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SCHOOL BUSINESS BULLETIN

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

UFARS Manual Update

The UFARS Manual for 1998-99 is now available on the Department's web site. Go to District Information; Financial Management Transportation and Accountability; Uniform Financial Accounting and Reporting Standards – 1999.

We are encouraging districts to print the manual from the Internet. A printed copy will be available from our office for a cost of \$6.00. Please send a letter, along with a check (no DPOs please) to Yvonne Wilkes, 550 Cedar St., Room 552, St. Paul, MN 55101. If you need further information, please call (651) 297-5776.

With this year's manual is a new section entitled "**Cost Allocation Standards.**" The purpose of this section is to define how costs should be distributed to expenditure accounts. The goals are to achieve adherence to state and federal statutes and Generally Accepted Accounting Principles (GAAP), and to achieve uniform reporting among the districts and schools. You will find this section in the manual under **Part II: Financial Management Procedures, Chapter 16 – Financial Accounting and Reporting.**

Our special thanks to Ken Zastrow who took the leadership in writing this document. Also, thanks to the Cost Allocation Task Force: Nancy Henderson, Charles Huntley, Jerry Johnson, Ann McIntosh, Larry Shomion, Pat Leistikow, Bill Rueber, and Greg Hierlinger. Department staff were Ken Zastrow, Mike Enman, Dick Guevremont, Bob Kasper and Gary Farland.

General Financial Management Matters

1. **New UFARS Turn-around Report** - There is a new component of the UFARS turn-around reports that will help with aligning the unaudited UFARS data with the subsequent audit report. You will receive this report after each submission of UFARS data. The new component is UFARS data in the same format as the compliance table of the audit report. Please use this report to compare to your audit. If you have any questions, please contact Debrah Firkus at (651) 296-8640.
2. **UFARS Turn-Around Documents** – Districts should be checking their turn-around reports for reserve account balances. The Department will be retrieving UFARS data for specific reporting on:

- a. Learning and Development (Balance Sheet Account Code 428).
- b. Cooperative Revenue (Balance Sheet Account Code 408.)
- c. Area Learning Center (Balance Sheet Account Code 434.)
- d. Contracted Alternative Program (Balance Sheet Account Code 435.)
- e. State Approved Alternative Program (Balance Sheet Account Code 436.)

A report will also be generated on Compensatory Revenue expenditures (Finance Code 317).

3. **Fiscal Disparities Revenue** – Districts receiving Fiscal Disparities Revenues need to report these revenues using Source Code 009. Last year, Fiscal Disparities Revenues reported in UFARS were almost \$100 million less than was actually paid.
4. **Year 2000 Awareness** - The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that make them unable to process year date data accurately beyond 1999. It is the responsibility of a district's management to assess and remediate the effects of the Year 2000 Issue on an entity's systems.

The financial auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Auditors can play a vital role in ensuring the success of the Year 2000 Project (Minnesota Department of Administration) by including Year 2000 in their audit plans. They can increase awareness and spur a commitment on the part of management to allocate resources (time and dollars) to solve the problem.

The Minnesota State Auditors are using a Year 2000 (Y2K) Compliance Questionnaire in their plans. The AICPA has a Current Accounting and Auditing Guidance on the year 2000 issue. Also be aware that the GASB has an Exposure Draft on what types of disclosures should be presented in the financial statements about compliance with year 2000 computer issues.

If you have any questions, please feel free to contact Debrah Firkus at (651) 296-8640.

5. **Collaboration Accounting Codes** – To assist school districts in tracking and reporting collaborative revenues and expenditures, the Accounting Guidelines Committee has approved a new code in the Finance Dimension of the UFARS accounting system. This code is Finance Code 799, Collaboration – Expansion of Early Intervention and Prevention Services (Funds 01 and 04), for the purpose of recording revenues and expenditures that expand early intervention, prevention and mental health service for children and families. These are Local Collaborative Time Study (LCTS) dollars that flow from the federal level through the Department of Human Services to the county and on to the integrated fund of the collaborative. Individual school districts that receive LCTS funds from the county through the collaborative integrated fund are to consider these funds as being from a local source and not as federal dollars. Finance Code 799 with Source Code 099, Miscellaneous Revenue from Local Sources, is to be used in the 1998-99 fiscal year and beyond.

