

SCHOOL BUSINESS BULLETIN

A publication of the financial management section

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Articles of interest are placed at the end of the bulletin.

1. NEW MDE WEB SITE UNVEILED

There are new looks, new site links, and new information for the Minnesota Department of Education (MDE) web site. The most notable change is of course the new color scheme and main navigation. Most content is now located only "three clicks" into the site and major areas can be accessed from the front page. There are many new functional features on the site including related links for each content area, highlighted resources for specific audiences, a document archive feature and an A-Z index to help users find information.

2. FY2006 UFARS MANUAL

The hard copy of the **Uniform Financial Accounting and Reporting Standards (UFARS) Manual** for FY2006 will be ready for purchase by mid-September. It exists in electronic form on the MDE web site at Accountability Programs/Program Finance/Financial Management/UFARS. The hard copy of each chapter with index tabs will be mailed after Kelly Wosika receives a check made to the Commissioner of Education in the amount of \$20.00. Address inquiries to kelly.wosika@state.mn.us.

3. FALL TRAINING DATES

UFARS training is fast approaching. Mark your calendar for October 13 & 14. Student Activity Accounting is on October 25, 2005. Go to <http://education.state.mn.us> > Accountability Programs > Program Finance > General Information for a list of topics, dates, and registration forms and agendas. Address questions to Shirley.sanders@state.mn.us or charles.speiker@state.mn.us.

4. CREDIT ENHANCEMENT PROGRAM

The credit enhancement program posted the strongest year since its inception. There was a 75% increase in the amount of money issued for the year. Total issues rose from an all-time high of 267 in FY2004 to a new high of 272, with the majority of issues in aid anticipation certificates. For the second year in a row, the amount of borrowing for cash flow declined, as did the number of districts participating in the aid anticipation certificates. Estimated savings to the taxpayers rose by \$25 million to a total of \$48.6 million because of participation in the credit enhancement program.

The chart below contains summary information on the program. For more information, contact Charles Speiker at 651/582-8737 or at charles.speiker@state.mn.us.

**Credit Enhancement Summary Chart
Fiscal Years 2000 to 2005**

Category	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000
GO/Refund	108	95	98	88	79	38
Aid/Tax	158	165	156	129	133	128
Cap/COP	6	7	8	5	6	7
Tot. Issues	272	267	263	222	218	173
\$\$\$ Issued	\$2.2 bil	\$1.4 bil	\$1.5 bil	\$1.4 bil	\$1.3 bil	\$846 mil
Savings	\$48.6 mil	\$23.8 mil	\$41.2 mil	\$36 mil	\$34.5 mil	\$12.3 mil

GO/Refund includes issues for general obligation bonds on new construction, alternative facility bonds, and bonds issued for refunding.

Aid/Tax includes issues for both aid anticipation and tax anticipation certificates.

Cap/COP includes issues for both capital equipment bonds and certificates of participation.

5. ADVISORY COUNCIL ON PROGRAM FINANCE

The Advisory Council met on June 21, 2005. Members in attendance: Barbara Anderson, Dan Brooks, Nancy Ramler, Larry Shomion, Greg Hein, Pam Jensen, Susan Paulson, Laura Nelson, and Tiffany Rodding. Others in attendance: Richard Guevremont (MDE), Mary Annala (MDE), Ken Moos (MDE), Phil Allmon (MDE), and Tom Melcher (MDE).

Chairperson Greg Hein opened the meeting at 12:35 p.m.

Motion by Larry Shomion, seconded by Nancy Ramler to approve the Minutes of March 15, 2005.

