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## **SCHOOL BUSINESS BULLETIN**

*A publication of the financial management and assistance section*

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*Bulletin Number 31*

*April 2005*

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Dick Guevremont, Supervisor	651/582-8788
Phil Allmon	651/582-8748
Mary Analla	651/582-8770
Debrah Firkus	651/582-8775
Bob W. Fischer	651/582-8776
John Koehler	651/582-8430
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John Ryberg	651/582-8757
Shirley Sanders	651/582-8798
Linda Schroeder	651/582-8855
Charles Speiker	651/582-8737
Kelly Wosika	651/582-8480

Articles of interest may be placed at the end of each bulletin.

### **1. MICHAEL ENMAN**

Our colleague and friend, Mike Enman, died on March 21, 2005 after a 2½ year struggle with cancer. Mike joined the Financial Management Team of the Minnesota Department of Education in the fall of 1996. One of his major responsibilities was the annual reporting of fiscal data to the United States Department of Education. Mike worked diligently in that effort, and volunteered to pilot a special reporting format to satisfy fiscal reporting requirements for the Common Core Data Report and the Bureau of Statistics Report. Because of his leadership in this area, the Minnesota Department of Education received special recognition from the Office of Educational Research and Improvement of the National Center for Education Statistics at the U.S. Department of Education for three successive fiscal years, 2000, 2001 and 2002. Mike's awards are now on display in the hallway between the east and west building.

## 2. MARY ANALLA JOINS THE TEAM

We are pleased to announce that Mary Analla will join the staff in late April. She was previously employed at the Rosemont-Apple Valley Schools. She has a strong accounting background and is a Certified Public Accountant. Ms. Analla also worked with the Airport Commission and the Legislative Auditor's Office.

## 3. ADVISORY COUNCIL ON PROGRAM FINANCE

The Advisory Council met on March 15, 2005. Members in attendance: Barbara Anderson, Nancy Ramler, Janna Duffy, Roger Heiden, Greg Hein, Pam Jensen, Margo Nash, Susan Paulson, Laura Nelson, Julane Meyer, and Darwin Viker. Others in attendance included: Richard Guevremont (MDE), Ken Moos (MDE), Debrah Firkus (MDE), Charles Speiker (MDE) and John Koehler (MDE).

Chairperson Greg Hein opened the meeting and confirmed the agenda with the addition of **GASB-45**. Motion by Nash, seconded by Vicker, to approve the **Minutes** of November 17, 2004.

Dick Guevremont gave a review of the **committee purpose(s)**. Dan Brooks was appointed to represent MASA on the committee for three calendar years. Other memberships that expired were renewed as per the request of their representative organizations.

Greg Hein introduced the report from the Subcommittee to Review the **Budget Publication Statute**. The committee recommended elimination of the legislative requirement. The second recommendation was to change the publication date from October 1 to December 1. The third recommendation was to make technical improvements, if it could not be eliminated or if the date could not be changed. Dick Guevremont and Greg Hein will take the recommendations to the MDE leadership. Charles Speiker and Debrah Firkus will work on an interactive form (recommendation 3).

Carol Hokenson clarified the **special education reporting needs in staff development**. Program dimension code 640-staff development does not work for staff development. Therefore, the course code is recommended. Carol Hokenson will issue a memo to districts, clarifying the issue. The *UFARS Manual* will also be clarified.

Carol Hokenson addressed the relationship between **UFARS-SPED and EDRS-SPED**, especially during close-out. She would like to improve edit procedures, in anticipation of a November close. She questioned what the best date would be to get UFARS and EDRS to tie out.

Carol Hokenson and Dick Guevremont reviewed the use of **Org 998-Tuition-based Reporting Site**. This is used to record expenditures for tuition payments for students served outside a district.

John Bulger addressed the finance dimension codes of 312 and 315-**Integration Aid and Levy**. Alternative Attendance Aid (312) is revenue for students (MPLS, St. Paul, Duluth) who do not qualify for Integration Aid and Levy and are attending alternative sites. These codes are contained in the *UFARS Manual*. Expenditures for Integration Aid must match the budget submitted.

