2023-2024

UFARS Year-End Workshop

June 2024

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NOTICES

This documentation is informal and advisory. Please seek opinions of professionals such as an auditor or attorney when needed.

2023-2024 Reporting Requirements

Adults with Disabilities Revenue

Modified from School Business Bulletin, No. 72, June/July 2023

Minnesota Statutes, section 124D.56, subdivision 1-3, 6 (Chapter 55, 2023 Minnesota Session Laws), article 11, Section 7.

A district's Adults with Disabilities calculation has changed so that the revenue for the program will equal the lesser of:

- The actual expenditures for the approved programs and budget; or
- The greater of $0.34 times the population of the school district or the district's adults with disabilities revenue for fiscal year 2023. If the district does not levy the entire amount, then the adults with disabilities aid is reduced in proportion to the amount levied.

Program aid will equal the difference between the district's adult with disabilities revenue and the district's adults with disabilities levy.

A district's adults with disabilities levy must not exceed the lesser of:

- The district's adults with disabilities revenue; or
- The product of the tax rate not to exceed .006 percent in fiscal year 2025, .0052 percent in fiscal year 2026 and .005 percent in fiscal year 2027 and later, times the district's adjusted net tax capacity for the year prior to the levy being certified.

District's offering adults with disabilities programming are encouraged to provide programming in cooperation with other districts and other public and/or private organizations providing the same services. The new calculation for this revenue will be reflected on the Pay24 levy report. The Levy Information System will include a question about this program. Please refer to the levy documents for additional information when made available.

For questions regarding Adults with Disabilities Revenue, please contact Greg Sogaard (greg.sogaard@state.mn.us).

American Indian Education Aid

School Business Bulletin, No. 72, June/July 2023

Minnesota Statutes, section 124D.81, (Chapter 55, 2023 Minnesota Session Laws, Article 4, Section 18).

For fiscal year 2024 and later, a school district, charter school, cooperative unit or tribal contract school enrolling at least 20 American Indian students, the American Indian Education Aid equals the greater of (1) the sum of $40,000 plus the product of $500 times the difference between the number of American Indian students and 20 or (2) the amount of the American Indian Education grant received in fiscal year 2015.

For fiscal year 2024 and later, if a school district, charter school or tribal contract school does not expend the full amount of American Indian Education Aid in the designated fiscal year, the LEA school may carry forward and expend up to half of the remaining funds in the first six months of the following fiscal year. The carry forward is not subject to aid reduction if several conditions are met.

For questions regarding American Indian Education Aid, please contact Greg Sogaard (greg.sogaard@state.mn.us).

American Indian Education Aid Calculation Spreadsheet

Modified from MDE Memo, May 3, 2024

There is a new American Indian Education Aid (AIEA) Calculation spreadsheet to assist districts on their AIEA calculation. It is an interactive projection model which shows how much a district will generate in aid based on the final American Indian counts through October 1, 2023, and what the district submits for a program budget.

Districts can view the spreadsheet by going to MDE > Data Center > Data Reports and Analytics > School Finance Spreadsheets > General Education. Subcategory is American Indian Education Aid. Select Years 2023 through 2025 to see specific years.

Fiscal Year 2023 is final data. The Calculation for FY24 is based on October 1, 2022, enrollment counts and will be updated periodically as budgets are approved by the American Indian Education division as well as when final Uniform Financial Accounting and Reporting Standards (UFARS) expenditures have been reported. The report has been updated to the approved budgets as of April 24, 2024. Each spreadsheet includes an Instructions report for additional information on the calculation and related Minnesota Statutes. The Calculation for FY25 is based on the October 1, 2023, enrollment counts and will be updated periodically as well.

Once the spreadsheet has been opened, enter the district number in cell B3 on the Report tab. The report data will populate. A district can change the "Approved American Indian Education Budget" in cell B12 for illustrative purposes to get an estimated total aid. The estimated aid will appear in cell B23. The aid is considered estimated until final UFARS expenditures have been reported for the final aid calculation.

If you have questions about the aid calculation, please contact Greg Sogaard (greg.sogaard@state.mn.us). If you have questions relating to the program area, please contact the American Indian Education Aid team (MDE.AIEA@state.mn.us).

Class Size – MCCC Data for Legislative Report

Modified from MDE > Districts, School and Educators > Educators, Administrators and Staff > Superintendents > Superintendent Mail, April 19, 2024

Minnesota Common Course Catalogue (MCCC) will be used to collect class size information as required by Minnesota Statutes, section 126C.12, subdivision 7. Districts need to report class size ratio by each scheduled course section offered at a school. *This will require that the MCCC data is reported.* MDE selected MCCC for the class size data submission because MCCC is used to collect other mandatory data submissions from districts.

Districts will submit data using MCCC based on the number of students in each section connected to the teacher of record assigned to the class and also the average student to teacher ratio at the school. Submit the class size data through MCCC by October 31, 2024 to meet the 2023-24 class size data reporting requirement. **Please pass this onto the person collecting this information. They would benefit by reviewing how the section and student section association is set up in your district's student information system that you will use to report the information to MCCC.**

The Minnesota Statutes, section 126C.12, subdivision 7 states: "A school district must annually report the district's class size ratios by each grade to the commissioner of education in the form and manner specified by the commissioner. The department must annually submit a report beginning December 1, 2024, to the chairs and ranking minority members of the legislative committees with jurisdiction over kindergarten through grade 12 education detailing the statewide ratios by grade starting with the 2023-2024 school year."

For support with MCCC, please contact Karen Millette or the mde_helpdeskmccc@state.mn.us. For support with Ed-Fi, please contact Ed-Fi Support.

COVID-19 References

COVID-19 guidance and rules came into existence during FY '20. Refer to the following MDE website links relating to COVID-19 guidance.

General Guidance – MDE has created documents to provide guidance in general areas such as food and nutrition, special education, and supporting students and families. This information is located at MDE > Districts, Schools and Educators > School-Community Connections > Healthy Schools > COVID-19 Updates (https://education.mn.gov/MDE/dse/health/covid19/).

Federal Grant Guidance – Information relating to the federal grants received due to COVID-19 is located at MDE > Districts, Schools and Educators > School-Community Connections > Health Schools > COVID-19 Updates > Federal Relief Funds (https://education.mn.gov/MDE/dse/health/covid19/cares/).

Enrollment Estimator Tools

MDE Memo, April 19, 2024

The largest share of the education finance appropriation, general education aid and other categorical aids, depend on Average Daily Membership (ADM) to calculate many funding formulas. MDE uses estimated ADM from the Average Daily Membership Web Estimates (ADMWE) system for these calculations until actual ADM calculations are available. Once actual ADM data is available from Minnesota Automated Reporting Student System (MARSS), the aid calculations will move away from ADM estimates (ADMWE) to actual student ADM data as reported in MARSS.

Therefore, it is extremely important that the most precise estimates are correct in the ADMWE System for the upcoming school years. Please review and update the district or charter school's three-year estimates for both ADM and English Learners (EL) as MDE will use those for forecasting purposes.

The Charter Enrollment Estimator and District Enrollment Estimator tools have been updated for estimating FY25 enrollment. They can be found on the Average Daily Membership webpage using the following the path or link: MDE > Districts, Schools and Educators > Business and Finance > School Finance > MARSS Student Accounting > Average Daily Membership.

Please view the document Estimating Average Daily Membership (ADM) Reference Guide which provides valuable information on October 1 counts, ADM Served, General Education Revenues and Charter School Revenues and much more.

Contacts

For assistance with how to use the Estimator Tool for Charter Enrollment Estimates, contact Kristine Anderson (651-582-8544).

For assistance with the ADMWE system and the general ADM estimate questions, contact Jeanne Krile (651-582-8637).

For assistance with how to use the Estimator Tool for District Enrollment Estimates, contact Kateri Little (651-582-8857).

Federal – COVID-19 Funding Course Code Guidance

Modified from Federal COVID-19 Funding Flowchart – Local Educational Agencies, May 16, 2022

Below is a chart showing the related Course codes by fiscal year to be used for various federal grants received for

COVID-19.

Fiscal Year (FY)	FIN 140/640 141/641 142 143/643 144/644 159	FIN 150 162/662 163/663 165	FIN 151 152 153	FIN 155 156 157 164	FIN 158 160 161	FIN 169	FIN 710
2024	Course 012	Course 013	N/A	Course 013	Course 013	Course 012	Course 000
2025	N/A	N/A	N/A	N/A	Course 014	Course 013	Course 000

Notes from the UFARS Hot Topics session at the 2022 Annual Conference.
- Be familiar with the end date of each grant, since they vary between grants. Many are September 30th.
- Unspent COVID funds being returned to the state/federal government should be moved from revenue to unearned revenue (B-01-230-000).

Federal – Documenting Personnel Costs

MDE > Districts, Schools and Educators > Teaching and Learning > Elementary and Secondary Education Act (ESEA)/Federal Title Programs, October 25, 2023

Local educational agencies (LEAs) are required to use employee records of actual work activity to determine allowable pay and benefits charged to federal awards, including Title funds. Such records must identify:
- the employee
- the time period being reported
- all federal and nonfederal work paid
- the reasonably accurate distribution of that work among cost objectives (specific activities that must be recorded to meet requirements)

Salaried employees should record the percentage of total work activity. *Hourly employees* are required to record daily work hours. Reports should be completed at appropriate intervals to be reasonably accurate and verified with a signature by the employee or their onsite supervisor as part of the LEA's internal controls. Budget estimates may be used but adjusted as needed based on actual work activity. [CFR 200.430(i)(1)]

Eligible work that exceeds the amount available from the corresponding federal fund should be noted, providing justification to charge a greater portion should more of that fund become available later. The actual work time must be no less than the amount charged to federal funds.

Additional compensation paid with federal funds that is not based on time worked must be consistent with a written agreement with the employee or an LEA policy which implies an agreement. [CFR 200.430(f)] All charges to federal funds must be reasonable and necessary to meet the purpose of the fund.

Contact mde.esea@state.mn.us if there are questions about this requirement that is included in the assurances signed when accepting ESEA Title funds.

Federal – Written Fiscal Policies and Procedures

MDE > Districts, Schools and Educators > Teaching and Learning > Elementary and Secondary Education Act (ESEA)/Federal Title Programs, January 9, 2024

The Uniform Grant Guidance (2 CFR 200) issued by the U.S. Office of Management and Budget are regulations which apply to all organizations that receive federal funds. These grants management rules include requirements for written policies and procedures to ensure compliance and accountability. A document that mostly restates the regulations *does not* meet these requirements.

A policy is a general guiding principle for the organization. It changes infrequently. The following written policies are required:

- Conflicts of interest policy, 2 CFR 200.318(c)
- Accounting policies, 2 CFR 200.430(i)(1)(v)
- Compensation policies, 2 CFR 200.430(a)(2)
- Fringe benefits policies, 2 CFR 200.431
- Travel policies, 2 CFR 200.475
- Employee health and welfare policies, 2 CFR 200.437

A procedure is a series of steps to accomplish an end result. It provides a detailed description of activities, stating specifically who, what, when, and how, and are continuously updated and improved. Funding recipients are required to establish and consistently follow written procedures:

- Allowability procedures for determining the allowability of costs in accordance with Subpart E – Cost principles and the terms and conditions of the federal award. 2 CFR 200.302(b)(7); 200.403(c)
- Payment (Cash Management) procedures to minimize the time between the transfer of federal funds and disbursement to employees and vendors. 2 CFR 200.302(b)(6), 200.305
- Procurement Procedures to provide open competition, use the appropriate procurement method for the total cost and type of good or services, and maintain records detailing the history of a purchase. 2 CFR 200.318(a), 200.319(d), 200.320
- Equipment management procedures (if applicable), 2 CFR 200.313(d)
- Time-and-effort procedures to document, verify and reconcile actual work activity with expenditures being charged to federal funds. 200.430(i)(1)(v)

Food Service – Confidentiality and Disclosure of Student Meal Eligibility Status

Nutrition Program Bulletin, Week of July 24, 2023

Households must provide consent to share their student meal eligibility information with anyone outside federal or state education and nutrition programs. Any local education program, such as athletics, afterschool care, standardized testing or other programs that offer a reduced or waived fee to households qualifying for meal benefits requires consent specific to that program.

The consent statement must be in writing. It may be obtained at the time of application or at a later time. It must enable parents, guardians, or adult participants to limit consent to only those program with which they wish to share information. For example, the consent statement could use a check-off system under which the applicant would check or initial a box to indicate they want to have information disclosed to determine eligibility for benefits from a certain program.

Additional requirements can be found on page 91 of the USDA Eligibility Manual for School Meals. Confidentiality and disclosure templates and the Confidentiality and Disclosure Essentials training video are available on the MDE website.

Food Service – Free School Meals Program Frequently Asked Questions (FAQ)

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Free School Meals for Kids Program, July 31, 2023

On Friday, March 17, 2023, Governor Walz signed the Free School Meals bill into law. This will take effect with the July 1, 2023 – June 30, 2024 school year. This legislation provides the reimbursement for a free breakfast and lunch to students who receive meals through their school's participation in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). Schools that participate in the United States Department of Agriculture's (USDA) National School Lunch Program (NSLP) must now participate in the state funded Free School Meals Program.

MDE created a frequently asked questions document to assist with various questions relating to the Free School Meals Program.

Food Service – Minimum Hiring Standards for Person Designated as School Nutrition Program Director

Superintendent and Charter Leader Update, April 11, 2024

As required by the Healthy, Hunger-Free Kids Act of 2010, the United States Department of Agriculture (USDA) established minimum hiring standards for school nutrition program directors operating the National School Lunch and School Breakfast program (NSLP/SBP). The hiring standards affect only directors hired on or after July 1, 2015.

Each NSLP/SBP sponsor must designate one individual as the program director, regardless of their official job title. The director is defined as the individual who plans, administers, implements, monitors and evaluates all district-wide aspects of the school nutrition program. As the school district maintains oversight and responsibility for the school meal programs; the role of the program director must remain with the school district, even in instances when a school district contracts with a food service management company.

For special or unique hiring situations, consult MDE's Nutrition Program Services by email mde.fns@state.mn.us.

Helpful Websites

Minnesota Administrative Rules – https://www.revisor.mn.gov/rules/

Minnesota Association of School Business Officials (MASBO) – https://mnasbo.org/

Minnesota Department of Education (MDE) – https://education.mn.gov/MDE/index.html

MDE Facility and Technology School Construction "Guide for Planning Construction Projects in Minnesota" – https://education.mn.gov/MDE/dse/schfin/fac/cons/

MDE Financial Management Indirect Cost Rates – https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=45

MDE Financial Management UFARS Manual – https://education.mn.gov/MDE/dse/schfin/fin/UFARS/

MDE Food and Nutrition Service – https://education.mn.gov/MDE/dse/fns/

MDE Special Education Administration – https://education.mn.gov/MDE/dse/sped/

Minnesota Department of Employment and Economic Development (DEED) – https://mn.gov/deed/

Minnesota Department of Labor and Industry – http://www.dli.mn.gov

Minnesota Department of Revenue – https://www.revenue.state.mn.us

Minnesota Historical Society – https://www.mnhs.org

Minnesota House Research's "Minnesota School Finance: A Guide for Legislators" – http://www.house.leg.state.mn.us/hrd/pubs/mnschfin.pdf

Minnesota House of Representative's "Financing Education In Minnesota" (Under Other Documents) – https://www.house.leg.state.mn.us/Fiscal/Home/IssueBriefs

Minnesota Office of the State Auditor – https://www.osa.state.mn.us

Minnesota State Legislature and Statutes Information – https://www.leg.mn.gov/

Minnesota White Pages (For state phone numbers and email addresses) – https://mn.gov/portal/whitepages/

Minnesota.gov – https://mn.gov/portal/

New Hire Reporting Center (Secure site) – https://newhire-reporting.com/MN-Newhire/default.aspx

Office of Inspector General (Single Audit and Student Financial Assistance (SFA) Audit Information) – https://oig.ed.gov/non-federal-audits

Social Security – https://www.ssa.gov

U.S. Department of Education – https://www.ed.gov

Region I, Moorhead, MN – https://www.region1.k12.mn.us/main

Arrowhead Regional Computing Consortium (ARCC), Hermantown, MN – https://www.arcc.org

cmERDC, St. Cloud, MN – https://cmerdc.org

SWWC – From Programs & Services, select Regional Management Information Center (RMIC), Marshall, MN – https://www.swsc.org

Region V Computer Services, Mankato, MN – https://www.regionv.k12.mn.us

Note: Website addresses frequently change. Contact your Regional Center, if you have difficulty using any of them.