Dick Guevremont gave a status report regarding the potential partial government shutdown and the impact to the Department of Education, School Districts and Charter Schools. He also discussed an MDE memo dated June 9, 2005 sent to Superintendents and Charter School Directors. The memo included Revenue Reporting by Building/Site, UFARS Reporting System, Web-based Reporting Update, and Compensatory Revenue Adjustments. The Department expected the revenue reporting by site to be more difficult than the expenditure reporting by site. A draft of the 2005 Report Card Format was attached to the memo. Greg Hein noticed that the Report Card Format included the committee's recommendation to use a subtotal and split out capital expenditures. Tom Melcher gave an overview of a sample report labeled Fiscal Year 2004 Revenues-Building Level Report. Ken Moos recommended that the Adjusted Pupil Units should be listed in the report. Larry Shomion inquired if the Department has a specific format for school districts to follow when requesting changes in reporting revenue by building site. Tom Melcher explained that the information required has been provided in the June 9th memo. Tom Melcher emphasized that adjustments to revenue reporting by site must include a structural reason.

Greg Hein was concerned about schools with revenue, but no students as in the case of an ice arena for hockey and youth programs. Larry Shomion expressed concern because he was aware of Special Education sites with no students that incur program costs. Greg Hein raised a question about dual enrollment between home site and program site. Department is in the process of developing solutions to resolve these reporting questions. Greg Hein inquired if the schools will see the revenue report before it becomes published as a public document. Tom Melcher said that schools already have the expenditure report and could calculate the revenue portion.

Laura Nelson inquired about tuition payments for students attending a local university. Tom Melcher explained that the school should align MARRS data and UFARS data.

Larry Shomion asked if the Department was going to meet the initial timeline for implementation. Ken Moos explained that Department programmers are working to resolve a few programming errors and he expected to have issues resolved in approximately a week. Greg Hein asked if the deadline for schools to respond to the report will remain the July 15th. Tom Melcher explained the goal was to give the schools approximately 30 days to respond.

Barb Anderson and Greg Hein raised the issue of course codes for Alternative Facilities Projects and for the Deferred Maintenance Program, which could have one bid for several sites. Estimating project costs proved to be difficult.

Phil Allmon provided an overview of proposed accounting dealing with Alternative Facilities Projects for FY2006. Phil Allmon explained that in FY2007 the Department would start a new method to track Alternative Facilities Projects. Several questions were raised regarding the proposed new method. Greg Hein and Larry Shomion recommended a subcommittee to address district concerns regarding accounting for Alternative Facilities Projects. Committee members will be Greg Hein, Larry Shomion, Barb Anderson, Phil Allmon and Ken Moos.

Greg Hein asked about the different reporting requirements for Health and Safety Project Approval/ Site vs. District Wide. Phil Allmon explained the difference was due to statutory requirements, MS § 123B.57 and MS § 123B.59

Dick Guevremont provided an overview of Cooperative/Fiscal Host Accounting and Reporting. Cooperative revenues and expenditures should not be included in the host's accounting records. Ken Moos explained that the Department will need to revamp Chapter 10 – UFARS Restricted Grid removing this type of financial activity from Funds 01 and 04 and potentially code to Fund 09 or somewhere else. Ken Moos recommended a subcommittee to perform detailed work. The subcommittee consists of Nancy Ramler, Jana Duffy, Greg Herlinger, Ken Moos and Mary Annala. Dan Brooks recommended contacting the State Auditors Office because he is aware of a study being conducted to define the different types of cooperatives and the accounting practices.

Dick Guevremont and Mary Annala will look at the statutory references providing the definition of retired employees and issue a clarification for Balance Sheet Code 411: Severance Calculation. Nancy Ramler referenced *School Business Bulletin #4* that contained four criteria used to determine the existence of severance pay liability. Ken Moos will review and rewrite the definition in the UFARS manual for Balance Sheet Code 418: Designated for Severance- Insurance Premium (Funds 01, 02, and/or 04).

Pam Jensen announced that she was resigning and requested a representative from TIES as a replacement for the balance of her term (approx. 2 years). Dick Guevremont will find a replacement for Pam.

The next meeting is scheduled for September 20, 2005 at 12:00 p.m. at the Minnesota Department of Education.

