the MDE; Attn: Mary Weigel and one hard copy to the State Auditor's Office no later than December 31, 2008. If reporting units are responsible for sending the hard copy audits to MDE or OSA, special care must be taken to include all required reports in the audit.

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

5. 2006 – 2007 Audit Reviews and Corrective Action Plans

MDE reviewed all the 2006-2007 audits to ensure that the required components were submitted in a complete format (see following article on audit requirements). The audit findings and corrective action plans reported in the 2006-2007 audits were reviewed to determine whether appropriate and timely corrective action had been taken as described in the Office of Management and Budgeting (OMB) Circular A-133.

There were 204 reporting units (traditional districts, charter schools and other reporting units) that had unresolved issues regarding their audit or corrective action plans as of June 13, 2008. The reporting units have been contacted as well as the auditors for each reporting unit.

The outstanding issues need to be resolved by July 15, 2008. Reporting entities that do not provide the necessary information by that date 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 to determine future fiscal monitoring site visits of the various federal programs including, but not limited to: special education, title programs, discretionary grants, food service and adult basic education.

For information, please contact Mary Weigel at 651/582-8770 or mary.weigel@state.mn.us or Janna Duffy at 651/582-8788 or mde.ufars-accounting@state.mn.us .

6. FY 2008 Compliance Table

A report is generated by the reporting entity or the auditor at the conclusion of a reporting entity's audit and after the financial statements have been completed. This report provides a comparison between the UFARS data and the audited financial statements. A copy of this report can be found at Figure 6 - Compliance Table in the UFARS Manual, Overview Chapter. That report is the same as the Compliance Table on form ED-02207-06E. This form must be completed electronically and a copy of the report must be included with the reporting entity's audited financial statements. The Compliance Table can be found at: http://education.state.mn.us > Data > Data Submissions. It can also be found by going to the MDE home page http://education.state.mn.us, then go to Data and then Data Submissions and scroll down to Compliance Table. This site is best viewed using either Microsoft Internet Explorer 5.5 or above, or Netscape Navigator version 6.0 or above.

Effective for Fiscal Year 2008 (FY 2008) only, recent legislation allows reporting entities a one time transfer from the General Fund - 424 Reserve for Operating Capital to the General Fund - 422 Unreserved/Undesignated Reserve. In response to a legislative request the FY 2008 compliance table will have three new 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 reporting entity or the auditor will enter these data elements for FY 2008 only.

Since this is an online active database, each time entries are made, the numbers will change at the department level. The reporting entity or the auditor will be responsible for entering data to the compliance table.

As of this publication, the electronic compliance table and the table in the UFARS Manual are under construction. New instructions will be distributed when construction is completed.

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

7. Reporting of Federal Funds

The pass-through entity (the LEA) is defined as a non-federal entity that provides an award to a sub-grantee to carry out a program. The pass-through entity assumes responsibility for negotiation, issuance, oversight, and management of a sub-award. The pass-through entity assumes many of the responsibilities typically assigned to a grantor in issuance and oversight of an award to a grantee. Those responsibilities include:

1. Properly identify federal awards by informing each sub-grantee of the CFDA title and number, award name and number, award year, and the name of the federal agency;
2. Advise the sub-grantee, in writing, of requirements imposed on them by federal law, regulations, and the provisions of contracts and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Document the measures taken to monitor activities of the sub-grantee to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements. Also, document that performance goals are met. Factors such as size of awards, the percentage of total program funds awarded to the sub-grantee and the complexity of compliance requirements influence the nature and extent of appropriate monitoring procedures. Forms of monitoring activities that might be employed include:
    a) Pre-award assessments of sub-grantee financial and program capabilities;
    b) Require and collect written certification from sub-grantees that required information on federal awards has been provided and that the sub-grantee understands and agrees to comply with applicable laws, regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity;
    c) Document reviews of sub-grantee financial and programmatic reports;

d) Perform site visits to sub-grantee to review financial and programmatic records as well as observe operations;
e) Perform limited scope audits that address compliance requirements;
f) Arrange for documented reviews of specific sub-grantee activity based on risk assessment or significant compliance requirements;
g) Review and follow-up on sub-grantee single audits; and,
h) Use various checklists to document activities such as the review and follow-up on sub-grantee audits or the receipt of required reports and documents prior to closure of grant agreements;

4. Require the sub-grantee to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required.
5. Ensure that the sub-grantee expending $500,000 or more in federal awards during the sub-grantee's fiscal year have met the audit requirements of OMB Circular A-133;
6. Issue a management decision on audit findings within six months after receipt of the sub-grantee's audit report and ensure that the sub-grantee takes appropriate and timely corrective action;
7. Consider whether the sub-grantee audits necessitate adjustment of the pass-through entity's own records; and,
8. Require each sub-grantee to permit the pass-through entity and auditors to have access to the records and financial statements as necessary to comply with OMB Circular A-133.

One of the more challenging tasks facing LEAs acting as pass-through entities for federal funds is determining when federal program awards retain their identity of federal financial assistance. If federal funds lose their federal financial assistance identity, the federal restrictions or requirements are generally no longer in effect.

