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## SCHOOL BUSINESS BULLETIN

Bulletin No. 19

October 2001

Inside This Bulletin:

General Financial Management Matters  
UFARS Manual Update  
School Facilities  
General Information  
Workshop Announcement

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

### General Financial Management Matters

1. Structural Balance Reminder - Please remember to submit hard copies of resolutions and calculations that result from board action on settlements. The structural balance legislation requires districts to submit hard copies of materials to the Department of CFL (to the attention of Charles Speiker) within 30 days of the ratification of the contract. The legislation also requires CFL to make settlements and summary budgets available to the public. This will be accomplished through the use of electronic reporting. The electronic system will be ready for district use shortly. Watch for the security password that has been mailed to superintendents.
2. Congratulations to Blooming Prairie! - Ms. Debrah Firkus of the Financial Management and Accountability team announced that Blooming Prairie School District was the first to submit their UFARS data and their audit for FY 01. The due date for audits is December 31, 2001. UFARS data and Compliance Table data must be submitted by Nov 30, 2001. Kudos Blooming Prairie! See related article on statutory requirements.
3. "Heads Up" on Reporting and Auditing! - There continues to be many districts which do not appropriately submit data or do not submit data and audits in a timely manner and in accordance with statute. Therefore, the following statute and expectations are stated for your review. Please note that the expectations are the same as those written in previous bulletins.

### Governing Statutes

#### **123B.77 Accounting, budgeting, and reporting requirement.**

Subd. 1. **Uniform financial accounting and reporting standards.** Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.

Subd. 2. **Audited financial statement.** Each district must submit to the commissioner by September 15 of each year unaudited financial data for the preceding fiscal year. These financial data must be submitted in the format prescribed by the commissioner.

Subd. 3. **Statement for comparison and correction.** By November 30 of the calendar year of the submission of the unaudited financial data, the district must provide to the commissioner audited financial data for the preceding fiscal year. The audit must be conducted in compliance

with generally accepted governmental auditing standards, the federal Single Audit Act, and the Minnesota legal compliance guide issued by the office of the state auditor. An audited financial statement prepared in a form which will allow comparison with and correction of material differences in the unaudited financial data shall be submitted to the commissioner and the state auditor by December 31. The audited financial statement must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards compliance and a copy of the management letter submitted to the district by the school district's auditor.

### **CFL Expectations**

The Department requires financial statement audits to be conducted in accordance with Generally Accepted Government Auditing Standards (Yellow Book). In a Single Audit engagement, please refer to the OMB Circular for reporting requirements. **In either case, if there are any state or federal material findings, the Department is requesting that a Correction Action Plan be included within the Local Education Agency (LEA) audit.**

The Department also requires that the student activity audit be listed in the Table of Contents unless a separate report is issued. If all student activities are under board control, please make a statement to that fact in the financial notes. These steps will help the Department verify that a student audit has been completed or that the student activities are all under board control and were audited with the General Fund.

The Local Education Agency (LEA) audits must also contain a Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table. Please make the table the last page in the audit report. The Compliance Table should also be listed in the Table of Contents. The same information must be entered into the form on the Department's website. Instructions have been mailed to all audit firms.

Management Letters are to be included with the audit. If a Management Letter was not completed for the district, the district must enclose a letter stating that fact. This will eliminate correspondence from the Department requesting those letters.

Again, the following reports must be submitted:

- Report on Financial Statements.
- Report on Entity's Internal Control Structure.
- Report on Entity's Compliance with Laws and Regulations.
- A Corrective Action Plan for each material finding.
- Student Activity Audit or statement that funds were audited with the General Fund.
- UFARS Compliance Table.
- Single Audit Reports (if Single Audit engagement).
- Management Letter.

Please send one copy to the Department of Children, Families & Learning to the attention of Debrah Firkus, Room I-14, 1500 Highway 36 West, Roseville, MN 55113 and one copy to the State Auditor's Office at 525 Park St., Suite 400, St. Paul, MN 55103 no later than December 31, 2001.

4. Advance of Aids to Statutory Operating Dept (SOD) Districts - There have been questions coming to CFL concerning a past bulletin that discussed the possibility of receiving an advance of aid paid to districts by the state when the districts are in Statutory Operating Debt (SOD). Even though the possibility of an advance exists, as stated in M.S. 127A.45, Subd. 6, it has never been granted to date.

The appeal to this legislation that involves negotiations between a SOD district and CFL requires that the advance of aid would reduce the need for some or all of the anticipated short-term borrowing. If there are SOD districts that wish to attempt these negotiations, there are several required pieces of information to determine the adjusted metering. Districts must submit:

- a) A current year budget
- b) A 3 year revenue and expenditure budget history - actual vs. budget
- c) A 3 year cash flow history - receipts and disbursements
- d) A cash projection - receipts and disbursements for the current year
- e) A 3 year short-term borrowing history using warrants, tax and aid anticipation, line of credit that includes cash low points and dates used to set the amount
- f) A 3 year history of cost of issuance of tax and aid anticipation and interest earned on proceeds
- g) A depiction of how short-term borrowing will be reduced and/or eliminated.

If you have further questions on this topic, **as a SOD district**, please contact Dr. Charles Speiker at 651/582-8737. If you wish to pursue negotiations for advance of aids, please contact Ms. Audrey Bomstad at 651/582-8793.

## UFARS Manual Update

1. F.Y. 2002 UFARS Manual Nears Completion - The F.Y. 2002 UFARS Manual is essentially complete. It contains several new codes that reflect legislative changes from this past session. It also contains several new sections that reflect a need to provide management and accounting guidance. Please check "What's New" at <http://cfl.state.mn.us/FIN> for an announcement as to when it is posted.

