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Financial Management Team Update

Lisa DeRemee has taken a three-month leave of absence from her supervisory duties for the period May 30 through September 4, 2012. For the interim, Karen Dykoski has been named acting supervisor for the Financial Management Team. She takes this position in addition to her usual duties as Budget Officer.

MARSS Data Collection and the Student ID Validation Interface

The Minnesota Department of Education (MDE) changed the existing warnings on MARSS associated with student ID validations into errors on April 1, 2012. This was an important event for your organization if existing warnings had not been successfully addressed. (Data submitted with errors is not passed through for use in calculations that lead to assorted aid payments.) The warnings that were converted to errors can be identified on the local MARSS Error Report as message numbers #344 through #355.

The first aid program that will be impacted by this change will be special education aid for contracted student placements and students receiving one-to-one paraprofessional and/or professional services. If the student ID number is different in the data entries on special education EDRS than the validated number submitted on MARSS, the record on EDRS will error. This will result in less aid or an aid adjustment for your district. In addition, the Special Education Tuition Billing System uses the FY 2012 end-of-year MARSS student data to populate the initial data for FY 2013 and for the calculation of FY 2012 special education aid adjustment. Student records with local errors (student ID validation being one of them) on MARSS do not get uploaded to MDE databases. Hence they will not generate aid. In late summer, MDE will switch to final end of the year MARSS data to calculate all state aids. If errors persist because of student validation issues, it could be costly to your district.

Consequently, we urge your organization to address student ID validation issues as soon as possible. Also, be sure to check any local systems maintained at the district level for special education IEP and Due Process that contain MARSS Student ID numbers that may no longer be valid because of Student ID Validation. Districts should put in place procedures to ensure that the validated Student ID is used by the special education systems.

Related information can be found at the MDE web pages devoted to the MARSS data collection and the student ID validation interface.

- http://education.state.mn.us/MDE/SchSup/DataSubLogin/StuIDValid/index.html
- http://education.state.mn.us/MDE/SchSup/DataSubLogin/MARSSWES/index.html
- http://education.state.mn.us/MDE/SchSup/SchFin/MARSSStuAcc/index.html)

For questions or information on the MARSS data collection and the student ID validation interface, please contact Barb Mattson at barb.mattson@state.mn.us or 651-582-8767.

Average Daily Membership – EDRS Estimates and MARSS Final – When Are They Used to Revise Entitlement Calculations?

Many state aid and levy revenues use average daily membership (ADM), or a derivative, as a formula component in determining revenue on an estimated basis and after the year is closed, in a final calculation. To assure that the school district state aid entitlements and levy limits, and charter school state aid entitlements are being calculated on the most accurate estimates, the business office and MARSS coordinator need to work together so that MDE has accurate ADM estimates available at key points throughout the year.

Two tables at the MDE website provide EDRS and MARSS reporting timelines and the use of the district-reported ADM by MDE. These timelines will help district staff to identify how, and approximately when, MDE will use estimated, preliminary final and final ADM to calculate:

- preliminary final and final annual state aid entitlements for the closed year,
- estimated annual state aid entitlements for the current year,
- projected annual state aid entitlements used for state forecasting, and
- determination of state appropriations required to fund aid programs.

EDRS ADM/LEP ESTIMATE TIMELINES – Document name is "<u>Timelines for Student Data for Calendar Year 2012</u>" – web page:

http://education.state.mn.us/MDE/SchSup/SchFin/MARSSStuAcc/AvgDailyMemb/index.html.

MARSS END-OF-YEAR TIMELINES – Document name is "<u>Timelines FY 2012 – End-of-Year</u>" – web page:

http://education.state.mn.us/MDE/SchSup/SchFin/MARSSStuAcc/index.html.

If you have questions, regarding EDRS ADM/LEP timelines or MARSS End-of-Year timelines, contact Jeanne Krile (<u>Jeanne.krile@state.mn.us</u>) or Barb Mattson (<u>barb.m.mattson@state.mn.us</u>), respectively.

If you have questions regarding state aid or levy programs using ADM estimates or MARSS endof-year data, please contact the MDE School Finance staff responsible for the calculation.

Transportation – School Bus Purchases

School district bus purchases are expensed to either Finance Code 000-District-Wide, 302-Operating Capital or 733-Non-Authorized Transportation with Object Code 548, Pupil Transportation Vehicles. Once the district has the title, a school bus transaction form should be submitted to MDE to put the bus on the inventory listing for state aid calculations.

