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## SCHOOL BUSINESS BULLETIN

Bulletin No. 10

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

### General Financial Management Matters

1. 1997-98 School District Profiles - The statistical portion of the Profiles has been completed and will be on the Department's website in early April. We are finalizing the complete Profiles publication and hope to have it ready to mail to school district superintendents in April. Please watch the superintendent's mailing for this important management tool. The document will also be on the Department's website at [cfl.state.mn.us](http://cfl.state.mn.us); District Information; Financial Management, Transportation and Accountability.

2. Direct Reporting of UFARS Data By Districts

Due to the removal of UFARS processing from regional mainframe systems to district (SMART) systems, UFARS data will no longer be collected and transferred to the Department from these regional systems. This means that each district will be responsible to report its data to the Department on an individual basis. The Department is currently working on the procedures and methods of direct reporting that districts will use to accomplish this task. Notification of procedures will be provided as soon as possible.

The new deadline date for all reporting units to have unaudited FY 1999 UFARS data to the Department is September 15, 1999. All audited data, including the Compliance Table, for FY 1999 is to be reported by November 30, 1999. The financial statement (annual audit) must be submitted to the Department and State Auditor's office by December 31, 1999 (Minn. Stat. 123B.77 (1998)). The contact persons for the September 15th and November 30th data deadlines will be Ken Moos and Debra Firkus. Debra Firkus will continue to be the Department's contact person for the annual audit report.

3. Indirect Cost Rates – The indirect cost rates will be sent in the Department's April 8 Superintendents' mailing. These rates will also be available on the Department's website at [cfl.state.mn.us](http://cfl.state.mn.us). Click on District Information; Financial Management, Transportation and Accountability; and scan down to Reports. If you have any questions, please call Ken Moos at (651) 582-8737.
4. E-Rate Monies (Discounts) – These discounts are federal support to communication service providers who provide service to a school or library. The E-rate monies, which a district may receive as discounts from the School Libraries Division (SLD) of the Universal Service Administration Company (USAC), can be coded in two different ways.

According to the SLD, telecommunications providers will soon be receiving a check from the fund administrator for discounts of the E-rate monies for the prior (first) year for all of its district clients. This lump sum check is to be redistributed to the districts within ten days after the provider receives the check. These monies should be considered miscellaneous local aid from prior years (Source 099, Miscellaneous Revenue from Local Sources).

The current year E-rate discount should be charged against the communications expense code(s) to show the net effect of the E-rate reimbursement to your district.

Our understanding is that in the future, E-rate discounts (credits) will be reflected directly in your invoice from the communications provider.

5. Net Unappropriated Operating Fund Balance - Net Unappropriated Operating Fund Balance (NUOFB) is defined in Minn. Stat. § 126C.01, subd. 11 (1998) as the sum of the balances in the General, Food Service and Community Service funds, minus the balances reserved for statutory operating debt reduction, bus purchase, severance pay, taconite, reemployment insurance, maintenance levy reduction, operating capital, disabled access, health and safety, and encumbrances, computed as of June 30 each year.

This is the definition used to calculate the NUOFB for each district in the Financial Condition of the Minnesota School Districts Report at the end of each year (see the reference to the Financial Condition Report in this Bulletin). The fund balance account numbers that are included in NUOFB are 403, 407, 408, 409, 418, 421, 422, (pertains to all three funds) 423, 425, 428, 429, 431, 432, 433, 434, 435 and 436. The balances are listed in the UFARS compliance table in the district's annual audit report.

The compliance table may also be found on the state web site at [cfl.state.mn.us](http://cfl.state.mn.us). Click on District Information; Financial Management, Transportation and Accountability Team; and scan down to Downloadable Forms.