Federal funds typically lose their identity when they are subcontracted. A subcontract for services is a purchase from a vendor, obtained through procurement action by the LEA, to perform a portion of the federal program objectives.

Passing along federal funds as a sub-award does not alter the federal assistance or award identity. A sub-award is an agreement made between the LEA and a sub-grantee to perform a portion of the federal program objectives.

The requirements found in OMB Circular A-133, Section B.210 can assist an LEA in distinguishing between a sub-award and a subcontract in the following manner:

The LEA will issue a sub-award to a sub-grantee when:

1. the LEA determines who is eligible to receive the sub-award;
2. the sub-grantee has its performance measured against the objectives of the federal program;
3. the sub-grantee has responsibility for programmatic decision-making;
4. the sub-grantee assumes responsibility for adherence to applicable federal program compliance requirements; and,
5. the sub-grantee uses federal funds to carry out a program of the LEA.

The LEA will subcontract when the Vendor:

1. provides the goods and services within its normal business operations;
2. provides similar goods or services to many different purchasers;
3. operates in a competitive environment;
4. provides goods or services that are ancillary to the operation of the federal program; and,
5. is not subject to compliance requirements of the federal program.

There may be unusual circumstances or exceptions to the listed characteristics as provided in OMB Circular A-133, Section B.210. When determining if a sub-grantee or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present; however, supporting documentation is recommended when the relationship does not align with the characteristics summarized in OMB Circular A-133, Section B.210.

Accounting treatment for the pass-through entity when sub-award**ing (sub-grantee) or subcontracting for services (vendor) with federal funds:**

Record Revenue	R-xx-xxx-xxx-4xx-400-xxx
Record Expense	E-xx-xxx-xxx-4xx-303-xxx (First $25,000 of each sub-award/subcontract) E-xx-xxx-xxx-4xx-304-xxx (After first $25,000 of each sub-award/subcontract)

Record the federal revenue received to the federal finance code (400 series) with source code 400. The expenditure for the sub-award/sub-grant will need to be broken down into the first $25,000 per sub-award/subcontract and the remaining amount of the sub-award/subcontract. Record the first $25,000 to the federal finance code (400 series) and object code 303. Record the remaining amount of the sub-award/subcontract to the federal finance code (400 series) and object code 304. For the purpose of calculating indirect cost rates, only the amount expensed in object code 303 will be used in the base (see UFARS Manual Chapter 13).

Accounting treatment for the sub-grantee when receiving a federal sub-award**:**

Record Sub-grant Revenue	R-xx-xxx-xxx-6xx-405-xxx
Record Sub-grant Expense	E-xx-xxx-xxx-6xx-xxx-xxx

Record the federal sub-award revenue received to the sub-grantee federal finance code (600 series) with source code 405. Record the expenditures related to the sub-grant using the same sub-grantee federal finance code (series 600) and the appropriate object codes.

Accounting treatment when considered a vendor and receiving a subcontract for service payment:

Record Revenue	R-xx-xxx-xxx-xxx-021-xxx

Record Expense E-xx-xxx-xxx-xxx-xxx-xxx

Record the revenue to source code 021. Record the expenditures to the appropriate object codes. Do not use a federal finance code when recording the revenue or the expenditures.

There are two types of indirect costs on sub-awards: (1) those earned by the sub-grantee, and (2) those earned by the LEA. A sub-grantee is expected to apply its own indirect cost rate when preparing its sub-award budget. If a sub-grantee does not have an approved indirect cost rate, it must either have its indirect cost rate approved by the MDE or elect not to recover indirect costs. The LEA will recover its own indirect costs on the first $25,000 of each sub-award of a federal program while the sub-grantee may recover its own indirect costs on the full amount of allowable expenditures.

A sub-grantee's audit status will be reviewed annually as prescribed in OMB Circular A-133. This review will determine whether there are reportable conditions relating to the sub-grantee's internal controls, noncompliance by the sub-grantee with laws and regulations, questioned costs in the sub-grantee's financial statements, or other reportable audit findings which might affect the Federal program.

8. Finance Dimension 715, Integration/Desegregation Transportation is Gone

Effective fiscal year 2009, Finance Dimension 715, Integration/Desegregation Transportation will be eliminated. Finance Dimension 715 was use to record expenditures for the transporting of pupils under their own **intra-district** integration plan. The pupils attended a school or program located outside the pupil's normal attendance area, but with in the boundaries of the school district. The transportation expenditures must now be reported in Program Code 760, Student Transportation, Finance Dimension 315, Integration Aid and Levy. This will streamline all revenue and expenditures that relate to a district's integration plan into one finance dimension for better reporting.

A district will still need to report the miles, hours or routes that occurred for intra-district desegregation on the paper Annual Transportation Report (ED-01652). However the code will now be Fin Code 315.

Finance Dimension 714, Transportation to Multi-District Integration/Desegregation Programs will still exist for recording expenditures for the transportation of pupils to and from approved **multi-district** integration/desegregation schools or programs. The pupils could be transported to and from school or between schools to attend a program or event.

Students that are transported to an approved intra-district or multi-district desegregation integration school or program on a daily basis must be coded as 04-Desegregation Transportation Category in their MARSS enrollment record.

