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SCHOOL BUSINESS BULLETIN

Bulletin No. 23

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TO: Superintendent of Schools, Chief School Business Officials, Other Interested Persons

General Financial Management Matters

1. UFARS REVISITED!

The Financial Management and Accountability Team is working on major revisions to the Uniform Financial Accounting and Reporting Standards (UFARS) system. The mission is simple and forthright: to improve the financial accounting system in order to enhance education decision making for the children of Minnesota.

What are our major outcomes?

1. A redesigned account code structure
2. The development of an accounting manual
3. The development of a management assistance manual

What are our objectives?

1. Increase accountability through greater uniformity in data gathering
2. Develop a more comprehensive system that affects revenues, expenditures, budgets and fund balances
3. Enhance reporting capabilities by adding power and ease of use
4. Design a system that will allow for concurrent reporting capabilities (monthly/bimonthly and yearly)
5. Reduce auxiliary systems and redundant reporting mechanisms

The immediate plans are to finalize research, construct draft documents and organize an advisory committee. The committee will meet in early November. If you have any questions, please contact Dick Guevremont at (651) 582-8788 or Katie Shea at (651) 582-8239.

2. UFARS Compliance Table – This is a reminder that we have the Compliance Table on the Internet on the Financial Management Home Page. Your browser must be an Explorer 4.0 or Netscape 4.0 to use this form. Since this is an on-line active database, each time you make entries, your numbers will change at the Department level. Someone in your district or the district CPA (auditor) will be responsible for entering data on the Compliance Table for Fiscal Year 2002. Once you have made the connection to the Financial Management Home Page, follow the steps below to enter your

compliance table. Click on the green button "Compliance Table and UFARS Data Uploads" located on the left side of the screen.

Load Data

1. Click "NEXT"
2. Click "UFARS Compliance Table."
3. Enter User Name: comp (use all lower case letters).
4. Enter Password: Gr3en (the G must be upper case and yes, it is the number 3).
5. Click "Continue."
6. Go to "Select District".
7. Scroll to and click on your district name.
8. Click in the General Fund Revenue box on the form.
9. Type in the dollar amount number.
10. Use your tab key to go to the next box. The shift and tab keys used together will take you backwards.
11. Repeat steps 10 and 11 until you are complete. You must use the tab key to advance to each box.
12. Click "Update Data" at the bottom of the page; or,
13. Click "Clear Form" to start over.

Print

1. Click the "Print Page" button in the upper left corner of the form screen.
2. Click the print icon on your browser. Due to a browser problem, you may get 2 additional pages.
3. Click the "Return to Form" button.
4. Close or select home.

Update Data

1. To update data, repeat steps 1-8 in the Load Data section above.
2. Click in the box that needs to be changed.
3. Make your change.
4. Go to the bottom of the page and click "Update Data."
5. Use the steps above to print.

3. School District Grant Administration Compliance

During the past year, the Department of Children, Families & Learning has been reviewing compliance with grant administration Federal, State and Private Foundation rules and regulations. As a result of these reviews, we have determined that there is some confusion regarding the legal and accounting responsibilities of the school districts in administering grant funds. Although the following grant administration responsibilities are not comprehensive, we have listed a few of the responsibilities that we found most confusing to the school district administrators during our compliance reviews.

1. Fiscal Agent – School Districts receiving grant funds for school district purposes, or for fiscal agency purposes, have the same financial responsibilities to approve the purpose of the grant expenditures and to require expenditure documentation as for any expenditure of funds administered by the school district.
2. Legal Contract – Grant agreements are legal contracts that require compliance with the legal stipulations of the grant. To maintain the legal right to retain the use of grant funds, the school district must comply with (a) the operational purpose of the grant, (b) the budgetary requirements of the grant and (c) the time restrictions of the grant expenditures.
3. Expenditure Reimbursement – Unless specifically approved by the Federal, State or Private Foundation grant agreement, school district expenditures cannot be used for reimbursement of funds for more than one grant or purpose.

If you have any questions regarding these responsibilities or other grant administration compliance concerns, please contact Richard Foster at 651/582-8802.

4. Credit Enhancement Program Update

The Credit Enhancement Program (CEP) is receiving considerable activity. During the first quarter of FY03, there were more aid anticipation certificates issued than during the total past year. The program total for the first quarter was 906 million dollars of short and long-term certificates, which calculates to 65% of the total of last year for all issues in all categories. Table One below contains summary information for the first quarter of FY03 as contrasted with the total of FY02.

