Minnesota Department of Education

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SCHOOL BUSINESS BULLETIN

Bulletin No. 18 April 2001

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

General Financial Management Matters

1. Welcome Aboard, Richard (Dick) Foster! – Richard Foster has joined the Financial Management & Accountability Team as of March 1st. Dick is a CPA with a MBA from the Carlson School of Business at the University of Minnesota. Some of you might know Dick from his business and finance consulting services provided to Minnesota and North Dakota School Districts over the past 15 years. Dick will be working in accounting, budgeting and finance.

2. New Phone Number – There were several mailings that incorrectly stated the telephone number for Ken Moos. His new number is 651/582-8370.

3. School District Profiles 1999-2000 – The School District Profiles Manual is now available on our website. Look under "What's New." Also, if you have problems with downloading and printing the manual or any of the files listed on our website, please follow the directions listed under "What's New."

4. New Student Activities Account Manual (SAAM) - A task force has been convened to improve upon the Manual that is more than a decade old and governed by laws that have since changed focus from a credit program to a standards-based program. The group is investigating relevant statutes in program, revenue and sales tax. They are reviewing concerns from the field as well as materials from other states. A draft is expected by early June.

5. State of Minnesota Committee on GASB Statement 34 - According to the Association of School Business Officials (ASBO),

   > "Statement 34 is arguably the most significant change in the history of governmental accounting. It is a dramatic modification to the way that school organizations report and present financial information. The new reporting model affects every school organization that issues financial statements in conformance with generally accepted accounting principles (GAAP)." *Statement 34 Implementation Guide*, ASBO, p.1.

   Look for recommendations from the GASB 34 committee on the Financial Management website in the near future. This information will also be shared in training sessions and through special mailings.

6. Credit Enhancement Program Still Going Strong! - The Credit Enhancement Program was established to allow Minnesota school districts to borrow funds at a lower interest rate by extending

the State's credit rating to the districts. Tax Anticipation Certificates and Aid Anticipation Certificates are two of the more active types of district borrowing and are guided by M.S. § 126C.50. District personnel interested in the program should contact their financial advisor for application and conditions.

Activity is considerably above last year's numbers. The activity in the program through the third quarter of FY 01 is:

Type	Number of Issues	Amount of Issues
General Obligation Bond	39	$591,800,000
General Obligation (Refunding)	28	$235,779,000
Aid Anticipation	79	$121,947,733
Tax Anticipation	54	$134,604,088
Capital Equipment	3	$ 16,994,891
Certificates of Participation	3	$ 91,990,000
Total Issues	206	
Total Amount		$1,193,115,712
Total Savings with Program	$24,469,041	

7. Money for Gifts - Every unit of government is authorized to expend public funds only for necessary costs and obligations specifically expressed by law or implied by the character of their taxing authority. All public officials and employees are obligated to establish and maintain expenditure controls that assure the public that all expenditures are necessary costs to fulfill the obligations of their respective units of government.

   Gifts are by definition unearned by the recipient and donations are contributions for which no obligation exists. Gifts and donations of school district funds to board members, employees, students, outside organizations or individuals are therefore illegal. Gifts and donations, no matter how meritorious the cause, cannot be construed as a necessary cost.

   EXAMPLES

   1. Hosting or subsidizing the cost of a dinner for a winning football team
   2. Donations of cash, goods or materials to a local service or charitable organization
   3. Providing free pop or coffee to teachers or other employees on the job
   4. Providing plaques, clocks or other items for retirements or recognitions, including flowers for all occasions including memorials
   5. Deficits in student activity funds NOT under control of the board.

8. Staff Development Alert - Please remember to use appropriate codes as you allocate the required 2% of basic revenue to staff development. M.S. § 122A.61 Reserved revenue for staff development is very specific in the designation of these funds. 25% should go to a district-wide committee. 25% must go to exemplar program development. 50% must go to sites for use in the staff development plans developed at those sites. The site funds are allocated on a per teacher basis, to be used by all site staff to accomplish previously specified outcomes. If a district is in Statutory Operating Debt (SOD) or if the majority vote of licensed teachers in the district and a majority vote of the school board agree to a resolution to waive the requirement, then the district is exempt from the statutory 2% requirement. The board may withhold a portion of initial allocation of revenue if the staff development outcomes are not being met. A district may also choose to fund staff development beyond the 2% level.