Literacy Incentive Aid – Local Literacy Plan Submission

MDE > Districts, Schools and Educators > Teaching and Learning > Read Act > Local Literacy Plan

Minnesota districts and charter schools are required to annually submit a local literacy plan to MDE, and data on student performance in kindergarten, grade 1, 2 and 3 on foundational reading skills including phonemic awareness, phonics, decoding, fluency and oral language; student who demonstrate characteristics of dyslexia; and students in grades 4 to 12 who are identified as not reading at grade level Minn. Stat. 120B.12, subd. 4a.

This submission replaces the Read Well by Third Grade (RWBTG) data and local literacy plan submission. **Each district or charter school is required to complete one submission of their local literacy plan to MDE annually by June 15 and post on the official school district website**. For the 2024 submission, districts and charter schools will provide details from the 2023-24 school year and their 2024-25 literacy plan.

MDE created an online submission process that is inclusive of the data submission and the Local Literacy Plan. A

Local Literacy Plan Template has been created to assist districts and charter schools in developing a literacy plan that meets the requirements of the Minnesota READ Act. The local literacy will be submitted online through an online submission link specific to the district or charter school. Please email the Minnesota READ Act Literacy Team if your district or charter school didn't receive a unique link to submit the local literacy plan.

For districts currently using one of the three approved screeners, if able, please include benchmark data in the submission. For those transitioning to an approved screener, you will submit data in June 2025.

MARSS – The Importance of
MDE > Districts, Schools and Educators > Business and Finance → School Finance → MARSS Student Accounting,
April 2, 2024

The Minnesota Automated Reporting Student System (MARSS) collects student data for the Minnesota Department of Education (MDE) from all Local Education Agencies (LEAs). Data collected via MARSS is used for a variety of purposes, including state aid and levy calculations, federal grant allocations, federal and state civil rights reporting, unduplicated child count and National Center of Education Statistics (NCES) reports. The year-end financial aid calculations that utilize data collected via MARSS include general education revenue, shared-time foundation aid, contract alternative school aid, extended time revenue, sparsity, English Learner aid, charter school lease aid, and a whole host of other general fund revenues. Fall MARSS data are used to calculate compensatory revenue, alternative teacher compensation (QComp), allocated federal block grant, Title I, and learning readiness aid to calculate a LEA's child count for federal special education funding and pre-code state assessment documents.

Due to the wide use of the MARSS data, it is important that LEAs report complete and accurate MARSS data in a timely manner. Without such data, much of the state and federal revenues cannot be allocated or could be allocated incorrectly. For example, in Fiscal Year 2024 misreporting a single student could result in a loss of the basic formula allowance of $7,138 per student plus the student driven allowances such as compensatory, gifted and talented, local optional, referendum, etc. (Minn. Stat. 126c.10, subd. 2 [2023]). The impacts of misreporting to general education and compensatory revenue are discussed in more detail below.

The MARSS Web Edit System (WES) provides output reports that are used to verify the accuracy and completeness of the data. LEAs may also use these output reports to estimate final revenues for general education, complete grant applications, and for LEA planning. For LEAs which enroll nonresident students, MARSS data may be used to create output reports listing these students, their attendance, membership, average daily membership (ADM) and weighted ADM. A full list of MARSS WES reports can be found here under List of All MARSS WES Reports.

Every LEA must have a staff that is responsible for reporting MARSS data to MDE commonly known as a MARSS Coordinator. Only the designated MARSS Coordinator for a LEA can submit MARSS data to MDE and only a LEA's MARSS Coordinator has access to the MARSS WES reports. The MARSS Coordinators are responsible for maintaining and validating data items such as English Learners, students with IEP's, PSEO, transportation status, Free and Reduced Priced Meal eligibility, etc. The Coordinators are also responsible for distributing the MARSS WES reports to staff in their LEA to verify data. Verifying the data does not mean the MARSS Coordinator is responsible for owning the data at the local level. It is the responsibility of all staffing in the LEA to verify what will be submitted to MDE. MARSS timelines and reporting instructions can be found on the MDE website, under MARSS Reporting Instructions.

The submission of MARSS data is transitioning to Ed-Fi, however MARSS data collected by MDE will be the same, just the submission portal is changing. All the uses of the data will continue and the MARSS WES is not changing. The MARSS Coordinator continues to be responsible for the reporting of MARSS data to MDE. However, the Coordinators are not directly responsible for the submission of additional data that is also transitioning to being reported to MDE via Ed-Fi (e.g. Early Childhood Family Education, School Readiness, Digital Equity data, Minnesota Common Course Data). Each LEA will identify designated staff whether it be the MARSS Coordinator or other staff to report these pieces of information on behalf of the LEA. There is a wide range of data that is collected by MDE and it is the responsibility of everyone at the LEA to ensure the accuracy and timeliness of reporting. MARSS Coordinators play an important role within LEA and the staff tasked with this responsibility need help and cooperation from everyone in the LEA to assure that the MARSS data are complete, accurate, and timely.

The potential revenue impact of misreporting MARSS data
General Education Revenue
General Education allowances and revenue calculations can be found on the Minnesota Funding Reports portal within the Data Analytics section on the MDE Website. When looking at revenues and allowances, LEAs should factor in their English Learner concentrations, operating capital, referendum, sparsity, transition, and other equity allowances to determine how student changes will impact their revenues. Districts and Charter Schools have access to the Interactive Projection Model/WhatIF analytic tool to get an estimate on how pupil changes affect the calculation of various components of general education revenues specific to a district. Below are the links referenced above:

Data Reports and Analytics
Interactive Projection Model/WhatIF for districts
Interactive Projection Model/WhatIf for charters

Compensatory Revenue
The compensatory formula is changing for FY 2026 and will include only pupils eligible by direct certification (Direct Certification) for free and reduced-price meals (MARSS economic indicators 07 and 08, respectively). The FY 2026 compensatory pupils will be calculated as the number of pupils enrolled in a building eligible for free meals plus one-half of the number of pupils eligible to receive reduced price meals (via direct certification) on October 1, 2024. The building concentration factor will be the building's compensatory pupils divided by the number of pupils enrolled at the building on October 1. That building concentration factor is then multiplied by the statewide compensatory allowance. It is up to the MARSS Coordinators to submit the correct economic indicator for each student. If indicators are missed or incorrect the LEA has potential to lose potential compensatory revenue. The coordination of economic indicators will be the new basis to the generation of compensatory revenue.

MDE Calendar Lists

There are multiple areas on the MDE website that provide calendars or due dates. Below are some links to these calendars and a brief description of what they provide.

MDE > About > Calendar – This section provides a list of upcoming training opportunities or meetings being offered by MDE.

MDE > Districts, Schools and Educators > Business and Finance > Data Submissions – A "Minnesota District and Charter Data Reporting Calendar" is available which provides a list of reporting and data entry periods of importance to districts and schools, including a brief description of each. *Updated July 2023.*

MDE > Districts, Schools and Educators > Business and Finance > Forms – This section provides a list of the forms that may need to be completed by a district. If you are looking for a form to complete, you may want to look here first.

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education – A document named "Special Education School Finance Calendar" is available which identifies activities the Special Education department should be aware of monthly. *Updated May 5, 2021.*

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Renewing Sponsors – A document named "School Nutrition Program and Food Distribution Program Important Dates" is available which provides a calendar view of important dates and tasks School Nutrition Program sponsors must complete annually.

MDE > Districts, Schools and Educators > Teaching and Learning > Charter Schools > Charter School Resources – A "Reporting Calendar for Charter Schools" is available which provides a list of reporting and data entry periods of significant importance to charter schools, including a brief description of each. *Updated June 28, 2023.*

MDE > Districts, Schools and Educators > Teaching and Learning > Elementary and Secondary Education Act (ESEA)/Federal Title Programs > ESEA Grant Application Tools – A document named "Timeline for ESEA Applications in MEGS and SERVS" is available which provides an annual timeline to the ESEA Title grant program applications with Finance codes 401, 406, 414, 417, and 433.

MDE Contact List

Question on…	Email	Phone #
Achievement and Integration	mde.integration@state.mn.us	
Charter School Lease	MDE.CharterSchoolapps@state.mn.us	
Community Ed, ECFE and School Readiness	mde.funding@state.mn.us	651-582-8342
ESEA/Federal Title Programs	mde.esea@state.mn.us	
External CPA Audits	mde.ufars-accounting@state.mn.us	
Facilities and Technology	mde.funding@state.mn.us	651-582-8779
General Education	mde.funding@state.mn.us	651-582-8868
IT Help Desk	mde.helpdesk@state.mn.us	
Levy Certification Process	mde.levy@state.mn.us	651-582-8866
MARSS Student Accounting	marss@state.mn.us	
MEGS Help Desk	MEGS.MDE@state.mn.us	
Postsecondary Enrollment Options (PSEO)	mde.pseofunding@state.mn.us	651-582-8637
School Finance, Charter Schools, Federal Aid, Funding Projections and Trends, Nonpublic	mde.funding@state.mn.us	651-582-8779
School Finance Training	mde.ufars-accounting@state.mn.us	
SERVS Cashier	mde.cashier@state.mn.us	
SERVS Financial	mde.servsfinancial@state.mn.us	
Special Education Funding	mde.spedfunding@state.mn.us	651-582-8864
Transportation	PupilTransportation.MDE@state.mn.us	
UFARS	mde.ufars-accounting@state.mn.us	651-582-8770

MDE-ORG (Schools and Organizations)

MDE > About > School and Organization Search (MDE-ORG)

The Minnesota Department of Education-Organization Reference Glossary (MDE-ORG) is a searchable database. It includes a variety of Minnesota school, district and education-related organization directories.

Users can generate files using search parameters that can be used to create listservs, mailing lists, and more. Historical information on districts and schools, including the names and terms of administration staff, can also be found here. You may also find districts or organizations listed by region, such as city or legislative district. Tagged collections allow you to filter for school or district type, such as Alternative Learning Centers or Higher Education institutions.

MEGS Report Available

ESEA Federal Title Programs Update, March 12, 2024

The Minnesota Department of Education (MDE) continues to implement the new Minnesota Education Grants System (MEGS) developed by MTW Solutions (MTW). As part of this implementation, MDE and MTW have developed a report titled "Fund Stream Summary" that displays the total amount of funds available, reimbursed, and remaining for each finance code and course code. The report can be downloaded in various formats.

The report can be accessed by the following EDIAM user roles in MEGS: Bookkeeper, Data Entry, District Administrator, leaViewOnly. Once logged into MEGS through EDIAM, users can run and view the report by selecting the "MEGS Reports" link. From there, the user will follow the link to the Fund Stream Summary report and select the options (grant year, award origin year, program(s), organization(s), and report format). Once selected, the user will click on "View Report" to request the report display the options selected.

Additional reports will be added to the "MEGS Reports" section of the system as they become available. Contact MEGS.MDE@state.mn.us if there are questions.

Nonpublic – Guidance for Health Funding

MDE > Districts, School and Educators > Business and Finance > School Finance > Nonpublic, July 12, 2023

The guidance for the use of the nonpublic pupil health funds is contained within the statutes and rule, specifically, Minnesota Statutes, section 123B.44, as well as Minnesota Statutes, section 123B.41, subd. 15a, and Minnesota Rule Chapter 3540.0200 subp.5, which provides the definition of "Health Services".

The nonpublic pupil health funds are intended to reimburse local public school districts for the costs incurred in the direct provision of health services to nonpublic students. Districts are charged with providing the services which means all services must be provided by qualified staff employed by or under direct contract with the public school district. Districts are expected to provide the same specific services as are provided to the public students within the district, without exceeding the reimbursement rate. Since the reimbursement rate is a statewide average, low spending districts may be able to provide equal services without spending the entire maximum reimbursement. In these cases, once the district has reached the equal treatment threshold they are expected to stop, as going beyond this point would mean equal treatment is no longer being met.

The funds cover salaries, benefits, travel and supplies used by the health professional. Only supplies brought to the site by the district health professional for usage in the field of physical or mental health are eligible for reimbursement. These supplies are not to be used by the nonpublic school staff and the program does not purchase supplies for nonpublic schools. Nonpublic schools are expected to purchase their own medical supplies which would be available for nonpublic school staff to use when the visiting public school health professional is not at the nonpublic school.

This program is designed to service nonpublic students and the public school district makes all of the staffing and spending decisions. Nonpublic schools do not have the authority to spend the funds generated by this program. The nonpublic pupil aid program is designed to supplement a nonpublic school's own efforts.

These requirements also apply to the provision of secondary guidance and counseling services.

If you have any questions, contact MDE.Funding@state.mn.us.

Nonpublic Pupil Transportation Aid WhatIF Spreadsheet

Modified from MDE Memo, April 19, 2024

There is a new nonpublic pupil transportation aid WhatIF spreadsheet to assist districts on their nonpublic pupil transportation aid calculation. It is an interactive projection model which shows how the nonpublic pupil transportation aid is calculated.

Districts can view their specific spreadsheet by going to MDE > Data Center > Data Reports and Analytics > School Finance Spreadsheets > Transportation. Subcategory is Nonpublic Pupil Transportation. Select Year 2023.

Once you open the spreadsheet, enter the district number in cell A2 on the Report tab. The report data will populate. You can change the Nonpublic Pupils Transported Regular Category and Nonpublic Pupils Transported Excess in the yellow highlighted cells (F11 and F12) to estimate the Nonpublic Pupil Transportation Aid for the next fiscal year.

Charter schools are not eligible to generate nonpublic pupil transportation aid.

Office of the State Auditor (OSA) – State of Minnesota

http://www.osa.state.mn.us

The Office of the State Auditor provides accounting guidance, articles, weekly updates, avoiding pitfalls, press releases, and statements relevant to schools. From the menu, select "Audit Resources", "Reports + Data Analysis", "Training + Guidance", or "News" and the resource you need. OSA staff update frequently. Check the website for current information.

Audit Resources includes:
- Legal Compliance Guide – Applies to all governmental entities

Reports + Data Analysis includes:
- School Districts – School related documents listed by year
- Special Studies – Reports and investigations by year
- Special Investigations

Training + Guidance includes:
- Avoiding Pitfalls – Grouped by category
- Statements of Position – Grouped by category

News includes:
- OSA Weekly Updates – Listed by date
- Press Releases

Office of the State Auditor (OSA) State of Minnesota – Avoiding Pitfalls

https://www.osa.state.mn.us/audit-resources/audit-guidance/avoiding-pitfalls/

Avoiding Pitfalls are short, educational pieces to address questions asked of the Office of the State Auditor (OSA) on topics affecting local governments and others subject to the OSA's oversight. Those pieces can be found here. The information and guidance in each Avoiding Pitfall is current as of the date last published. Subsequent law or other developments may have affected their current applicability. Avoiding Pitfalls are not legal advice and should not be relied upon in lieu of legal advice.

