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SCHOOL BUSINESS BULLETIN

Bulletin No. 20

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Inside This Bulletin:

General Financial Management Matters
Program Finance
General Information

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

General Financial Management Matters

1. Printing Problems - We understand that there are problems when it comes to printing the UFARS Manual and other documents within our web site. Our technical staff have been working on these problems for some time. They now feel confident that they can resolve these printing issues. New software is being loaded and configured. Please call us if you need a copy of the Manual at (651) 582-8477. Thank you for your patience.
2. Staff Development Report on the Web - Several educators have been requesting a status report on staff development funds in their respective districts. Therefore, a *Preliminary Staff Development Expenditure Report - FY 01* was created. It resides on the Financial Management site at cfl.state.mn.us/FIN/reports.html. This report contains information on FIN Codes 306, 307 and 308 as well as information on reserve accounts. For more information contact Dr. Charles A. Speiker at 651/582-8737.
3. Structural Balance Legislation in Full Implementation – The legislation on structural balance called for three forms of reporting:
 1. Disclosure at the local public meeting.
 2. Hard copy of that disclosure transmitted to Department of Children, Families & Learning (CFL).
 3. Greater public review of all settlements.

Item One: Disclosure at the local public meeting.

School districts are utilizing the sample report format from the Structural Balance Narrative to make their projections and calculations available to the public "prior to and during the meeting" at which a contract settlement is being considered.

Some school districts are using a printout of the electronic format that is available at the CFL website for public reporting at the local level. Both formats call for districts to report whether or not the settlement caused structural imbalance.

If structural imbalance would be discerned, a school district would receive a letter describing the legislative obligation of the district. It would be expected that the school district would take appropriate action to avoid structural imbalance as defined in the statute and the narrative.

Item Two: Hard copy transmission to CFL.

Districts that reported a settlement at the local level transmitted hard copy projections and calculations to CFL in a timely manner. Results of those transmissions were:

- a) One hundred twelve (112) hard copy transmissions of settlement results;
- b) Sixty-two (62) of 112 transmissions were on teacher settlements; and
- c) Fifty (50) of 112 transmissions were on other groups including support, administration, custodians and drivers.

Of the 112 hard copy transmissions, every set of documents on every settlement was reviewed for structural compliance and for reporting compliance. Of those settlements:

- a) Transmissions were received in a timely manner;
- b) No transmission reported structural imbalance; and
- c) Some districts did not submit an actual resolution.

Item Three: Electronic Reporting.

Each district was given a secure password to report settlement results to CFL via the website. These reports were translated to a web address that was accessible to the general public. Almost every electronic report is backed up with a prior hard copy report; and, conversely, almost every hard copy report is mirrored with an electronic report. There is an increased use of the format on electronic reporting being used at the local level for public disclosure.

There were 98 units that reported electronically (as of this writing). Of the 98 reporting units:

- a) Ninety-four (94) of 98 units were K-12 school districts, with several units reporting more than one settlement;
- b) Four (4) of 98 units were cooperative or intermediate units; and
- c) There were a total of 143 electronic submissions from them.

Summary:

- a) Two (2) districts reported late (greater than 30 days);**
- b) Six (6) districts did not submit resolutions with their hard copy data; and**
- c) No reporting unit disclosed structural imbalance.**

For assistance call Dr. Charles A. Speiker at 651/582-8737 or call Ms. Debrah Firkus at 651/582-8775. Also, please visit the viewing site at: cfl.state.mn.us/FIN. Click on "Public View on Structural Balance" and review any of the settlements and their impact on local budgets.

- 4. Financial Control and Accountability - Ask a superintendent what is the most important element of education finance and they would probably say, "enough funds to educate their students." Ask a business manager and they would probably say, "the ability to track the expenditure of school district funds." Ask someone at the CFL and they might say, "compliance with legislative requirements." But, ask a legislator and they would say, "accountability for funds provided to education." Accountability is the legislative demand of the 21st Century.

'Accountability' can be broadly defined as the accurate reporting of financial information based upon generally accepted accounting control parameters. From the examples above it may be concluded that the superintendent is accountable to the district residents to educate district students; the business manager is accountable to the school board to manage district funds; and, the CFL is accountable to the state legislature to monitor the implementation of education laws. Simply stated, the accountability infrastructure is the overall environment of the accounting control parameters that enable financial information to be reported accurately, including: (1) a uniform structure of accounting code classifications, (2) a standard method of posting accounting transactions, and (3) a common computer system for processing financial information.

The *Legislative Auditor's Report on School District Spending (1990)* concluded that CFL could not accurately track school district expenditures to the legislative funding source. This finding has never been corrected. The weakness of the Report, however, was its failure to recognize the need for establishing the accountability infrastructure to accomplish the task. This means that before the CFL would be able to track school district expenditures to the legislative funding source, (1) a uniform structure of accounting code classification between MAPS, UFARS and EDRS must be established, (2) a standard accounting transaction manual must be prepared, and (3) a state supported computer accounting system must be developed. Once this accountability infrastructure has been implemented, the tracking of school district expenditures required by the legislative auditor can be accomplished.

Aid reductions for ECFE will be computed by taking the product of each district's excess balance times its aid-to-levy ratio for FY 2002. The levy reduction equals the difference between the excess balance and the aid reduction. The state aid reductions will be redistributed among districts with no excess balance in proportion to their share of the FY 2002 ECFE revenue for those districts. The aid adjustments are recognized as revenue in FY 2003.

Levy increases for districts receiving the additional ECFE aid will equal the state total levy reduction times each district's share of the FY 2002 ECFE revenue of districts with no excess balance. The levy adjustments for FY 2003 will be reported in the September certification report for 2003 payable 2004 taxes, and recognized as revenue in FY 2005.

For more information on the calculation of excess balance aid and levy adjustments, contact Greg Sogaard, Education Finance Specialist. For information on waiver applications, contact Lisa DeRemee, Early Childhood Finance Policy Specialist. For accounting questions, contact Ken Moos.

General Information

1. Minnesota Youth Shine Through Service

Minnesota Youth Service Week April 21-28, 2002

The Department of Children, Families & Learning's Youth Advisory Council (YAC) has designated April 21-28 as Minnesota Youth Service Week to promote service and service-learning. It was established in conjunction with National Youth Service Day, also in April.

YAC encourages students all over Minnesota to plan and complete service or service-learning projects in their community. This is an opportunity to demonstrate what Minnesota youth can accomplish when they work together to meet their community's needs. These efforts will be recognized at a celebration at the State Capitol on May 3.

To ensure that your work is recognized, we ask you to register your service/service-learning project or service recognition event with us once it has been planned *and* also when it is completed. We will be compiling figures on projects that take place between January 1 and April 28, 2002, and will include ongoing service projects. Everyone who registers a completed project will receive a certificate of participation in the first Minnesota Youth Service Week. Visit our website or e-mail us for a registration form.

Representatives from schools and organizations that register their projects are invited to attend our May 3 event. This celebration of youth service will be at the State Capitol on Friday, May 3 from 9:30 a.m. to 12:30 p.m. Participants may have a chance to display information about their projects, depending on available space, and will be recognized with an award or certificate. The National Youth Leadership Council, our partner in this effort, will be giving out awards for ongoing service-learning projects.

2. Workshops – No UFARS or Financial Management workshops are scheduled at this time. Please periodically check the website for future workshop announcements.