   When the expenditures are coded from these funds, use Fin Code 306 for the 50% site funds. Use Fin Code 307 for the exemplar funds. And, use Fin Code 308 for district wide funds. A district may choose to use reserved staff development funds from a prior year or reserved funds from other accounts from a prior year. Those funds do not count toward the required 2% new money each year.

Any unspent funds must be reserved to the appropriate fund balance code at the conclusion of each fiscal year. Districts must account for individual site reserves locally. The total staff development reserve is recorded in fund balance code 403.

UFARS Manual Update

1. New Codes for Medicaid and Third Party Billing - There has been a controversy surrounding this topic for well over a year. The topic got complicated with ownership issues, billing issues, accounting and reporting issues. Clarification of the issues surrounding this topic finally achieved a degree of mutual support between UFARS and EDRS, while also resolving long-standing confusions. The new code changes will take effect immediately according to people in special education and Mr. Dick Guevremont.

   The codes will be used within Finance Dimension Code 740-Special Education. The accompanying Program Dimension Codes would be 401-420, to distinguish the type of disability serviced. The object codes are:

   381 Medicaid, reimbursed equipment
   382 Medicaid, reimbursed services, not transportation

   384 Third Party, reimbursed equipment, not Medicaid
   385 Third Party, reimbursed services, not Medicaid, not transportation.

   The 500 codes are not used because these transactions result in ownership of equipment with the child. The district inventory would not show the product, but EDRS would be able to track the purchase of equipment. Likewise, with reimbursed services, the services extended are more a billing service than a direct provider of the services. Therefore, the 300 codes are used, not the 500 codes.

Pupil Transportation

1. Nonpublic Transportation Aids - The Administrative and Legal Accounting References Section (Chapter 11) of the F.Y. 2001 UFARS Manual includes incorrect references for Nonpublic Transportation Aids. The first item on page 4 of that section should read as follows:

   Revenue Source: NONPUBLIC PUPIL TRANS
   Intra DCFL Cost Codes: No change
   Payment Description on Checks to Schools: 01F720 NONPUBLIC PUPIL TRANS
   Contact: No Change
   Reference: M.S. § 123B.92, SUBD. 9
   UFARS Revenue: FU01/FIN720/SRC300
   UFARS Expenditures: FU01/PROG760/FIN720,726
   UFARS Balance Sheet Code: No change

   In addition, the term “Targeted Needs” has been dropped from the description. This term referred to the transportation funding formula that was in effect in F.Y. 1997 and F.Y. 1998.

   School districts receive funding for the transportation of nonpublic school students to and from school and for the transportation of nondisabled, nonpublic school students to shared-time classes, to health, guidance, and counseling services, and on late activity buses. The shared-time, health, guidance and counseling, and late activity transportation services are referred to as nonpublic nonregular. The cost of the to-and-from school transportation services is coded to Finance Dimension 720, Regular, and the cost of the nonregular transportation services is coded to Finance Dimension 726, Nonpublic Nonregular.

   For the 1999-2000 school year, 65 percent of the reporting independent, common, and special school districts transported nonpublic school students to and from school. Only 21 percent of those districts provided nonpublic nonregular transportation services. Because more districts provide to-and-from school transportation services and because the cost of the service is far greater than the nonregular portion, most of the nonpublic transportation aids are associated with the expenditures reported in Finance Dimension 720 instead of Finance Dimension 726.

School districts receive funding for the special transportation of nonpublic school students with disabilities to and from school and to shared-time special education classes through the special education formula. The cost of the special transportation services for nonpublic students with disabilities is coded to Finance Dimension 723. The description listed above only refers to the transportation of nondisabled, nonpublic school students.

School Facilities

1. 2001 Maintenance Cost Index – Mr. Phil Allmon announced that the 2001 Maintenance Cost Index calculations were sent to all superintendents and business managers in February. The calculations are used to determine future Operating Capital Revenue for facilities as per M.S. § 126C.10 Subd. 16. The figures are based on data inputted over the Age and Square Footage Web site. Only those facilities listed as "owned" and used for either academic or administrative purposes (per the statute) are used. Facilities listed for 2001 and beyond were not included.

   Please review your MCI figures. If you agree with the calculations, the figure will migrate to the Operating Capital Revenue calculations under the statute. If you have any problems or concerns or have not seen your calculations, please contact Phil Allmon at 651/582-8748.

