

SCHOOL BUSINESS BULLETIN

A publication of the financial management and assistance section

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Articles of interest from around the country are placed at the end of each bulletin.

1. SCHOOL FINANCE AWARDS-FY2005

The **FY05 SCHOOL FINANCE AWARDS** went to 9% or 47 units of the total 524 reporting units. They were:

Centennial, St. Francis, Frazee, Mankato, Cloquet, Pillager, Rush City, Pequot Lakes, Burnsville, Rosemount-Apple Valley-Eagen, Inver Grove, Edina, Richfield, Robbinsdale, Spring Grove, Caledonia, Mora, Ogilvie, Willmar, South Koochiching, Marshall, LeRoy, Byron, Rocori, Benson, Plainview, Menahga, Rothsay, Winona, Buffalo, Delano, Cambridge-Isanti, Waterville-Elysian-Morristown, Minnewaska, Pine River-Backus, Luverne, Tri-County, Greenbush-Middle River, Fairmont, E.C.H.O. Charter, Sojourner Truth Charter, Rochester Off-Campus Charter, Schoolcraft Learning Community, New Century Charter, Trek North Charter, Intermediate Unit #917, and Region 9 #922.

Congratulations to the people in these units who maintained compliance with statutes, participated in training programs, and conducted accountability strategies. However, if any of these units upload again, it would mean removal since the final data deadline was November 30.

2. NEW TEAM MEMBER

Welcome aboard, John Koehler!

The newest member of the Financial Management Team is John Koehler. He will be working in the area of accounting with charter schools. He was with the Fridley School District for 4½ years as district accountant. Previously, John managed accounting departments in private sector firms, predominately in the grain and food distribution industries. John has lived in Fridley with his family for 18 years. He is originally from North Dakota and graduated from NDSU in Fargo. He can be reached at mde.ufar-accounting@state.mn.us or at 651/582-8430.

3. STATE ADVISORY COMMITTEE

The Advisory Committee on Financial Management, Accounting and Reporting met at the Department of Education on November 17, 2004. Members in attendance included: Barbara Anderson, Janna Duffy, Roger Heiden, Greg Hein, Greg Hierlinger, Phil Johnson, Pam Jensen, Margo Nash, Susan Paulson, Tiffany Rodning, Larry Shomion, and Darwin Viker. Others in attendance included: Thomas Melcher (MDE), Richard Guevremont (MDE), Ken Moos (MDE), Debrah Firkus (MDE) and Charles Speiker (MDE).

Chairperson Greg Hein opened the meeting and confirmed the agenda.

Dick Guevremont introduced the topic of **School Budget Publication** and concerns over the October 1 date and the worthiness of the report. Concerns included the completion of the report with unaudited data and without a final budget. Several suggestions were offered on need and intent. Larry Shomion successfully offered a motion to create a sub-group to review the structure and intent of the publication and report back to the full group on findings and recommendations. They may contact external groups or individuals for additional guidance. Members on the group are: Greg Hein (chair), Roger Heiden, Phil Johnson, Barbara Anderson, and Larry Shomion.

The topic of **School Lunch Applications and Compensatory Education Revenue** calculations was raised within the context of the brief time intervals between MARSS data submission and lunch count data. Carol Hokenson addressed the group on this topic and the relationship of other deadlines, including **MARSS, EDRS, UFARS and STAR**. She stated that she would be willing to take ideas back to MDE staff on EDRS data submission deadlines. Greg Hein requested the preparation of a timeline to show the various deadlines. Dick Guevremont agreed to build the timeline.

Mike Landers from MDE, Special Education area, addressed the issue of **Special Education Excess cost**. It was suggested by a member of the group that the main problem with excess cost was the unpredictability and volatility of the calculations from year to year. Mr. Landers clarified the ease of predictability and the availability of training.

He recommended the use of the on-line spreadsheet and the offer of team training on the topic. Dr. Melcher also explained a past legislative initiative and methods to achieve comparable data reporting across state systems.

Janna Duffy introduced a concern about the **Health and Safety Entitlement Reports** and the feasibility of capturing successive modifications of the H/S Report.

Greg Hein introduced the topic of **Irrevocable Trusts** and methods used to fund those trusts, while being able to properly record through UFARS the loss of asset and the recognition of the expenditures. Darwin Vicker has been in contact with the GASB Board and offered some suggestions and registered concern about the presence or absence of consistency.

Dick Guevremont reminded the group that the people who were on the committee for one year are nearing the expiration of their term. He will announce vacancies and stated that people are eligible to reapply for membership. Thanks were offered to Barbara Anderson, Susan Paulson, Nancy Ramler, and Phil Johnson.