Accounting Policies
- Documentation of Accounting Policies and Procedures
- Examine Bank Statements Promptly to Preserve Potential Claims
- Fight Payroll Direct Deposit Fraud
- Internal Controls for Special Events
- Policy for Account Adjustments and Write-offs
- Uncashed Checks

Audits
- Audit Follow-Up
- Fraud Risk Questions During an Audit

Bonds
- Bonds for Public Employees and Officers
- Change in Bonded Officers
- Contractors' Performance and Payment Bonds
- Obtaining Loans or Lines of Credit

Compensation
- Local Government Compensation Limit
- Pay and Benefits Documentation
- Salary Adjustments

Computers
- Computer Access – Passwords
- Computer Access by Employees
- Computer Scams
- Dangerous E-mails
- Personal Portable Computing Devices
- Phishing Scams
- Security For Portable Computing and Media Devices
- Update Computers With Windows XP or Office 2003
- Watch Out for Scammers Using Phishing or Smishing Email and Text Messages

Conflicts of Interest
- Contracts and Conflicts of Interest
- Sale of Public Property to Public Officers and Employees

Contracting
- Check the CPV for Purchases over $25,000
- Contract Quotations
- Contracting Procedures
- Contractors' Performance and Payment Bonds
- Contracts and Conflicts of Interest
- Cooperative Purchasing Venture
- Disregarding Policies is a Risk

Data Practices/Records

Deposits & Investments

Disaster Plan

Disbursement Process

Employee Expenses

Employee Payroll

- Risk Assessments
- School Cash Handling Procedures
- Security for Checks
- Segregation of Billing Duties
- Segregation of Duties – Part I
- Segregation of Duties – Part II
- Small Entities: Review of Checks
- Timely Deposits
- Update Bank Signature Cards
- Use of Credit Cards
- Use of Gift Cards by Local Government Entities

Inventory
- Asset Inventories
- Unclaimed Property

Meetings
- First Meeting of the Year
- Holding Public Body Meetings During Times of Emergency
- Meeting Meals for Board or Council Members
- Meeting Minutes

Public Purpose
- Alcohol and Spouse/Family Expenses
- Donations to Non-Profit Entities by Governmental Units
- Meeting Meals for Board or Council Members
- Public Funds Cannot be Used to Advocate for One Side of a Ballot Question

Purchasing
- Check the CPV for Purchases over $25,000
- Claims Payment Period
- Cooperative Purchasing Venture
- Fuel Purchases
- Monitor Contract Prices of Supplies
- Surety Deposits for Non-Minnesota Construction Contractors
- Use of Credit Cards

Receipts
- Consolidation of Cash Collection Points
- Intact Deposits
- Pre-numbered Receipts for Payments Received
- Schools – Cash Receipts
- Scrap and Salvage Proceeds
- Segregation of Billing Duties
- Ticket Sales
- Timely Deposits

Reporting Obligations
- Accountants' Obligation to Report Evidence of Misconduct
- Change in Bonded Officers
- Report Evidence of Wrongdoing

Tax Issues

- IRS Form W-2 and Form 1099
- Meal Reimbursements May Be Taxable
- Meeting Meals for Board or Council Members
- Payroll-Related Tax Issues
- Tax Identification Numbers
- Taxable Employee Expense Reimbursements
- Uniform/Clothing Allowances

Office of the State Auditor (OSA) State of Minnesota – Statements of Position
https://www.osa.state.mn.us/training-guidance/guidance/statements-of-position/

The Office of the State Auditor's Statements of Position provide information and guidance on select topics relevant to local governments, local government auditors, and volunteer fire relief associations. The Statements are educational resources. The information and guidance in each Statement is current as of the date last reviewed. Subsequent law or other developments may have affected its current applicability. The Statements are not legal advice and should not be relied upon in lieu of legal advice.

Accounting
- Asset Inventories
- Check 21 Act
- Enterprise Fund Accounting
- Fund Balances for Local Governments (GASB 54 Version)
- Other Post-Employment Benefits (OPEB) for Local Governments Based on GASB 75
- Temporary Interfund Loans

Contracting
- Contract Change-Orders and Contractor's Bonds

Data Practices & Record Maintenance
- Classification of Data During an Audit
- Meeting Minutes

Deposits & Investments
- Custodial Credit Risk: Certificates of Deposit Obtained Through a Placement Service
- Custodial Credit Risk: Investment Policy Considerations
- Deposits of Public Funds (Depositories and Collateral)
- FDIC Rules for Government Deposits
- Legal Restrictions on Public Investing
- Qualified Safekeepers

Internal Controls
- Car Allowance and Mileage Reimbursement
- Credit Card Use and Policies
- Employee Timekeeping Procedures For Employees Paid on an Hourly or Daily Basis
- Out-of-State Travel Policies
- Petty Cash (Imprest) Funds
- The Importance of Internal Controls
- Use of Gift Cards
- Vending Machines

Public Purpose
- Employee Recognition Programs and Events

- Expenditure of Public Funds on Ballot Issue Advocacy
- Outside Organizations Supporting Schools
- Public Expenditures: Donations and Dues
- Vending Machines

Office of the State Auditor (OSA) – Avoiding Pitfalls: Cooperative Purchasing Venture

Office of the State Auditor (OSA) Avoiding Pitfalls, June 9, 2023

Vendors sometimes market their businesses by claiming that local units of government can purchase from them without bidding. Vendors may emphasize that they are part of the "state contract" or that they will sell at the "state contract price". Public entities should be cautious before proceeding with these purchases. Public entities cannot avoid the normal bidding requirements simply by purchasing from these vendors.

Public entities can avoid contract bidding requirements by joining and using the Cooperative Purchasing Venture (CPV). The CPV is a members-only joint powers program operated by the Minnesota Department of Administration. The CPV allows members to purchase goods and services under contract terms established by the State of Minnesota. It is available only to governmental units that have joined the CPV, for which there is currently no fee. More information on the CPV, and how to become a member, can be found online.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Electronic Funds Transfers

Office of the State Auditor (OSA) Avoiding Pitfalls, September 22, 2023

To pay vendor claims, many local government entities may use electronic funds transfers instead of checks. Electronic funds transfers may also be used to purchase and sell investments.

While these transactions are convenient, they present unique opportunities for fraud. As a result, state law requires local units of government to adopt certain policies and procedures before electronic funds transfers are made. The law now specifically requires counties, local social service agencies, school districts, towns, park districts, and home rule charter cities of the second, third or fourth class to have all of the following policy controls in place before using electronic funds transfers.

- On an annual basis, the governing body must delegate a designated business administrator the authority to make electronic funds transfers;
- The disbursing bank must keep on file a certified copy of the delegation of authority;
- The person initiating the electronic transfer must be identified;
- The person initiating the electronic transfer must document the request and obtain approval from the designated business administrator before initiating the transfer;
- Written confirmation of the transaction must be made within one business day after the transaction; and
- A list with all transactions made by electronic funds transfer must be submitted to the governing body at its next regular meeting.

These requirements are mandatory for the local government entities listed above, and they provide guidance for other units of government when drafting their policies and procedures.

Statutes governing electronic funds transfers include 471.38 (counties, local social service agencies, school districts, towns, park districts, and home rule charter cities of the second, third or fourth class) and 471.381 (cities, towns, and counties).

Office of the State Auditor (OSA) – Avoiding Pitfalls: Monitor Contract Prices of Supplies

Office of the State Auditor (OSA) Avoiding Pitfalls, October 20, 2023

Public entities often enter into contracts to purchase supplies based upon the prices offered by the vendor on those supplies. When the supplies are actually purchased, the public entity should confirm that the prices charged by the vendor match the prices offered by the vendor when the original contract was signed.

In the past, allegations have been made in other states that vendors switched government customers from one pricing plan to another plan without the customers' full understanding or knowledge. In 2014, for instance, Office Deposit entered into numerous settlements with various states to resolve allegations of overcharging governmental customers; the settlement with the State of California alone was for $80 million. More recently, in 2020, the wireless carriers of AT&T and Verizon agreed to pay a total of $127 million to 300 state and local government entities in California and Nevada to settle allegations that the carriers violated contractual promises to charge the entities "the lowest cost available." Comparing contract prices or charging promises to the actual prices charged and raising questions as needed may help detect or prevent overpayment.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Non-Travel Employee Meal Reimbursement

Office of the State Auditor (OSA) Avoiding Pitfalls, October 13, 2023

The cost of meals is normally a personal expense. Government employers may provide meals to their employees only when it is necessary to do so. Generally, such business necessity can be shown when an employee is in travel status.

For those government employers that permit meal reimbursement for non-travel necessary meals, a policy should be adopted setting forth what meals are eligible for reimbursement and requiring that employees seeing reimbursement provide:

- a fully itemized and dated original receipt,
- the reason the meal was necessary, and
- to the extent is constituted a "meeting" that was necessary to hold during a meal time, the identifies of all persons attending the meal.

This information can help the government employer monitor employee meal reimbursements to ensure they are authorized and appropriate.

Operating Referendum Renewal Guidance/Referendum Renewal School Board Approval Timeline

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > General Education > Referendum, October 3, 2023

This document provides clarity related to school districts using new authority to renew existing Operating Referendums as defined in Chapter 55, 2023 Minnesota Session Laws, impacting Minnesota Statute 126C.17, subd. 9b.

General Provisions

- Districts may renew one time an existing Operating Referendum under the same per-pupil amounts (allowance including CPI adjusted) and length of time by board approval.
- Operating referendum revenue is generated by the authority in the voter-approved referendum language, and the fiscal year recording of the annual revenue represents the annual appropriation.
- **Due to the payable levy certification timelines, board approval must happen by June 15 in fiscal year prior to the last fiscal year generating revenue. The board renewal resolution must be sent to MDE and the County Auditor by September 1.**
- Required public testimony may take place at the same meeting in which the board authorization vote occurs.

This is a set of examples of referendum expirations and renewal deadlines:

Vote Approved Referendum	First & Last Applicable Levy	First & Last Applicable Fiscal	Start of Board Renewed	Board Resolution Window for

Date/Years*	before expiration	Year before expiration	Operating Referendum	Renewal
November 2015 8 years	**Payable 2016 Payable 2023**	**Fiscal Year 2017 Fiscal Year 2024**	**Fiscal Year 2025**	**May 25, 2023 June 15, 2023**
November 2015 9 years	Payable 2016 Payable 2024	Fiscal Year 2017 Fiscal Year 2025	Fiscal Year 2026	**May 25, 2023 June 15, 2024**
November 2015 10 years	Payable 2016 Payable 2025	Fiscal Year 2017 Fiscal Year 2026	Fiscal Year 2027	**July 1, 2023 June 15, 2025**

*Dates are examples only; referendum authority is for any referendum with revenue authority expiring in FY24 and beyond.

Districts will be certifying the proposed and final Payable 2024 levy for Fiscal Year 2025 (FY25) between September and December 2023.

Questions on board renewal of operating referendums should be sent to Kristine Anderson, Division of School Finance, kristine.anderson@state.mn.us.

Note: MDE created an "Operating Referendum Board Renewal Date Calculator" that calculate the renewal window during which the authority may be renewed.

Recording Eligible Expenses for School Unemployment Aid

Modified from MDE > About > Legislation, Rulemaking and Reports > Legislation > 2023 Session > Resources by Topic, School Finance > School Unemployment Aid

School Unemployment Aid was approved in the 2023 legislation session as a one-time capped appropriation of $135 million with eligibility to spend through June 30, 2027 or the exhaustion of funds to eligible Local Education Agencies (LEAs), whichever comes first.

The following is guidance on eligibility and applicable coding. A FAQ will also be published to address more specific questions and clarification that has arisen since the end of the legislative session.

Entities eligible for School Unemployment Aid:

- School districts, charter schools, intermediates and other cooperative units will be eligible for the $135 million appropriation to reimburse eligible costs.
- Perpich Center for Arts Education and Minnesota State Academies will receive separate appropriations for their eligible costs.

Eligible staff include:

- Non-licensed hourly school-year employees who have the expectation that a position will be available for them at the start of the next school year.
- LEAs should refer to the Law Update for Educational Institutions on the Minnesota Unemployment Insurance website for information related to what is changing, who is eligible, and how applications will be processed.

Uniform Financial Accounting and Reporting Standards (UFARS) Coding

Eligible employees filing for summer term unemployment insurance must be coded to Object Code (OBJ) 281 (new).

Since the new law was applicable in May 28, 2023, OBJ 281 is available starting in FY23. When using OBJ 281, the UFARS restricted grid will only allow Finance Code (FIN) 000. This is due to the aid reimbursement procedure and the statute language that prohibits other funding or reimbursement options on unemployment costs while there is aid reimbursement available. In addition, all eligible costs must be coded in Fund 01 until the aid is exhausted.

LEAs may use Program Codes (PRO) to locally identify cost distribution. Please see the Chapter 10 Unrestricted Grid for specific applicability of program areas.

PRO 770 (Food Service) and PRO 505 (Community Service) will be available in Fund 01 if LEAs would like to track Food Service and Community Service school unemployment eligible costs. In addition, PRO 401-499 are available for tracking special education eligible staff with a FIN 000.

Unrestricted – General Fund 01
Permitted Expenditure Code Grid

Program Number	Program	ORG Series 005	ORG Series 001-004	ORG Series 006-999	Object Series 100	Object Series 200	Object Series 300	Object Series 400	Object Series 500	Object Series 700	Object Series 800	Object Series 900
010	Board of Education	X			X	X	X	X	X		X	
020	Office of the Superintendent	X			X	X	X	X	X		X	
030	Instructional Administration	X			X	X	X	X	X		X	
050	School Administration	X	X	X	X	X	X	X	X		X	
105-120	District Support Services	X			X	X	X	X	X		X	
200	Voluntary Prekindergarten	X	X	X	X	X	X	X	X		X	
201	Kindergarten	X	X	X	X	X	X	X	X		X	
203	Elementary Education	X	X	X	X	X	X	X	X		X	
211	Secondary Education	X	X	X	X	X	X	X	X		X	
212-270	Instructional Education	X	X	X	X	X	X	X	X		X	
271-279	Basic Skills	X	X	X	X	X	X	X	X		X	
291-298	Co-curricular and Extracurricular	X	X	X	X	X	X	X	X		X	
301-399	Career and Technical Education	X	X	X	X	X	X	X	X		X	
401-499	Special Education Instruction	X	X	X	X	X	X	X	X		X	
505	General Community Ed					281						
605-640	Instructional Support Services	X	X	X	X	X	X	X	X		X	
710-760	Pupil Support Services	X	X	X	X	X	X	X	X		X	
770	Food Services	X	X	X		281					899	
790	Pupil Support Services	X	X	X	X	X	X	X	X		X	
805-850	Sites, Buildings and Equipment	X	X	X	X	X	X	X	X		X	
865-867	Long-Term Facilities Maintenance (LTFM)	X	X	X	X	X	X	X	X	790	820	
910	Retirement of Long-Term Obligations	X					305					910
920	Retirement of Non-bonded Obligations	X								X		
930	Employee Benefits	X	X	X		200-251, 253-280, 282-288, 292-299						
940	Property and other Insurance	X	X	X			X					
950	Transfers	X										X

Aid Payment Schedule

The unemployment aid will be measured against eligible submitted UFARS coding, meaning that LEAs will not receive regular metered payments for school unemployment aid. The School Finance division of Minnesota Department of Education (MDE) will be doing a survey in the fall to collect second and third quarter 2023 unemployment benefit cost estimates from eligible LEAs to apply to an advance payment to be reconciled after final UFARS submissions. MDE will not know if School Unemployment Aid is subject to proration until after the close of UFARS for the current fiscal year.

Please watch for more information related to the School Unemployment Aid coming soon. For questions, please email Cathy Erickson (cathy.erickson@state.mn.us).

School Finance Update on 2023 Legislation

MDE > About > Legislation, Rulemaking and Reports > Legislation > 2023 Session > Resources by Topic, School Finance

The School Finance team at Minnesota Department of Education (MDE) has created guidance related to the 2023 legislative session. The link above provides information and Frequently Asked Questions (FAQs) documents on various funding areas. Reach out to MDE with questions as these help build the FAQs and provide applicable guidance. Questions can be sent to mde.funding@state.mn.us. Enter the funding area in the subject line, so MDE is able to forward to the correct team.

School Library Aid

Modified from School Business Bulletin, No. 72, June/July 2023

Minnesota Statutes, section 134.356 (Chapter 55, 2023 Minnesota Session Laws, Article 9, Section 15).

The legislature has created a new revenue program to provide additional dollars to school district libraries. School library aid must be used to directly fund the following items within a school library:

- the salaries and benefits of a school library media specialist;
- electronic, computer and audiovisual equipment;
- information technology infrastructure and digital tools;
- electronic and material resources;
- furniture, equipment or supplies.

For districts, school library aid for FY2024 and later equals $16.11 multiplied by the district's adjusted pupil units for the school year or $40,000, whichever is greater.

For charter schools, school library aid for FY2024 and later equals $16.11 multiplied by the school's adjusted pupil units for the school year or $20,000, whichever is greater.

Funds are available for FY2024, funds in excess of those spent may be carried forward. MDE's intention is to begin paying FY2024 library aid beginning in September 2023. Aid calculations above the minimums will use estimated pupil units until actual pupil units are known. IDEAS payments will be metered on a 90/10 schedule.

Please use UFARS Finance code 343 with Restricted/Reserved Balance Sheet Code 443, UFARS Chapter 10 will also be updated (UFARS titles and descriptions will be provided at a later date).

Supporting reports, when available can be found in the MDE Data Center > Data Reports and Analytics > School Finance Spreadsheet > General Education. Subcategory is "Library Aid".

For questions regarding School Library Aid, please contact Kateri Little (kateri.little@state.mn.us).