Darwin Vicker raised the issue of **GASB-43 and 45**. The behavior that he is running into is districts reducing the general fund balance (unreserved) and moving it to an irrevocable trust for employee benefits (OPEB, e.g. pay health insurance in retirement) with or without an actuarial calculation. This has accounting concerns including how to record the transfer and how the trust gets audited.

Dick Guevremont gave an update on site reporting. He referenced both the web-based reporting and the UFARS reporting system.

The next meeting is scheduled for May 17, 2005.

#### 4. CREDIT ENHANCEMENT-3<sup>RD</sup>. QUARTER REPORT

The credit enhancement program will post its strongest year since its inception according to current third quarter reports. At the end of the third quarter, Fiscal Year (FY) 2005 already surpassed the number of issues from FY2004. And, there was a 68% growth in the amount of money issued through the program from 1.4 billion in FY 2004 to 2.4 billion in FY 2005.

For the first time in 8 years, the number of aid anticipation issues went down, from 160 in FY 2004 to 154 in FY 2005. Approximately \$350 million less in anticipation borrowing was processed this year as contrasted with last year. The greatest increase in the amount of issues was in refunding where \$430 million was issued in FY 2004 as contrasted with 1.3 billion to date in FY2005.

For more information, contact Charles Speiker at 651/582-8737 or at [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us).

#### 5. STUDENT ACTIVITY FUNDS-FY 2004

Minnesota public schools are supported primarily by state and local taxes, with some programs completely or partially financed by federal funds. Individual schools may also generate revenues from athletic and academic events, concessions, donations, and other school activities. "During 1987-1988, districts spent nearly \$29 million and maintained balances of more than \$6 million in student activity funds, only some of which was reported to the Department of Education." (*Legislative Auditor's Report of 1990, State of Minnesota, p.73*) It was estimated that those same funds could exceed \$60 million dollars today. In fact, it was triple the estimate. **Table One** contains UFARS-based data over time on activities. Caution should be used in the review of this data, since there could be movement of



**TABLE ONE: STUDENT ACTIVITY EXPENDITURES OVER TIME**

	2981 Extra-Cur. Activities	291 Co-Cur Activities	292 Boys/Girls Athletics	294 Boys Athletics	296 Girls Athletics.	Total UFARS Reported	Separate Student Activity Funds
FY 1999	15,513,279	21,735,282	35,525,696	39,863,413	31,413,783	144,051,453	not calculated
FY 2000	16,588,868	24,250,754	37,549,405	42,656,903	33,734,993	154,780,923	not calculated
FY 2001	17,630,112	25,347,844	40,740,327	43,166,669	34,721,095	161,606,047	not calculated
FY 2002	23,137,147	24,698,841	41,576,651	44,277,310	35,803,335	169,492,284	not calculated
FY 2003	28,754,021	23,447,062	43,408,172	45,966,604	37,502,585	179,078,444	26,905,617
FY 2004	28,496,541	27,941,203	47,633,500	48,015,693	38,679,975	190,766,915	83,900,934

<sup>1</sup>These are the UFARS program codes associated with each category.

separate student activity funds to the general fund or vice versa. An increase of 10 million in expenditures in the general fund from FY2003 to FY 2004 could be, in part, due to a movement of funds as contrasted with increased spending only.

**Table Two** contains information on the number of reporting units by category for Fiscal Years 2003 and 2004.

Fiscal Year	Reporting Units <sup>1</sup>	Separate Activity Accounts	Board Control Accounts <sup>2</sup>			No Student Activities Reported
			TD	CS	OU	
2003	495	297	52	24	3	119
2004	515	299	53	12	4	147 <sup>3</sup>

<sup>1</sup>Table contains only those units that submitted audits by April.  
<sup>2</sup> TD = Traditional District CS = Charter Schools OU = Other Units  
<sup>3</sup> Increase likely due to increase in units reporting, reduction in units reporting accounts, and new charters.

In FY 2003, an analysis of the student activity audits disclosed that 297 of 497 audits reported having separate activity accounts. There were 119 reporting units without student activities.