If you have any questions concerning this change, please contact Kelly Wosika at 651-582-8855 or kelly.wosika@state.mn.us.

9. Indirect Cost Rates Applicable for FY 2009

Thomas Melcher, Program Finance Director, sent a memorandum to all district superintendents and business managers regarding the new indirect cost rates. The restricted and the unrestricted indirect cost rates applicable to districts, charter schools or cooperatives for Fiscal Year 2009 have been calculated. The rates are available on the MDE Web page at: http://education.state.mn.us > Accountability Programs > Program Finance > Financial Management > Reports, Scroll down to Federal Programs-Indirect Cost Rates.

For further information, please contact Janna Duffy, Financial Management Team Supervisor, at 651/582-8788 or e-mail mde.ufars-accounting@state.mn.us.

10. $51 Operating Capital Transfer (Laws 2008, Ch. 363, Section 46, Subd. 1)

A school district may transfer money from its reserve for operating capital account to its undesignated balance in the general fund in FY 2008. The transfer may occur only after the school board has adopted a written resolution stating the amount of the transfer and declaring that the district's operating capital needs are being met. This one-time transfer must not exceed $51 times the district's adjusted marginal cost pupil units for FY 2007.

A list of district's FY 2007 AMCPU is located at the following MDE Website address: http://education.state.mn.us > Accountability Programs > Program Finance > General Education.

This transaction should be recorded directly from the reserve for operating capital account Balance Sheet Code 424 and to the undesignated fund balance account (Balance Sheet Code 422). Do not report this transfer through the use of object code 910 and source code 649.

The transfer amount authorized by board resolution must be reported on the FY 2008 compliance table. There will be three required fields to enter: Per Pupil Amount, AMCPU, and Total Transfer Amount.

For further information, contact Karen Dykoski at 651/582-8766 or karen.dykoski@state.mn.us .

11. School Technology and Operating Capital Aid (Laws 2007, Ch. 146, Art. 4, Section 11)

The 2007 legislature provided districts with a school technology and operating capital aid for FY 2008 and FY 2009. The aid is equal to $40 for FY 2008 and $55 for FY 2009 per adjusted marginal cost pupil unit (AMCPU). The aid must be used only for the purposes authorized for operating capital revenue in Minn. Stat. § section 126C.10, subd. 14.

This aid is additional revenue included with the Operating Capital revenue and recorded with Finance 302 and Source 211. This revenue is not part of the General Education Aid or the revenue restrictions. The expenditures are recorded with a finance code 302. Any remaining funds are recorded in the reserve for operating capital (Balance Sheet Code 424).

For further information, contact Karen Dykoski at 651/582-8766 or karen.dykoski@state.mn.us .

12. Reserve for Alternative Facilities Program – Balance Sheet Code 409

Minn. Stat. § section 123B.59, subdivision 1(a), stipulates that the following criteria must be met in order to participate in the alternative facility bonding and levy program:

1) more than 66 students per grade,
2) over 1,850,000 square feet of space and the average age of building space is 15 years or older, or over 1,500,000 square feet and the average age of building space is 35 years or older,
3) insufficient funds from projected health and safety revenue and capital facilities revenue to meet the requirements for deferred maintenance, to make accessibility improvements, or to make fire, safety or health repairs, and,
4) a ten year facility plan approved by the commissioner of education.

According to Minn. Stat. § 123B.59, subdivision 1(b), an independent or special school district not eligible to participate in the above plan may qualify for limited participation in the program if the district has:

1) one or more health and safety projects with an estimated cost of $500,000 or more per site that would qualify for health and safety revenue except for the project size limitation in section 123B.57, subdivision 1, paragraph (b), and,
2) insufficient funds from capital facilities revenue to fund those projects.

Alternative facility bond proceeds are recorded in the building construction fund (06) along with the construction costs and cost of bond issuance. Alternative facility pay-as-you-go levy proceeds are received in the general fund (01) and transferred to the building construction fund (06) where the construction costs will be recorded. Use object code 910 in the general fund (01) and source code 649 in the building construction fund (06) to make the transfer.

For districts that qualify for the alternative facilities bonding and levy program under subdivision 1(a), revenue and expenditures are recorded using program codes 850 or 870 and finance code 386 in the building construction fund (06). Unused revenue must be maintained in a reserve account (Balance Sheet Code 409) within the building construction fund (06). This reserve account in fund 06 may go into deficit to the extent of future levy and/or bonding authority.

For districts that qualify for the alternative facilities bonding and levy program under subdivision 1(b), revenue and expenditures are recorded using the 855 program code and the appropriate health and safety finance code in fund 06. Unused revenue must be maintained in a reserve account (Balance Sheet Code 409) within the building construction fund (06). This reserve account in fund 06 may go into deficit to the extent of future levy and/or bonding authority.

Bond principal and interest payments are recorded in Fund 07. Excess reserve fund balances from discontinued projects must use an equity transfer to Fund 07.

For further information, contact Karen Dykoski at 651/582-8766 or karen.dykoski@state.mn.us .

