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## SCHOOL BUSINESS BULLETIN

Bulletin No. 7

May 28, 1998

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

### General Financial Management Matters

1. Gifts – M.S. 123.40, Subd. 3 allows the school board to accept bequests, donations, or gifts for any proper purpose. The board may also act as trustee of any trust created for the benefit of the district, or for the benefit of pupils thereof, including trusts created to provide pupils of the district with advanced education after completion of high school.

Since only the school board has the authority to accept gifts on behalf of the district, a process for accepting gifts should be in place in every district and communicated to all learning sites. It is recommended that this process include a gift acceptance form that the building principal or program administrators would initially complete. This form would contain all the necessary information for board acceptance of the gift.

In a district where many gifts are received, the board may wish to annually pre-approve the acceptance of up to a specified dollar amount in gifts for schools or programs.

2. Fees for Instruction – There has been some discussion on the legality of charging fees for extending one-half day every day or full-day every other day kindergarten into full day every day. Generally, charging fees for instruction is contrary to the Minnesota Public School Fee Law (M.S. 120.71-120.76). However, according to M.S. 121.88, Subd. 10, a school board may offer, as part of a community education program, an extended day program for children from kindergarten through grade 6 for the purpose of expanding students' learning opportunities. This statute specifies certain requirements for these programs, including that the district may charge a sliding fee based upon family income for extended day programs. Also, if a district does offer an extended day program, it is eligible for revenue for the additional costs of providing services to children with disabilities and/or personal difficulties (M.S. 124.771b). UFARS requires that accounting for any extended day activities be within Fund 04, Community Service Fund, and Program Code 570, Extended Day Programs. The program should be referred to as extended day rather than kindergarten. Districts should not use the General Fund if they are charging fees for extending kindergarten to full day every day.
3. Change in UFARS Reporting Requirements – The 1998 Legislature changed the following reporting deadlines (M.S. 121.908):
  - (1) Moved the deadline for submitting unaudited financial data from August 15 to September 15. This is effective for the FY 1998 data.

- (2) Moved the deadline for submitting audited financial data from December 31 to November 30. However, the audit report document that is submitted annually to the Department and the State Auditor remains at December 31. This is effective for the FY 1999 data.
- (3) Requires a copy of the management letter by the auditor to be submitted to the Department and the State Auditor. This is effective for the FY 1999 audit.
- 4. Garnishments – The garnishment statute expressly states that public servants, including school district employees, are subject to garnishment (M.S. 571.77). All districts should have a procedure for the business office to comply with the garnishment summons. A garnishment is a lawsuit by a creditor against a person or entity, such as a school district, which owes money to the debtor. The debtor is typically an employee.

According to M.S. 571.76, at the time of service of a garnishment summons, the creditor must pay the school district a \$15 fee. Failure to pay the fee renders the garnishment void, and the school district shall take no action.

If you have questions about the application of the garnishment statute, consult your legal counsel.

## School Funding

- 1. Governor signs new funding bill – On April 21, 1998, Governor Arne H. Carlson signed the K-12 education bill. The major funding changes for FY 1999 are as follows:
  - (1) The FY 1999 formula allowance for General Education Revenue is \$3,530. The calculation to arrive at this amount is as follows:

\$3,581	FY 1998 Amount
+ 79	2.2% increase
- 130	Remove T & E and make separate categorical
<u>\$3,530</u>	

(This was included in last year's bill.)

- (2) Increase Graduation Standards Implementation revenue from \$10/WADM to either \$52, \$66, or \$100.

\$52	All Districts
+ \$14	Districts that implement the Graduation Rule under M.S. 121.1114, paragraph (b).
+ \$34	Districts that qualify for the referendum allowance reduction under M.S. 124A.03, Subdivision 3c and whose authority does not exceed the referendum allowance limit under M.S. 124A.03, Subdivision 1c, clauses (2).

- (3) Folds AOM, LEP, and Compensatory Education into a new General Education revenue component called "Basic Skills" revenue.

The funding formula for each remains intact but the accounting treatment will change due to the folding into one component. (This was included in last year's bill.)