The next meeting is scheduled for March 15, 2005, at the Department of Education.

4. HEALTH AND SAFETY

Thanks to school districts for making 2004 facilities and Health and Safety evolutions successful. Thanks also for the successful completion of the 2005 Age and Square Footage report information (due December 30, 2004). A copy of information reported over this website will be mailed to districts in January 2005 in order to allow districts to confirm their latest age, square footage and Maintenance Cost Index (M.S. 126C.10).

Large school districts that qualify for the Alternative Facilities Bond and Levy funding program (M.S. 123B.59) should be gathering together their list of qualifying projects. Ideally, these would be reviewed and approved by June 1, 2005 for the Pay 2006 levy. Don't forget that also qualifying are all categories of maintenance, excluding scheduled maintenance (e.g. quarterly filter replacement).

The requirement for Review and Comment may be excluded from upcoming Alternative Facilities projects, depending on proposed statute changes by the 2006 Legislature. These changes will most likely be found in the Omnibus K-12 Education bill. Also under consideration is an increase in the per-square-foot rate for Health and Safety Finance Code 352. The analysis is complete and has been submitted for commissioner review.

The State Fire Marshal program is thriving under its new funding structure, and continues to be a planning boon to school districts both in qualifying for H&S projects and in assisting districts with their other construction needs. Charter school inspections are well under way. They are being held to the same standards as traditional school districts.

Remember, districts have 90 days to register their plans with that agency and usually do not have to actually complete the work in that time frame (unless the hazard is immediate).

The agency continues to work with the regional ECSU system, especially in maintaining the Health and Safety Management Assistance professional program. Please continue to work through these professionals for both technical assistance and approval liaison. Again, thanks to school districts for protecting the integrity of this program. We in turn vow to make our highest priority service to districts.

Questions on these issues should be addressed to Phil Allmon at 651-582-8748 or mde.ufar-accounting@state.mn.us.

5. INTERMEDIATE DISTRICT HEALTH AND SAFETY LEVY AMOUNT CODING

Districts making a payment to an Intermediate School District for their share of the Intermediate's Health and Safety levy amount should use the following code:

01-005-850-352-390-000

Districts should not include this expenditure on the Health and Safety project report sent to Phil Allmon.

The approved Health and Safety expenditures of the Intermediate District are divided among the member school districts to levy for the revenue. This approved levy amount becomes an expenditure to the district when sent to the Intermediate. The amount is added to the accumulated UFARS Health and Safety expenditures of the school district by the Department of Education and adjusted in later years when the final expenditures of the Intermediate District are reported in UFARS. In the case of adjustments, it may be positive or negative.

Contact Chris Kubesh at 651-582-8319 or chris.kubesh@state.mn.us with any question about the levy process.

6. UPDATED CALCULATION FOR STATUTORY OPERATING DEBT (SOD)

The balance amounts for balance sheet codes 418-Designated for Severance Insurance Premiums, 419-Encumbrances, and 422-Unreserved/Undesignated make up the total fund balance amount used in calculating SOD. The expenditure activity that corresponds to these balance sheet codes is the divisor for the SOD formula. Balance sheet code 418 has been added to the fund balance total used in the calculation so that a true picture of the unreserved balance is displayed.

7. STATUTORY OPERATING DEBT (SOD) NUMBERS FOR FY2004

Numbers on the statutory operating debt condition of districts for FY2004 were compiled as of January 12, 2005. If one of the leading indicators of the fiscal health of districts is the ebb and flow of districts in SOD, then districts are maintaining a degree of health, irrespective of the struggle to maintain that health.

FY2004 finished with 18 traditional districts in SOD, down from 24 districts in FY2003. Three new districts were added to the SOD list, while 9 districts and one intermediate district were removed from the FY2004 list.

Charter schools did not fair as well as traditional districts this year. The number of charter schools in SOD rose from a low of 1 in FY2003 to 8 this year. However, most of those units achieved SOD in their planning year or initial year. Planning year SOD schools had minimal debt. In fact, one unit was in SOD with a negative fund balance of less than a thousand dollars. There was also one closure.

8. UFARS, COMPLIANCE TABLE AND AUDIT DEADLINES FOR FY05

The dates that all reporting units must meet to be in compliance with Minnesota Statutes for UFARS reporting of data and audits are as follows:

SEPTEMBER 15, 2005 – PRELIMINARY UFARS DATA
NOVEMBER 30, 2005 – FINAL AUDITED UFARS DATA
NOVEMBER 30, 2005 – COMPLIANCE TABLE AUDIT DATA
DECEMBER 31, 2005 – AUDIT REPORT

Mailed reports must be postmarked 12/31/05 or earlier. Reports may be dropped at the department until 4:30 P. M., January 3, 2006.