13. Reserved for Deferred Maintenance – Balance Sheet Code 405 Minnesota Statutes, section 123B.591

Beginning in FY 2008, an independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under Minn. Stat. § 123B.59, subdivision 1(a), is eligible to receive deferred maintenance revenue. The preceding article on the Reserve for Alternative Facilities contained information on Minn. Stat. § section 123B.59, subdivision 1(a).

The deferred maintenance revenue for an eligible school district equals $60 times the adjusted marginal cost pupil units (AMCPU) for the school times the lesser of one or the ratio of the district's average age of building space to 35 years.

Use finance code 385 to record expenditures and revenue. Revenue may be used only for projects and costs that would be eligible for 1) health and safety revenue, 2) disabled access levy, and 3) deferred maintenance projects necessary to prevent further erosion of facilities.

Deferred maintenance revenue, as defined in Minn. Stat. § section 123B.591, must be maintained in a reserve account (Balance Sheet Code 405) within the general fund. This reserve account in Fund 01 may have a deficit balance in anticipation of aid/levy receipts. Prior Deferred Maintenance Reserves (Balance Sheet Code 409) in the general fund (01) must be transferred to the new Deferred Maintenance Reserve (Balance Sheet Code 405). Balance Sheet Code 409 will no longer be allowed in the general fund.

For further information, contact Karen Dykoski at 651/582-8766 or karen.dykoski@state.mn.us .

14. FY 2008 UFARS CHANGES-JUNE

There have been numerous changes to the UFARS codes in recent weeks. Those changes come as a result of the legislative session, federal changes and department improvements. The changes are contained in the most recent version of the UFARS Manual.

FUND

25 Post-Employment Benefits Revocable Trust Fund

This trust fund is used for reporting resources set aside and held in a revocable trust arrangement for post-employment benefits. District contributions to this fund must be expensed to an operating fund.

45 Post-Employment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for post-employment benefits. District contributions to this fund must be expensed to an operating fund.

47 Post-Employment Benefits Debt Service Fund

Activity to record levy proceeds and the repayment of the OPEB bonds will be accounted for in this fund.

PROGRAM

385 Special Needs Non-Disabled

Activities which serve students who are non-disabled, but are economically or academically disadvantaged in career and technical education. Activities include both special programs and support services for pupils enrolled in a regular career and technical education program.

400 General Special Education

This program code is to be used only for the following two purposes.
Revenue: Use this code to receipt all Special Education revenue. When this code is used to record local special education tuition revenue do not use in combination with Finance Code 740. Expenditures: Use this code for expenditure activities that are associated with special education but that are not reimbursable for aid and cannot be included in the tuition billing purposes (e.g. special education litigation costs). For coding special education expenditures this program code must be used with finance code 000. Do not use finance code 740 with this program.

420 Special Education – Aggregate (three or more disabilities)

Use this program for personnel or contracted services, excluding teachers, who provide or coordinate special education or related services when three or more disability categories are served and the disability categories cannot be disaggregated. Also use this program for materials that are purchased for specialized instruction or related services for three or more disability areas when the disability categories cannot be easily disaggregated. Excludes the educationally disadvantaged (program 216) and gifted and talented (program 218). Activities of directors, assistant directors, supervisors are coded to this Program.

581 Prekindergarten (Fund 04)

Record all costs of prekindergarten classes, excluding early childhood special education, serving children who turn age four by September 1 that prepare them to enter kindergarten the following school year. Do not include costs recorded in the General Fund (01) under Program 202 Education-Prekindergarten or in the Community Service Fund (04) under Program 582 School Readiness.

Note: When general education revenue is reallocated for a school readiness program for four-year olds, use both Program 581 and Finance 344 for reporting revenue and expenditures.

935 Post-Employment Benefits

Expenditures in this program are for post-employment benefits paid from the district's trust funds. This code should be used only in Fund 25-Revocable Post-Employment Trust Fund or Fund 45-Irrevocable Post-Employment Trust Fund. Please refer to Chapter 13 of the UFARS Manual for additional OPEB accounting instructions.

FINANCE

329 Raised Academic Achievement-International Baccalaureate

This code should be used to track the revenue and expenditures for a program established to raise kindergarten through 12 academic achievement through increased student participation in International Baccalaureate programs. Minn. Stat. §120B.132, subd.7 and subd. 46.

Payment Description – 01F329 INTER BACCAL

341 Regional Mathematics and Science Teacher Centers

Expenditures in a teacher center shall be used for quality professional development and technical assistance to assist teachers in learning about effective pedagogical approaches to implement Minnesota's content standards, experiment with the use of multiple instructional approaches to differentiate instruction and improve skills to diagnose student learning needs using assessment of student performances. Minn. Stat. § 122A.72, subd 5.

Payment Description – 01F341 TEACHER CTR

343 Systemic Science, Technology, Engineering and Mathematics (STEM) School Redesign

This code should be used to track revenue and expenditures for a program established to integrate the state's revised mathematics standards into new or existing comprehensive STEM initiatives and will serve as models to other schools and/or districts by sharing

information and providing technical assistance. This is a National Governor's Association Grant identified as NGA Center Project 110-200-2921.