- (4) Re-institutes the staff development reserve at 1% of Basic General Education Revenue (\$35.30/WADM). This is an overall requirement; amounts reserved for staff development under the Graduation Standards Implementation Revenue requirements or other programs (e.g., compensatory education) count toward the 1 % reserve.

## School Facilities

- 1. THE FACTS ARE IN. The State Fire Marshal's office has just released its annual report on the status of fire protection in schools. One nugget which appears on the last page deserves front page attention—it makes the case for sprinklering, especially against arson. Since 1986, there have been 1,044 reported fires in school buildings, with 503 of these (or 48%) determined to be acts of arson. Buildings suffering major damage (including many that were totally destroyed) are 22 in number.

Here is the interesting part. Those NOT sprinklered suffered a range of \$2-\$12 million in structural damage, with an average of \$5.3 million (not including relocation costs and inconvenience). Those that WERE sprinklered suffered a range of \$50,000 to \$500,000 with an average loss of \$125,000 (with relocation costs and inconvenience being reduced proportionally as well). Since there are 1,600 school buildings statewide, a building stands a 65% chance of sustaining a fire over the next ten years if the last 10 are an indicator. With arson such a major component of these fires, 65% may be conservative. Conclusion: Direct recovery costs for buildings without sprinklering will cost over 40 times as much than buildings protected by sprinklering.

2. WHAT IS THE FIRE MARSHAL SEEING? When touring buildings, the state fire marshal looks for fire hazards. In addition to the perennial "doors propped open", the marshal sees things hanging from sprinkler heads and other suspended or hanging things that can interfere with a sprinkler's ability to douse the flames. Conclusion: Health & safety coordinators must be vigilant in making sure water from sprinkler heads have unimpeded access to all parts of the areas they service.
3. HEALTH AND SAFETY REVENUE APPLICATION OVER THE INTERNET. The 98 Pay 99 Health & Safety application process will require you to input data over the Internet, due to staffing restrictions at the Department. Some Macintosh users have experienced difficulty logging on if they are using Netscape 2.0. By upgrading to Netscape 3.0 or higher, the problem is solved. If you are having difficulty logging on or entering, contact Phil Allmon at 612/296-9786.
4. INDOOR AIR QUALITY NEWS. Training of IAQ Coordinators occurred in April. Remember, per M.S. 124.83 school districts are required to develop and maintain a SCHOOL BOARD APPROVED Indoor Air Quality Management Plan. This requires a plan, an IAQ Coordinator, assessment, training, recordkeeping, parent/community information source and other. For more information, contact the "management assistance" professional at your Service Cooperative (old ECSU), or contact Phil Allmon.
5. AN ABSESTOS REMINDER. Just to remind all school districts that the next round of three-year inspections for asbestos is due to be completed by July 9, 1998, if you are on the same schedule as the vast majority of school districts. If your Health and Safety Section doesn't know what this means, call Phil Allmon at (612) 296-9786 as soon as possible.
6. AN UNDERGROUND STORAGE TANK REMINDER. Regulated USTs must be out of the ground by December 22, 1998. This does not include fuel oil tanks for providing heat to buildings unless they were installed between 1985 and 1989 ( a strange quirk of the law).
7. WHAT'S COMING? Ergonomics. The Department is working with resources from the University of Minnesota and the Fairview healthcare system to develop a one or two day workshop, transportable to each region in state. Attendees will receive the most current information on ergonomics and training on how to recognize, train on and recommend equipment and supplies to remediate. This initiative is still in the "deep planning" stage but everyone involved is very upbeat about its potential.

## UFARS Manual Update

1. **Chapter 10** – The FY 1998 edition of Chapter 10, Permitted Code Combinations, has been revised and is now available on the Internet. The revision incorporates the changes covered in previous School Business Bulletins as well as the new Finance Dimension Code 453 covered in this bulletin.
2. **New Federal Finance Dimension Code** – There has been established a new federal multi-year grant program to accelerate the implementation of school district technology plans, effective FY 1998.