2. Playground Safety Inspector Training Available – Western Area City County Cooperative is sponsoring a three-day training and certification (by exam) of the National Recreation and Park Association's Certified Playground Safety Inspector course, tentatively scheduled during the week of Oct 22nd. Attendance and certification by the NRPA is mandatory to receive H&S funding for playground issues, except for impact attenuating materials. Each district does not have to have a certified person, but a third party evaluating the playground must be certified.

   Contact Laurie Mullen at 218/736-0123 for more information. This information is developed for your use. Since CFL is not involved in this training, all questions should be made directly to Ms. Mullen.

3. Environmental Factors Affecting Children – U. S. Environmental Protection Agency Administrator Carol M. Browner announced results of the first-ever Agency assessment of trends in environmental factors that may affect the health and well being of American children. The report shows that, while there have been improvements, formidable challenges exist in reducing risks from environmental factors.

   > "Children are among the most vulnerable groups to environmental threats. We especially are concerned about such issues as exposure to lead and pesticides and rising incidents of childhood asthma. This important report outlines the progress we have made by specifically targeting threats to children, and it underscores the challenges that still confront us."

   The new report, "America's Children and the Environment: A First View of Available Measures," provides an improved way to monitor the Agency's progress in protecting children's health and identifying areas for further improvement. Children are more susceptible to threats from toxins and pollution than are adults for a wide variety of reasons and they require greater public health protection.

The report, which includes data for the 1990-99 decade, contains the following findings on improvements in that period:

- there was a decrease, from 28 percent (1990) to 23 percent (1998), in the percentage of children living in counties where one or more of the six “criteria air pollutants (ground-level ozone, particulate matter, carbon monoxide, lead, sulfur dioxide, and nitrogen dioxide)” exceeded national air quality standards;

- there was a decrease, from 29 percent (1994) to 19 percent (1999) in the percentage of homes inhabited by children under age seven and a regular smoker; and

- there was a decrease, from 19 percent (1993) to eight percent (1998), in the percentage of children living in areas served by public water systems that had any violation of drinking water standards.

Continuing challenges are evident in other trends cited in the report:

- environmentally-related health problems are found to be persistent among some groups of children, with race and poverty playing a disproportionate role; black children of families living below the poverty line have a higher rate of asthma than those of other racial groups and income levels;

- the prevalence of asthma among children in the U.S. increased from 5.8 percent in 1990 to 7.5 percent in 1995; and between 1992 and 1994, approximately 1.5 million children aged 17 and younger had elevated concentrations of lead in their blood, greater than 10 micrograms per deciliter.

The new study offers a basis for a better understanding of time trends for some of the key factors relevant to the environment and for further investigation of others. Finding ways to improve federal data will be a starting point of further deliberation. Long term, the goal is to identify or develop measures that could be used by policymakers and the public to track and understand the environmental experience of children and, ultimately, to identify and evaluate ways to improve that experience.

4. Consensus Standards in OSHA - Minnesota OSHA’s *Safety Lines Fall 2000 Number 30* edition has an excellent article co-authored by Jim Parent and Ann Shields and others at OSHA. It describes how MN OSHA uses industry consensus standards. In the past, in addition to MN OSHA rules, standards such as ANSI have been described as being applicable to MN schools and industries, tied in under the General Duty clause.

   “Normally, MNOSHA will not cite employers for failing to comply with current consensus standards unless those standards are specifically referenced by a particular OSHA standard. In most cases, if an OSHA investigator is aware of more stringent consensus standard requirements, he or she will bring these to the employer’s attention and recommend the company voluntarily meet the more stringent standards.” (p.4)

General Information

1. Upgrade for Java-Based EDRS - The Department of Children, Families & Learning is in the process of upgrading the Java Based Electronic Data Reporting System (EDRS) Application to offer more options to the end user. PC and Mac users need to be aware that the new version of Netscape 6 will not be able to connect to the DCFL Internet system. People should hold off upgrading their system to Netscape 6 at this time.

   This spring the Department of Children, Families & Learning Special Education Section will notify all end users of the updated EDRS Internet access options. These options will allow the end user to download Special Education EDRS State/Federal reports; print screen (no additional software will be needed); and, be able to view and/or download the "Funding Special Education

   Handbook for Administrators." For further information contact Mike Matlock at 651/582-8379.

2. Minnesota Food Distribution Pilot – Project No. 11

What is the Minnesota Food Distribution Pilot?