Payment Description- 01F343 NGA STEM GRANT

385 Deferred Maintenance Program (Fund 01)

Beginning in FY 2008 **(**06 pay 07 levy) a new funding source will be available for most districts. An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under Minn. Stat. § 123B.59, subd. 1a, is eligible to receive deferred maintenance revenue.

Deferred Maintenance aid and levy can be used for those activities having a useful life of five (5) years or more. Examples of approved activities are painting, carpet replacement, tuck pointing, replacement/repair of plumbing, electrical systems, HVAC, roofing, etc. Purchases not approved are computers, networking activities, instructional equipment and other non-maintenance equipment or materials. The revenue and expenditures in this code apply to Balance Sheet Code 405 Reserved for Deferred Maintenance (Fund 01). Minn. Stat. § 123B.591.

462 No Child Left Behind (NCLB) – Annual Yearly Progress (AYP) Improvement Grant (Fund 01)

Record revenues and expenditures for 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. THIS CODE IS IDENTICAL TO FIN CODE 458.

Payment Description 01F462 AYP IMP GRT

467 Title I-School Improvement Grants

This competitive grant is for the purpose of improving student achievement in low-performing Title I schools and charter schools of any size and districts (with a student population of 1000 or less) identified in the corrective action or preparing for restructuring phase of Adequate Yearly Progress (AYP). The Minnesota Title I School Improvement Grants are intended to leverage change through high-quality professional development and increase achievement in the area(s) of reading and/or mathematics. (CFDA 84.377A, Title I, Elementary and Secondary Education (ESEA) P.L. 107-110).

Payment Description 01F467 SCHOOL IMP GRT

600-669 Sub-awards

The use of any 600 series finance code would be for the tracking of a federal sub-award grant from another district or agency where the receiving district has continual responsibly for the federal revenue. Corresponding numbers must be used between the 400 and 600 series codes. Example:

419-Federal Special Education = 619 Federal Special Education or
428-Carl Perkins = 628 Carl Perkins

The 600 series codes will not be used in the calculation of indirect cost rates. This accounting procedure will eliminate double accounting of federal revenue and expenditures.

OBJECT

252 Other Post-Employment Benefits (Up to or equal to the ARC)

Record the amount of the Annual Required Contribution (ARC) to a trust for health insurance or other post-employment benefits for employees. Only OPEB costs calculated using an actuarial cost method recognized by GAAP are allowable under federal programs. OMB Circular A-87, attachment B. Minn. Stat. § 471.6175. See Object Codes 290 and 291 for other OPEB funding options and requirements. Please refer to Chapter 13 of the UFARS Manual for additional OPEB accounting instructions.

290 Other Post-Employment Benefits (In excess of the ARC)

Record the amount in excess of the Annual Require Contributions (ARC) to a trust for health insurance or other post-employment benefits for employees. Only OPEB costs calculated using an actuarial cost method recognized by GAAP are allowable under federal programs. OMB Circular A-87, attachment B. Minn. Stat. § 471.6175. See Object Codes 252 and 291 for other OPEB funding options and requirements. Please refer to Chapter 13 of the UFARS Manual for additional OPEB accounting instructions.
Note: This code cannot be used as a direct charge to any federal program.

291 Other Post-Employment Benefits (Pay-as-you-go)

Record expenditures for health insurance or other post-employment benefits paid to retired employees on a pay as you go basis. For contributions to a trust fund use Object Code 252 or 290. Minn. Stat. § 471.611. Please refer to Chapter 13 of the UFARS Manual for additional OPEB accounting instructions.
Note: This code cannot be used as a direct charge to any federal program.

303 Federal Sub Awards and Sub Contracts–Under $25,000

When a district receives a federal grant (400 and 500 Finance Code Series) and has expenditures in that grant for a sub award or sub contract; the cost of the grant may have to be expensed in two different object codes. The first $25,000 of contract expenditures must use this code. Any amount in excess over $25,000 must use Object Code 304-Federal Sub Awards and Sub-Contracts Over $25,000. This combination of codes should be used in lieu of the 390 object series when expenditures for a sub award or contract are from a federal grant. The reason for this coding is that only the first $25,000 in expenditures of any federal grant may be allowed in the calculation and application of

indirect cost rates. Please refer to Chapter 13 of the UFARS Manual for a description of Indirect Cost Rate Calculation and the OMB Circular A-133 for references to Federal Sub Awards or Contracts.

304 Federal Sub Awards and Sub Contracts-Over $25,000

When a district receives a federal grant (400 and 500 Finance Code Series) and has expenditures in that grant for a sub award or sub contract; the cost of the grant may have to be expensed in two different object codes. The first $25,000 of contract expenditures must use Object Code 303- Federal Sub Awards and Sub Contracts-under $25,000. Any excess amount over $25,000 must use this code. This combination of codes should be used in lieu of the 390 object series when expenditures for a sub award or contract are from a federal grant. The reason for this coding is that only the first $25,000 in expenditures of any federal grant may be allowed in the calculation and application of indirect cost rates. Please refer to Chapter 13 of the UFARS Manual for a description of Indirect Cost Rate Calculation and the OMB Circular A-133 for references to Federal Sub Awards or Contracts.