### 453 Technology Literacy Challenge Grant (Fund 01)

Record revenues and expenditures for Technology Literacy Challenge Grants. The focus of these grants is to accelerate the implementation of school district technology plans. Funded projects help school districts accomplish the four national goals for technology in education: 1) all teachers will have the training and support they need to help all students learn through computers and through the information superhighway; 2) all teachers and students will have modern computers in their classrooms; 3) every classroom will be connected to the information

superhighway; and 4) effective and engaging software and online resources will be an integral part of every school curriculum (P.L. 104-208; CFDA No. 84.318X).

*Payment Description – 01F453 TECHLITCHALGRT*

**Permitted Code Combination – Chapter X**

FIN	DESCRIPTION	FD	ORG	PROGRAM	OBJECT
453	TECHNOLOGY LITERACYCHALLENGE GRANT	01	005 001-999 005 001-999	020-030 Administration 050 School Admin. 105-110 District Sup Svcs 201-270 Kndgtn/El/Sec. Instr. 301-399 Vocational Programs 605-640 Instr. Support Svcs 850 Facilities	110-599, 800-899

- Title I Program Code** – At its May meeting, the Accounting Guidelines Committee voted to restore Program Code 216, Educationally Disadvantaged. This code was slated to be eliminated beginning in FY 1999 since there is also a finance code for Title I programs. However, this code will be used only for Title I programs; the previous description said to include LEP expenditures, but these now have their own Program Code 219. See the included code descriptions.

**Program Code**

**216 Title I of E.S.E.A.**

Record expenditures for remedial education funded by Title I of E.S.E.A. Use in conjunction with Finance Codes 401 through 404, and 406, and the programs for which these codes apply. This code should always be used if these finance codes are used.

- Revised Compliance Table** – A revised form ED-02207-01, Uniform Financial Accounting and Reporting Standards Compliance Table (June 30, 1998), has been attached to this bulletin. In the General Fund 403, Staff Development, and in the Building Construction Fund 419, Encumbrances, have been added. Please use this revised form for reporting FY 1998 UFARS financial data. The form is also on the Department's homepage. Click on District Information, then Financial Management, Transportation and Accountability Team, and scan down to UFARS Compliance Table. (Please note you will need Adobe Acrobat to access this file. If you do not have it loaded on your machine, the program will give you a prompt for a free download of Adobe. You will need to reboot your machine before the program will operate. Be sure you are using the latest version.)
- UFARS Changes For FY 1999 Due To State Legislation**

- Basic Skills Revenue** – According to 1997 legislation, the following four parts comprise Basic Skills Revenue beginning in FY 1999: (1) Compensatory Education, (2) LEP Basic, (3) LEP Concentration, and (4) an additional Basic Skills match up to \$22.50 times the number of fund balance pupil units in kindergarten to grade 8. There will no longer exist identified AOM funding as in the past.

Effective FY 1999, Finance Dimension Code 317 will be renamed "Basic Skills" since all expenditures identified in the uses of Compensatory Education legislation (M.S. 124A.28, Subd. 1) are to also be used for Basic Skills expenditures. This code should be used to identify all expenditures for the above areas except for some of the Basic Skills expenditures that are needed for the state match. These expenditures must use a new Program Code 214 to identify these expenditures without Finance Code 317.

**Finance Code**

**317 Basic Skills**

Record expenditures pertaining to the Basic Skills Revenue of Minn. Stat. 124A.22, Subd. 3a. This includes LEP program expenditures and Compensatory Education expenditures as defined by Minn. Stat. 124A.28, Subd. 1

FIN	DESCRIPTION	FD	ORG	PROGRAM	OBJECT
317	BASIC SKILLS	01	001-999	030 Instructional Admin. 050 School Administration 105 Gen. Admin. Support 201-213, 215-270 Reg. Instr. 301-399 Vocational Programs 401-420 Special Educ. Instr. 605-640 Instructional Sup. Svcs 710-790 Pupil Support Svcs.	110-599, 800-899