Special Education – New Service Code N (Construction/Remodeling Requirement Starting in SFY 2025 – Build America Buy America Act

MDE > Districts, Schools and Educators > Teaching and Learning > Special Education > Special Education Directors' e-News Archive, April 24, 2024

Starting in State Fiscal Year (SFY) 2025, as a condition of using Part B, Section 611 Individual with Disabilities Education Act (IDEA) funds for construction/remodeling projects, under the Build America Buy America Act (BABAA) enacted in November 2021, the following requirements must be complied with:

1. All iron and steel used in the infrastructure project or activity are produced in the United States.
2. All manufactured products used in the infrastructure project or activity are produced in the United States.
3. All construction materials are manufactured in the United States.

The U.S. Department of Education (the Department) has developed a Frequently Asked Questions (FAQs) document, providing additional information on BABAA requirements, which can be found on the Department's webpage (https://www2.ed.gov/policy/fund/guid/buy-america/faqs.pdf).

The current prior approval process for construction/remodeling projects includes a signed request letter along with an itemized estimate from the builder. For SFY 2025 and beyond, this itemized estimate must include a verification that the builder is in compliance with the BABAA requirements.

If you have any questions, please contact mde.spedfunding@state.mn.us.

Special Education – Special Education Data Reporting Application (SEDRA) – Cross-District Errors

MDE Memo, January 8, 2024

Local Educational Agencies (LEAs) are required to keep adequate time and effort documentation to support the work of staff/contractors based on the actual time working under each activity.

Data entries in SEDRA with a file folder number (PELSB or Board of Administrators Licensure) or certificate number will be edited against all other Full-Time Equivalents (FTEs) entered for that file folder number. If the FTE exceeds the established limits for certain conditions, the system generates an error stating "Cross District FTE Exceeds Allowable Amount – Use Cross District FTE Review for FTE Information". The LEAs that have claimed the same file folder number in the same fiscal year will be displayed.

The maximum FTE limits are:

- Personnel Type Code (PTC) of directors (09), assistant directors/supervisors (10), or program coordinator (02): The maximum is 1.45.
- Any federal Funding Source Code (FSC): The maximum is 1.33.
- Regular School Year (RSY) state FSC along with and Extended School Year (ESY) state FSC: The maximum is 1.14.
- RSY state FSC no ESY Disability Code 412 or PTC 07: The maximum is 1.17.
- Only RSY state FSC: The maximum is 1.02.
- Only ESY staff FSC: The maximum is 0.14.

For 2023-2024, you must have a system of controls that verifies the actual start and stop times of individual or we will not be able to approve the cost. However, due to the number of service providers providing well in excess of FTE limits, LEAs need to be able to document the hours they are claiming since state/federal funds cannot be used for duplicate payments. This is especially critical for telework staff and will be a point of emphasis for SFY 24 and later years; and will be part of our team's ongoing special education finance training.

Common errors in time and effort reporting are:

- Entire day's schedule not accounted for (only special education time reported).
- Lack of appropriate time and effort records for staff with supplemental contracts/stipends and extra hours.
- Failure to recognize that a change in position, duties, or funding may result in a change in time and effort reporting.
- Reporting time according to ratios budgeted without regard to how the individual actually worked.
- Accounting adjustments transferring payroll expenditures to special education programs (from federal/state/local) with no supporting documentation.

See Special Education Funding Guide Section 12 – Personnel Type Codes for more information on licensure requirements.

Please note: LEAs are unable to claim the same working hours for the same person. State/federal special education funds can only be used to reimburse actual services provided.

If you have questions, please feel free to contact the Special Education Funding and Data Team.

Special Education – Uniform Tuition Billing One-to-One Services Forms

Condensed from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Tuition Billing, May 1, 2023

This memorandum outlines the department's change in procedure for the Uniform Tuition Billing One-to-One Services form.

Beginning in SFY 2024, we will no longer be using the paper form as in years past.

For SFY 2024, LEA's will enter all pertinent information directly into Special Education Data Reporting Application (SEDRA) as outlined below.

Required information to include in the SEDRA line or in the district notes include:

- Name of professional or type of equipment/service
- Status begin date MM/DD/YY format on the Minnesota Automated Reporting Student System (MARSS) record
- Dates of service MM/DD/YY beginning and ending
- Total hours for the service
- Serving district name, district number, and district type
- Resident district name, district number, and district type
- Learner information: Last name, first name, MARSS number, grade, primary disability code, and date of birth
- Serving school site number (not district number)
- Email the Special Education Funding and Data Team with the line number and what the line is for (One-to-One professional or service)

We ask that you inform the resident district of the above information for their budget purposes.

If you have any questions regarding the procedures, send an email to the Special Education Funding and Data Team.

Special Education – Updated Paraprofessional Qualification Requirements

MDE Memo, February 29, 2024

Paraprofessionals must meet qualifications to be eligible for inclusion in the special education aid calculation or federal special education reimbursement.

Paraprofessional with Less than Three Years' Experience

To be eligible for special education funds, a paraprofessional with less than three years' experience, the paraprofessional must meet one of the following or have the Professional Educator Licensing and Standards Board (PELSB) paraprofessional credential:

- At least two years of college credits (usually 60 credits in Minnesota) through an accredited institution of higher education; or
- An associate's or higher degree;
- A passing score on a valid and reliable formal assessment (See "Paraprofessional Assessments" below) demonstrating the knowledge and ability to assist with instruction in reading/language, writing, mathematics or readiness for each.

Paraprofessional with at Least Three Years' Experience

To be eligible for special education funds, a paraprofessional with three or more years' experience, the paraprofessional must meet one of the following or have the PELSB professional credential:

- At least two years of college credits (usually 60 credits in Minnesota) through an accredited institution of higher education; or
- An associate's or higher degree;

- A passing score on a valid and reliable formal assessment (See "Paraprofessional Assessments" below) demonstrating the knowledge and ability to assist with instruction in reading/language, writing, mathematics or readiness for each; or
- Has three years' experience working as a paraprofessional and has met the requirements of the Paraprofessional Credential Competency Grid.

For the first two options, a specific course of college study is not required though the individual must be able to demonstrate the ability to assist with basic skills instruction. In all cases, the individual must demonstrate proficiency in the English Language. States, including the Minnesota Department of Education (MDE), may not waive the requirements for special education personnel, related service providers or paraprofessionals on an emergency, temporary or provisional basis.

Paraprofessional Assessments
Two state-approved assessments are available through most regional educational service cooperatives and some school districts:

- The Paraeducator Assessments in Minnesota requires passing scores of 65% for the Instructional Support Test and 70% for the Knowledge and Application Test.
- The ParaPro assessment in Minnesota requires a combined passing score of 460.

Test fees are not eligible for special education funding.

Assessment Test and Grid Preparation Expenses
The following activities are not eligible for special education funding:

- Test, registration, reschedule, or score report fees
- Training materials
- Preparation classes
- Study time
- Practice exams
- Test taking time

In addition to the costs above, the cost of any service is not eligible to be included in special education until the paraprofessional meets the requirements to be considered qualified. Staff utilizing one of the paraprofessional assessments would not be eligible for reimbursement until they have achieved a passing score. All prior salary and benefits paid to the individual is not eligible for special education reimbursement until the staff has passed the assessment.

Paraprofessional Competency Grid
If the paraprofessional has worked three or more years and does not have a passing score for the Paraprofessional Assessments, a completed Paraprofessional Competency Grid portfolio may be used by the local educational agency (LEA) to determine eligibility. This portfolio is saved within the employee's file. It is provided only to MDE if requested as part of a review, audit or monitoring.

Evidence may include professional development and training experiences, workshops, work experiences, academic coursework, and other professional activities. LEAs are not required to enter hours on the grid. They just need to write in the narrative for each competency and whether the individual has met the competency or not. The narrative may be as simple as the employee attended "XYZ" training to meet specific competency. Similarly, "XYZ" training could be used to meet multiple competencies. An individual may request to take their Paraprofessional Competency Grid portfolio upon leaving the LEA to be used for employment with another LEA.

If you have questions, please contact the Special Education Funding and Data Team.

Student Support Personnel Aid – Frequently Asked Questions

Condensed and Modified from MDE > About > Legislation, Rulemaking and Reports > Legislation > 2023 Session > Resources by Topic, School Finance > Student Support Personnel Aid

Minnesota Statutes, section 124D.901, subdivision 3v, identifies school districts, charter schools, intermediates, and other cooperative units are eligible to receive student support personnel aid. Cooperative units must employ or contract with staff who serve students to be eligible for aid. There is no application process, this is an automatic distribution of state aid entitlement.

What are the uses for student support personnel aid?

Student support personnel aid uses:

- Salaries and benefits of **new Full Time Equivalent (FTE)** for licensed school counselors, psychologists, social workers, school nurses or chemical dependency counselors. This may including increasing FTE of part-time licensed staff. Employees currently funded with ESSER/ARP funds whose positions are ending may also be continued with this revenue, but the original position must have been hired to increase FTE due to the pandemic.
- New FTE positions must ensure that the licensed staff work within the area of their training and licensure.
- If a district is not able to get at least two qualified candidates for new FTE positions, Local Education Agencies (LEA) may consider contracted staff.

Can a district or charter school use these funds to pay for existing staff identified in the uses of funds?

Districts may use school support personnel aid to pay for part-time or full-time eligible staff that were additional FTE hired through ESSER/ARP funds and would be subject to lay-off because of ESSER/APR funds are no longer available. These funds should be used for FTE greater than what the district had prior to the pandemic, or end of FY2020. When totaling FTE for pre or post-pandemic eligible positions, count all funding sources, including Sped, Title and GenEd. Districts may not reduce pre-pandemic FTE in eligible positions to create new positions at greater FTE for the use of these funds.

There is no supplanting of student support personnel aid funds to use for staff that are already working in the district.

Can I save my student support personnel aid to spend in a future year?

No. Final aid will be the lesser of the calculated aid or actual expenses recorded in UFARS. There is currently no reserved fund balance for unused aid funds.

How is the funding calculated?

	School District	Charter School	Intermediate District	Other Cooperative Unit
FY24	Greater of $11.94 per Adjusted Pupil Unit (APU) or $40,000	Greater of $11.94 per Adjusted Pupil Unit (APU) or $20,000	Greater of $0.60 per member district APU or $40,000 per district	Greater of $0.60 per member district APU or $40,000 per district
FY25	Greater of $17.08 per Adjusted Pupil Unit (APU) or $40,000	Greater of $17.08 per Adjusted Pupil Unit (APU) or $20,000	Greater of $0.85 per member district APU or $40,000 per district	Greater of $0.85 per member district APU or $40,000 per district
FY26	Greater of $48.73 per Adjusted Pupil Unit (APU) or $40,000	Greater of $48.73 per Adjusted Pupil Unit (APU) or $20,000	Greater of $2.44 per member district APU or $40,000 per district	Greater of $2.44 per member district APU or $40,000 per district
FY27	Greater of $48.73 per Adjusted Pupil Unit (APU) or $40,000	Greater of $48.73 per Adjusted Pupil Unit (APU) or $20,000	Greater of $2.44 per member district APU or $40,000 per district	Greater of $2.44 per member district APU or $40,000 per district

All revenue is subject to the lesser of the aid calculation above or actual expenses.

What are the UFARS Codes for Student Support Personnel Aid?
Student Support Personnel Aid = Finance 373
Student Support Personnel Aid – Cooperative or Intermediate = Finance 374

For revenues, use Source code 300 – State Aids Received from MDE for which a Finance Code is Specified.

Purchase of Service Guidance
State Student Support Personnel Aid (SSPA) may be used to reimburse the purchase of contracted services from other Minnesota LEAs outside of joint powers/Co-op agreements.

This section is intended to outline a district's process for correctly reporting SSPA revenue and expenditures in Uniform Financial Accounting Reporting Standards (UFARS) in cases where students receive services from support personnel employed by one district and contracted to another district. The correct use of finance codes 373 and 374 is essential to record revenues and expenditures in UFARS to be incompliance with statute.

For comparison, this comprehensive approach will first review UFARS coding process where no purchase of service exists, and continue to outline UFARS coding for the following four purchase of service scenarios:

- **Scenario 1: District to District purchase of FTE outside of Intermediate/Cooperative relationships.**
- **Scenario 2: Non-member District purchases FTE services from an Intermediate/Cooperative.**
- **Scenario 3: Non-member District sells FTE to Intermediate/Cooperative to provide services to member district in excess of cooperative agreement.**
- **Scenario 4: Member district sells FTE to Intermediate/Cooperative to provide services to non-member district.**

The sections on Purchase of Service will refer to:
- eligible licensed staff as defined in statute as Student Support Personnel (**SSP**)
- the district responsible for paying the salary and benefits of the support staff as the **contracting district**
- the district responsible for reporting the enrollment and grade progression of students as the **serving district**
- the intermediate/joint powers/cooperative organization as the **Co-op**

District type 1,3,7 no cooperative membership:	N/A
Receives SSPA revenue for district. Codes to 01-005-000-000-373-300	N/A
Codes Expenditures to 01-005-XXX-000-373-XXX	N/A

District type 1,3 Member of Co-op Organization:	N/A
Member (Serving) District	**Co-op**
Receives SSPA revenue for district. Codes to 01-005-000-000-373-300	N/A
Codes Expenditures to 01-005-XXX-000-373-XXX	N/A
Receives SSPA district revenue for Co-op. Codes to 01-005-000-000-374-300	N/A
District allocates Co-op portion (expenditure) Codes to 01-005-7XX-000-374-316	Receives SSP district (revenue) Codes to 01-005-000-000-374-300
N/A	Co-op determines the spending of their funds. Codes to 01-XXX-XXX-000-374-XXX

Purchase for Service Scenario 1:
A contracting district employs a .5 FTE SSP.

A local serving district NEEDS a .5 FTE SSP but cannot find one. The contracting district increases their SSP FTE to 1.0 and contracts out .5 FTE to the service district.	
District A (Contracting District)	**District B (Serving District)**
Receives SSPA district revenue. Hires SSP.	Receives SSP district revenue. *Contracts for services* from District A to service District B enrolled students.
Records SSP *revenue* for the students they serve. Codes to 01-XXX-XXX-000-373-300.	Records SSP *revenue* for the students they serve. Codes to 01-XXX-XXX-000-373-300.
Records SSP *expenditures* for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.	Records SSP *expenditures* for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.
To account for the percentage of salaries and benefits sold to District B, District A will code the expenditures to Finance Code 000. (District A will recoup the cost from District B in Finance Code 000).	Records SSP expenditures for *contracted services* from District A for the students they serve. Codes to 01-XXX-XXX-000-373-396 (Salary Purchased from Another District). Codes to 01-XXX-XXX-000-373-397 (Benefits Purchased from Another District).
Records SSP revenue for *contracted services* from District B. Codes to 01-005-000-000-000-021.	N/A

Purchase for Service Scenario 2: A service district needs to purchase/contract services from a Cooperative or Intermediate district with which it does not have a membership agreement.	
District A (non-member) Serving District	**Co-op**
Records SSP revenue for the students they serve. Codes to 01-XXX-XXX-000-373-300.	Co-op or Intermediate chooses to sell SSP services to a non-member district.
Records SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.	Records the percentage of salaries and benefits sold to District A to Finance Code 000. (NOTE: non-member district does not receive FIN 374 funds.) Codes to 01-XXX-XXX-000-000-XXX
Purchases services from co-op of which they are not a member. Records SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-396 (Salary Purchased from Another District). Codes to 01-XXX-XXX-000-373-397 (Benefits Purchased from Another District).	Records SSP revenue from *contracted services* from District A. Codes to 01-000-000-000-000-021.

Purchase for Service Scenario 3: A non-member, contracting district employs a .5 FTE SSP. A local Co-op needs a .5 FTE SSP to provide services to member districts. The non-member contracting district increases the .5 FTE SSP to 1.0 FTE and sells .5 FTE SSP to the Co-op. The member, serving district purchases SSP services in excess of their agreement with the Co-op.		
District A (non-member) Contracting District	**Co-op**	**District B (member) Serving District**
N/A	N/A	Receives SSP district revenue for Co-op. Codes to 01-005-000-000-374-300.
N/A	Receives SSP district (revenue). Codes to 01-005-000-000-374-300.	District allocates Co-op portion (expenditure). Codes to 01-005-7xx-000-374-316.