306 Special Education Litigation Cost

Include all Special Education expenditures incurred for time spent by legal counsel in consideration of litigation, during litigation and in post-litigation work, including appeals and discussions regarding potential appeals. Costs should include the legal fees associated with a request for a due process hearing whether or not it settles the issue, and any expense incurred when seeking counsel in consideration of filing. Districts using this code for Special Education cases must use Program Code 400 with Finance Code 000 for these expenditures.
DO NOT USE WITH FINANCE CODE 740. Minn. Stat. § 125A. 75, subd. 9.

399 Purchase of Special Education Contracted Services from another District/Cooperative

The activity in this code represents the costs to a district which has purchased contracted special education services from another district/cooperative that had initially purchased the services from a public, private or voluntary agency other than a school district. See Object Codes 396 and 397 when the district is purchasing services that are provided by staff employed in another district.

SOURCE

360 State Aid for Special Education (Fund 01)

Record revenue received as State Aid for Special Education programs and activities. State Special Education Aid includes calculations for:

Special Education Aid Formula Minn. Stat. § 125A.76,
Excess Cost Formula Minn. Stat. §125A.79,
Transition-Disabled Formula Minn. Stat. §124D.454,

Special Education Bus Depreciation Initial Aid Minn. Stat. §123B.92.

Special Ed Tuition adjustments are also included in State Special Ed Aid Consult your district's Special Education Aid Entitlement Report for the correct revenue calculated by the various formulas and the Net Prorated Special Education Aid Entitlement due to your district.

Payment Description - 01S360 XXX FY

405 Federal Aid Received through other State, Local or Fiscal Agencies

Record federal revenues received through other state, local or fiscal agencies other than the MDE. Districts must be knowledgeable as to whether they are sub-award grantees or a subcontractor of all federal funds received from another agency. The determination of sub-award or subcontractor will determine responsibly for the funds and how expenditures incurred for these funds will be coded. If your district is not responsible for the tracking of the federal funds then see Source Code 021.

Payment Description - N/A

614 Contributions to Post-Employment Benefits Trust

Record contributions made by the district to the post-employment benefits trust fund. Contributions can be made to either Fund 25-Revocable Post-Employment Trust Fund or Fund 45-Irrevocable Post-Employment Trust Fund.

616 Retiree Contributions to Post-Employment Benefits Trust

Record retiree's share of post-employment benefits costs. Use only with the district's established trust funds-Fund 25-Revocable Post-Employment Trust Fund or Fund 45-Irrevocable Post-Employment Trust Fund.

BALANCE SHEET

405 Reserved for Deferred Maintenance (Fund 01)

Districts that qualified for deferred maintenance revenue (aid and levy) but have not spent the proceeds must reserve the balance in this code. An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under Minn. Stat § 123B.59, subd. 1. para. (a) is eligible to receive deferred maintenance revenue per Minn. Stat § 123B.591. See Finance Code 385 Deferred Maintenance for a description of the uses of this revenue. *This reserve account in Fund 01 may have a deficit balance in anticipation of aid/levy receipts.*

451 Reserved for QZAB Payments (Fund 01 and 07)

Represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) debt instruments. These resources are held by the district and will pay off the debt at maturity. Districts segregate operating capital

funds for lease purchase instruments (Fund 01). Districts segregate levy proceeds for bond instruments (Fund 07).

15. Federal Tuition Accounting

It is extremely important to understand how your federal and state funds interact with one another before making any entries. The District Tuition Bill Calculation report (See Figure 1 below) will provide detail on the tuition adjustment made to your state aid entitlement and will reflect whether or not federal funds have been allocated for tuition payments.

FIGURE 1:

RUN DATE 05/08/08 MINNESOTA DEPARTMENT OF EDUCATION PAGE 236 TBDIST07010107
DISTRICT 0701-01 HIBBING PUBLIC SCHOOL DISTRICT 06-07 DISTRICT TUITION BILL CALCULATION

********** EXPENDITURES - COSTS FOR RESIDENT STUDENTS SERVED BY OTHER DISTRICTS/COOPERATIVES ********** AMOUNT OF FEDERAL FUNDS TO BE APPLIED 111,708.40