**Program Code**

**214 Basic Skills Local Match**

This code is to be used only by districts that do not show at least \$45 per fund balance pupil units in kindergarten through grade 8 coded with Finance Code 317, Basic Skills. Use of this program code is an expedient to designate expenditures in other Basic Skills type programs which can be combined with at least \$22.50 in Compensatory Education expenditure to demonstrate the local Basic Skills match of Minn. Stat. 124A.22, Subd. 3a, Clause 4. The expenditures coded with Finance Code 317, Basic Skills, plus those with this program code but not coded to Finance Code 317, Basic Skills, must total at least \$45 per fund balance pupil unit in kindergarten through grade 8 in order for the local match to be made by the district. The amount in this code should not exceed \$22.50 per fund balance pupil unit in kindergarten through grade 8. This code may be used with Finance Codes 401 to 404, 406, and 415.

- (2) Graduation Standards – The following new UFARS dimension codes have been approved to account for the Graduation Standards Implementation Revenue for FY 1999 only. Due to changes contained in the legislation, there will be new codes beginning in FY 2000.

**Balance Sheet Code**

**437 Reserved for Graduation Standards Staff Development (F.Y. 1999)**

For F.Y. 1999 only, school districts must reserve at least \$20 per actual pupil unit (WADM), or at least \$34 if the district is implementing the graduation standards of Minn. Stat. 121.1114, Paragraph (b), in F.Y. 1999 and thus receiving an additional \$14 per actual pupil unit (WADM). The amount that can be reserved in this account is limited to the total amount of the Graduation Standards component of General Education Revenue, up to \$100 per actual pupil unit (WADM) minus the (at least) \$5 per actual pupil unit (WADM) reserved for gifted and talented programs. The Staff Development Graduation Standards Reserve must be allocated to education sites in proportion to the WADM at the sites. The amount reserved for Graduation Standards Staff Development may be used to reduce the one percent of Basic General Education Revenue which must be reserved in Balance Sheet Account 403, Reserved for Staff Development. (Minn. Stat. 124A.22, Subd. 14, Clause 1) *This reserve account is not allowed to be in deficit.*

**Finance Code**

**387 Graduation Standards Staff Development (F.Y. 1999)**

Record revenues and expenditures for programs designed to enhance the implementation of the graduation rule through intensive staff development. General Education Revenue for this purpose is to be reclassified using this finance code and Organization Codes 000 or 005 (district-wide). Expenditures must be allocated to education sites in proportion to the WADM's enrolled at each school site. The revenues and expenditures in this code apply to Balance

Sheet Code 437, Graduation Standards Staff Development. (Minn. Stat. 124A.22, Subd. 14, Clause 1)

*Payment Description – 01S211 GEN ED AID FY*

**Permitted Code Combinations – Chapter X**

<b>FIN</b>	<b>DESCRIPTION</b>	<b>FD</b>	<b>ORG</b>	<b>PROGRAM</b>	<b>OBJECT</b>
387	GRADUATION STANDARDS STAFF DEVELOPMENT	01	001-004, 006-999	610 Curriculum Consultant/Dev. 640 Staff Development	110-599, 800-899

**Balance Sheet Code**

**438 Reserved for Graduation Standards Gifted & Talented (F.Y. 1999)**

For F.Y. 1999 only, school districts must reserve at least \$5 per actual pupil unit (WADM) for gifted and talented programs. The amount that can be reserved in this account is limited to the total amount of the Graduation Standards component of General Education Revenue, minus the amount which is reserved for staff development. This reserve is for gifted & talented programs that are integrated with the graduation rule. This aid must supplement, not supplant, money spent on gifted and talented programs funded by grants under Laws 1997, First Special Session Chapter 4, Article 5, Section 24. (Minn. Stat. 124A.22, Subd. 14, Clause 2) This reserve account is not allowed to go into deficit.