Table One: 1st Quarter FY03 Vs FY02 Comparison on CEP

	1st Quarter-FY03	Total FY02
General Obligation		
Number of Issues	9	51
Amount of Issue	167,855,000	839,259,000
General Obligation-Refunding		
Number of Issues	38	37
Amount of Issue	290,105,000	250,545,000
Aid Anticipation		
Number of Issues	143	124
Amount of Issue	406,904,751	241,637,582
Tax Anticipation		
Number of Issues	0	5
Amount of Issue	0	71,340,000
Capital Equipment		
Number of Issues	4	3
Amount of Issue	42,004,768	1,667,910
Participation Certificates		
Number of Issues	0	2
Amount of Issue	0	10,050,000
TOTALS		
Number of Issues	194	222
Amount of Issue	906,869,519	1,414,499,492

Alert - There were 15 districts that recently had a near default on short-term borrowing. The event was stimulated by a memorandum from a financial institution. District personnel are reminded that they signed a contract through the Credit Enhancement Application Form. That form clearly spells out the payment deadline. If any information to the contrary is received by the district, local personnel should immediately contact their financial advisor, attorney, or Dr. Charles A. Speiker at 651/582-8737.

5. Financial Management and Accountability Team (FMAT) Announces

SCHOOL FINANCE AWARDS FOR FY03

There have been numerous workshops, bulletins, reports and articles addressing the issues of financial health and fiscally sound management practices. Improvements have been made to the UFARS manual and its many chapters on fiscal management issues. Now, several characteristics of a district that exhibits fiscal health and sound fiscal management and accountability have been offered as a basis for issuing the School Finance Awards (SFAs). The list of characteristics is a work in progress and can be improved upon as people in the field make suggestions.

The characteristics are being applied for the first time with FY02 data and legislation. They are applied to all reporting units including regular and common school districts, charter schools and cooperative units.

Characteristics of Fiscal Health and Sound Management include:

- A. Compliance with state statutes on selected finance issues
 - A.1. The district loaded preliminary UFARS data by the statutory deadline of September 15.
 - A.2. The district locally published the Revenue and Expenditure Budget form by October 1.
 - A.3. The district uploaded final UFARS data by the statutory deadline of November 30.
 - A.4. CFL received the final hard copy of the school district audit by December 30.
 - A.5. Local school board members are trained in financial matters as per statute.

- B. Demonstration of fiscal health in the local setting
 - B.1. The district has a positive fund balance in each of the three major operating funds (1,2,4).
 - B.2. The district has a positive reserve in operating capital.
 - B.3. The district has policies on positive fund balances and deficit spending.
 - B.4. District personnel participate in finance and accounting workshops.

Characteristics Applied

A special run of data at CFL was completed on preliminary uploads with UFARS data. Of the 381 reporting units that met the September 15 preliminary deadline (actually September 16 for the FY02 data), 121 districts reported unaudited data and 260 units reported audited data. One hundred nineteen (119) units did not meet the first qualification for the SFA.

Self-Evaluation

District that meet A.1,A.3,A.4, B.1, and B.2 are invited to complete a brief self-evaluation to confirm the meeting of characteristics A.2, A.5, B.3 and B.4. The form is contained below (or on reverse of this notice) and should be mailed to Charles A. Speiker at CFL, no later than February 28, 2003.

**School Finance Award
Self-Evaluation Form
FY03 Award on FY02 Data and Activity**

I, _____ (print name of school employee completing the form), *attest that the characteristics listed below are in place in our district.*

Name of District _____

Date of Completion _____

Signature of Respondent _____

Respondent's position in the district _____

Self-Evaluation Characteristics:

Yes, the district published the Revenue and Expenditure Budget Form by October 1 in _____ (Name of local paper) and (Publication date) _____.

Yes, the district has policies on positive fund balances and deficit spending.

Yes, district personnel participate in finance and accounting workshops such as: _____ (provide an example).

Yes, board members are trained in financial matters as per statute.

Please send this form to:

Dr. Charles A. Speiker
Attn: School Finance Award-FY03
Department of Children, Families and Learning
1500 Highway 36 West
Roseville, MN. 55113-4266

Forms received (not postmarked) after February 28, 2003 will not be considered for the SFA.

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Date received: _____
Initials: _____

6. Reemployment Levy - The legislature allows the reemployment levy to be made in the general fund. If a district wishes to have levy authority for those expenditures, they must be in the general fund. The appropriate program dimension code is 110 and the object code is 280. If a district should decide to use existing revenue in other funds (2 or 4) for this expenditure, a direct expenditure in the appropriate fund would be allowable and appropriate. These costs will not be picked up for reemployment levy authority. The CFL finance department will include only general fund expenditures for reemployment levy authority.
7. Staff Development Set Aside Funds for FY 03 - This is a reminder to complete the Staff Development Set Aside Form for FY 03 and return it to Charles A. Speiker. This is the method used to report local deviations in the 2% staff development set aside funds from the basic revenue. If you are setting aside the full 2% rather than a reduced amount, do not complete the form.