Receives SSP district revenue. Hires 1.0 FTE, sells .5 FTE to Co-op.	Contracts .5 FTE SSP from non-member district. Sells to District B.	Purchases SSP services from Co-op.
Records SSP revenue for the students they service. Codes to 01-005-000-000-373-300.	Records the percentage of salaries and benefits sold to District B. Codes to 01-XXX-XXX-000-000-XXX.	Records SSP revenue for the students they serve. Codes to 01-005-000-000-373-300.
Records SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.	N/A	Record SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.
Records SSP expenditures sold to the Co-op. Codes to 01-XXX-XXX-000-000-XXX.	N/A	N/A
Records SSP revenue from the Co-op for *contracted services*. Codes to 01-005-000-000-000-021.	Records SSP revenue for *contracted services* from District B.	Records SSP expenditures for the services they receive from Co-op. Codes to 01-XXX-XXX-000-373-396 (Salary Purchased from Another District). Codes to 01-XXX-XXX-000-373-397 (Benefits Purchased from Another District).

Purchase for Service Scenario 4:
A member, contracting district employs a .5 FTE SSP.
A local Co-op needs a .5 FTE SSP to provide services to a non-member districts.
The contracting district increases the .5 FTE SSP to 1.0 FTE and sells .5 FTE SSP to the Co-op.
The non-member, serving district purchases SSP services from the Co-op.

District A (member) Contracting District	**Co-op**	**District B (non-member) Serving District**
Receives SSP district revenue for Co-op. Codes to 01-005-000-000-374-300.	N/A	N/A
District allocates Co-op portion (expenditure). Codes to 01-005-7xx-000-374-316.	Receives SSP district (revenue). Codes to 01-005-000-000-374-300.	N/A
Receives SSP district revenue. Hires 1.0 FTE, sells .5 FTE to Co-op.	Contracts .5 FTE SSP from member district. Sells to District B.	Purchases SSP services from Co-op.
Records SSP revenue for the students they service. Codes to 01-005-000-000-373-300.	Records the percentage of salaries and benefits sold to District B. Codes to 01-XXX-XXX-000-000-XXX.	Records SSP revenue for the students they serve. Codes to 01-005-000-000-373-300.
Records SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.	N/A	Record SSP expenditures for the students they serve. Codes to 01-XXX-XXX-000-373-XXX.
Records SSP expenditures sold to the Co-op. Codes to 01-XXX-XXX-000-000-XXX.	N/A	N/A

Records SSP revenue from the Co-op for *contracted services*. Codes to 01-005-000-000-000-021.	Records SSP revenue for *contracted services* from District B. Codes to 01-005-000-000-000-021.	Records SSP expenditures for the services they receive from Co-op. Codes to 01-XXX-XXX-000-373-396 (Salary Purchased from Another District). Codes to 01-XXX-XXX-000-373-397 (Benefits Purchased from Another District).

Who do I contact for more information on the student support personnel aid?
Kateri Little, School Finance Education Specialist, kateri.little@state.mn.us

Transportation – Bus Inventory System (BIS) Instructions

Modified from School Bus Inventory and EDIAM Access Instructions, April 23, 2024

The BIS is a web-based system that allows districts to submit their bus transactions. The bus inventory is used to calculate state aid.

Getting Started

The first step is getting Education Identity and Access Management Security System (EDIAM) access. In the BIS there are two roles individuals in a district or charter school can request.

Roles in BIS

Role	Enter and Update Data	View Data
BIS-District User (multiple people in a district/charter can have this role)	X	X
BIS-District Viewer (multiple people in a district/charter can have this role)	X	X

Creating a User Account within EDIAM

EDIAM

Step One: Access the link to EDIAM from the Data Submissions page. To do this, follow this path: Minnesota Department of Education (MDE) > Districts, Schools and Educators > Business and Finance > Data Submissions. Under the subsection “Education Identity and Access Management (EDIAM) Security System”, click on the hyperlinked text, “Enter Education Identity and Access Management (EDIAM)”.

Step Two: Create an EDIAM account.

a. Once you have entered EDIAM from the MDE Data Submissions page, an access portal will appear.
b. Click the Create Account link under the login button.

Step Three: IOwA authorization

a. Once a profile is generated, the district IOwA must grant the user access in EDIAM.
b. The IOwA will authorize access to the EDVP.

Step Four: Log into EDIAM repeating step one and signing in.

Step Five: Once logged-in, the EDIAM profile page appears with all authorized applications listed. The BIS application will appear on your Authorized Applications table found on the profile page.

Once an individual at a district/charter school has EDIAM access to BIS, they can begin entering in data.

To view the districts bus inventory, follow these steps:
Sign into the Bus Inventory System (BIS). Look to the drop-down menu. Select view vehicles. Then you can search by the following:

- Regular Bus
- Regular Type III
- Special Education Bus
- Special Education Type III

In order to make any changes to the bus inventory listing be sure to use the correct form.

To add a new bus/vehicle follow these steps:
Sign into BIS. Look to the top navigation bar. Find the "Add Vehicle" and select. This will open a window with the different options of vehicle/bus purchase forms.

- Select the correct form based on the vehicle purchase
- Enter the information
- Save your data

To dispose of a bus/vehicle follow these steps:
Sign into BIS. On the top navigation bar find "View Vehicle" and select "District Vehicle" list.

- Sign by bus type or by VIN to find the vehicle to be disposed
- Select vehicle
- Enter disposed reason
- Save

To edit a vehicle/bus follow these steps:
A district can only edit a vehicle that is entered in the same fiscal year. A vehicle entered in past years are not able to be edited.

To view the district's bus inventory that has been depreciated, follow these steps:
When you sign into BIS on the top navigation bar find "View Vehicle" and select "District Vehicle" list. Select Fully Depreciated. Then select the List button.

You have the ability to export this list into excel where you will be able to filter and search however you want.

To view the district's bus inventory purchased with federal dollars, follow these steps:
On the top navigation look under "View Vehicles". Then select "Purchased with Federal Special Education Funds List".

If you have any questions, please email pupil transportation (pupiltransportation.mde@state.mn.us).

School Bus Purchases
School district bus purchases are expensed to either Finance Code 733 – Non-authorized Transportation or 302 – Operating Capital 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% 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 5 years. The depreciation amount, 20% 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 Uniform Financial Accounting and Reporting Standards (UFARS) Finance Dimension 723, Transportation of Students with Disabilities. These buses depreciate over 8 years. The depreciation amount, 12.5% 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 5 years. The depreciation amount, 20% of the total value of the inventory is included in the calculation of special education regular and special education excess cost aid.

Every district that has previously reported a school bus transaction form, will have a vehicle inventory listing from MDE available. 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 send it to the Pupil Transportation email (pupiltransportation.mde@state.mn.us) as soon as possible.

The bus inventory listings show transactions that have occurred up until the end of fiscal year (June 30). Any transactions dated after June 30 will be updated in the new fiscal year (July 1 through June 30) bus inventory listings.

Districts may make corrections or additions to the school bus inventories with the regular reporting timelines. The listings will be updated a few times before the fiscal year closes on December 15 statutory date per Minnesota Statutes, section 127A.49, subdivision 1.

Transportation – Charter School Students

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > By Student Type, October 10, 2023

Minnesota Statutes, section 124E.15, gives charter schools the authority to either provide their own transportation services, or to use the transportation services of the districts in which they are located. There are many transportation issues that charter schools must consider. Below are some of the most important.

Selecting a Site

Before signing a lease for a site, the charter school officials should visit with city/county public works staff about whether the site selected has a suitable area for a school bus loading and unloading zone. Issues to discuss with the staff include:

- Are school buses allowed to stop on the streets around the site, or must they load and unload in a parking area?
- Will street loading/unloading interfere with rush-hour traffic? If so, what times will be impacted?
- Will businesses or residents in the area ask the city to limit the times and places where buses can load and unload?
- Will the loading and unloading block access to alleys or other private drives?
- Will signs need to be installed to alert motorists and others that there is a bus loading/unloading area on the street?

- Is there an area for buses to stack up – waiting to either load or unload?

Visiting with city/county officials while the site is being considered may help charter schools avoid any issues that may arise after a lease is signed. Charter school staff should also ask the transportation staff of the district to review the site to determine if there are other safety concerns that need to be addressed.

District-Provided Transportation

Charter schools must notify the districts in which they are located of their transportation choice by March 1 for existing charter schools, and July 1 for charter schools in their first year of serving students. Many districts develop bid specifications for their routes for the upcoming school year around March 1. If the district know they must provide transportation for charter schools, the additional routes can be included in their route bid specification. The districts determine which days they will provide transportation services and the times buses will arrive in the morning and leave in the afternoon. The charter schools relinquish control over these matters in exchange for to-and-from school transportation services. These are the same rights districts have with nonpublic schools within their districts. Charter schools will have to provide their own transportation if they wish to be in session on the days districts are not providing transportation services.

The districts are required to transport all resident students attending charter schools within their boundaries, provide the charter school students live an eligible distance from the charter schools. The law provides that districts may transport nonresident students attending charter schools within their boundaries, but they are not required to provide the service.

Charter schools must pay for non-authorized transportation services. Non-authorized transportation services included activity trips and field trips. Districts are not required by law to provide this level of service and there is no funding available from the state.

In charter schools choose district-provided transportation, the districts will receive the transportation portion of the charter school's general education basic revenue. The transportation portion is 4.66 percent of the basic revenue amount.

Even though a charter school decides to use district-provided transportation services, they are still responsible for entering the appropriate Minnesota Automated Reporting System (MARSS) transportation code on the student file and must provide school bus safety training for their students. Students in kindergarten through third grade must receive school bus safety training twice a year. This is because younger students are more likely to be injured or killed in school bus accidents.

Charter schools should also obtain a copy of the school district's transportation policy and ensure the families attending the charter school are aware of the expectations in the policy. The policy will contain information on which behaviors are unacceptable on a school bus. Riding a school bus is a privilege and not a right. Students may lose their bus-riding privileges for an entire school year if they fail to follow the rules. Charter schools should also review the steps the district will follow if there is an emergency – such as an accident or breakdown.

Charter School-Provided Transportation

Minnesota Statutes, section 123B.88, subdivision 1, provides that students living two miles are more from a charter school must be offered transportation services. It is a local decision whether to transport students who live less than two miles from school. Minnesota Statutes, section 124E.03, subdivision 2(i), requires charter schools comply with all pupil transportation requirements and prohibits a charter school from requiring parents to surrender their student's transportation rights.

If the student is eligible for transportation, the charter school must provide it to and from school if requested by the parent or guardian. Charter schools may ask the parents of the students to surrender their children's bus riding privileges in order to provide a more efficient transportation service (for example, if a high school student drives himself to school each day and does not use the bus service).

If the parents agree, the schools would not be required to provide transportation services. Charter schools need written documentation from the parents showing they surrendered their children's bus-riding privileges. The policy must be flexible enough to allow parents to change their minds.

Surrendering transportation privileges may not be used to eliminate the transportation obligation of the charter school. When a charter school does not provide transportation, it discriminates against families who cannot provide their own transportation. This is a violation of the school's requirement to be a public school and part of the state's public education system. A charter school cannot put pressure on parents to surrender the children's bus-riding privileges.

When a charter school provides their own transportation, they are required to provide transportation within the district boundaries in which the charter school is located. Students that live outside the district in which the charter school is located would need to present themselves at a border bus stop in order to get a free ride to school. The charter school is not required, but may go outside the district boundaries, to provide transportation. The student's resident district need not provide or pay for transportation between the pupil's residence and the district's border.

Charter schools may charge a fee for to-and-from school transportation services if the student lives less than two miles from school (Minn. Stat. 123B.36, subd. 1(11)). Students cannot be denied access to the transportation services if they are unable to pay the fee. Qualification for free or reduced-price meals may be used to determine eligibility for a free or reduced-price ride for students who live less than two miles from school. There is no authority in law for districts and charter schools to charge a fee for transportation when the students live more than two miles from school.

If a charter school elects to provide transportation outside the district in which the charter school is located, they may charge a fee for only the miles from the student's home or bus stop to the district's boundary. Income levels to determine fees would apply.

Transportation Policy
Charter schools should adopt a policy to identify which students are eligible for transportation based on distance and grade level. There is nothing in state law or rule that dictates how a charter school must measure the distance between a student's home and the school. Each local school board should adopt a policy on where the measurement will start and end. Some suggestions for measuring distance include:

Measure the walking distance on public roadways or walkways using the most direct, safe route. Do not use the route taken by the bus unless it is the most direct, safe route.

Begin measurement at:
- Centerline of street – aligned with normal walkway to the student's house; or,
- Centerline of street – aligned with driveway to house; or,
- Property line of lot.

End measurement at:
- Centerline of street in front of school entrance that the child would use if the child walked to and from school; or,
- Centerline of street in front of assigned area at the school; or
- School bus loading and unloading area at the school; or,
- Property line of school.

A charter school may transport children who would encounter an extraordinary traffic, drug or crime hazard if they walked. The charter school would determine what conditions would be considered hazardous (Minn. Stat. 123B.92, subd.1(2)).

Other Important Points about Transportation
Charter schools that provide their own transportation may do it in a number of ways. They may:
- Contract with the district in which they are located.

- Contract with another school district.
- Contract with privately-owned school bus companies.
- Open Enrollment and Charter School Mileage Reimbursement Program for low-income families.
- Purchase bus passes from a public transit agency.
- Purchase school buses.

Charter schools that contract for school bus service with a district or a privately-owned company should ensure they follow their school's procurement policy to enter into a contract that is board approved. The contract should contain the terms of the contract to protect the charter school from any disputes that may arise about the amount to be paid or the level of services that is expected from the district or company.

Mileage Reimbursement Program
Students from low-income families attending a charter school under Minnesota Statutes, section 124E.15(d), may qualify for some mileage reimbursement.

This program is also available to districts or charter schools that choose to provide out-of-district transportation on a fee basis. The district or charter school can be reimbursed only for the transportation costs of those students who qualify as members of low-income families. Districts and charter schools are eligible for 15 cents per mile per eligible student.

The income levels for the school year can be found on the second page of the Monthly Transportation Reimbursement Request. View copies of transportation forms and instructions.

For more information on the mileage reimbursement program email Pupil Transportation (pupiltransportation.mde@state.mn.us).

Purchasing passes from a public transit agency may also be used. This is only recommended for secondary school-aged students, due to safety concerns with younger children using public transit along.

Charter schools may purchase school buses; however, charter schools should consider:

- Storage. Is there a garage or locked yard available for storage? Will the buses be parked on the street? Is street parking permissible in the area?
- Maintenance. Where will the oil be changed, the brakes repaired, etc.?
- Driver Training. Who will provide training for the school bus drivers?
- Federally Mandated Drug Testing. Who will do the drug testing? Any individual with a Commercial Driver's License (CDL) must be tested for drugs. Any driver of a vehicle that seats 15 or more persons must have a CDL.
- Liability Insurance. Liability Insurance rates have increased significantly in recent years. Be sure to factor insurance costs into the budget.
- Cost of a Bus. The average cost of a new bus is $70,000. Charter schools could contact school districts to see if there are good, used buses available at a much lower cost.

There may be occasions when charter schools will use vans to transport students instead of school buses. Only vans with a manufacturer's rated seating capacity of 10 persons or less can be used to transport students. Larger vans have weaker sidewalls and can roll over easily. Therefore, the larger vans cannot be used to transport students in Minnesota. Even though van drivers are not legally required to undergo the federally mandated drug testing, most districts require any individual transporting students to participate in the drug-testing program.

Before a vehicle can be used to transport students, it must be inspected by the Minnesota State Patrol. Vehicles that fail the inspection cannot be used until all defects have been repaired.

When charter schools provide their own transportation, they will collect the entire general education basic revenue amount which includes transportation.

Charter schools may receive additional funding if they transport students with disabilities on special bus routes. In order to qualify for this funding, the students with disabilities must have transportation listed as a related service on the Individualized Education Program (IEP), special education transportation is paid at 100 percent, less a proration factor. There is no statewide adjustment factor.

Charter schools providing their own transportation will be required to complete the year-end pupil transportation report showing the number of buses used to transport students and the annual mileage. Transportation expenditures will be reported on the Uniform Financial Accounting and Reporting Standards (UFARS) data submission. The number of students transported will be reported on the MARSS data submission.

Questions

If you have any questions about the transportation program, email Pupil Transportation (pupiltransportation.mde@state.mn.us).

UFARS Reporting

UFARS – Tax Shift Reporting

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Levy Certification Process > Tax Shift Information

Note: FY '24 information was not available when this document was prepared.