Finance Code 377 (Funds 01 and 04), Family Service and Mental Health Initiative, was implemented for fiscal year 1997-98 and beyond to record the revenues and expenditures of state collaborative grant funds.

School districts are encouraged to use the course dimension and assign a course code of their choice to each of the programs, activities or services listed in the document entitled "LCTS Expenditure Categories for Early Intervention and Prevention Services." Thus, districts will be able to further describe or identify an activity within another dimension to achieve more detailed information to track a given transaction. This detailed information will allow districts to provide the data to support their LCTS maintenance of effort and base year calculation requirements through the use of UFARS.

A note of caution: School districts should not use Finance Codes 450, 451 and 452 to identify LCTS transactions as these codes have been deleted for 1998-99 and beyond. In fact, these Finance Codes were not operational for the 1997-98 Fiscal Year as they identified LCTS as federal dollars to the school district. After the commencement of the 1997-98 fiscal year, it was determined by the Department of Human Services that LCTS dollars lose their federal identity at the county level, and as result, school districts were to consider these dollars as coming from a local source – the county.

Also, please note that when the school district is serving as the fiscal agent of the collaborative, it is recommended that the agency fund (09) be used to account for the collaborative revenues and expenditures.

For further information, please contact Chuck Kinn of the Financial Management Team at (651) 296-5906.

School Funding

- 1. Proposed Tax Levy Certification** – School districts must certify their proposed levies to the home county auditor by September 30. Proposed levy certification requires school board action. Page 19 of the Levy Limitation & Certification Report is the only page that needs to be completed and submitted to the county auditor. If a school district proposes to levy the maximum amount, it need only type "maximum" in the box in the lower right corner of Page 19, and have the school board clerk sign and date the form. If the district proposes to levy less than the maximum, it must fill in the dollar amounts for each levy category. A copy of the proposed levy must be submitted to the Department by October 7. While the county auditor receives only Page 19, the Department requires that portions of pages 20 through 26 be submitted if the district levies less than the maximum, to document where the district is underlevying. Questions concerning levy certification may be directed to Terri Yetter at (651) 297-3625.
- 2. Superintendent's Annual Report on Expenditures, Student Passage Rates and Cross-Subsidies** - Pursuant to Laws 1998, Chapter 398, Article 6, Section 16, by January 10 each year, the superintendent of each school district must submit an annual report to the Department identifying:
 1. The expenditures that the district requires to ensure an 80 percent and a 90 percent student passage rate on the basic standards test taken in the eighth grade, and a 99 percent student passage rate on the basic standards test by the 12th grade, and
 2. How much the district is cross-subsidizing programs with special education, compensatory, and general education revenue.

The first report under this provision is due January 10, 1999. A Department form for the first item above, expenditures and student passage rates, is being finalized and will be mailed to school districts on October 1.

A separate form, dealing with cross-subsidies, will be mailed to districts in November. This second form will be a turn-around report. The Department will compute the estimated cross-subsidies based on UFARS and other data submitted by school districts, will request that school districts review this information, and make revisions as necessary. Questions concerning these reports may be directed to Tom Melcher at (651) 297-2194.

School Facilities

- 1. School Building Accessibility Capital Improvement Grants** – One million dollars is available to school districts as they make their facilities and sites more accessible. Grant dollars are available to remove architectural barriers from school buildings or other sites owned by school districts. The maximum individual grant to a school district will be \$150,000 minus any other grants received under this legislation. Grant applications are due September 30, 1998, and grant awards will be announced in November. Contact Nancy Valento, Management Assistance, (651) 297-4832, Fax (651) 296-2288.
- 2. Unit Ventilator Usage**

Background – On September 3, 1998 the facilities section hosted a workshop on the topic of Unit Ventilator usage in schools. Unit ventilators are stand-alone units intended to provide air and heating/cooling service to one room and are usually found along the outer wall. Their favored use is for school classrooms and motel rooms. The following points were developed during the course of the workshop and from prior information.

There are four major contributors to indoor air quality problems in school buildings. They are (1) inadequate mechanical ventilation, (2) water leaking into buildings, (3) improper house-keeping practices, and (4) improper use of the affected area.