9. UFARS DATA UPLOAD SYSTEM WILL CLOSE

The UFARS data upload system will close for the year on January 31, 2005. Districts will not be able to make any changes to their FY04 financial data after this date. The Accounting Advisory Committee made the recommendation to MDE to shut down the UFARS upload system as of that date and “freeze” the data for reporting purposes. A district would have to send a letter of appeal to the department if it feels that data for FY04 must be changed after January 31. The department would consider the appeal and may grant the district the right to send the necessary changes to the department. A method of how those changes would be conveyed to the department and the time length for these changes is under consideration at this time.

10. FIRST REPORTING UNITS FOR FY04

Congratulations to Oklee Public School District #627 for being the first district to report their financial data for FY04. They first loaded data on July 7, 2004 and they finished with an upload on October 14, 2004. Oklee was closely followed by data uploads from three charter schools, Ridgeway Charter #4083, Dakota Area Charter School #4123, and Schoolcraft #4058 on July 8, 2004. Goodridge School District #561 was the fifth district to upload on July 9.

All 524 reporting units, which includes 343 School Districts, 112 Charter Schools and 69 other (Spec Ed Coops, Regions, ECSU's) loaded some data to the department by the deadline of November 30, 2004. An additional 239 district updates were submitted to the department since December 1. The deadline for correcting any data for FY04 is January 31, 2005.

11. COMPLIANCE TABLE ENTRY

Audit firms and/or districts must enter the audited data in the compliance table for each reporting unit. The **universal user number** and **password** for all reporting units are:

USER NUMBER: comp
PASSWORD: Gr3en

Please keep this information readily available. Also, if there is an expectation to have the audit firm load this information, clearly communicate that expectation to them. It is still the responsibility of the district to assure that the data is loaded and accurate.

Contact Debrah Firkus at mde.ufar-accounting@state.mn.us or at 651-582-8775.

12. FINANCE CODES FOR REVENUE RECEIVED FROM STATE, FEDERAL OR LOCAL SOURCES THRU ANOTHER DISTRICT OR AGENCY

Districts should not use the finance code for revenue or expenditure coding when that revenue has passed through another district, co-op, or other agency. For the department to balance revenue and expenditures of state and federal programs, it is imperative that only the initial district/agency receiving the funds use the finance code assigned to the revenue and expenditures by MDE.

An example of this would be finance code 419 Federal-Special Ed, when the initial flow of dollars is to a special ed. co-op and then a second transfer of the revenue (expenditure to the co-op) is made to a member district (for district expenditure reimbursement). It is the responsibility of the co-op to track the revenue and expenditures by the finance code assigned. A coding example is listed below.

Spec Ed Co-op:

Revenue

01-xxx-xxx-419-400-000 \$100,000

Expenditures

01-005-420-419-390-000 \$40,000 paid to District A

District A:

Revenue

01-xxx-xxx-xxx-405-xxx \$40,000 (See below for course code options)

A district would use one of the following coding examples to track the expenditures.

Expenditures

- a. 01-xxx-4xx-000-xxx-419 various object codes; Course 419 is cross-walked to 000
- b. 01-xxx-4xx-419-xxx-000 various object codes; Fin 419 is cross-walked to 000
- c. 01-xxx-4xx-000-xxx-666 various object codes; Course 666 is cross-walked to 000

13. BOND NOTIFICATION

Notification requirements for school district elections were changed in the 2003 and 2004 Legislative sessions. The notification statute, M.S. 205A.07 subdivision 3, was expanded to include the Commissioner of the Minnesota Department of Education (MDE). The new subdivision requires that school districts provide notification to MDE “at least 49 days prior to” an election.

The change to M.S. 205A.07, subd. 3, also requires districts to provide MDE with the “certified vote totals for each ballot question” subsequent to an election. Correspondence sent to MDE to fulfill these requirements should be directed to Chris Kubesh in Program Finance.

Districts that are issuing new bonds or bonds to refund existing bonds should ensure that MDE has been both notified and provided with an amortization schedule for any new issue. Though some financial advisors, as a matter of course, notify and provide documentation to MDE, it is ultimately the school district’s responsibility to provide the notification and documentation. Do not assume that your financial advisor has automatically performed this task.