FY '24 Tax Shift is at 0.0%.

Spreadsheet is located at MDE > Districts, Schools and Educators > Business and Finance > School Finance > Levy Certification Process > Tax Shift Information. Then, look for the 2023-24 Property Tax Shift Memo and spreadsheet. Final report is located in MDE > Data Center > Data Reports and Analytics. Under School Finance Reports, select Minnesota Funding Reports (MFR). Select or enter district name or number. Category = IDEAS Year-End Reports. Year = 23-24. Report = Tax Shift Reconciliation.

Early Revenue Recognition:
Early recognition of levy components from the Property Tax Shift report is additional revenue in the year recorded.

Accounting Note: District adjustments recognizing any early recognition item, including the Career and Technical Education Revenue, in the current year must be reversed to prevent revenue duplication, if the entries are in addition to the tax shift entries.

Revenue Recognition Changes:
- For FY 2001 and later, if the amount of June tax settlements is less than the Tax Shift early recognition items, recognizing a portion of the July and August general education aid payments in June makes up the difference.
- For FY 2002 and later, the referendum shift is frozen at 31% of the amount certified in 2000 for taxes payable in 2001.

	A	B	C	D	E	F	G	H	I
1			Property Tax Shift Year-End Calculation						06/30/23
2				06/30/23					
3		Enter District Number							
4									
5									
6			1	2	3	4		5	6
7			Gross Shift Amount 22 Pay 23	Replacement for 21 Pay 22 Shift	FY 2023 Revenue Adjust Service (Src) Code 001	FY 2023 Net Shift Amount Src Code 020		State Aid Adjustment Src Code 299	Revenue Adjustment Src Code 299
8									
9	A	General - Shift and Adjust Aid	0.00	0.00		0.00			
10	B	General - Operating Referendum (with aid adjust)	0.00	0.00		0.00			
11	C	General - Operating Referendum (no aid adjust)	339,315.37	339,315.37	0.00				
12	D	General - Addl Referendum Shift	0.00	0.00	0.00				
13	E	General - Career Technical	183,507.30	165,890.36	17,616.94				
14	F	General - 100% Shift, No Adjust	0.00	0.00	0.00				
15	G	General - Reemploy Ins (Reserved)	0.00	0.00	0.00				
16	H	General - Reemploy Ins (Unreserved)	48,580.72	92,118.57	(43,537.85)				
17	I	General - Legislative Changes	0.00	0.00	0.00				
18	J	General Fund Total	571,403.39	597,324.30	(25,920.91)	0.00		0.00	0.00
20	K	Comm Serv - Shift and Adjust Aid	0.00	0.00		0.00			
21	L	Comm Serv - 100% Shift, No Adjust	0.00	0.00	0.00				
22	M	Comm Serv - Legislative Change	0.00	0.00	0.00				
23	N	Comm Serv Fund Total	0.00	0.00	0.00	0.00		0.00	0.00
26	O	Total	571,403.39	597,324.30	(25,920.91)	0.00		0.00	0.00
28	Definitions of levy categories within funds								
29	The following categories are mutually exclusive, that is, each levy appears in one category only.								
30		Shift and Adjust Aid	For Pay 2023 this category includes all levies not identified below, shifted at 0.0%.						
31			For Pay 2022 this category includes all levies not identified below, shifted at 0.0%.						
32		Operating referendum (with aid adjust)	For Pay 2023 this category is the greater of zero, or the Pay 2023 referendum levy shifted at 0.0% minus						
33			the Pay 2001 referendum shifted at 31%.						
34		Operating referendum (no aid adjust)	This category is the Pay 2001 referendum levy shifted at 31%. This amount will be constant from year to year.						
35		Addl referendum shift	This is an additional revenue shift for districts that had a decrease in Pay 1994 referendum levy						
36			due to the net of changes in the allocation of HACA and the increase in referendum equalization aid.						
37			This amount will be constant from year to year.						
38		Career Technical	Career technical levy and adjustment shifted at 100% with no aid adjustment.						
39		100% shift, no adjust	Includes levies that are shifted at 100% and for which there is no reduction to state aid. This category						
40			includes integration for first class districts, additional retirement, health benefits, and related adjustments.						
41		Reemploy Ins (reserved)	Includes reemployment insurance levy adjustments for FY 2003 shifted at 100% with no aid adjustment.						
42		Reemploy Ins (unreserved)	Includes reemployment insurance levy and adjustments for FY 2004 and later shifted at 100% with no aid adjustment.						
43		Legislative changes	Includes selected levies that have been adjusted based on legislation that changes a levy authority after the levy has						
44			been certified (See Minnesota Statutes, section 126C.48, subdivision 6). The revenue shift is at 100% and there is						
45			no adjustment to state aids. For Pay 2022 and Pay 2023 this category is zero.						

Note: This display shows the main report for FY '23 as FY '24 was not yet available. The spreadsheet continues with additional screens for levy collection data and the tax shift entries.

UFARS – Tax Shift Source 020 and 299 Recognition and Aid Adjustment

Modified from School Business Bulletin No. 34, July 2006

The net balance of offsetting source codes 020 – Property Tax Shift Recognition and 299 – State Aid Adjustments for Property Tax Shift should equal zero each year. Contact Kelly Wosika at kelly.wosika@state.mn.us or 651-582-8855, if you have any questions on Tax Shift.

UFARS Year-End (1) – Summary of Audit Requirements and Submission Process

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management, April 9, 2024

Summary of Audit Requirements – Fiscal Year (FY) 2024 Audit Year

Minnesota Statutes, section 123B.77, subdivision 3, requires reporting entities to submit audited financial data to the commissioner of the Minnesota Department of Education (MDE) and to the Office of the State Auditor (OSA). Minnesota Statutes, section 123B.77, also states the required timelines for the reporting of financial data to the commissioner (MDE). The statutory deadline for the FY 2024 Audited Final Uniform Financial Accounting and

Reporting Standards (UFARS) Data Submission and Fiscal Compliance Table Data Submission reporting is November 30, 2024, and Audit Reports are due by December 31, 2024. Since the November 30 deadline falls on a Saturday, the UFARS file and Fiscal Compliance Table data submissions will be due on Monday, December 2, 2024.

Financial audit reports and findings must be approved by the LEA's Board prior to submission.

- **Preliminary Unaudited UFARS Data Submission – due September 15, 2024. Since September 15 falls on a Sunday, the due date will be Monday, September 16, 2024.**
- **Audited Final UFARS Data Submission – due November 30, 2024. Since November 30 falls on a Saturday, the due date will be Monday, December 2, 2024.**
- **Fiscal Compliance Table Data Submission – due November 30, 2024. Since November 30 falls on a Saturday, the due date will be Monday, December 2, 2024.**
- **Audit Reports – due December 31, 2024**

Note: Refer to the "Submission Options" section of this document.

Each audit must include components identified within points 1-5 listed below. MDE reviews each audit and will require the reporting entity to submit any identified missing components. Failure to submit missing components will result in a report citing noncompliance for failure to provide necessary components, and is forwarded to fiscal monitors of federal programs to be used in the risk assessment criteria for future site visits.

1. Minnesota Statutes and Rules require a firm to be licensed to perform attest/audit services based on Minnesota Statute, section 326A.05, Subd. 1(a)(1) and Minnesota Rule 1105.4200B(1).

2. MN Statutes and MDE requires financial statement audits be conducted in accordance with Generally Accepted Government Auditing Standards (Yellow Book), the Federal Single Audit Act and the Minnesota Legal Compliance Guide as issued by the Office of the State Auditor. In a Single Audit engagement, please refer to the Office of Management and Budget (OMB) document "2 CFR Chapter I, and Chapter II, Parts 200, et al. – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (OMB Omni Circular), for reporting requirements. **Due to new federal funding, all federal funds need to be audited to the most current federal regulations and guidance.** The audited financial statement must also provide a statement of assurance pertaining to Uniform Financial Accounting and Reporting Standards (UFARS) compliance.

   MDE also requires a Corrective Action Plan (CAP) to be submitted as a component of all findings cited as a result of state, federal, or legal audit finding. The external CPA auditor must ensure that the CAP be included within the LEA audit for MDE review. Audit findings should be numbered with the fiscal year and audit finding number (for example: 2024-1, 2024-2, etc.) and follow the CAP format listed in item five below. MDE will review the audit report submitted by the auditor on behalf of each LEA. As part of the OMB Omni Circular, MDE is required to provide a management decision for audit findings that relate to Federal Awards. A separate Management Decision letter will be issued to LEAs with Federal audit findings stating the finding is sustained if the CAP submitted was adequate. Should the CAP not be sustained, a separate Management Decision letter will be issued to LEAs requesting additional information from the LEA regarding the actions to be taken to resolve the finding and expected completion dates.

3. Due to changes within Minnesota Statutes, section 123B.49, *Extracurricular Activities; Insurance*, districts and charters schools were required to implement GASB 84 effective July 1, 2019. Based on GASB Statement No. 84 and the related implementation guide, student activities are required to be reported within the District's General Fund. Minnesota School Districts will no longer be allowed to report student activities "Not Under Board Control" separately from the General Fund. A Local Educational Agency (LEA) should review and update all local policies to ensure they are not in conflict with GASB 84. The GASB statement may affect other financial activities at the LEAs in addition to student activities. A Q&A guide for implementation of GASB 84 Fiduciary Activities is on the Financial Management home page and titled, GASB No. 84 Fiduciary Activities - Q&A. **A reference should be made within the Financial Notes indicating whether an LEA**

has student activities for the fiscal year being reported. Therefore, all student activities must be under board control and reported in Fund 01. The student activities will be required to use Fund 01, Finance Code 301, Extracurricular Activities, and Balance Sheet Account 401, Restricted/Reserved for Extracurricular Activities. Chapter 14 within the UFARS Manual has been revised to provide guidance for student activity accounting.

4. The Local Educational Agency (LEA) audits must complete and include a comparative fiscal compliance report with the audit report. The fiscal compliance report must include the comparison between audited data and reported UFARS data and include columns displaying the variance(s). The fiscal compliance report is to be included in the table of contents of the audit report.

   The LEA or auditor must enter the audited data into the fiscal compliance table located on the MDE website. After the audited data has been entered, it is important to run the fiscal compliance table comparison report and review the results. Any differences between the UFARS data and the audited financial data must be corrected. The entry of the audited data to the fiscal compliance table must be completed by November 30, 2024. Since November 30 falls on a Saturday, the due date will be Monday, December 2, 2024.

   MDE reporting requirements expect that at the fund level: 1) prior year ending fund balances will equal current year beginning fund balances; and 2) current year beginning fund balances, plus total revenues and transfers in, minus total expenditures and transfers out, will result in the calculated current year ending fund balance. The calculated ending fund balance should equal the current year ending fund balance. Any discrepancies identified should be reported to MDE.

5. Checklist of reports that are required to be submitted to MDE and State Auditor's Office by School Districts and Charter Schools:
   - Report on financial statements.
   - List of school board members for the reporting year.
   - Management's discussion and analysis (prepared by the finance officials of the LEA).
   - Report on entity's internal control structure.
   - Report on entity's compliance with laws and regulations.
   - Corrective action plan for all written findings.
   - Corrective action plan should contain the following elements for each finding:
     1. An explanation of any disagreement with the finding.
     2. Corrective actions planned in response to the finding.
     3. The official responsible for ensuring completion of the corrective action.
     4. Anticipated completion date.
   - UFARS Fiscal Compliance Table.
   - Single audit reports, if applicable.
   - Management letter (if no management letter was issued to the district, a separate and additional memorandum stating that fact is to be included with the audit submission).

FY 2024 – Charter School Supplemental Reporting Requirements

Minnesota Statutes, section 124E.16, subdivision 1, requires charter schools to submit to MDE additional information with the fiscal year-end audit report.

Minnesota Statutes, section 124E.16, subdivision 1, reads as follows:

> *Subdivision 1. Audit report. (b) The charter school must submit an audit report to the commissioner and its authorizer annually by December 31.*
>
> *(c) The charter school, with the assistance of the auditor conducting the audit, must include with the report, as supplemental information: (1) a copy of a new management agreement or an amendment to a current agreement*

with a CMO or EMO signed during the audit year; and (2) a copy of a service agreement or contract with a company or individual totaling over five percent of the audited expenditures for the most recent audit year. The agreements must detail the terms of the agreement, including the services provided and the annual costs for those services.

(d) A charter school independent audit report shall include audited financial data of an affiliated building corporation under section 124E.13, subdivision 3, or other component unit.

(e) If the audit report finds that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the material weakness will be resolved. An auditor, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner and authorizer upon request.

Clarification of Supplemental Information for Charter Schools

This section is a clarification of the charter schools reporting requirement to provide copies of agreements with service providers.

The term agreement is defined as, but not limited to, contracts, letters of intent, memos of understanding, etc.

The following supplemental information requirements are in addition to the required annual audit report and must be submitted to MDE and the school's authorizer by December 31, 2024. Required charter school supplemental information is **not** a requirement of the Office of State Auditor and is not to be submitted to the Office of State Auditor.

Required documents are for the period of the fiscal year being reported. This year the period for fiscal reporting is 7/1/2023–6/30/2024.

A Charter school must submit a copy of:

- New management agreement or an amendment to a current agreement with a CMO or EMO signed during the audit year. Definitions of CMO or EMO provided below:
    - "Charter management organization" or "CMO" means any nonprofit or for-profit entity that contracts with a charter school board of directors to provide, manage, or oversee all or substantially all of a school's education program or a school's administrative, financial, business, or operational functions.
    - "Educational management organization" or "EMO" means a nonprofit or for-profit entity that provides, manages or oversees all or substantially all of the education program, or the school's administrative, financial, business, or operational functions.
- A service agreement or contract with a company or individual totaling over five percent of the audited expenditures for the most recent audit year. For example, but not limited to:
    - Food Services
    - Transportation
    - Teaching Staff

The agreements must detail the terms of the agreement and must identify the services provided along with annual cost for the services identified in the agreement.

Note: Charter schools without management agreements with a charter management or educational management organization; or service agreement or contracts totaling over five percent of the school's most recent annual audited expenditures, should include with their submission, a letter to the Minnesota Department of Education, signed by the school's director, stating: "XYZ Charter school does not have a management agreement with a charter management or educational management organization; or service agreement or contracts totaling over five percent of the school's most recent annual audited expenditures."

or

"XYZ Charter school does have a management agreement with a charter management or education management organization, however, it is not a new or amended agreement during the audit year and does not total over five percent of the school's most recent annual audited expenditures".

Charter School External CPA Auditors

a) Independent audit reports for charter schools must include the audited data from the affiliated building corporation or other component units, per Minnesota Statutes, section 124E.16, subdivision 1(d).
b) Submission of Supplemental Information – Assist school with submitting agreement information.
c) An auditor, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner and authorizer upon request, per Minnesota Statutes, section 124E.16, subdivision 1(e).

Naming Conventions – Supplemental reports may be submitted using the MDE email address provided and must use the following naming convention:

Fiscal Year	District ID	District Type	District Name	Report Name
Four characters	Four characters	Two characters	Up to 12 characters	• Management • Service

Each element must be separated by a "." (period).

Note: Submit a separate file for each of these reports. If multiple files will be submitted in each category, number the files beginning with one.

A. Management Agreements suffix convention: Mgmt.Agree
   Examples: 2024.4113.07.FraserAcad.Mgmt.Agree1
   2024.4113.07.FraserAcad.Mgmt.Agree2

B. Service Agreements suffix convention: Service.Agree
   Examples: 2024.4113.07.FraserAcad.Service.Agree1
   2024.4113.07.FraserAcad.Service.Agree2

School District and Charter School Submission Options
2024 Submission

1. Districts and Charter Schools may submit completed financial audits and required supplemental information via email with attached files in PDF format using the naming convention identified below. **PDFs must be in a printable format.**
2. Districts and Charter Schools may submit completed financial audits and required supplemental information in standard printed and bound format via United States Mail or other courier service. **However, the recommended submission method is to submit all documents in electronic format.**

To Submit E-files to MDE

Each management letter (or "COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE") must be transmitted in a separate PDF file. **PDFs must be in a printable format.**

Naming Conventions – Audit reports may be submitted using the MDE email address provided below and must use the following naming convention:

Fiscal Year	District Number	District Type	District Name	Report Name
Four characters	Four characters	Two characters	Up to 12 characters in length	− FinStmt.District − MgtLtr.District − Other

Each element must be separated by a "." (period); and a separate file emailed for each of these reports (see examples below):

Audited District Financial Statements	convention: FinStmt.District
District Management Letters	convention: MgtLtr.District
Other Reports	convention: Other

"Other reports" may be conveyance of letters, letters indicating a management letter was not issued, additional files, etc.