## School Facilities

1. Mold Remediation - The Environmental Protection Agency (EPA) has recently released a document entitled *Mold Remediation in Schools and Commercial Buildings* (EPA 402-K-01-001). This release can assist district personnel when they investigate and remediate mold problems in their buildings.
2. Changes in Legislation on Lead in Water, Paint and Soil - A new bill was recently passed that makes changes to the statute (M.S. 144.9501-144.9509) referencing lead in water, paint and soil. It provides technical modification to the statutes. Of importance to school districts is the following language, found in the statute, Section 33 (M.S. 144.9505, Subd. 6):

Subd. 6. [DUTIES OF CONTRACTING ENTITY.] A contracting entity intending to have regulated lead work performed for its benefit shall include in the specifications and contracts for the work a requirement that the work be performed by contractors and subcontractors licensed by the commissioner under sections 144.9501 to 144.9509 and according to rules adopted by the commissioner related to regulated lead work. No contracting entity shall allow regulated lead work to be performed for its benefit unless the contracting entity has seen that the person has a valid license or certificate. A contracting entity's failure to comply with this subdivision does not relieve a person from any responsibility under sections 144.9501 to 144.9509.

## General Information

1. F.Y. 2001 District/School Average Daily Membership (ADM) Report - The actual FY01 ADMs for each district and charter school are summarized in the District/School ADM Report. This report is updated and posted to the CFL Program Finance website under the District Funding and Payment Reports button about a week after each of the year-end MARSS reporting deadlines. The report will no longer be included in the MARSS turnaround mailing.

The dates by which the updated reports are expected to be available on the web are:

July 9, 2001  
August 6, 2001  
October 15, 2001

November 26, 2001  
January 21, 2002

It is the responsibility of the local agency to access the report from the web to verify its completeness and accuracy. Documentation on how to read the report will be posted to the CFL Program Finance website under the Data Reporting Systems button.

2. Distance Learning - The 2001 legislative session authorized the Commissioner of Children, Families and Learning to approve interactive, web-based instructional programs for the 2001-02 school year only. Courses must meet graduation standards. Students cannot generate more than 1.0 ADM, and, with few exceptions, must be concurrently enrolled at the public school site. With commissioner approval, public school students are eligible to generate state aid for time they participate in the distance learning program. Without approval students who access web-based instructional programs from off-campus are ineligible to generate state aid. Nonpublic school students are ineligible to generate shared time foundation aid unless they access the approved program from the public school site.

An application and cover letter were sent to superintendents in the September 6, 2001 electronic mail. Copies are also posted to a new CFL website at: <http://cfl.state.mn.us/onlinelearning>.

Student accounting instructions will be sent to approved programs later this fall. No prescribed financial accounting is required this year. However, a task force has been convened to prepare a report to the 2002 legislature with the intent of providing long-term direction.

The legislation also provided \$100,000 to help fund students who (a) participate in distance learning and have already generated 1.0 ADM or (b) are nonpublic school students participating from off-site. An application for this revenue will be provided later this fall to programs approved before October 1, 2001.

For more information refer to the website or contact: Dave Glick at 651/ 582-8619 for program questions or Sharon Peck at 651/ 582-8811 for student accounting questions.

3. MARSS End of Year F.Y. 2001 Reporting Deadline - The November 16 EOY FY01 MARSS submission will be considered the **final** file submission although minimal corrections can be made up until December 31. This procedural change was originally announced in the August 3 MARSS memo which is posted to the web at: <http://cfl.state.mn.us/autorep/marmemo/Aug01.pdf>.

This new procedure should result in:

- no ADM surprises on January's District/School ADM Report or in the final aid payments;
- fewer appeals after December 31;
- earlier finalization of last year's data so district staff can concentrate on compiling and editing the current year's fall data; and
- CFL's ability to make more timely clean-up payments.

The MARSS turn around mailing in November will include the last EOY statewide Error Report that will be provided to districts for FY01. Any requests to change MARSS data after November 16 must be made prior to December 31 and will be made on an individual student basis. Only data items that impact ADM and/or the record's statewide error status will be available for correction. For example, STATUS END (withdrawal) DATE can be corrected but not RACE/ETHNICITY. Local errors must be corrected *prior* to the November 16 submission.

The process for requesting changes will be:

1. District notifies CFL of the student whose record(s) is in error; this will require the student's STATE REPORTING NUMBER.
2. CFL provides the district with the student's current data via a faxed form.
3. District corrects the field(s) that are in error. If the STATUS START and/or END DATES are changed, then ATTENDANCE and MEMBERSHIP DAYS must also be corrected. ***These corrections must be at CFL no later than Monday, December 31.***

The appeal process that has been in place since FY94 has allowed districts to appeal errors that did not appear until the final statewide error report was provided in January. This will no longer occur because no new errors can appear after the November 16 edit is run. Errors that appear for the first time on the November 16 turn around report must be corrected by December 31 using the procedure outlined above. There should be very few appeals approved after December 31.

District staff who are responsible for verifying ADM data and who will be out of the office during winter break must verify their data and submit corrections prior to the start of winter break. The business office can provide assistance in this process. The "District/School ADM Reports" are posted to the web about a week after each EOY MARSS reporting deadline. They can be found in the same area as the levy and IDEAS reports under the Student Data category at: <http://cfls.state.mn.us/servlet/MFRsystem>. Documentation on how to read the reports is posted to the web at: <http://cfl.state.mn.us/dpf/00-01ADMReport.pdf>.

## **Workshop Announcement**

1. UFARS "101" Workshop - There will be a general training program conducted by the Financial Management and Accountability Team on the UFARS system. It will be held at the Department of CFL's Conference Center in Roseville on December 19, 2001 from 8:30 to 3:30.