**Finance Code**

**388 Graduation Standards Gifted & Talented (F.Y. 1999)**

Record revenues and expenditures for gifted & talented programs that are integrated with the graduation rule. General Education Revenue for this purpose is to be reclassified using this finance code and Organization Codes 000 or 005 (district-wide). This aid must supplement, not supplant, money spent on gifted and talented programs funded by grants under Laws 1997, First Special Session Chapter 4, Article 5, Section 24. The revenues and expenditures in this code apply to Balance Sheet Code 438, Graduation Standards Gifted and Talented. (Minn. Stat. 124A.22, Subd. 14, Clause 2)

*Payment Description – 01S211 GEN ED AID FY*

**Balance Sheet Code**

**438 Reserved for Graduation Standards Gifted & Talented (F.Y. 1999)**

For F.Y. 1999 only, school districts must reserve at least \$5 per actual pupil unit (WADM) for gifted and talented programs. The amount that can be reserved in this account is limited to the total amount of the Graduation Standards component of General Education Revenue, minus the amount which is reserved for staff development. This reserve is for gifted & talented programs that are integrated with the graduation rule. This aid must supplement, not supplant, money spent on gifted and talented programs funded by grants under Laws 1997, First Special Session Chapter 4, Article 5, Section 24. (Minn. Stat. 124A.22, Subd. 14, Clause 2) This reserve account is not allowed to go into deficit.

**Finance Code**

**388 Graduation Standards Gifted & Talented (F.Y. 1999)**

Record revenues and expenditures for gifted & talented programs that are integrated with the graduation rule. General Education Revenue for this purpose is to be reclassified using this finance code and Organization Codes 000 or 005 (district-wide). This aid must supplement, not supplant, money spent on gifted and talented programs funded by grants under Laws 1997, First Special Session Chapter 4, Article 5, Section 24. The revenues and expenditures in this

code apply to Balance Sheet Code 438, Graduation Standards Gifted and Talented. (Minn. Stat. 124A.22, Subd. 14, Clause 2)

*Payment Description – 01S211 GEN ED AID FY*

**Permitted Code Combinations – Chapter X**

<b>FIN</b>	<b>DESCRIPTION</b>	<b>FD</b>	<b>ORG</b>	<b>PROGRAM</b>	<b>OBJECT</b>
388	GRADUATION STANDARDS GIFTED & TALENTED	01	001-999	218 Gifted & Talented	110-599, 800-899

**Balance Sheet Code**

**439 Reserved for Graduation Standards (F.Y. 1999)**

The remaining Graduation Standards Implementation Revenue not reserved in Balance Sheet Code 437, Reserved for Graduation Standards Staff Development, or Balance Sheet Code 438 Reserved for Graduation Standards Gifted & Talented, must be reserved for the following: technology purposes including wiring, network connections, and other technology related infrastructure improvements; purchase or lease of computer software and hardware to be used in classrooms for instructional purposes; purchase or lease of interactive television network equipment and network support; purchase or lease of computer software and hardware designed to support special needs programming and limited english proficiency programming; network and technical support; and purchase of textbooks and other instructional materials; or to reduce class size. (Minn. Stat. 124A.22, Subd. 14, Clause 3) *This reserve account is not allowed to be in deficit.*

**Finance Code**

**389 Graduation Standards (F.Y. 1999)**

Record the Graduation Standards Implementation Revenue and expenditure not reserved in Balance Sheet Code 437, Reserved for Graduation Standards Staff Development, or Balance Sheet Code 438, Reserved for Graduation Standards Gifted & Talented. General Education Revenue for this purpose is to be reclassified using this finance code and Organization Codes 000 or 005 (district-wide). Expenditures may include those for technology purposes including wiring, network connections, and other technology related infrastructure improvements; purchase or lease of computer software and hardware to be used in classrooms for instructional purposes; purchase or lease of interactive television network equipment and network support; purchase or lease of computer software and hardware designed to support special needs programming and limited english proficiency programming; network and technical support; and purchase of textbooks and other instructional materials; or to reduce class size. The revenue and expenditures in this code apply to Balance Sheet Code 439, Reserved for Graduation Standards for F.Y. 1999. (Minn. Stat. 124A.22, Subd. 14, Clause 3)