6. REQUIREMENTS ON FY2005 AUDITS

Financial statement audits must be conducted in accordance with Generally Accepted Government Auditing Standards (Yellow Book). In a Single Audit engagement, please refer to the OMB Circular for reporting requirements. The following components must be included in each audit submitted to the Minnesota Department of Education (MDE):

1. Report on Financial Statements
2. Management's Discussion and Analysis (prepared locally)
3. Management Letters must be included with the audit. If a letter was not issued by the auditor, state that fact in a memo to MDE when submitting the audit.
4. Report on Entity's Internal Control Structure
5. Report on Entity's Compliance with Laws and Regulations
6. Correction Action Plans must be included within the audit, if there are state or federal material findings.
7. The student activity audit must be listed in the Table of Contents unless a separate report is issued. If student activities are all under board control, this must be stated in the financial notes. These steps will help the Department to verify that a student audit has been completed or that the student activities are all under board control and were audited with the General Fund.
8. A Uniform Financial Accounting and Reporting Standards Compliance Table must be included in the audit. It should be the last page of the audit and listed in the Table of Contents. Compliance Table data is entered through the MDE web site. Run the Compliance Table Comparison Report after audited data is entered and check for any discrepancies between data from the audit and data from the UFARS upload. Please make corrections as needed. The audited data entry must be completed by November 30, 2005.

One hard copy of the audit is sent to the Department of Education, to the attention of Debrah Firkus. An additional copy is sent to the Office of the State Auditor. Audits must be received no later than December 31, 2005. Address questions and concerns to Debrah Firkus at (651) 582-8775 or debrah.firkus@state.mn.us.

7. SCHOOL FINANCE AWARDS – FY2006

This is a reminder that the deadlines on requirements for the School Finance Award are rapidly approaching, beginning with the initial upload of UFARS data by September 15, 2005. The FY2006 award is based upon the FY2005 data and activities within the 2005-2006 school year. Address questions to charles.speiker@state.mn.us or call Kelly Wosika at 651/582-8480.

8. HEALTH AND SAFETY ISSUES

a. Health and safety (H & S) projects

Project approvals for Pay 2006 were delayed until September 2, 2005. Projects are now restored to the website and uploaded to the Capital Dataset for inclusion in the Pay 2006 levy. There were numerous reasons for the delays. Therefore, the final entry date next year is expected to shift from August 5th to July 21st with the Attachment 99 report date remaining at July 25th.

b. Changes to the health and safety process

The month of July resulted in two amendments to the Health and Safety process. The first was contained in a memo from Deputy Commissioner Chas Anderson, which described changes to use the of H&S revenue for construction of new spaces, MACRO projects allowing for multiple building projects, and the proper treatment of “contingencies.” The language changes may be found on page 6 of the 2005 Health and Safety application memo.

The second change was contained in a memo from Director Tom Melcher which described the implementation of exemption under Review and Comment statute M.S. 123B.71 for Alternative Facilities projects funded under M.S. 123B.59. Briefly, if the project exceeds \$500,000 the district must apply for a waiver. Phil Allmon reviews the waiver request if the amount is less than \$1million. John Ryberg reviews the waiver request if the amount is over \$1 million.

c. Changes to levy sheets

There are attempts through technology to reduce the time between changes made to H&S project approvals and changes to levy sheets (specifically, to the *Pay 2006 Levy Limit and Certification Report*, page six, FY 2005 through FY 2007 cost lines). Currently, the delay is 2-3 days. The goal is to update the changes within 24 hours.

d. Confirm health and safety projects

Districts should check both approvals and, more importantly, non approvals on the H&S website and their totals on page six of the *Pay 2006 Levy Limitation and Certification Report* to make sure everything agrees. If the individual project approval total agrees with the page six cost, and the district agrees with the approvals, any perceived problem would not lie with the H&S approval program but elsewhere.

Address questions or concerns on health and safety projects to phil.allmon@state.mn.us.

9. PUPIL FEE REPORT

In this year's special session the legislature passed, HF 138, Article 11, Section 7, requesting state agencies, schools, and cities to prepare a report for the legislature regarding individual, business, student and city fees. Subdivision 2 of this legislation requires the Commissioner of Education to provide a report on fees collected by each school district and charter school under the Public School Fee Law to the Education Finance Divisions and Tax Committees of the House and Senate by January 15, 2006. The report must cover annual fees collected in Fiscal Years 2002 through Fiscal Year 2005, and must detail the different types of fees charged to Minnesota Students.