There are four types of school bus inventory listings:

- 1. **Regular School Bus** includes bus Types A, B, C and D. These vehicles depreciate over eight years. The depreciation amount, 12.5 percent of the total value of the inventory is included in the calculation of nonpublic transportation aid as an expense.
- 2. **Type III School Bus** includes Suburbans, vans and cars. These vehicles depreciate over five years. The depreciation amount, 20 percent of the total value of the inventory is included in the calculation of nonpublic transportation aid as an expense.
- 3. Special Education Regular includes bus Types A, B, C and D that are used primarily to transport students that require special education transportation. Primary means that a majority of the costs for the miles for the bus are charged to UFARS Finance Dimension 723, Transportation of Students with Disabilities. These buses depreciate over eight years. The depreciation amount, 12.5 percent of the total value of the inventory is included in the calculation of special education regular and special education excess cost aid.

4. Special Education Type III includes Suburbans, vans and cars that are used primarily to transport students that require special education transportation. Primary means that a majority of the costs for the miles for the bus are charged to UFARS Finance Dimension 723, Transportation of Students with Disabilities. These vehicles depreciate over five years. The depreciation amount, 20 percent of the total value of the inventory is included in the calculation of special education regular and special education excess cost aid.

Bus transaction forms are available at the MDE website. From the home page http://education.state.mn.us, select School Support > School Finance > Transportation > Resources. There are four forms; Regular Bus ED-00186, Type III - Regular ED-01658, Special Education - Regular ED-02387 and Special Education - Type III ED-02388. Here is the link: http://education.state.mn.us/MDE/SchSup/SchFin/Trans/Res/index.html.

Every district that has previously reported a school bus transaction form, will receive a vehicle inventory listing from MDE, which is mailed around mid-June. Please review the listing for accuracy and completeness. If your district has purchased or disposed of a school bus during the year, and the transaction does not appear on this listing, please complete a District-Owned Transaction form and mail it to our office as soon as possible. Districts will also receive an inventory listing for school buses used primarily for special education purposes. The inventory will have the universal handicapped symbol at the top to differentiate it from the other inventory.

Federal funds can be used to purchase a bus. When federal funds are used the vehicle can only be used to transport special education students. The vehicle cannot generate special education aid entitlement because the cost was covered with federal funds. Check the "Yes" box on the form to indicate federal funds were used. A district may use a combination of federal and general fund dollars to purchase a school bus in which case a portion of the miles could be used for non-special education activities. For example if general fund dollars covered 25 percent of the costs of the bus, 25 percent of the time could be used for non-special education activities. Likewise, if a district used federal and general funds dollars for a vehicle that was used 100 percent of the time for special education purposes, the amount of general fund dollars would be indicated on the bus transaction form to generate special education bus depreciation aid.

School districts may also lease vehicles (<u>see School Business Bulletin #45 for an article on</u> Vehicle Leasing Agreement for Student Transportation).

If you have questions about the purchase of vehicles with federal funds, contact Mike Landers at 651-582-8810 or mike.landers@state.mn.us. If you have questions about bus transactions forms or bus inventories, contact Kelly Wosika at 651-582-8855 or kelly.wosika@state.mn.us

FY 2012 UFARS Manual Updates

The following Finance Code dimensions have been approved by MDE program staff for deletion effective FY 2012. These federal grants have expired or were awarded to non-school agencies (or not-for-profit organizations), which do not draw funds on SERVS Financial or report UFARS data. These deletions will be included in the updates to the next revision of the FY 2012 UFARS Manual:

Finance Code Deletions

- 810/910 IDEA Part B, Section 611, African American Pre-Referral Grants
- 814/914 Title I AYP SIG Principal's Academy (Chapter 10 of the UFARS Manual only)
- 826/926 21st Century Community Learning Centers Technical Assistance Grant
- 832/932 Family Information and Resource Project-Part 1
- 834/934 Family Information and Resource Project-Part 2
- 838/938 IDEA Part B, Section 611, Discretionary SPDG Cultural Competency Grants
- 840/940 IDEA Part B, Section 611, Discretionary SPDG Tribal Cohort Grants
- 842/942 Abstinence Supplement Continuation Grant Regular Federal Competitive
- 852/952 Statewide System of Support Cambridge Grant (Fund 01)
- 854/954 Project YES Native American Youth in Minnesota Grant
- 858/958 Title IV, Part B 21st Century Community Learning Centers Cohort 2
- 886/986 Migrant Education Secondary program (Fund 01)
- 892/992 Peace Jam and Circle of Youth Involvement Grant
- 893/993 Perkins Leadership Grant MN Foundation for Student Organizations

The following Federal Source and Finance Code Dimensions have had description updates effective for FY 2012:

Code Title and Definition

Source 400 Federal Aids Received through Minnesota Department of Education (Except as Noted Food and Nutrition)

Record revenue from federal aids received through the Department of Education for revenue programs defined in the 100, 400 and 800 Series of the Finance Dimension, including Finance 499-Miscellaneous Federal Revenue through MDE. Nutrition programs in Finance Codes 701 through 709 are to use the appropriate Source Codes 471-476 and 479.