In FY 2004, 299 of 515 reporting units had separate activity funds. There were 147 reporting units without student activities.

There was a decrease in the number of units with separate accounts and a lower number of units with board controlled accounts. When the “Board Control” category was disaggregated, a large charter school reduction was disclosed.

Address questions on the topic to [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us).

## 6. SPRING/SUMMER TRAINING DATES

There are still a couple training dates open for FY 2005. There was a successful activity accounting training program on April 21. A Year-end Training for Charters on May 10 is nearly full. And, the weeklong training for new charter directors in June is slowly filling. Go to [http://education.state.mn.us/html/intro\\_finance\\_training.htm](http://education.state.mn.us/html/intro_finance_training.htm) for the registration forms and agendas or contact [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us). You may also wish to contact [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us).

## 7. FOOD SERVICE DIRECTOR-ALLOWABLE WAGES FOR FY 2005

Maximum Allowable Wage Reclassification-Food Service - The Food and Nutrition Service of the Department of Education has calculated the average hourly wage for public school food service directors in Minnesota. The allowable hourly wage reclassification for 2004-2005 is \$18.05. This is the maximum rate at which the labor of a Superintendent or Fiscal manager, who is performing the duties of a Food Service Director, can be charged back to the food service fund. Address questions Ken Moos.

## 8. INDIRECT COST RATES – FY 2006

The restricted and unrestricted indirect cost rates have been calculated for FY 06. Most districts can only use the restricted rates with their federal grants. Memoranda were sent to the Superintendents and Directors in their weekly MDE updates. The memoranda and indirect cost rates spreadsheet have also been posted to the Departments website. You may get to the web site and the reports by going to <http://education.state.mn.us>. Click on Data & Reporting, then Program Finance, then Financial Management, then Reports and finally Federal Programs-Indirect Cost Rates. Contact Ken Moos at 651/582-8370 or [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us) if you have any questions.

## 9. SITE BASED EXPENDITURES – TITLE I

As we continue to analyze the expenditure data reported by sites, we are finding that districts are not reporting accurate costs for each site. Districts should make sure that all expenditures easily identified to a site are recorded at that site. One area of concern is the Federal Title I program. The application for Title I funds identifies the particular site(s) that are approved for those expenditures. Also, the approval does not allow all the expenditures to be spent “district wide”. Many secondary, middle and junior highs and even some elementary schools are not approved for expenditures of Title I funds. Make sure the expenditures for your district are at approved sites. Based upon an analysis of FY 2004 data, it is recommended that the following districts recode their **FY 2005** Title I expenditures immediately.

6, 11, 12, 13, 16, 25, 32, 77, 118, 129, 150, 166, 194, 200, 238, 256, 270, 273, 278, 280, 306, 347, 402, 404, 441, 447, 465, 548, 561, 564, 595, 599, 621, 624, 628, 630, 659, 671, 701, 719, 720, 786, 801, 833, 834, 852, 877, 2135, 2176, 2448, 2609, 2683, 2752, 2854, 4001, 4003, 4050 and 4064.

UFARS questions should be sent to Ken Moos at [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us) or 651-582-8370. Title I questions should be sent to Barb Lemmons at [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us) or 651 634-2292.

## 10. UFARS CHANGE ON TUITION BILLING SITES – 998

Record expenditures for tuition *payments for students served outside of the district* (e.g., special education) using the organization site code 998. The serving district reports the ADM (Average Daily Membership) of these students through the Minnesota Automated Reporting Student System (MARSS). Only the following MARSS state aid category codes are used to identify a student chargeable to the 998 organization code - **5, 6, 10, 14, 19, 27, and 28**. **Use 3 when an ALC (Alternative Learning Center) is in a Cooperative without a fiscal host.** In all these cases, the serving district reports the students with the revenue going to the resident district.

Contact Ken Moos for UFARS questions. Sharon Peck for MARSS questions at [Sharon.peck@state.mn.us](mailto:Sharon.peck@state.mn.us) or at 651/582-8811.