About 70% of school buildings are for elementary grade levels in about 1100 buildings. Each building at this grade level contains between 50-100 unit ventilators. Being mechanical devices, their considered service-life is about 30 years. Since there are about 80,000 units (just considering elementary schools), and the average building age is 30 years (source: Maintenance Cost Index database), this means that there are roughly 40,000 units needing either major renovation or replacement.

The Problem – It was almost universally agreed that the key to proper unit ventilator operation is proper maintenance. It was also agreed that very few of these units are receiving it. Many examples of filthy and caked units, clogged air filters, air source either boarded off or being drawn from swampy tunnel air, controls and their mechanical vanes inoperative, and motors burned out were given. And, as anyone who has ever stayed in a hotel room knows, these units are noisy, especially if poorly maintained. Often the teacher shuts off the unit so she or he can be heard without distraction.

As was stated above, the problem is maintenance. However, we found the unit ventilator to be symptomatic of an even larger problem and we believe it is the core problem of the issue. Good maintenance comes as a result of a strong facilities maintenance management program, which often does not exist in most facilities today. By this we mean that each piece of major equipment as well as each building system is analyzed and broken down into preventive and corrective maintenance tasks. Using the unit ventilator, periodically a person should visually inspect the entire unit to make sure everything is in place and functioning and there are no obvious problems. Less frequently, mechanical operating subassemblies should undergo technical evaluation to make sure they operate properly over their dynamic temperature range. Periodic cleaning and replacement of replaceable components (such as filters) should be done.

Under facilities maintenance management, these activities should be (1) described in detail, (2) written down and trained on, (3) scheduled and (4) work actually done. If any of these steps are omitted or shortchanged, the results are either unpredictable or the work just plain never gets done. The above are the basis of new international standards such as ISO 9000. There are many fancy phrases for the solution, but it boils down to proper facility maintenance management, which must include the above four steps to work.

Until a statewide program such as facilities maintenance management is developed and implemented, maintenance problems like the roughly 40,000 unattended unit ventilators will continue to limp along, under-serviced, operating improperly or just shut off by disgusted room occupants. And since these units are their source of fresh air for purging distributed impurities and for breathing, the issue is not trivial. Adequate funding for the time and resources to do the work is important. But, accompanying the funding is the need for proper facilities maintenance management. Otherwise, the funding will have no proper heading and direction to guide it.

- 3. Ergonomics and Health and Safety** – It has long been recognized that the types of injuries resulting from repetitive stress to the muscular/skeletal portion of the body constitute a sizeable share of employee suffering and workers compensation claims. Up until now, Health and Safety has focused primarily on regulatory compliance as the means of protecting employees and students. By also incorporating ergonomic issues into Health and Safety, it is this agency's goal to include a reduction in workers comp and first-report-of-injury reports as criteria for measuring a safety program's success.

The work areas which have been identified long range as needing ergonomics attention are: administration/clerical, food service, maintenance/custodial and special education. Due to the complexity of the latter areas, the administration/clerical has been selected as the entry point. For discussion purposes, our definition of ergonomics is limited to those activities which reduce or prevent muscular/skeletal injuries resulting from repetitive stress while on the job.

The overall plan is as follows:

- District to select one or more persons (preferably more than one) to be the district's ergonomic contact person(s). Person to receive DCFL-sponsored training, then return to district to become involved in assessing muscular/skeletal injuries resulting from repetitive stress while on the job, with the goal of reducing or preventing them. This person also would authorize expenditure of Health and Safety funds.
- DCFL to offer one-day of intensive training to contact person(s) selected by the district. Workshops offered in each of the nine service cooperative regions (two in Southwest and Metro Regions).
- DCFL issues a certificate and a completion-number. The completion number authorizes the person to evaluate (or contract for evaluation) of a suspected ergonomics problem in the administrative/clerical area, and to apply for use of Health and Safety funding for remediation.
- Completion numbers from your district must accompany any request for Health and Safety funding. Completion numbers are issued to district employees only and are good for that district only. Contractors/consultants may assist district in assessing situations and preparing reports but are not assigned numbers since numbers are used for district-unique financial consideration

Training will include consideration of the following:

- Discussion of injuries in the workplace.
- Description of the body.
- Repetitive stress injury risk factors, signs and symptoms, and prevention.
- Office ergonomics: sitting, posture, head position, eyes/vision, and arms.
- Injury prevention in the district, to include roles of administration, assessments, safety committees and the Health & Safety program.
- Small group sessions: Evaluating a work station, products, and communication and training in a district.