Payment Description - XXFXXX XXX FY

Source 500 Federal Aid Received Directly from Federal Sources for which a Finance Code is Specified

Record all revenue received directly from federal sources when a unique finance code or Finance 599-Miscellaneous Direct Federal Revenue is required. Do not use to record Impact Aid (Source code 506).

Finance 499 Miscellaneous Federal Revenue Received from the Department of Education

Record the revenue and expenditures for miscellaneous federal aid received from the Minnesota Department of Education where there is no other designated finance code. **Use with Source Code 400.**

Payment Description-N/A

Finance 599 Miscellaneous Direct Federal Revenue

Record the revenue and expenditures for miscellaneous federal aid received directly from federal sources where there is no other designated finance code. Record federal interest subsidy payments for Build America Bonds (BABs) and Qualified School Construction Bonds (QSCB) to this code in the debt service fund. **Use with Source Code 500.**

Payment Description – N/A

The following Object Code Dimension Series 400 and 500 have had introductory description updates effective for FY 2012:

SUPPLIES AND MATERIALS (400 Series)

A supply item (as opposed to an equipment item) is any article of material that meets one or more of the following conditions:

- a. it is consumed in use;
- b. it loses its original shape or appearance with use;
- it is expendable; that is, if the article is damaged or some of its parts are lost or worn
 out, it is usually more feasible to replace it with an entirely new unit rather than repair
 it;
- d. it is an inexpensive item, having characteristics of equipment whose small unit cost makes it inadvisable to capitalize the item; or
- e. it loses its identity through incorporation into a different or more complex unit or substance.

CAPITAL EXPENDITURES (500 Series)

Capital expenditures consist of expenditures for acquisition, additions or improvement of a capital asset, which may include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period (Paragraph 19 of GASB 34).

This definition is conceptual in nature and should not be interpreted to mean that all capital assets districts report in the 500 object series should be *capitalized*. The decision to capitalize an asset is a local decision determined by school district policy. Under GASB 34, schools must establish and disclose a local capitalization policy in the notes to the financial statements, the dollar value above which asset acquisitions are added to the capital asset accounts reported on the district-wide financial statements.

Different types of assets, subsystems, or networks may have different capitalization policies (GASB 34 Implementation Guide). While the Office of the State Auditor has issued guidance to local governments, the state of Minnesota has not established a statutory capitalization threshold for school districts.

With respect to federal funds, capital equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the LEA for financial statement purposes, or \$5,000 (OMB Circular A-87).

For UFARS reporting, equipment or technology qualifies as a capital expenditure if the item meets **all** of the following criteria:

- a. it retains its original shape and appearance with use. It has a normal useful life extending beyond a single reporting period,
- b. it is nonexpendable. That is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit,
- c. it does not lose its identity through incorporation into a different or more complex unit or substance,
- d. its cost is of such magnitude as to be properly recorded as a capital expenditure,
- e. under a property control system, each item or group of like items will be separately inventoried and controlled.

Capital improvements consist of initial or additional site or building expenditures that may involve changes of partitions, roof structure or walls, or replacement of built-in equipment. Repairs may be considered capital projects if they clearly increase the value or extend the useful life of a site or building. All capital improvements or repairs must meet the following criteria:

- a. the project cost must be of such magnitude as to be properly recorded as a capital expenditure,
- b. it has a useful life of at least ten years.

For federally purchased equipment, districts may establish capitalization levels more restrictive (threshold less than \$5,000) than federal guidelines but not less restrictive (threshold greater than \$5,000).

View "State of Minnesota Guide to Local Government Capital Assets" and the "OMB Circular A-87 Revised."

FY 2012 Audit Submission Update

On or before June 29, 2012 the Audit Notification Letter will be sent to all districts, charters, LEA auditors, and regional centers for the upcoming year end.

MDE has established a preliminary IT structure to accept year end audited financial statements and other required reports via email. MDE will continue to refine and expand this option as we proceed into future years.

