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## SCHOOL BUSINESS BULLETIN

Bulletin No. 4

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

### General Financial Management Matters

1. **Severance Pay Fund Balances** – There are two fund balances that relate to future obligations for severance benefits to vested employees and retirees.

UFARS has previously defined the amount of long-term debt liability as the present value of earned severance pay as of the fiscal year-end covering all vested employees and retirees exclusive of any amount recognized as a current liability. A severance pay liability exists when all of the following criteria are met:

- a. The employee's obligation is attributable to service previously rendered by the employee;
- b. the obligation relates to rights which vest or accumulate;
- c. payment of the amount is probable; and
- d. the amount can be reasonably estimated.

In severance pay plans where the amount of the benefit decreases prior to retirement depending upon the employee's age, the liability does not exist until the individual employee retires. The severance liability is to be inventoried at the end of the fiscal year and the reported amount is to be calculated using current salary and benefits. Future obligations are to be calculated using present value. The following chart compares the two fund balance accounts:

	<b>Balance Sheet No. 411 Reserved for Severance Pay</b>	<b>Balance Sheet No. 418 Designated for Severance Pay – Insurance Premium</b>
Minnesota Statute Reference	None – Set up by UFARS Advisory Council in 1984.	M.S. 121.912, Subd. 5
Funds Applicable	01, 02, 04	01, 02, 04
Calculation of Balance at Year-End	Portion of long-term severance pay liability that is scheduled for payment in the second ensuing year.	50% of the portion of long-term severance pay liability that constitutes compensation for accumulated sick leave to be used for payments of premiums for group insurance.
Type of Fund Balance	Reserved	Unreserved/Designated

Note: If a district uses Account Number 418, the amount of liability included for the second ensuing year within this account must be deducted from the balance calculated for Account Number 411.

2. **Payable 1998 Truth in Taxation Hearings** – Now that your truth in taxation hearings are over, all school districts must adopt their final payable 1998 property tax levies at a subsequent hearing/board meeting no later than Friday, December 26, 1997. The district must then certify their final adopted payable 1998 property tax levy to the county auditor on or before December 29, 1997. This final levy amount must be after the deduction by the district of the certified amount of its homestead and agricultural credit aid (HACA) for taxes payable 1998. The levy certified, however, includes the amount of the new education homestead credit since the county will deduct this amount prior to determining the property tax statements. The Department of Children, Families and Learning will reimburse school districts during fiscal year 1999 for the property tax reduction. These state payments will be made on a 90/10 basis, and will be paid one-twelfth in each month of the fiscal year. A new Source Dimension Code will be used to record the revenue. The new format used for property tax statements includes the category “State determined levy” for the school district portion of property taxes. For payable 1998, this amount is less than payable 1997 for the following three reasons:
  - 1) Reduction in class rates on properties;
  - 2) Reduction in school tax rate from 37.4% to 36.9%;
  - 3) New education homestead credit equal to 32% of the property’s general education tax (limited to \$225 per homestead).
  
3. **Cash Flow Borrowing** – It is that time of year when all school districts should complete a cash flow analysis for the next twelve months. This analysis must include the General Fund and any or all of the following funds: Food Service and Community Service. It is anticipated that there will be much less need for borrowing to meet cash flow deficits primarily due to the tax shift decreasing to 7% and also the state aid payments moving from 85/15 to 90/10. If interested the Department has a document titled “Authorized Borrowing For School Districts” which is intended to be a reference to assist the district in understanding the borrowing process.
  
4. **UFARS Program 930 – Employee Benefits (Clearing Account Only)** – As of December 16, 1997, 85 districts that have reported to the State have not allocated all costs to the program which generated the benefits. One of the school district turn-around reports from the Department to the reporting districts indicate Program 930 expenditure totals. Also, be aware that this is not applicable to Fund 20 – Internal Service Fund. The sum of all costs for Program Code 930 should be zero. Refer to SBB #3(A3).

## School Funding

1. **Fiscal Year 1998 Levy Recognition Tables (1997 Payable 1998 Levies)** – Life has become simpler. The calculation of the property tax recognition shift has been simplified by placing the 7% aid-reduced recognition shift against the lesser of (a) the general education levy, or (b) the total certified levy in the general fund excluding the referendum levy and a few levies that are recognized 100% in the fiscal year the levy is certified. The following chart details the only shiftable levies for payable 1998.