The naming convention for required files:

Examples:
2024.0001.03.Minneapolis.FinStmt.District
2024.0001.03.Minneapolis.MgtLtr.District
2024.0001.03.Minneapolis.Other

Minnesota Statutes, section 123B.77, subdivision 3, also requires each district to send a copy of the audit and all supplemental reports (except for CMOs, EMOs, service agreements and contracts as listed in Clarification Supplemental Information for Charter Schools) to the Office of the State Auditor. The Office of the State Auditor requests all copies to be in electronic format and must be received no later than December 31, 2024.

The email addresses for electronic submission are:
MDE Financial Management (MDE.FinMgt@state.mn.us)
Office of the State Auditor (SingleAudit@osa.state.mn.us)

Districts Submitting via USPS or Courier:
Submit one printed (hard) copy of the audit and other required documents to:
Minnesota Department of Education
Division of School Finance
Attn: Pam Sanders
400 NE Stinson Blvd.
Minneapolis, MN 55413

If you have any questions, please contact Pam Sanders at 651-582-8489 or Pam.Sanders@state.mn.us.

This letter is also posted on the MDE Financial Management webpage Summary of Audit Requirements FY 2024 Audits, (https://education.mn.gov/MDE/dse/schfin/fin/).

As indicated above, MDE must receive all audit reports by December 31, 2024. If received after December 31, 2024, the postmark must be on or before December 31, 2024.

UFARS Year-End (2) – Single Audit

Office of Management and Budget (OMB) Uniform Guidance

The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal* Awards (commonly called "Uniform Guidance") was officially implemented in December 2014. According to §200.501 for Audit Requirements, a non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year.

Entities spending $750,000 or more must electronically file a Single Audit reporting package for collection under the

Uniform Guidance to the Federal Audit Clearinghouse (FAC). Go to this website for more information on how to report https://www.fac.gov.

Note: Effective October 1, 2024, the Single Audit threshold increases to $1,000,000.

UFARS Year-End (3) – Fiscal Compliance Table

Modified from MDE UFARS Manual – Overview Chapter

MDE Fiscal Compliance Table Website

The fiscal compliance report is completed by the reporting entity or the auditor at the conclusion of a reporting entity's audit and after the financial statements have been completed. This report is a comparison between the UFARS data and the audited financial statements. The fiscal compliance data entry form must be completed electronically and a copy of the Fiscal Compliance Report, which includes the comparison between audit data and UFARS data and any differences between the two, must be included with the reporting entity's audited financial statements. View the Fiscal Compliance Table (Districts, Schools and Educators > Business and Finance > Data Submissions > Fiscal Compliance Table, select Enter the Fiscal Compliance Table.)

Since this is an online active database, each time entries are made, the numbers will change at the department level. The reporting entity or the auditor will be responsible for entering data to the fiscal compliance table and printing out a copy for submission with the audit report.

Important Note: Effective since FY 2011 reporting year, UFARS balance sheet accounts and the fiscal compliance table were revised to accommodate Governmental Accounting Standards Board Statement (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The report organizes fund balances for each of the governmental funds by the GASB 54 reporting categories: nonspendable, restricted, which includes restricted/reserved, committed, assigned, and unassigned. Another new feature is the Reconciliation of Fund Balance line, which totals all fund balances within each of the governmental funds to ease comparison of UFARS data – which may not strictly follow GASB 54 – with the audited financial statement data. The difference between the reconciliation totals of the UFARS column and the Audit column should be zero. UFARS reporting requires any deficit in a restricted/reserved account that may report a deficit to be reported in that account. For example, a deficit in the restricted/reserved for Community Education account 431 would be reported on UFARS in that account; under GASB 54, the deficit would be reported as a deficit unassigned fund balance on the audited financial statements. For further discussion, see UFARS Manual Chapter 8 – Balance Sheet Accounts.

For more information, please contact Pam Sanders (pam.sanders@state.mn.us) 651-582-8489.

The Minnesota Department of Education Fiscal Compliance website is located at Districts, Schools and Educators > Business and Finance > Data Submissions > Fiscal Compliance Table, select Enter the Fiscal Compliance Table. The next screen has four pages: Log In, District Selection, Data Entry and Fiscal Compliance Table.

Log In

You will enter the Fiscal Compliance user name and password to access the website. The user name is **comp** and the password is **Gr3en**. The user name and password are case sensitive.

District Selection

You may select your district by district name or district number, and then choose Search or Run Report. The Search button will direct you to the data entry page. The Run Report button will generate the comparison report between the audited financial data and submitted UFARS data.

Data Entry

Enter your audited financial information into the Fiscal Compliance Table on this page. When typing in the financial data, keep in mind these points: 1) type in the amount as a whole number excluding cents; 2) do not use dollar signs or commas. When all the financial data has been entered, choose the submit button. This will start an edit process. If an error occurs, a note in red letters will display at the top of the page. Please make the appropriate adjustments and re-submit. After successful submission, run the Fiscal Compliance Table by choosing Run Report. The Fiscal Compliance Table will automatically show up on the screen.

Fiscal Compliance Data Entry - 6/30/2022 Help Logoff

District: ANOKA-HENNEPIN (11-1)

01 GENERAL FUND

Total Revenue

Total Expenditures

Non Spendable:

4.60 Non Spendable Fund Balance

Restricted / Reserved:

4.01 Student Activities

4.02 Scholarships

4.03 Staff Development

4.07 Capital Projects Levy

4.08 Cooperative Revenue

4.13 Project Funded by COP

4.14 Operating Debt

4.16 Levy Reduction

4.17 Taconite Building Maint

4.24 Operating Capital

4.26 $25 Taconite

4.27 Disabled Accessibility

4.28 Learning & Development

4.34 Area Learning Center

4.35 Contracted Alt. Programs

4.36 State Approved Alt. Program

4.38 Gifted & Talented

4.40 Teacher Development and Evaluation

4.41 Basic Skills Programs

4.48 Achievement and Integration

4.49 Safe School Crime - Crime Levy

06 BUILDING CONSTRUCTION

Total Revenue

Total Expenditures

Non Spendable:

4.60 Non Spendable Fund Balance

Restricted / Reserved:

4.07 Capital Projects Levy

4.13 Project Funded by COP

4.67 LTFM

Restricted:

4.64 Restricted Fund Balance

Unassigned:

4.63 Unassigned Fund Balance

07 DEBT SERVICE

Total Revenue

Total Expenditures

Non Spendable:

4.60 Non Spendable Fund Balance

Restricted / Reserved:

4.25 Bond Refundings

4.33 Maximum Effort Loan Aid

4.51 QZAB Payments

4.67 LTFM

Restricted:

4.64 Restricted Fund Balance

Unassigned:

4.63 Unassigned Fund Balance

Fiscal Compliance Table

On the Fiscal Compliance Table screen, you will view the results of the comparison between the audited financial data and submitted UFARS data. If there are discrepancies noted, you will need to identify and correct these items. The error is corrected by repeating the data entry steps and the run report step. You may repeat these steps as many times as necessary until all discrepancies have been resolved.

The print button located on the top of the *Fiscal Compliance Report screen will give you a hard copy of the report information.*

Fiscal Compliance Report - 6/30/[redacted] 2023 Help Logoff
District:[redacted] Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$563,696,250	$563,696,247	$3
Total Expenditures	$568,639,858	$568,639,858	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$2,978,294	$2,978,294	$0
Restricted / Reserved:			
4.01 Student Activities	$127,323	$127,323	$0
4.02 Scholarships	$710,083	$710,083	$0
4.03 Staff Development	$3,886,564	$3,886,564	$0
4.07 Capital Projects Levy	$157,495	$157,495	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$21,194,099	$21,194,099	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$3,321,433	$3,321,433	$0
4.34 Area Learning Center	$395,498	$395,498	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$353,872	$353,872	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$4,658,547	$4,658,547	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$1,235,378	$1,235,378	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$1,853,930	$1,853,930	$0
4.72 Medical Assistance	$2,716,009	$2,716,009	$0
[redacted]	$0	$0	$0
	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$64,608,624	$64,608,624	$0
Unassigned:			
4.22 Unassigned Fund Balance	$59,614,760	$59,614,760	$0
02 FOOD SERVICES			
Total Revenue	$28,079,352	$28,079,352	$0
Total Expenditures	$21,624,896	$21,624,896	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$712,232	$712,232	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$9,260,674	$9,260,674	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$29,903	$29,903	$0
Total Expenditures	$15,978,294	$15,978,294	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$26,282,196	$26,282,196	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$13,285,790	$13,285,790	$0
Total Expenditures	$13,499,125	$13,499,125	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$2,981,304	$2,981,304	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$10,938	$10,938	$0
Total Expenditures	$9,397	$9,397	$0
Restricted / Reserved:			
4.01 Student Activities	$1,573	$1,573	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$73,707,491	$73,707,491	$0
Total Expenditures	$75,051,115	$75,051,115	$0
4.22 Unassigned Fund Balance (Net Assets)	$14,527,452	$14,527,452	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	($3,662,517)	($3,662,517)	$0
Total Expenditures	$667,070	$667,070	$0

UFARS Year-End (4) – A Guide for Preparing and Comparing Audit

Modified from School Districts Audits Conference, May 1999

1. Your district compliance table total revenues and total expenditures for each fund should agree to the audit report's Combined Statement of Revenues and Expenditures.

2. Total Revenues do not include the following UFARS Sources reported as **Other Financing Sources** in the

financial statements:

- 623, 624, and 625 – Sale of Real Property, Sale of Equipment, and Insurance Recovery
- 631, 635, 636, 637, and 639 – Sale of Bonds, Certificates of Participation (Financed Purchase), Capital Loans, Debt Service Loans, and Proceeds from other State and Non-state Loans Received
- 649 – Permanent Transfers from Other Funds

3. Total Expenditures do not include UFARS Objects reported as **Other Financing Uses** in the financial statements:
    - 589 – Long-Term Lease Transactions or Financed Purchases (credit/contra expenditure)
    - 910 and 920 – Permanent Transfers to other Funds and Bond Refunding Payments and Certificates of Participation (C.O.P.) Defeasance

4. Nonspendable, Restricted/Reserved, Committed, Assigned, and Unassigned accounts (for each Fund) should agree to the audit report's Combined Balance Sheet.

UFARS Year-End (5) – Edit Process and Turnaround Documents

Modified from School Business Bulletins No. 45, June 2011, No. 50, May 2013, and No. 57, September 2015

Each time after a district's UFARS submission has been processed and edited, a new set of UFARS Turnaround Reports are posted on the MDE MFR Website. Go to Data Center > Data Reports and Analytics > School Finance Reports. Then select Minnesota Funding Reports (MFR), District, All Reports, Category is "UFARS Turnaround Reports", Year, and Report is "UFARS Turnaround Edit Report".

To ensure reporting accuracy, it is **crucial** that districts always review these reports after each UFARS submission. The Turnaround reports from the district's most current successful UFARS submission will be posted on the Website; the prior submission's reports will be written over, so districts must save a printed or electronic copy locally after each submission to retain a record of past activity.

Edit checks for UFARS submission files can be divided into three categories: 1) fatal errors will cause a file to be rejected; 2) reporting errors must be corrected prior to the final submission of audited UFARS data; and 3) warnings should be checked to make sure data is accurate.

Throughout the submission process, the file header must be marked with either an "A" or "U" flag to indicate whether the file contains final audited UFARS data ("A") or preliminary unaudited data ("U").

- If unaudited or audited UFARS data does not pass the "fatal error" edit check, the UFARS submission will not load.
- If unaudited or audited UFARS does not pass the "reporting error" edit check, the UFARS submission will be accepted and errors will be reported.
- If unaudited or audited UFARS does not pass the "warning" edit check, the UFARS submission will be accepted and warnings will be reported.

Note: The list below was the 2022 edits with updates from MDE for 2023.

FATAL ERRORS

The file will be rejected if any of the following fatal errors are present:

1. The organization number, type or site is incorrect.
2. The date on the file header is earlier than the last submitted file.
3. The file header has the wrong fiscal year.

REPORTING ERRORS

Reporting errors indicate expenditures do not align with either the Restricted Grid or Unrestricted Grid coding requirements, found in Chapter 10 of the UFARS Manual. The Unrestricted Grid identifies the allowable UFARS Program, Organization and Object code combinations for expenditures coded with a Finance code of 000; the

Restricted Grid identifies the allowable UFARS Finance, Organization, Program and Object code combinations for expenditures codes with an identified Finance code number other than 000.

Note2: If there are reporting errors, the entity will not qualify for the School Finance Award.

Additional reporting errors are identified by the following edit checks:

Balance Sheet Edits:
- If assets do NOT equal liabilities plus fund balance in each Fund.
- If Balance Sheet codes 401, 402, 403, 408, 412, 413, 416, 417, 418, 425, 426, 428, 433, 434, 435, 436, 438, 439, 440, 441, 443, 447, 448, 451, 452, 453, 459, 460, 461, 462, 464, 472, 475 and 476 are less than zero.
- If Balance Sheet code 463 Unassigned has a positive fund balance in Funds 02, 04, 06, 07 or 47.
- District Type 07 – Charter is not permitted to use Balance Sheet codes other than 401, 402, 418, 422, 430, 439, 443, 449, 460, 461, 462, 463, 464, and 472.
- Balance Sheet code 422 Unassigned is in Fund 18.

Fund Dimension Edits:
- If a Fund 02 revenue/expenditure does not have a valid Finance code (151-153, 155-157, 160-164, 169, 174, 469, 499, 599, 662, 663, 699, 701-703, 705-707, 709, 710, 733, 792, 793, 796, 797 or 859/959).

Organization Dimension Edits:
- Organizations with classifications 84 or 85 cannot be used.

Program Dimension Edits:
- If Program code 930 does NOT equal zero.

Finance Dimension Edits:
- District Type 07 – Charter is not permitted to use Finance codes 313 or 318.
- Federal special education Finance code used in combination with Object 820 must use Course 640, 641 or 642.

Object Dimension Edits:
- If Object codes 535 and 589 do NOT equal zero.
- If Object codes 195, 295, 365, 398, 545 and 895 do NOT equal zero.
- If transfer Object code 910 and Source code 649 do not equal.

Source Dimension Edits:
- If Source code 474 does not equal Object 491 in Fund 02.
- If transfer Source code 649 and Object code 910 do not equal.
- If Source codes 020 and 299 do not equal zero.
- If Source code 301 is in Fund 1.
- Source code 001 cannot be used with Fund 02.
- District Type 07 – Charter is not permitted to use Source codes 001-020, 072, 213-299, 301, 631 and 635.

WARNINGS
Additional data edits are performed to check for potential reporting errors. Because these edit checks may not apply to every district, they are noted on the Turnaround Edit Report as warnings; if applied to a district, warnings should be noted and the error corrected before the final submission.

Balance Sheet Edits:
- The current year beginning balance does not equal the prior year ending balance. **Note:** Fund Balance 4XX series.
- If Balance Sheet codes 460, 463 and 464 in Fund 02 are less than zero for three years, see MS 124D.111.

  - According to [Minnesota Statute, section 124D.111, subd. 3](), a district may incur a deficit in the Food Service Fund for up to three years without making the permanent fund transfer if the district submits to the Commissioner by January 1 of the second fiscal year a plan for eliminating that deficit at the end of the third fiscal year.
- Balance Sheet code 424 may be negative with a prior approval plan with the Commissioner.

Course Dimension Edits:
- Course codes ~~621-632, 634-639 and 667-669~~ 622-625, 628-631, and 635-638 are only allowed with Finance 401 and 414.

Finance Dimension Edits:
- If Finance codes 302, 316, 317, 330, 342, 401, 740 and 830 show no expenditure activity.
  - Finance codes 302, 312, 316, 317, 330, 347, 349, 352, 355, 358, 363, 366-370 and 379-384 do not apply to charter schools.
  - Finance code 342 will apply if you have a Safe School Levy.
  - Finance code 401 will apply if you have a Title 1 Program.
  - Finance code 740 will apply if you have a Special Education Program.
  - Finance code 830 will apply if you have a Career and Technical Program.
- If Finance code 796 in Funds 1, 2 and 4 has levy authority but no expenditure amounts.
  - Schools that have a Health Benefits Levy should be aware that they have no related expenditures reported. A negative levy adjustment will occur if there are no expenditures.
- If Finance code 798 in Fund 4 has levy authority but no expenditure amount.
  - Schools that have a School Age Care Levy should be aware that they have no related expenditures reported. A negative levy adjustment will occur if there are no expenditures.