## 11. FACILITIES, HEALTH AND SAFETY ISSUES

John Ryberg is the man to call for facilities review and for Review and Comment under M.S. 123B.71. He can be reached at 651/582-8757 or [mde.ufars-accounting@state.mn.us](mailto:mde.ufars-accounting@state.mn.us). Districts and charter schools are using his services in several areas including facility and site review as well as reviews on mechanical systems, roofs, walls, flooring, masonry, asphalt, and water management.

Mr. Ryberg encourages charter schools to contact him before signing lease agreements. He can assist people with building and site evaluations. Because charter schools are consistently overestimating start up student counts, they tend to have a larger than needed up-front facilities commitment. Proper planning and guidance from MDE can reduce the chances of lease arrangement difficulties.

The Health and Safety and the Alternative Facilities programs are undergoing extensive review by the 2005 Legislature. These include consideration for lowering the qualifying size and ages for the Alternative Facilities program and reducing the funding exclusions under the M.S. 123B.57 Subd. 6(b) exclusion paragraph, for Health and Safety. Future reports or bulletins will be issued to people in the field as definitive information is known.

A schedule has been sent to each Health and Safety regional office, through each Service Cooperative (old ECSU), for the May 2005 “Boot Camp” and June 2005 “Health and Safety Town Meeting” series. The former is intended to provide basic technical and financial information to district staff. It is open to anyone interested in the topics this year. The June Town Meeting is intended to occur after the 2005 Health and Safety application memo containing any changes has been sent. The proposed date for 2005 Health and Safety memo is the week of May 23. Contact your closest Service Cooperative for time and directions.

The *Alternative Facilities Reference Manual* has yet to be approved in its revised form. When this occurs, a separate notice will be sent out to qualifying districts. MDE is working toward a meeting date in May 2005 to explain the application process for Pay 2006. May 25 (either morning or afternoon, or both) looks like an option.

In early May 2005, the MDE will publish invitational material for input into the 2005 Health and Safety application memo. Please direct your inquiries to the regional Service Cooperative Management Assistance professional. They will collect and forward this information.

## 12. UFARS REVISIONS FOR FY05

The following changes have been made to the UFARS manual for FY05. Software vendors have been sent new chapter ten (X) grid files. The MDE web site now has the UFARS manual with the changes made. As of this writing, only one code was changed. Most of the other changes involved title changes or minor corrections. See article ten in this issue of the *SCHOOL BUSINESS BULLETIN* for a new description of Organization code 998 – Tuition Billing Sites.

### *DIMENSION CHANGES*

Organization	998 Tuition Billing Sites
Program	412 Developmentally Delayed
Finance	310 Inter district Cooperative
	312 Alternative Attendance
	315 Integration Aid & Levy
	328 Home Visiting ( <b>New</b> )
	756 State Special Student Aid
Object	280 Unemployment Compensation
Course	640 Staff Development – State and Federal
Source	005 Unemployment Compensation Levy
	099 Miscellaneous Revenue from Local Sources
	631 Sale of Bonds
Balance Sheet	230 Deferred Revenue
	410 Reserved for Unemployment Compensation

### *CHAPTER TEN RESTRICTED GRID CHANGES-MAY 2005*

Finance code **328** – New code added to restricted grid.

FUND 04

ORG 000-999

PROG 580

FIN 328

OBJ 100-143, 145-305, 320-329, 350, 365-366, 390-391, 394-395, 398-430, 470, 530

555, 820\*

COU 000

Finance code **342** – Program dimension changed, 500-599 removed

Finance code **799** – Program dimension changed, 500-599 removed

\*Subject to final validation by program staff.

### **Articles of Interest from Around the Country**

USA Today, April 18, 2005 reported by Sharon Jayson that nine states are currently pushing for broad-based initiatives to overhaul the senior year of high school. They say that the second half of the year in particular is a waste of time and money.

The Associated Press in the St. Petersburg Times quoted a recently released audit that disclosed that many of Florida's publicly supported charter schools are not being held accountable by the state's A-Plus Plan or the federal government's No Child Left Behind.