SERVING NBR-TYPE		(A) ****** REIMBURSABLE NET COST ****** INITIAL AMOUNT	(B) FEDERAL PORTION	(C)=(A)-(B) AMT AFTER FED SUBTRACTION	(D) **** NON-REIMBURSABLE NET COST **** INITIAL AMOUNT	(E) FEDERAL PORTION	(F)=(D)-(E) AMT AFTER FED SUBTRACTION	(G) GENERAL EDUC COST	(H) DEBT SERVICE COST	(I) BUILDING LEASE COST	(J) TRANSPORTATION COST	(K)=(C)+(F)+(G)+(H)+(I)+(J) TOTAL AMOUNT
0001-03	MINNEAPOLIS PU	693.49	542.97	150.52	656.27	513.83	142.44	0.00	0.00	0.00	0.00	292.96
0031-01	BEMIDJI PUBLIC	104.69	81.97	22.72	66.91	52.39	14.52	522.60	0.00	0.00	0.00	559.84
0213-01	OSAKIS PUBLIC	946.11	740.76	205.35	403.52	315.94	87.58	0.00	0.00	0.00	0.00	292.93
0318-01	GRAND RAPIDS P	743.60	582.21	161.39	574.64	449.92	124.72	3,089.74	0.00	0.00	0.00	3,375.85
0319-01	NASHWAUK-KEEWA	44,189.96	34,598.79	9,591.17	27,347.59	21,411.96	5,935.63	0.00	0.00	0.00	1,958.88	17,485.68
0695-01	CHISHOLM PUBLI	21,628.00	16,933.77	4,694.23	13,874.88	10,863.42	3,011.46	0.00	0.00	0.00	372.48	8,078.17
0698-01	FLOODWOOD PUBL	2,158.59	1,690.08	468.51	1,218.18	953.78	264.40	0.00	0.00	0.00	0.00	732.91
0709-												6.80
0712-												6.62
2142-												5.63
4017-												6.84
4082-												0.08
4146-												0.62
6076-50	NORTHLAND LEAR	5,559.29	0.00	5,559.29	1,992.48	0.00	1,992.48	6,271.19	0.00	0.00	0.00	13,822.96
* EXPENDITURES TOTAL *		90,344.59	66,383.15	23,961.44	59,882.39	45,325.25	14,557.14	21,496.89	0.00	0.00	3,110.42	63,125.89

TUITION PAYMENTS OUT

********** REVENUES - COSTS FOR SERVING NON-RESIDENT STUDENTS **********

RESIDENT NBR-TYPE		(A) ****** REIMBURSABLE NET COST ****** INITIAL AMOUNT	(B) FEDERAL PORTION	(C)=(A)-(B) AMT AFTER FED SUBTRACTION	(D) **** NON-REIMBURSABLE NET COST **** INITIAL AMOUNT	(E) FEDERAL PORTION	(F)=(D)-(E) AMT AFTER FED SUBTRACTION	(G) GENERAL EDUC COST	(H) DEBT SERVICE COST	(I) BUILDING LEASE COST	(J) TRANSPORTATION COST	(K)=(C)+(F)+(G)+(H)+(I)+(J) TOTAL AMOUNT
0022-01	DETROIT LAKES	1,438.46	0.00	1,438.46	812.88	0.00	812.88	6,325.33	0.00	0.00	0.00	8,576.67
0182-01	CROSBY-IRONTON	4,484.02	0.00	4,484.02	2,551.71	0.00	2,551.71	7,345.12	0.00	0.00	1,702.80	16,083.65
0196-01	ROSEMOUNT-APPL	600.05	460.49	139.56	323.03	247.90	75.13	0.00	0.00	0.00	0.00	214.69
0316-01	GREENWAY PUBLI	2,095.18	0.00	2,095.18	1,049.54	0.00	1,049.54	0.00	0.00	0.00	0.00	3,144.72
0319-												7.79
0695-												0.55
0698-												3.50
0706-												5.17
0712-												0.75
2142-												5.30
2154-01	EVELETH-GILBER	2,215.75	0.00	2,215.75	1,260.91	0.00	1,260.91	0.00	0.00	0.00	0.00	3,476.66
* REVENUES TOTAL *		80,486.54	460.49	80,026.05	39,744.68	247.90	39,496.78	21,161.02	0.00	0.00	3,405.60	144,089.45

TUITION PAYMENTS IN

	REIMBURSABLE NET COST	NONREIMBURSABLE NET COST	GENERAL EDUC COST	DEBT SERVICE COST	BUILDING LEASE COST	TRANSPORTATION COST	TOTAL AMOUNT
********** REVENUES LESS EXPENDITURES **********	56,064.61	24,939.64	335.87-	0.00	0.00	295.18	80,963.56

If a school chooses to use federal funds to pay tuition and that amount is not already listed in the District Tuition Bill Calculation report (upper section, columns B & E), the EOY entries would include (See Figure 2 for t-account summary of these entries):

1. **6/30/08: Set-up EOY State and federal aid receivables.** Do not include the designation of federal funds for tuition in the state aid or federal aid receivable calculation.

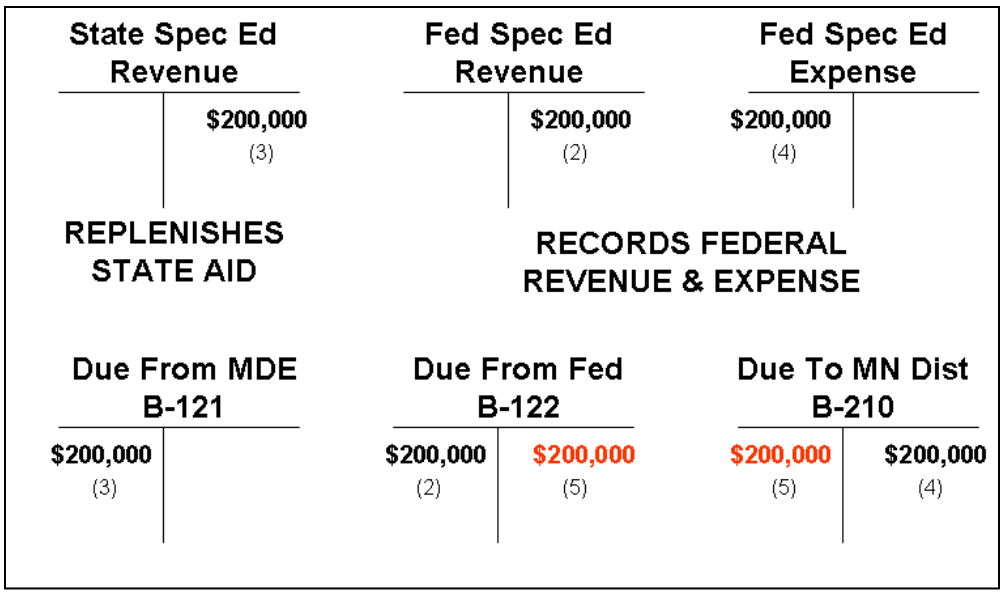
2. **6/30/08: Recognize receipt of federal funds that will be allocated to tuition.**
   Debit B - 01-122-xx (Due from federal through MDE)
   Credit R - 01-xxx-xxx-419-xxx-xxx