6. Financial Condition of Minnesota School Districts Report - The latest (FY1998) issue of the Financial Condition of Minnesota School Districts report will be available on the Department's website in the near future (see website address above). This document contains various reports and charts on the comparison of district data from year to year and contains the NUOFB data for all districts and charter schools. The report was presented to the Legislature in February.
7. Accounting for Community Service Costs - The UFARS system considers the business office and data processing, including information systems costs, to be among the district costs that should not be charged to Community Education on an INDIRECT basis. The costs of services provided in these areas can be charged to Community Education, but on the basis of a DIRECT charge. That means that the actual time spent on Community Education activities can be charged to Community Education. For example, based on a position description or contract with an employee, it may be determined that 30% of his/her work is assigned to Community Education, or records kept of time spent on various tasks may be used. The determination may not be based on the percent of the total school budget that is Community Education, as this has no proven relationship with the additional work which is done because of Community Education's existence.

As far as the practice of charging rent to Community Education, the rental rate per square foot must be based on the cost of maintaining the building allocated on the square footage and the time the space is used by Community Education. Community Education Services at the Department will be glad to work with districts to come up with a formula for your district.

Also, the expense of printing and mailing the District Calendar and Newsletters should be General Fund expenses.

These procedures should be followed if the policy of your district is to charge Community Education for the costs that result from its operation.

## School Funding

1. Debt Service Fund Excess Accumulations - Minn. Stat. § 475.61 (1998) explains the procedures for districts to follow when they need to levy for dollars in the Debt Service Fund. It further explains what must be done on a yearly basis when excess monies accumulate in this fund. Subd. 4 of this statute explains what happens when a surplus is left after all obligations of the fund have been paid. Please refer to this statute when you are involved in debt service levies and long term bond payments.

A district must levy 105% of the amount needed to pay yearly obligations of principal and interest bond payments. The 5% extra is to cover delinquent taxes and cash flow problems that may occur within the fund.

Each year districts must do a calculation of possible excess money in the Debt Service Fund. The amount of the excess must be certified by the school board to the Department. A Debt Redemption Fund Excess Amount Computation Form (ED-02025) is included in the levy packet that districts receive from the Department in the summer to help the district calculate the excess, if any. This form must be completed and returned to the Department as part of the yearly levy process. Detailed instructions are included on the form to ensure that complete and accurate excess amounts are reported to the Department. Using this procedure, a district should be able to maintain the proper amount and even a small cushion in the Debt Redemption Fund on a yearly basis.

Subd. 4 of the statute explains what must be done when the district's obligation on bond and interest payments is finished and a surplus remains in the Debt Redemption Fund. The surplus funds must be used to reduce state aid and the General Education Levy. The levy reduction would equal the total amount of the surplus minus the reduction of any state aids.

## School Facilities

1. ASHAA Loans - Some districts are paying off interest-free loans for prior year's asbestos removal projects under the Environmental Protection Agency's ASHAA program using Health and Safety funds. In the past, districts were advised it was optional to identify the projects on the Health and Safety project list using a "PYA" (for prior year adjustment) in the Finance Dimension code column, which would result in special handling.

A recent procedural change within DCFL requires a clarification. The proceeds of the ASHAA loan must be in the Health & Safety reserve fund balance and your district accounting system is to recognize the loan repayment as a Health and Safety expenditure (Finance 358 & Object 730). There is no additional Health & Safety funding when these loan repayments are made.

2. Ergonomics - The National Institute for Occupational Safety & Health (NIOSH), has a wonderful website page devoted to the issue of ergonomics and musculoskeletal disorders, with additional information on effectiveness of backbelts. Thanks to Barbara Baum, PT, MINN. STAT. of the Fairview Medical Group for the information on the website.
3. Food Service Ergonomics - The kitchen ergonomics training session originally scheduled for April 1999 has been postponed until the fall of 1999. This was done as additional course development time is required and so as not to interfere with implementation of the Department of Health's new Food Code rules. For further information, contact Phil Allmon at 651/582-8748. Please pass this information to your safety committee, food service director and lead cook(s).
4. Interim Bleacher Criteria (S.F.1117) - Regarding bleachers, Senate File 1117 (the Minnesota Bleacher Safety Act bill) was heard March 10, 1999 by the Governmental Operations and Veterans Committee. If passed into law, it will require that all bleachers in places of public accommodations over 30 inches above grade conform to the following:
  1. The open space between bleacher foot boards, seats and guardrails must not exceed four inches, unless approved safety nets are installed;

2. Bleachers must have vertical perimeter guardrails with no more than four-inch rail spacing between vertical rails or other approved guardrails which address climbability and are designed to prevent accidents; and
3. Bleachers already in existence as of the effective date of the act must comply with the structural provisions of the 1998 State Building Code. All new bleachers manufactured, installed, sold or distributed after the effective date of this act must comply with the State Building Code in effect and clauses (1) and (2) above.