The Uniform Financial Accounting and Reporting Standards (UFARS) data reported by each school district and charter school will provide some data for this legislative request. In Fiscal Year 2004, the Department of Education identified several school districts and charter schools that reported no revenue for the following Revenue Source Codes listed below (taken from the UFARS manual):

<i>Revenue Source</i>	<i>Description</i>
050	<p style="text-align: center;"><i>FEES FROM PATRONS</i></p> <p>Record revenue for various charges made to students, parents, or guardians for rental or user fees for items such as musical instruments, physical education equipment, and all other charges permitted by law including transportation and activity or athletic fees. See Minn. Stat. 124B.34 to 123B.37. Exclude all tuition, admission fees, and revenue from sales. Revenues must be coded to the proper fund and, when appropriate, coded to other dimensions (Organization, Program and Finance).</p>
060	<p style="text-align: center;"><i>ADMISSION AND STUDENT ACTIVITY REVENUE (FUND 01)</i></p> <p>Record revenue for admissions, gate receipts and voluntary donations relating to attendance at any event or activity sponsored by an under the control of the school board. This includes athletic events, fine arts performances, and exhibitions. Exclude revenue for any extra-curricular activities not under the authority, direction and control of the school board. Minn. Stat. 123B.49. Revenues must be coded to the proper fund and when appropriate, coded to other dimensions (Organization, Program and Finance). See source code 620 for fund raising activities.</p>
621	<p style="text-align: center;"><i>SALE OF MATERIALS PURCHASED FOR RESALE (Net of Tax) (FUNDS 01 and/or 04)</i></p> <p>Record net revenue from sales of materials and supplies to pupils including lumber sold to industrial arts classes, supplies sold to family living classes, and any other materials sold which were originally purchased for resale to pupils. Exclude as revenue any sales taxes collected applicable to such sales. Sales taxes are held until paid in the Balance Sheet Account 212, Due to Other Governmental Units.</p>

Fiscal Year 2004 UFARS data can not be changed. Please review Fiscal Year 2005 UFARS data for accuracy on these Revenue Source Codes.

If you have questions or want additional information, please contact Ken Moos at (651) 582-8370 or by e-mail: Ken.moos@state.mn.us or Mary Annala at (651) 582-8770 or by e-mail: mary.annala@state.mn.us.

10. ECONOMIC DEVELOPMENT TAX ABATEMENTS

The Minnesota Department of Revenue website (http://www.taxes.state.mn.us/taxes/property_tax_administrators/other_supporting_content/ecdvabate.shtml) provides information on Economic Development Tax Abatements. A political subdivision may abate all or a portion of its property tax on one or more parcels of real property for economic development purposes, subject to a time limit and a limit on the amount of abatements. The abatement can be: a rebate of property taxes to the property owner; a reallocation of taxes to pay bondholders; a reallocation of taxes to pay for public infrastructure costs; or a deferment of property taxes. The authorizing legislation is M.S. 469.1812 to 469.1815.

A coding example of an Economic Development Tax Abatement is shown below:

<i>Date</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>
January 1, 200X	Balance Sheet Account 110-Current Property Taxes Receivable	XX	
	Balance Sheet Account 235-Deferred Revenue Property Taxes Levied for Subsequent Year's Expenditures <i>To set up Taxes Receivable</i>		XX
July 1, 200X	Balance Sheet Account 235-Deferred Revenue-Property Taxes Levied for Subsequent Year's Expenditures	XX	
	Revenue Account-various Revenue Source Codes as applicable (excluding Economic Development Tax Abatement amount)		XX
	Balance Sheet Account 115-Other Accounts Receivable (Economic Development Tax Abatement amount) <i>To Record Tax Revenue</i>		XX
Through out 200X	Balance Sheet Account 101-Cash and Cash Equivalents	XX	
	Balance Sheet Account 110-Current Property Taxes Receivable <i>Receive Tax Settlement from the County</i>		XX
Spring/ Summer 200X	Balance Sheet Account 115-Other Accounts Receivable	XX	
	Balance Sheet Account 101-Cash and Cash Equivalents		XX

For school districts, an abatement granted under this law is **not** an abatement for purposes of state aid or local levy under M.S. Sections 127A.40 to 127A.51. Abatement aid under M.S. 127A.40 to 127A.51 should continue to be coded using Revenue Source Code 227 Abatement Aid.