*Payment Description – 01S211 GEN ED AID FY*

**Permitted Code Combinations – Chapter X**

<b>FIN</b>	<b>DESCRIPTION</b>	<b>FD</b>	<b>ORG</b>	<b>PROGRAM</b>	<b>OBJECT</b>
389	GRADUATION STANDARDS	01	001-999	201-270 Kndgtn/EI/Sec. Instr. 301-399 Vocational Educ. 401-420 Special Educ. Instr. 605 Gen. Instructional Support 620 Educational Media 710-740, 790 Pupil Sup. Svcs 850 Facilities	110-599, 800-899

**Fiscal Year 2000**

**Balance Sheet Code**

**440 Reserved for Graduation Standards Implementation (F.Y. 2000 & Thereafter)**

For F.Y. 2000 and thereafter school districts must reserve \$43 (plus \$25 per actual pupil unit in districts qualifying for the graduation standards implementation equity adjustment) for programs designed to enhance the implementation of the graduation rule through: (1) staff development programs; (2) technology purposes under paragraph (b), clause (3) of this statute, (3) gifted and talented programs; or (4) class size reduction programs based at the school site. (Minn. Stat. 124A.22, Subd. 14, Clause c) *This reserve account is not allowed to be in deficit.*

**Finance Code**

**390 Graduation Standards Implementation (F.Y. 2000 & Thereafter)**

Record Revenue and Expenditures for Graduation Standards Implementation. General Education Revenue for this purpose is to be reclassified using this finance code and Organization Codes 000 or 005 (district-wide). Expenditures must be allocated to school sites for programs designed to enhance the implementation of the graduation rule through: (1) staff Development programs; (2) technology purposes under paragraph (b), clause (3) of Minn. Stat. 124A.22, Subd. 14; (3) gifted and talented programs; or (4) class size reduction programs. The revenue and expenditures in this code apply to Balance Sheet Code 440, Reserved for Graduation Standards (F.Y. 2000 and Thereafter). (Minn. Stat. 124A.22, Subd. 14, Clause C)

*Payment Description – 01S211 GEN ED AID FY*

**Permitted Code Combinations – Chapter X**

FIN	DESCRIPTION	FD	ORG	PROGRAM	OBJECT
390	GRADUATION STANDARDS	01	001-004, 006-999	201-270 Kndgtn/El/Sec. Instr. 301-399 Vocational Educ. 401-420 Special Educ. Instr. 605-690 Instructional Support 710-740, 790 Pupil Sup. Svcs 850 Facilities	110-599, 800-899

**General Information**

1. Indirect Cost Rates for FY 1999 – On April 29, 1998, the restricted and unrestricted indirect cost rates were mailed to all districts and charter schools. The indirect cost rates established only for educational cooperatives and education districts for Fiscal Year 1999 are as follows:

Restricted Rate	8.0%
Unrestricted Rate	12.0%

If you have any questions, please contact Dennis DeLong, Financial Management at (612) 296-5017.

2. School Business Management Workshop – The School Business Management Workshop initially scheduled for July 27-28, 1998 has been postponed. It will be rescheduled for a future date.
3. Profiles – The Department of Children, Families & Learning annual publication of *School District Profiles* is now available on the Internet on the Department's homepage. To access this information, follow the instructions below:

Access the CFL homepage at [children.state.mn.us](http://children.state.mn.us).  
 Select "District Information."  
 Select "Financial Management, Transportation and Accountability Team."  
 Select "School District Profiles."

You will need Adobe Acrobat to access this file. If you do not have it loaded on your machine, the program will give you a prompt for a free download of Adobe. Follow the instructions to download but be aware that the instructions do not tell you that you have to reboot your computer before the program will operate.

If you wish to download the statistical portion of *Profiles*, there is also an option under "Data for School Districts." The format is in Excel 97.

If you have questions or need assistance with accessing *Profiles*, please call Mike Enman at (612) 296-5082.

4. Schedule of Events/Meetings.

May 20, 1998	Accounting Guidelines Committee Meeting	St. Paul
May 28, 1998	MASBO Legislative Conference	St. Paul
June 15-19, 1998	MASBO Institute	St. Paul
June 30, 1998	Deadline for Submission, Payable 1999 Levy Data	
	Deadline for Submission, Health and Safety Data	
	Board Must Adopt FY 1999 Budget	