S.F. 1117 further states that school districts (and private schools) operating or owning places of public accommodation with bleachers shall provide a signed affidavit of compliance to the Commissioner of Administration by the effective date of the proposed statute (one year after final enactment). The affidavit shall be prepared by a qualified and certified building official or state licensed design professional and shall certify that the bleachers have been inspected and are in compliance with the requirements of the proposed statute (mostly the above, but other conditions may apply; refer to the bill's language). The Commissioner shall shut down places of public accommodation not in compliance (the portion not in compliance, not the whole operation). The Commissioner shall adopt rules to implement the proposed statute. The rules must provide for periodic inspections of places of public accommodation. Inspections can be completed in the manner as described in subdivision 4 of the proposed statute. Finally, an appropriation is indicated for the purpose of making grants for bleacher work done, probably on a dollar for dollar basis. Sen. Pogemiller will take up eligibility for Health & Safety usage for matching purposes in the Education Committee.

The Department in no way wishes to delay a school district's evaluation and repair of its bleacher system, especially in view of the upcoming summer season. In light of the above and due to the intense interest in using Health & Safety funding to investigate and implement solutions in a timely manner, the following policy clarifications are made for inspection reports:

1. DCFL policy on use of Health & Safety funding to correct bleacher conditions as stated on page 5 of the June 3, 1998 policy letter remains in effect.
2. "Current state building code" includes changes stated in the Dept. of Admin.'s February 12, 1999 memo entitled "Additional Bleacher Safety Issues" and inspection criteria set forth in S.F. 1117. A fax copy of the memo can be obtained from Phil Allmon at DCFL.
3. "Inspection by architect or engineer" in the Health & Safety policy letter means the inspection criteria set forth in S.F. 1117.
4. Every reasonable effort should be made by the inspector to arrive at a solution of repair instead of replacement. A respectable "repair solution" shall be included in each report so that if replacement is recommended, a report reviewer can fairly understand the benefits and costs associated with each choice.
5. Inspection reports should be prepared to meet three goals (but must meet the first). (1) justifying expenditure of Health & Safety monies, (2) serving as the basis of the affidavit of compliance referenced in the proposed statute, and (3) serving to qualify the district foreligibility of the matching grant funds proposed in the legislation. If it is not possible to meet all three, the district shall be notified of possible report deficiencies so it will understand its position relative to the proposed legislation.
6. Following inspections and the receipt of reports, DCFL will determine eligibility of funding for Health & Safety. The inspecting official's report and recommendations are very important to the process, so care and thoroughness is encouraged.
7. Only deficiencies relating to bleacher safety can be funded under Health & Safety under current policy. For example, a disabled access deficiency not meeting structural provisions of the 1998 State Building Code cannot be funded under current policy. However, if disabled access issues (or any other issues) are identified as a structural provision in the 1998 State Building Code, they must be identified in the report.

Questions or comments? Please contact Phil Allmon at 612/582-8748.

## **General Information**

1. DeLong leaving DCFL - Dennis DeLong, a member of the Financial Management, Transportation & Accounting Team has accepted a position with the Minneapolis School District Accounting/Budgeting Department. Dennis has been at the Department for five years. His experience and knowledge of UFARS will be greatly missed. We wish him well on his move. GOOD LUCK AT MPLS!
2. The 49th Annual Minnesota Association for School Business Officials Conference is scheduled for May 5-7, 1999 at Cragun's Resort in Brainerd. If you would like further information on this conference, please contact Sue Crockett, MASBO Executive Director, at (612) 922-9672.