If you have questions or want additional information, please contact Mary Annala at (651) 582-8770 or by e-mail: mary.annala@state.mn.us.

Articles of Interest from Around the Country

A chicken in every pot and a computer on every desk!

Well, maybe not a chicken, but Indiana is coming up with some strong money saving strategies within the context of more educational opportunities for students. Indiana will introduce 1,600 new desktop computers running Linux-based operating systems and software in its classrooms this fall. **eSchool News** (August 10, 2005) reports that Indiana officials say that using the system, along with discounted hardware, could amount to millions of dollars in savings as they move to their goal of a computer for every high school student in Indiana.

Funding Opportunities

Managing School Business (July 28, 2005) reported that as little as \$1.5 billion and as much as \$10 billion in grant money is available. They listed several sources for review including:

U.S. Education Department, Funding Forecast
at www.ed.gov/fund/grant/find/edlite-forecast.html.

Grants.gov at www.grants.gov

The Foundation Center at www.fdncenter.org

Green Book Grant Manager at www.gbzm.info

Pay-for-Performance Old Idea, New Spin.

It seems that educators recycle and improve upon ideas every 10-25 years. Those who have been around for a few cycles are well aware of the movements. In the 70's and 80's, there was a rush to accountability and performance improvement, not unlike the current upsurge in the concept popularity in the new millennium. Experts at a recent Harvard University online forum reviewed the concept of performance pay in the context of the Denver Performance Pay system. Raises in teacher pay could come in four ways:

1. Meeting student achievement goals;
2. Teaching in hard-to-staff schools;
3. Receiving satisfactory evaluations; and,
4. Participating in professional development activities.

Budget woes because of higher fuel costs

Now that diesel fuel prices moved up to and beyond a 70 cent a gallon increase since last year, school districts are cutting field trips and classroom spending, rerouting buses. The Boston Globe/Associated Press (August 23, 2005) reported that the higher oil prices have also boosted school construction and classroom paper costs, due to higher manufacturing and transportation expenses.

And, a new alert complements of Phil Allmon just came through. It was an e-mail alert from Climate Makers and is reprinted as received.

Natural gas prices even higher than earlier projected!

In June, we sent a note to all of our free, HVAC Maintenance Recovery Lesson subscribers, warning that CenterPoint Energy was projecting natural gas price increases of 16% for the upcoming heating season months of December, January and February. In the August MASBO Newsletter, we warned that the price of natural gas was projected to go up 27%. By the time the Newsletter was printed, the projection had increased to 31%. Are you ready for what's being projected now? The price for small volume, dual fuel customers, that's most schools, is now projected to be over 78% higher than what you paid for the three coldest months last year! Right now, the cost is up 71.5% over last year's price.

The answer to the question, are you ready, of course, is no. No one is ready for \$1.269 per Therm natural gas. Nor are we ready for \$3.00 a gallon gas, but here we are. Energy conservation is the answer. Savings of 20%, and more, are readily available, in most schools. We encourage you to take advantage of it.

If you want to monitor these monthly price change predictions yourself, the websites for firm, small volume dual fuel (svdf) and large volume dual fuel (lvdf), respectively, are as follows:

http://mn.centerpointenergy.com/pdf/bus_gas_prices_firm.pdf
http://mn.centerpointenergy.com/pdf/bus_gas_prices_svdf.pdf
http://mn.centerpointenergy.com/pdf/bus_gas_prices_lvdf.pdf

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763-786-5999
800-773-9084

Maps of Districts

Phil Allmon shared the following link with us. It is from the Minnesota Department of Administration and contains maps of all the districts in the state.

<http://www.mnplan.state.mn.us/maps/SchoolDistricts/>