DESCRIPTION OF CERTIFIED LEVY	CITATION	YEARS IN EFFECT	AMOUNT SHIFTED	AIDS REDUCED	97-98 REVENUE IMPACT
Operating Referendum	M.S.124A.03, Subd. 2	Ongoing	31%	No	31%
Additional Referendum	Laws 1993, Chapt. 224, Art. 1, Sec. 38	Pay 94 and thereafter	Constant Year to Year	No	Constant Year to Year
General Education	M.S. 124A.23	Pay 97 and thereafter	7%	Yes	None
Integration	M.S. 124.315, Subd. 4	Ongoing	100%	No	100%
Health Insurance	M.S. 124.916, Subd. 1	Pay 93 and thereafter	100%	No	100%

DESCRIPTION OF CERTIFIED LEVY	CITATION	YEARS IN EFFECT	AMOUNT SHIFTED	AIDS REDUCED	97-98 REVENUE IMPACT
Health Benefits	M.S. 124.916, Subd. 2	Pay 93 and thereafter	100%	No	100%
Additional Retirement (Mpls./St. Paul)	M.S. 124.916, Subd. 3	Pay 95 and thereafter	100%	No	100%
Adjustments based in legislation that changes a Levy authority after the Levy has been certified.*	M.S. 124.918, Subd. 6	Pay 93 and thereafter	100%	o	100%
Reemployment	M.S. 124.912 Subd. 1, Para (2)	Pay 97 and thereafter	100%	No	100%

\*Education Funding Team has not determined which adjustments apply at this date.

2. **Adult Basic Education Revenue** – Since M.S. 124.26, Subd. 2, states that all revenue received for Adult Basic Education shall be utilized solely for the purposes of adult basic education programs, it is recommended that a district segregate any ABE carryover funds at year-end using the Balance Sheet Account 230, Deferred Revenue. Locally, a suffix should be used to identify ABE funds from others. This amount will be reported to the state ABE program staff on the ABE final fiscal report as the amount of expenditures for the ensuing year which will use carryover revenue. If reported in this manner, it is not necessary to identify which expenditures are from carryover funds versus current year funding. It is assumed the first dollars spent use any carryover funds.

## School Facilities

1. **Calamity Bonds** – When the Anoka-Hennepin School District closed an elementary school for a period during this school year due to a mold build-up in the ceilings, they were also confronted with the issue of how to finance a renovation project to fix the leaking roof which precipitated the school closing. While it was decided that they did not qualify to issue bonds for calamities per M.S. 124.242, all districts should be aware that when a building owned by a school district is substantially damaged by an act of God or other means beyond the control of the district, the district may issue general obligation bonds without an election to provide money immediately to carry out its adopted health and safety program. For more information, refer to M.S. 124.242 and FAI #102.10, Building Bonds for Calamities.
2. **Revision of School Facilities Planning Guide** – The 1988 “Guide For Planning New and Improved School Facilities In Minnesota” will be revised and updated beginning in January 1998. A 17 member committee representing architects, construction managers, school facility planners, superintendents, and principals has been formed to advise and work with staff from the Facilities and Organization Section in the Department of Children, Families and Learning. The Project Director will be Bob Buresh, School Facilities Specialist, who coordinated the writing and editing of the 1988 Guide. The Guide is meant to be an initial, user-friendly reference source for school district facility planning committees of parents, teachers, and school administrators, rather than a technical reference manual for architects or contractors. Current research on school facilities will be procured from many sources, and other state agency and school district staff will be consulted with in the process of revising and updated the Guide as appropriate.

Sections in the 1988 Guide, subject to revision, are legal responsibilities and required procedures, steps in the facility project planning process, special issues (indoor air quality, energy considerations), and guidelines and issues for planning specific facility areas. Appendixes included checklists and forms for planning facility improvements and evaluating facilities, and developing educational specifications. Interested persons may send in suggestions for topics or written materials from their research of facilities project to Bob Buresh at (612) 296-2899 at 568 Capitol Square Building, Department of Children, Families and Learning, St. Paul, MN 55101.

The project should be completed in 1999. Copies of the Guide will be distributed to all school districts and other interested persons.

## **General Information**

- 1. Profiles Report for 1995-96 Financial Data** – The 1995-96 edition of Profiles is at the printer and should be available by the end of the month. As soon as final audited 1996-97 data is available, the Financial Management Team will begin work on the 1996-97 Profiles so the report is available in a more timely manner.

This year a draft of the “School District Profiles Statistical Tables” will be available to transmit electronically via e-mail or the Internet in March (if programming is completed). The final report will be delayed because certain State and Federal data needed to complete the “Trends and Patterns” section of the report will not be available until after March.

If you have any questions regarding Profiles data, please contact Michael Enman at (612) 296-5082.

- 2. Schedule of events/meetings –**

December 31	Deadline for audited UFARS data and copy of financial audit report to Department.
January 15	Deadline for school districts to notify the Department of Children, Families and Learning of final certified levies.
January 16	Accounting Guidelines Committee Meeting – St. Paul Schools
February 5-6	MASBO Winter Workshop and Meeting
February 13	School Business Forum Meeting