New for FY 2012 Audit Submissions

1. Districts may submit completed financial audits and required supplemental information in standard printed and bound format via United States Mail or other courier service,

OR

- 2. Districts may submit completed financial audits and required supplemental information via e-mail with attached files in PDF format using the naming convention identified.
 - Printed audit reports may be submitted via United States Postal Service (USPS) or other courier (UPS, FedEx, etc.) and postmarked or time stamped by courier NO LATER than December 31, 2012.
 - Beginning with 2012 audit submission process, MDE will accept electronic files (e-files) via e-mail, and using the standard file naming convention stored in a PDF format. Naming convention and audit submission details may be found after June 29, 2012, on the following MDE website: http://education.state.mn.us/MDE/SchSup/SchFin/FinMgmt/index.html.

If you have questions regarding FY 2012 audit submissions, contact David Day at 651-582-8384 or david.day@state.mn.us.

FY 2013 UFARS Chapter and Description Updates

Chapter X Grid Updates

Finance Code 330 – Learning and Development (Fund 01) was updated for statute consistency. Please reference the Chapter X Grid for changes.

UFARS description updates effective for FY 2013 are also recorded in these finance codes below:

Finance 330 Learning and Development (Fund 01)

Record revenue and expenditures intended to reduce and maintain the district's instructor-to-learner ratio. This code is used to record all expenditures for Balance Sheet Code 428, Restricted/Reserved for Learning and Development Fund Balance. Revenue for this purpose is included in General Education Revenue. Minnesota Statutes, section 126C.12.

Payment Description – N/A

Finance 795 Capital Projects Levy (Funds 01 and/or 06)

Record proceeds of the Capital Projects Levy in the General Fund. Use Program Code 850, Facilities. If the project activity is in Fund 6 then the proceeds equaling that amount must be transferred from the General Fund to the Building Construction Fund. All expenditures and revenues related to this capital projects account in the Building Construction Fund must carry the Finance Code 795. Interest income attributable to the capital projects account must be credited to the capital projects account. A district must meet the requirements of Minnesota Statutes, section 123B.71 for projects funded under this section. All

activity in this finance code relates to Balance Sheet code 407, Restricted/Reserved for Capital Projects levy. Minnesota Statutes, section 123B.63.

Payment Description - N/A

FY 2013 - UFARS Code Dimension Updates

Code Title and Definition

Object 185 Other Salary Payments (Licensed or Certified)

Includes all other compensation which is beyond the contract school day or school year. Includes compensation which is hourly-based or event-based not described in other salary object dimensions for employees whose primary employment in the district or school is in a position requiring *licensure* or *certification* through the Minnesota Department of Education, Minnesota Department of Health, or a national professional association.

Object 186 Other Salary Payments (Non-Licensed or Non-Certified)

Includes all other compensation which is hourly based or event-based and beyond the contract school day or school year not described in other salary object dimensions for employees whose primary employment in the district or school is in a position that does not require licensure or certification.

Finance 707 A La Carte/Other (Fund 02)

Record revenues and expenditures for the A La Carte/Other Program. This includes food items and milk served a la carte, nonexpendable equipment with a useful life of more than one year, and other items not otherwise listed.

Payment Description - N/A

Finance 740 State – Special Education, Ages Three through Twenty-one (Fund 01)

Record revenues and expenditures for state funded special education services for children/students age three through twenty-one. Minnesota Statutes, section 125A.76.

Payment Description - 01S360 SPEC EDUC FY

Finance 741 State – Special Education, Birth through Two (Fund 01)

Record revenues and expenditures for state funded special education services for children from birth through age two. Minnesota Statutes, section 125A.76.

Payment Description – 01S360 SPEC EDUC FY

Effective Beginning FY 2012 – New Revenue Programs

Compensatory Revenue Pilot Project Formula Aid

For FY 2013 only, districts which have a compensatory pupil count ranking in the top 20 largest pupil unit counts are eligible to receive revenue equal to \$1,400 times the number of compensatory pupil units, minus the amount of compensatory education revenue received by

the district under Minnesota Statutes, section 126C.10, subdivision 3. This one time appropriation is for \$9,776,000.

As additional state aid for permitted Compensatory Education expenditures, as defined in Minnesota Statutes, section 126C.15, subdivision 1, districts receiving this revenue must use Finance Code 317 (Basic Skills), Source Code 300 (State Aids from Minnesota Department of Education for which a Finance Code is Specified), permitted Chapter X Object Codes, and Balance Sheet Code 441 (Restricted/Reserved for Basic Skills).