- A USDA approved demonstration pilot as part of the Food Distribution 2000 initiative to design and improve business processes associated with the distribution of USDA commodity foods.
- The scope of the pilot is statewide. Over 630 commodity customers in the State of Minnesota will participate during school year 2001-2002.
- This distribution pilot is a rebate pass-thru system. Schools in MN purchase approved commercial products from their distributor at bid price and receive a manufacturer's rebate from the State Agency for the commodity value in the product.
- The pilot is based on 100% substitutability of poultry and group "B" commodities (see listing of Commodities Utilized in Commercial Products).
- Currently, the pilot has agreements with 30 manufacturers representing over 300 commercial products.

How does the Minnesota Partnership work?

- Manufacturers of commercial products using poultry and group "B" commodities partner with Minnesota to design and implement the terms and conditions of the MN Pilot.
- The MN FNS website, Cyber Linked Interactive Child Nutrition System (*CLiCS*) manages all school orders, entitlement calculations and product rebates.
- *CLiCS* is a business-to-business technology that facilitates electronic transactions between schools, manufacturers, brokers, food service distributors and the State of Minnesota.
- Minnesota schools place annual order commitments for pilot approved commercial products via *CLiCS,* the State Agency website.
- State of Minnesota aggregates orders from all of the schools and communicates commodity orders to Manufacturers.
- State of Minnesota orders commodities from USDA and diverts to Manufacturers.
- Manufacturers pay the State of Minnesota for commodity value of truckload.
- Distributors provide commercial food products through normal channels to schools, at regular commercial product pricing.
- Schools apply for a rebate via *CLiCS* for purchasing the approved commercial products.

State of Minnesota passes manufacturers' commodity rebates to schools.

Benefits to Schools

- Schools can purchase commercial food items that they already use and know students like.
- Schools can order and receive the quantity of food products they can use without bunching or delays.
- Schools who participate in the pilot avoid any storage, delivery, and processing fees that are usually associated with the distribution or processing of commodity food items in Minnesota.

Why did industry get involved?

- Increased volume of commercial product sales.
- Production schedules of commodities can be controlled.
- Food distribution process is easier to manage than traditional commodity processing.
- Minnesota is allocated over $16 million in commodity funding.
- Minnesota currently has over 630 Sponsoring Food Authorities participating in the commodity program as a current and potential customer base for manufacturers and their commercial sales.
- No special packaging materials or inventory segregation are needed in order to produce food products.
- The State of Minnesota collects order commitments of Manufacturer's commercial products via *CLiCS.*
- Become a part of transforming Food Distribution for the new millennium.

Commodities Utilized in Commercial Products

Poultry/Egg Products

- Chicken, Large
- Chicken, Small
- Chicken, Diced
- Eggs, Frozen, Whole
- Turkey, Ground, Frozen
- Turkey, Whole, Frozen

Group B

- Cheese, Cheddar, Reduced Fat (white, yellow)
- Cheese, Cheddar (white & yellow)
- Cheese, Cheddar, Shredded (white, yellow)
- Cheese, Process (loaves, sliced)
- Cheese, Mozzarella, Low Moisture Part Skim (LMPS)
- Cheese, Mozzarella, LMPS, Shredded, Frozen
- Cheese, Mozzarella Lite, Froze
- Cheese, Mozzarella Lite, Shredded, Frozen
- Cheese, Natural American, Barrel
- Cheese Blend, American/Skim Milk, Sliced
- Flour, several types
- Milk, Nonfat Dry
- Oats
- Oil, Vegetable
- Peanut Butter (smooth, chunky)
- Shortening, Vegetable
- Shortening, Liquid Vegetable

Minnesota Department of Children, Families and Learning
Food & Nutrition Service
1500 Highway 36 West
Roseville, MN 55113-4266
Phone: 651-582-8526
(Inquire about the MN Pilot)
Fax: 651-582-8501

3. Training Opportunities - The Department of Children, Families & Learning (CFL) is sponsoring a series of training workshops to provide continuing education in the use of EDRS/UFARS. The following is a partial list of the workshops that will be available through the Financial Management & Accountability Team during the next several months:

   a) Basic UFARS This introductory workshop will benefit new school district personnel who need a basic understanding of the UFARS coding and reporting procedures. The workshop will be presented by the Financial Management & Accounting Team from 8:30 a.m. to 3:30 p.m. on Monday, **May 14, 2001** at CFL, Roseville, Minnesota.

   b) EDRS & UFARS Workshop This workshop will be conducted by Learner Options and Financial Management personnel on issues relating to the year-end reconciliation of UFARS and EDRS. It will be held at CFL, Roseville, MN. The workshop will held from 8:30 a.m. to 4:00 p.m. Registration information will be sent to school districts in mid April.