There were 46 districts that submitted their FY 03 deviations to date. Of that number, 17 districts also reported that they were in Statutory Operating Debt. If you have questions, please contact Charles Speiker at 651/582-8737.

8. Structural Balance-Update - Structural Balance appears to be progressing into FY 03. There were 440 hard copy submissions to CFL. Education-Minnesota reported that there were still 23 teacher unions that remained without contract settlements as of September 27, 2002.
9. Student Accounting Update - Ms. Debrah Firkus and Dr. Charles Speiker recently completed training programs across the State of Minnesota on the student activity manual entitled the Manual for Activity Accounting (MAFA). There are two final sessions scheduled for Certified Public Accountants only.

Every region of the state had excellent attendance with a cross-section of personnel in those workshops. Auditors, superintendents, school board members, regional personnel, principals, business managers, activity directors, and bookkeepers were among the participants who learned about the new requirements and standards for use with activity accounts.

If you need a manual, go to the web site. Click on the UFARS Manual and scroll to Chapter 14. If you have questions, please contact Ms. Debrah A. Firkus at 651/582-8775 or contact Charles Speiker at 651/582-8737.

UFARS Manual Update

1. New UFARS Manual - The UFARS manual for the 2002-2003 fiscal year is now available on the Financial Management web site. The latest revisions were made in early September.

Charter Schools

1. Charter School Lease Aid Alert - Lease aid for fiscal year 2002 will be pro-rated at .9960. The October 15th payment will reflect the new pro-ration and adjustment. If fiscal year 2002 is not closed, please make the appropriate calculation for lease aid receivable. If you need assistance in this matter, please contact Nancy Schultz at 651-582-8713.

Transportation

1. Accounting for Student Transportation Fees - Many school districts have or will start charging students a fee for to-and-from school transportation service. In order for CFL to analyze the impact of this new procedure, all districts are asked to account for to-and-from school transportation fees in the same manner. Districts should record the expense of transporting the fee-paying students using Finance Dimension 737, Ineligible/Nonresident Pupils. Fees received from the families or students for to-and-from school transportation service should be identified with Finance Dimension 737 and Source Dimension 050, Fees From Patrons.

Special Education

1. Special Education Contracts-EDRS - The procedures listed below are to be used by districts that have not settled contracts by the Special Education EDRS closing deadline of October 1:

UFARS

The estimated salary increase for each program/disability code should be recorded in UFARS as a total for all staff within that code. For example, if the best estimate is a 3% increase, debit the disability/program code for the total estimated increase for all staff for that code and the total of all programs as a credit to salaries payable.

EDRS

Add the estimated increase to the individual's current EDRS line in FY 02. If the contract is ratified after EDRS is closed for FY 02, adjust the difference on the individual's line in FY 03.

Example using 3 % estimated increase but the settlement is actually larger

Column 1	Column 2	Column 3	Column 4	Column 5
FY 02 Salary in UFARS Supported by Payroll	FY 02 Estimated Settlement (3%)	FY 02 Total reported on EDRS	FY 02 Settlement is paid in FY 03	FY 03 Adjust the difference
\$50,000.00	\$1,500.00	\$51,500.00	\$2,000	\$500.00

Example using anticipated 3% increase but the settlement is actually lower

Column 1	Column 2	Column 3	Column 4	Column 5
FY 02 Salary in UFARS Supported by Payroll	FY 02 Estimated Settlement (3%)	FY 02 Total reported on EDRS	FY 02 Settlement is paid in FY 03	FY 03 Adjust the difference
\$50,000.00	\$1,500.00	\$51,500.00	\$1,000	- \$500.00

From the examples above, the expenditure in Column 5 would be added to, or subtracted from, the staff member's actual FY 03 salary line reported on EDRS.

If the staff member left the district, report the following on EDRS:

- Enter the individual's name followed by "retro pay" on the description line
- Enter H under Time Unit Type
- Enter 10 as the number of hours
- Enter expenditure amount from Column 5
- Enter 1 in the child count column under the appropriate age setting.

If the staff member left the district and the adjustment is a negative amount and/or you have other questions, contact Ms. Mona Regan at 651/582-8639.

Workshops/Training

1. There are no new workshops scheduled at this time. Watch the website under "What's New" for future announcements.