The School Finance contact for Compensatory Revenue Pilot Project Formula Aid calculation is Bob Porter at bob.porter@state.mn.us.

Literacy Incentive Aid

Effective with the FY 2013 school year, Literacy Incentive Aid will be available for school districts and charter schools (Minnesota Statutes, section 124D.98). Only those schools enrolling students in grades 3 or 4 and with MCA test results from the prior year generate revenue for the district or charter school (Proficiency Aid and Growth Aid). While aid is generated using school level data, there is no requirement for funds to be spent at the school generating the revenue. The aid may be used for any general fund purpose. UFARS Source Code 212 will be available for use in FY 2013 used with Finance Code 000. Revenue is unrestricted and not required to be reserved.

Literacy Aid estimates will be posted to the School Finance section of the MDE website under: http://education.state.mn.us > School Support > School Finance > Funding Projections and Trends. Initial estimates of aid entitlement will be loaded to IDEAS in July 2012.

The School Finance contact for the Literacy Incentive Aid calculation is Bob Porter at bob.porter@state.mn.us.

Small Schools Revenue

Small Schools Revenue, a new component of general education revenue formula provides that a school district, not including a charter school, is eligible (Minnesota Statutes 2011, section 126C.10). The revenue is equal to the product of:

- (1) \$5,224;
- (2) The district's adjusted marginal cost pupil units for that year;
- (3) The greater of zero or the ratio of (i) 1,000 less the district's adjusted marginal cost pupil units for that year, to (ii) 1,000; and
- (4) 0.10.

The School Finance contact for Small Schools Revenue Aid calculation is Bob Porter at bob.porter@state.mn.us.

FY 2014 Community Education Update – Legislature Repeals Fund Balance Limits

Beginning in FY 2014, school districts' Community Service Fund programs will no longer be subject to revenue adjustments for excess fund balance. The 2012 legislature repealed statutes imposing fund balance limits on statutory reserve accounts for Community Education, Early Childhood Family Education and School Readiness programs, and repealed statutes requiring revenue reductions to school districts exceeding these limits, effective for FY 2014 revenue [Laws 2012, Chapter 239, Article 3, Section 6 (b)]. Adjustments for excess fund balance will still be made for FY 2013 revenue for districts that report three-year average closing fund balances for FYs 2010 through 2012 exceeding twenty-five percent of FY 2012 program revenue.

Information about fund balance limits and adjustments is found on the department website: http://education.state.mn.us > School Support > School Finance > Community Education, ECFE and School Readiness; or contact Judy Kuck at 651-582-1613 or judy.kuck@state.mn.us.

FY 2015 – Funds Transfer Authority Extended

Districts have an additional two years in which they may request authority to transfer funds and receive commissioner approval without having to demonstrate occurrence of an unforeseen event. The 2012 legislature extended through FY 2015 a temporary provision in state law requiring the commissioner of education to approve requests "if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district" (Laws 2012, Chapter 239, Article 1, Section 31). Transfers from the community service and food service funds are not permitted; the provision also requires the school board must first adopt a resolution stating the fund transfer "will not diminish instructional opportunities for students."

The application form and instructions for requesting transfer authority under this provision are posted on the department website: http://education.state.mn.us > School Support > School Finance > Financial Management, or contact Audrey Bomstad at audrey.bomstad@state.mn.us.

Amended Health and Safety Application Process

This process does not apply to charter schools and nonpublic schools.

During the 2011 Special Session, the legislature amended Minnesota Statutes, section 123B.57, subdivision 1, to simplify the health and safety revenue application process. Attachment 99 and more recently, Attachment 10 will no longer be required as a part of the application process.

Starting in the 2012 Payable 2013 levy cycle, districts applying for Health and Safety revenue must annually confirm: (1) a school board adopted budget per UFARS finance code and per fiscal year; and, (2) a stand-alone school board adopted health and safety policy that includes provisions for implementing a program that complies with health, safety, and environmental regulations and best practices including indoor air quality management.

MDE will provide additional information in June regarding submission and administrative procedures through the annual publication of the health and safety application materials and in regional presentations.

The Minnesota School Board Association (MSBA) is currently working on guidance regarding district health and safety policy development, and your regional management assistant professionals are available to help facilitate this process.

For questions or information on the Health and Safety Application Process, please contact Michael Oxborough at Michael.oxborough@state.mnus or 651-582-8509.