- Training for **DISTRICTS** will be held on **May 17, 2001.**
- Training for **CHARTER SCHOOLS** will be held on **May 18, 2001.**

c) Charter School Workshops There will be a workshop for charter schools conducted by the Financial Management and Accountability Team on year-end issues and UFARS training. It will be held at CFL, Roseville, MN from 8:30 a.m. to 3:00 p.m. on **June 1, 2001**.

d) A second Charter School two-day workshop is planned for summer, 2001. It will be for new staff in current charter schools and for staff in new charter school openings. Please contact Yvonne Wilkes for registration materials at 651/582-8477. For questions on workshop content, contact Nancy Schultz at 651/582-8712.

e) SOD Workshop Several districts have had their fund balances depleted over the past several months or years and are in danger of slipping into Statutory Operating Debt (SOD). There will be a few workshops conducted throughout the regions in the months of April , May and October on an invitation-only basis to review the SOD legislative requirements and anticipate the conditions of a SOD plan. The one-day workshop must be attended by the superintendent, a board member and the business manager or bookkeeper of the invited district.

4. Special Education Uniform Tuition Billing and EDRS Training

Special Education Uniform Tuition Billing Training

Date	Time	Location
April 2, 2001 Monday	8:30 – 12 Noon	Granite Falls Kilowatt Community Center 600 Kilowatt Drive Granite Falls, MN 56241
April 12, 2001 Thursday	8:30 – 12 Noon	Fergus Falls Lakes Country Service Co-op 1001 E. Mount Faith Fergus Falls, MN 56537
April 6, 2001 Friday	8:30 – 12 Noon	Duluth Holiday Inn and Suites 200 West First Street Duluth, MN 55802
April 11, 2001 Wednesday	8:30 – 12 Noon	Roseville CFL Conference Center 13 & 14 1500 Hwy 36 West Roseville, MN 55113
April 26, 2001 Thursday	8:30 – 12 Noon	Bemidji Northern Inn Hotel 3600 Moberg Drive NW Bemidji, MN 56601
May 2, 2001 Wednesday	8:30 – 12 Noon	Roseville CFL Conference Center 13 & 14 1500 Hwy 36 West Roseville, MN 55113
May 9, 2001 Wednesday	8:30 – 12 Noon	Roseville **REGISTRATION LIMITED TO 10** CFL Computer lab 1500 Hwy 36 West Roseville, MN 55113
May 9, 2001 Wednesday	1 – 4 p.m.	Roseville **REGISTRATION LIMITED TO 10** CFL Computer lab 1500 Hwy 36 West Roseville, MN 55113
May 14, 2001 Monday	8:30 – 12 Noon	Roseville **REGISTRATION LIMITED TO 10** CFL Computer lab 1500 Hwy 36 West Roseville, MN 55113

Date	Time	Location
May 14, 2001 Monday	1 – 4 p.m.	Roseville **REGISTRATION LIMITED TO 10** CFL Computer lab 1500 Hwy 36 West Roseville, MN 55113
May 22, 2001 Tuesday	8:30 – 12 Noon	Rochester Holiday Inn City Centre 220 South Broadway Rochester, MN 55904
May 31, 2001 Thursday	8:30 – 12 Noon	St. Cloud District 742 Board Room 628 Roosevelt Road St. Cloud, MN 56301
June 13, 2001 Wednesday	8:30 – 12 Noon	Roseville **REGISTRATION LIMITED TO 10** CFL Computer Lab 1500 Hwy 36 West Roseville, MN 55113
June 13, 2001 Wednesday	1 – 4 p.m.	Roseville **REGISTRATION LIMITED TO 10** CFL Computer Lab 1500 Hwy 36 West Roseville, MN 55113

EDRS Training

Date	Time	Location
May 9, 2001 Wednesday	8:30 – 12 Noon	Roseville **REGISTRATION LIMITED TO 10** CFL Computer Lab 1500 Hwy 36 West Roseville, MN 55113
May 9, 2001 Wednesday	1 – 4 p.m.	Roseville **REGISTRATION LIMITED TO 10** CFL Computer Lab 1500 Hwy 36 West Roseville, MN 55113
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Please contact Ms. JulAnn Meech for further information at 651/582-8611.