3. **6/30/08: Recognize the increase in state aid receivable.**
   Debit B - 01-121-xx (Due from MDE)
   Credit R – 01-xxx-xxx-xxx-360-xxx

4. **6/30/08: Recognize the payable for tuition payments made with federal funds.**
   Debit E – 01-xxx-xxx-419-xxx-xxx
   Credit B – 01-210-xxx (Due to other Minnesota Districts)

5. **Jan/Feb 2009: Recognize the increase in federal aid and the payment of tuition (which increases state aid).**
   Debit B – 01-210-xxx (Due to other Minnesota Districts)
   Credit B – 01-122-xxx (Due from federal through MDE)
   No Cash Impact

FIGURE 2:



If a school chooses to use federal funds to pay tuition and that amount is already listed in the District Tuition Bill Calculation report (upper section, columns B & E), the End of Year (EOY) entries would be slightly different. If the use of federal funds have already been adjusted on the District Tuition Bill Calculation (upper section, columns B & E), it would mean that the state aid entitlement calculation has already been increased by the amount of the federal funds designation. Since the state aid entitlement has already been adjusted for the use of federal funds, and that amount has already been accounted for in the state aid receivable entry (#1), entry #3 would not be needed.

A school should consider all tuition bills due to it as part of its state aid entitlement at year end, unless the entitlement has already been adjusted for and all subsequent entries are consistent**.**

The federal tuition adjustment will take place in January/February of 2009.

Districts using federal funds to pay tuition -

- MDE will make a federal payment and then reduce the federal payment by the same amount to pay tuition to the districts (see step #5).
- PAYS description will say FEDERAL TUITION PAYMENT.

Districts being paid tuition with federal funds –

- MDE will pay federal funds and reduce the state aid entitlement by the amount of federal funds that they have received.
- Those funds should not be reported as federal funds. They should be used to offset the state aid receivable booked as of 6/30/08.
- PAYS description will say Tuition Bill (Fed Alloc).

16. Reserve for QZAB Payments Balance Sheet Code 451

Qualified Zone Academy Bonds (QZABs) are a financing instrument that can be used to carry out school renovations and repairs. The federal government covers a portion of the interest, thus enabling schools to save on interest expenses. The interest payment is actually a tax credit, in lieu of cash, provided to the financial institution that holds the QZAB bond or note. The State of Minnesota has received an annual allocation of approximately $3 million for this program. For a district to qualify a school site, the site must serve a population that has 35% or greater of students eligible for free or reduced priced meals under the federal school lunch program.

Since QZABs are a federal initiative, they do not fit into a single method of state-authorized financing. Some districts have issued facility bonds, some have received voter approval and issued bonds, and others have entered into a lease purchase agreement with a lender.

Some of these districts have entered into investment agreements that obligate the district to make an annual contribution for the future retirement of the QZAB debt. In certain instances, annual payments are made to the lender and the lender holds the balance of the annual contributions

until maturity. In other instances, the district holds the balance of the annual contributions until maturity.

A district that holds the balance of the annual contributions for a QZAB lease purchase agreement should transfer operating capital funds to the Reserve for QZAB Payments, Balance Sheet 451 in the general fund (01). A district that holds the balance of the annual contributions for facility or general obligation bonds should transfer debt service funds to the Reserve for QZAB Payments, Balance Sheet 451 in the debt service fund (07). In both instances, the balance in Balance Sheet 451 should be equal to the June 30, 2008, cumulative balance of the required annual contributions per the investment agreement.

17. Loading FY 2008 UFARS Data Files

Districts will not be able to load any UFARS data files for FY 2008 until July 15, 2008. The creation of new UFARS funds and other accounting codes for the purpose of tracking the activity of OPEB Trust accounts and the new Federal Indirect Cost rate regulations has caused the MDE staff to make changes in our turnaround reports and other documents. The Finance Management Team in cooperation with the Technology Department of MDE is working extremely hard to make all the necessary report changes as quickly as possible and not delay the reporting date any later then necessary. If you have any questions, please contact Ken Moos, Financial Management Team, at (651) 582-8370 or e-mail mde.ufars-accounting@state.mn.us.