Contact Chris Kubesh at (651) 582-8319 or chris.kubesh@state.mn.us on these matters.

14. CREDIT ENHANCEMENT PROGRAM-2ND QUARTER REPORT

The program is demonstrating strong activity in Fiscal Year 2005. At the end of the second quarter,

- General Obligation Bond (Original and Refunding) issues to date totaled approximately \$900 million.
- Aid and Tax Anticipation Certificates almost equaled issues of last year for approximately \$500 million.
- The total amount of issues to date at \$1.428 billion already exceeds the last year-end issue total of \$1.4 billion.
- The estimated savings through the program was approximately \$11.7 million.

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

15. CFDA PAYMENT REPORT ERROR-CHILD NUTRITION PROGRAMS

An error was detected on the PAYS reports for the Federal component of school lunch payments from approximately July – September 2004. Although the total for the lunch reimbursement was calculated correctly and the data was accurately displayed on the CLiCS summary screen, the PAYS report that accompanies the payments reflected incorrect reimbursement amounts in some of the CFDA categories.

The reduced lunch reimbursement was inadvertently added to regular lunch reimbursement instead of the free lunch reimbursement. The result is that each district received the correct amount of reimbursement, but the CFDA coding by category was incorrect.

The error has been corrected and future payment reports will reflect accurate codes. Alternative approaches for revising prior reports figures in the MDE - PAYS system have been evaluated. The PAYS database will be corrected so that original payments will appear in the first column with the correct amount shown in the net column. School districts should not anticipate receiving any new reports but their year-end reports should reflect the correct amounts.

If you have questions, please contact the MDE Food and Nutrition Service at (651) 582-8526 or (800) 366-8922.

16. DISCIPLINARY INCIDENT REPORTING SYSTEM

MDE has a new Disciplinary Incident Reporting System (DIRES) and members of that division would like your help in spreading the word to all district staff who may do disciplinary reporting work—assistant principals, deans, clerks and administrative assistants.

In order to submit a report of a dangerous weapon incident, or report suspensions and expulsion data for students and comply with IDEA and the Pupil Fair Dismissal Act, districts must set up a district account with the new Disciplinary Incident Reporting System (DIRS). In addition, individual school buildings must also set up an account. To date, 210 districts have DIRS accounts, and over 550 school buildings have submitted incident reports through their individual accounts.

The old Dangerous Weapons/Disciplinary Incident (DW/DI) reporting system is now closed. *Please remind principals to set up a DIRS account even if they have no incidents to report.*

This system requires passwords for data entry. The first level of password is the superintendent. Please open up the attached DIRS Account Set-Up document for directions and a link to setting up your district's account for inputting data into DIRS.

In addition to a superintendent password, principals will have the means to set up their own building account and data entry staff can also have password access.

If you have questions regarding the content requested in DIRS, contact Marikay Litzau, Due Process Specialist at 651-582-8459, mde.ufar-accounting@state.mn.us. If you have questions about the technology or problems accessing the system, please contact Diane Woods, IT Project Manager at 651-582-8735; mde.ufar-accounting@state.mn.us.

Articles of Interest from Around the Country

All the way from England! The *BBC* news reported on January 7, 2004, that earlier claims by the government that increased spending resulted in higher student achievement were false. Chairman Barry Sheerman said there was no proof more money had helped results. The debate continues on both sides of the river, so to speak. Labour claims that the extra investment resulted in measurable improvement in standards. However, Liberal Democrats state that the government had “failed to produced evidence” that its funding had improved results.

Watch Florida! The school voucher issue is headed for a showdown, according to the Miami Herald, January 17, 2005. The main voucher case in the state has been before two trial judges and the First District Court of Appeal for nearly six years. Four of five rulings issued so far concluded that the voucher payment plan captured in law is unconstitutional. In June 2002, the U.S. Supreme Court upheld a voucher program in Cleveland. However, opponents are arguing that the Court only looked at the Establishment Clause. It needs to also look at the Free Exercise Clause, which bans any law “prohibiting the free exercise” of religion.

Less is More? New research is being reviewed by ASCD in its Research Brief, January 18, 2005. The question focused on the issue of the presence of a school in rural communities. Although there were questions raised about the methodology of the study, there appeared to be a relationship between the presence of a school in a rural community and higher property values, fewer households receiving public assistance, and a greater presence of self-employed workers in the community. The community with a school seemed to be more economically viable. The Bill and Melinda Gates Foundation is putting more than \$100 million to create small schools and bolster existing ones, because it is believed that all other variables being equal, students in small schools tend to outperform their peers in larger schools.