One day regional training will be offered in the October and November timeframe. Cost is expected to be about \$150 for first person and \$75 for each additional person from the district. Actual training announcements will be promulgated separately for each region. If you have questions about the program, please contact Phil Allmon at (651) 296-9786.

- 4. Health and Safety Management Assistance Program** – The program was established to promote regional capacity to assist districts in identifying and managing their health and safety issues. This is accomplished by funding the services of a health and safety professional in each of the nine Service Cooperative regions to work with districts on a no-cost basis. This is true regardless of whether the district participates in the Service Cooperative's health and safety for-fee program.

These professionals provide their services in an "assistance" capacity. They do not do the assessments, surveys, training, recordkeeping and the like – these are done by district staff personnel or an outside consultant. They come on-site twice each year and gather information by doing physical surveys, talking with key persons, evaluating plans and documentation, and by recommending Health and Safety projects. At the time (or shortly after) they depart, they will furnish a report intended to provide Safety Committees with some observations and recommendations for improvements in each Health and Safety area (Asbestos, Bloodborne Pathogens, Right-To-Know, etc.)

The following are the names and phone numbers of each Service Cooperative's Health and Safety Management Assistance professional. While they will be contacting you soon to schedule appointments, please feel free to call on them to help with any Health and Safety issue, including financial. If you have further questions, Phil Allmon is available at (651) 296-9786.

Region

01/02	Barbara Schmitz	(218) 681-8005
03	Mike Nilsen	(218) 741-0750
04	Alissa Beckman	218) 739-3273
05	Gary Nytes	(218) 894-1930
06/08	Mary Woodford (Edna Gossen)	(507) 537-6800
07	Norb Weber	(320) 255-3236
09	Nancy Meixel	(507) 389-5109
10	Box Carlson	(507) 288-1282
11	Ralph DuBall	(612) 706-0801 ext. 122

General Information

- 1. Education Tax Credits and Deductions** – Parents should be aware of their ability to supplement their children's education and to have tax credits and deductions help pay their school costs. Districts can make parents aware of the Department's web site dealing with this subject. Or, parents can call (651) 296-1261 from the Twin Cities area, or (800) 657-3990 from greater Minnesota. The Department of Revenue also provides specific tax-related information on their web site.

School districts must still abide by the fee statutes of Minn. Stat. 120.71-120.76. However, the new tax provisions certainly can facilitate the charging of permitted fees.

Parents should be reminded to keep all receipts for educational purchases they make in 1998. The credit is a dollar-for-dollar refund for families with household incomes under \$33,500 per year. The deductions apply to all Minnesotans, regardless of income, who have children in K-12. Monies spent on tutoring, academic summer camps, enrichment programs, textbooks and instructional materials, or computer hardware or software for educational purposes qualify.

Families who qualify for the credit can claim a maximum refund of \$1,000 per child, with a limit of \$2,000 per family. If expenses exceed that cap, families who take the credit may also apply for a deduction. Deductions for dependent children in K-6 grades have been increased from a maximum deduction of \$650 to \$1,625; for grades 7-12 it has increased from a maximum of \$1,000 to \$2,500. Parents do not need to itemize deductions to qualify, but they must save their receipts. Educational tax deductions can be used for tuition expenses, but the credits cannot.

Even families that don't usually file returns and owe no money should file in 1999. In addition to the educational tax credit, they may qualify for other rebates such as the Working Family Credit, the Federal Earned Income Tax Credit, the Renter/Homeowner Property Tax Refund and the Child Care Credit.

For further information, please call Barb Zohn at (651) 215-9000.

- 2. Request for Donations** – Phil Allmon received a memo from Dick Korf, Director of Buildings and Grounds for Cook County Schools, Grand Marais, Minnesota (ISD 166). He and others are involved with providing support for the Cancun-American Football Team, a Mexican boys team. They are looking for the donation of a used scoreboard and any other general football equipment they can get. Dick can be reached at (218) 387-2271 and would be happy to hear from anyone in a donating mood.