Object Dimension Edits:
- If expenditures in any Object code except chargeback codes 195, 295, 365, 395, 398, 535, 545, 589 and 895 are less than zero.
  - Other expenditure accounts other than Finance dimension 000 should not have a negative balance unless an unusual circumstance exists.
- Use Object Code 899 when no other object code is available.

Source Dimension Edits:
- If Source code 301 has a Finance code other than 350, 351 and 353.

Other Edits:
- If expenditure records do not exist in the data file.
- If revenue records do not exist in the data file.

SERVS/UFARS Reconciliation
UFARS expenditures are expected to be equal to the amount reported on SERVS by:
- Finance code
- Object code
- Course code

MDE will also expect UFARS revenues to be equal to the amount reported on SERVS by:
- Finance code
- Source code
- Course code

A UFARS/SERVS comparison report will be generated daily for district use in reconciling UFARS expenditures to SERVS. It is important to provide assurance that federal aid has been paid based on audited financial activity reported in UFARS. If the expenditures in SERVS are greater than UFARS, the state will identify UFARS as the audited and final expense, and will require the repayment of any funds claimed in excess of the UFARS amount (by UFARS Finance code, Object code and Course code).

Note3: Federal Special Education only has to be balanced by Finance dimension. Federal Special Education does not have to balance by Program and Object.

Note4: Review the May School Business Bulletin for MDE's year-end updates.

For questions on the UFARS edit process, please contact email address mde.ufars-accounting@state.mn.us.

UFARS Year-End (6) – Corrective Action Plans

Modified from MDE Memo at MDE > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management, July 10, 2012

For Officials of Minnesota School Districts, Charter Schools, Other Required Reporting Entities and Audit Firms

The Minnesota Department of Education (MDE) is a pass-through entity of federal awards and therefore must review each audit and any corrective action plans (CAPs). A pass-through entity for federal awards is required to review a sub-grantee's audit and must ensure that appropriate and timely corrective action on audit findings happen within six months after receipt of the sub-grantee's audit report.

The intent of a CAP is not to require districts to hire more staff or require additional audit assistance; the intent is to have a CAP that shows progression toward eliminating the finding or mitigating an internal control weakness. Prior year audit findings that have not been eliminated will require a revised CAP unless there is an assurance from the auditor that progression has been made.

In order for MDE to ensure that appropriate and timely corrective action will occur with relation to a reoccurring audit finding, the following will be required:

1. The district may resubmit the CAP(s) if the auditor states in the finding that progression toward the elimination or mitigation of the prior year finding has occurred.
2. If the assurance has not been stated in the finding, a new CAP is to be submitted for approval in the prescribed format listed below.

If a conscious decision by management or those charged with governance accept the risk of a significant deficiency or material weakness due to cost or other considerations, a statement explaining that position must be included in the CAP. By including this statement in the CAP, MDE will not require a revised CAP in order to comply with the Uniform Guidance. However, reporting entities that take this position will be included in a report issued to the various divisions within MDE that administer federal programs. This report will be used in the evaluation process to determine future fiscal monitoring site visits of the various federal programs including, but not limited to: special education, title programs, discretionary grants, food service and adult basic education.

If you receive a letter from MDE requesting more information on your CAP and submit a revised plan, you will be notified within 60 days if additional information is required. MDE will notify reporting entities if their CAP(s) have been approved or accepted and no additional information will be requested.

If you have questions, please feel free to contact Pam Sanders at pam.sanders@state.mn.us or 651-582-8489.

The recommended format for Corrective Action Plans:
The CAP(s) **MUST** identify the following items for each finding(s):

1. **Actions planned** in response to the finding;

- Describe the new action that will be implemented to eliminate or mitigate the finding. See below for further clarification and examples.

2. The name and title of the **official responsible** for ensuring corrective action;
   - List the person ultimately responsible for carrying out the plan.

3. The **planned completion date** for the corrective action;
   - "Not Applicable" is not a valid response.
   - Provide information on the timeline toward implementation of the plan. If immediate implementation is required provide a specific date.

4. An **explanation** of any disagreement with the findings as developed by the auditor;
   - And MDE generally anticipates an entity would be in agreement with the auditor's finding.

5. A **plan to monitor** completion of corrective actions;
   - "Not Applicable" is not a valid response.
   - Enter **who** is responsible to monitor implementation and **how** the monitoring will be conducted.

Examples of Frequent Findings:

FINANCIAL STATEMENT PREPARATION
While the district may not have adequate controls in place to eliminate this finding, the district must have an internal control policy in place to document its annual review of the financial statements.

Sample response of Actions Planned for Financial Statement Preparation
The district will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

AUDIT ADJUSTMENTS AND JOURNAL ENTRIES
A response indicating that the auditors will continue to prepare journal entries or perform audit adjustments will not be approved. Establish an internal control policy to document the review and approval of adjustments and journal entries.

Sample response of Actions Planned for Audit Adjustments and Journal Entries
The district will establish an internal control policy to document the review and approval of adjustments and journal entries.

INTERNAL CONTROLS – SEGREGATION OF DUTIES
While we understand that the cost of hiring additional staff may outweigh the benefit of providing adequate segregation of duties, the action plan should address oversight controls to mitigate segregation of duty findings. The district should understand the specific area(s) that created this finding and address the oversight controls needed.

Sample responses:
Actions Planned for Approval of Journal Entries
The district was cited for lack of approval of journal entries. A policy was established to provide oversight of journal entries. As provided in the policy, the superintendent will review journal entries posted to the system on a monthly basis.

Actions Planned for Bank Reconciliation Process
The district was cited for lack of segregation in the bank reconcilement process. A policy was established to provide oversight of the bank reconciliation. As provided in the policy, the superintendent will review the bank reconciliation for unidentified variances and unusual reconciling items.

UFARS Year-End (7) – Budget Approval and Publication Deadlines

MN Statute 123B.77 and MN Statute 123B.10

Adopted Budget (MS 123B.77): FY 2025 Budget must be approved prior to July 1, 2024. Do not furnish a copy of the publication or form to the Department of Education. A copy of the "District Revenues and Expenditures Budget" is available at https://education.mn.gov/MDE/dse/schfin/fin/.

Modified from the General Instruction tab on the District Revenues and Expenditures Budget for FY2023 and FY2024 Budget Publication Spreadsheet (MDE Form ED-00110-xx): The District Revenues and Expenditures Budget (Form ED-00110) shall be published by each school district "within one week of the acceptance of the final audit by the board, or November 30, whichever is earlier." "The board must post the materials in a conspicuous place on the district's official website, including a link to the district's school report card on the Minnesota Department of Education website (MDE > Data Center, select "Minnesota Report Card"), and publish a summary of the information and the address of the district's official website where the information can be found in a qualified newspaper of general circulation in the district." (Minn. Stat. § 123B.10, subd. 1.)

UFARS Code Changes – FY 2024

Note: For details refer to the latest UFARS manual at MDE > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > UFARS. The Chapter listing identifies the date of the last update to the manual.

Fund
No Changes, Deletions or Additions

Organization/Site
No Changes, Deletions, or Additions

Program
Changes
217 – Assurance of Mastery (AOM) (February 2024)
219 – English Learner (EL) (November 2023)
278 – Regular School Day – Additional Time and Summer (November 2023)
579 – Preschool – Instructional (Fund 04) (July 2023)
712 – Elementary Counseling and Guidance Services (February 2024)

No Deletions or Additions

Finance
Changes
174 – Other Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding Received Through Other Local Entities (Funds 01, 02 and 04) (July 2023)
303 – Area Learning Center (Fund 01) (July 2023)
317 – Basic Skills (Fund 01) (July 2023)
324 – Adult Basic Education Supplemental Services (Fund 04) (July 2023)
342 – Safe Schools Revenue (December 2023)
344 – School Readiness (Funds 01 and 04) (December 2023)
348 – Charter School Lease Aid and School District Lease Levy Authority (Fund 01) (July 2023)
355 – Voluntary Prekindergarten Remodeling Costs (Funds 1 and 6) (July 2023)
438/638 – Federal Adult Basic Education Formula Revenue (Fund 04) (July 2023)
510 – Indian Elementary and Secondary School Assistance (March 2024)

801/901 – Adult Basic Education (ABE) Integrated English Literacy and Civics Education (IELCE) Competitive Allocation (Fund 04) (July 2023)

Deletions
151 – Elementary and Secondary Schools Education Relief (ESSER) Fund – 90% Formula Allocation (Funds 01, 02 and 04) (July 2023)
152 – Elementary and Secondary Schools Education Relief (ESSER) Fund – 9.5% State-Directed Grants (Funds 01, 02 and 04) (July 2023)
153 – The Governor's Emergency Education Relief (GEER) Fund (Funds 01, 02 and 04) (July 2023)
165 – Summer Preschool Program (4 and 5 Year Olds) (Fund 04) (July 2023)
166/665 – American Rescue Plan (ARP) Adult Basic Education (ABE) (Fund 04) (July 2023)
168 – Summer School Age Care (SAC) (July 2023)
171 – Pandemic Enrollment Loss (July 2023)
173 – Federal Paycheck Protection Program (PPP) (Funds 01 and 04) (July 2023)
309 – Basic Skills for Extended Time (Fund 01) (July 2023)
375 – Grants to Prepare Indian Teachers (Fund 01) (March 2024)

Additions
312 – Literacy Incentive Aid (July 2023)
314 – Paraprofessional Training (July 2023)
339 – English Learner (Fund 01) (July and December 2023)
343 – School Library Aid (Fund 01) (July and December 2023)
373 – Student Support Personnel (Fund 01) (July and December 2023)
374 – Student Support Personnel – Cooperative or Intermediate (Fund 01) (July and December 2023)
722 – Area Learning Center (ALC) Transportation Aid (Fund 01) (July 2023)
742 – Special Education Separate Sites and Programs (Fund 01) (July 2023)

Object
Changes
169 – Alcohol and Chemical Dependency Counselor (November 2023)
220 – Health Insurance (February 2024)
335 – Short-Term Lease Payments or Short-Term Rentals (February 2024)
369 – Entry Fees/Student Travel Allowances (February 2024)
396 – Salary Purchased from Another District/Cooperative (November 2023)
397 – Benefits Purchased from Another District/Cooperative (November 2023)
896 – Taxes, Special Assessments, and Interest Penalties (July 2023)
899 – Miscellaneous Expenditures (July 2023)

Deletions
380 – Short-Term Leases for Computer or Technology Related Hardware Rental (July 2023)

No Additions

Source
Changes
369 – Other Revenue from other State Agencies (December 2023)
400 – Federal Aids Received Through MDE (Except as Noted for Food and Nutrition) (July 2023)
629 – Health and Safety Other Revenue (July 2023)

Deletions
212 – Literacy Incentive Aid (Fund 01) (July 2023)

No Additions

Course

Changes
000 – Non-Federal Projects that End During the Current Year or Current Federal Awards (July 2023)
011 – Prior Year Federal Awards (July 2023)
012 – Second Prior Year Federal Awards (July 2023)
013 – Third Prior Year Federal Awards (July 2023)
014 – Fourth Prior Year Federal Awards (July 2023)
015 – Fifth Prior Year Federal Awards (July 2023)
016-619, 643-666, 670-999 – Long-Term Facilities Maintenance (LTFM) Projects (July 2023)
622 – LEA Level Activities (Second Prior Year Federal Award) (July 2023)
623 – Neglected (Second Prior Year Federal Award) (July 2023)
624 – Homeless (Second Prior Year Federal Award) (July 2023)
625 – Parent Involvement (Second Prior Year Federal Award) (July 2023)
628 – LEA Level Activities (Prior Year Federal Award) (July 2023)
629 – Neglected (Prior Year Federal Award) (July 2023)
630 – Homeless (Prior Year Federal Award) (July 2023)
631 – Parent Involvement (Prior Year Federal Award) (July 2023)
633 – Special Education 50% Maintenance of Effort Reduction (Current Year Federal Award) (July 2023)
635 – LEA Level Activities (Current Year Federal Award) (July 2023)
636 – Neglected (Current Year Federal Award) (July 2023)
637 – Homeless (Current Year Federal Award) (July 2023)
638 – Parent Involvement (Current Year Federal Award) (July 2023)
640 – Professional Development (Current Year Federal Award) (July 2023)
641 – Professional Development (Prior Year Federal Award) (July 2023)
642 – Professional Development (Second Prior Year Federal Award) (July 2023)

Deletions
621 – Highly Qualified Staff (Second Prior Year Federal Award) (July 2023)
626 – School Choice and Supplemental Educational Services (Second Prior Year Federal Award) (July 2023)
627 – Highly Qualified Staff (Prior Year Federal Award) (July 2023)
632 – School Choice and Supplemental Educational Services (Prior Year Federal Award) (July 2023)
634 – Highly Qualified Staff (Current Year Federal Award) (July 2023)
639 – School Choice and Supplemental Educational Services (Current Year Federal Award) (July 2023)
667 – School Improvement Implementation Set-Aside (Current Year) (July 2023)
668 – School Improvement Implementation Set-Aside (Prior Year Federal Award) (July 2023)
669 – School Improvement Implementation Set-Aside (Second Prior Year Federal Award) (July 2023)

No Additions

Balance Sheet

Changes
431 – Restricted/Reserved for Community Education (Fund 04) (July 2023)
447 – Restricted/Reserved for Adult Basic Education (ABE) (Fund 04) (July 2023)
449 – Restricted/Reserved for Safe Schools Revenue (Fund 01) (November 2023)

No Deletions

Additions
412 – Restricted/Reserved for Literacy Incentive Aid (Fund 01) (July 2023)
439 – Restricted/Reserved for English Learner (Fund 01) (July 2023)
443 – Restricted/Reserved for School Library Aid (Fund 01) (July and November 2023)

UFARS Finance Code and Balance Sheet Combinations FY 2023-24

UFARS Manual – Finance Chapter and Balance Sheet Chapter

Finance Code	Balance Sheet Code – Restricted/Reserved for:
175 – Title VII – Impact Aid	475 – Title VII – Impact Aid Funds *
176 – Payments in Lieu of Taxes (PILT)	476 – Payments in Lieu of Taxes (PILT) *
301 – Extracurricular Activities	401 – Student Activities *
302 – Operating Capital	424 – Operating Capital *MDE
303 – Area Learning Center	434 – Area Learning Center *
304 – Contracted Alternative Programs	435 – Contracted Alternative Programs *
305 – State-Approved Public Alternative Programs	436 – State-Approved Alternative Programs *
No Finance Code Associated	459 – Basic Skills Extended Time *
310 – Interdistrict Cooperative Activities	408 – Cooperative Programs *
312 – Literacy Incentive Aid	412 – Literacy Incentive Aid *
313 – Achievement and Integration Aid and Levy	448 – Achievement and Integration Revenue *
316 – General Education Revenue for Staff Development	403 – Staff Development *
317 – Basic Skills	441 – Basic Skills Programs *
318 – Incentive Revenue	448 – Achievement and Integration Revenue *
319 – Teacher Development and Evaluation Revenue	440 – Teacher Development and Evaluation *
321 – Community Education	431 – Community Education *DA
322 – State Adult Basic Education	447 – Adult Basic Education (ABE) *
324 – Adult Basic Education Supplemental Services	447 – Adult Basic Education (ABE) *
325 – Early Childhood and Family Education	432 – Early Childhood and Family Education *DA
326 – Adults with Disabilities	431 – Community Education *DA
328 – Home Visiting	432 – Early Childhood and Family Education *DA
330 – Learning and Development	428 – Learning and Development *
332 – After School Enrichment Program	431 – Community Education *DA
333 – Maximum Effort Loan Aid	433 – Maximum Effort Loan Aid *
337 – Early Learning Scholarships Program – Pathway II	4xx – Refer to Finance code 337 for details.
338 – Early Learning Scholarships Program – Pathway I	4xx – Refer to Finance code 338 for details.
339 – English Learner	439 – English Learner *
340 – Scholarships	402 – Scholarships *
342 – Safe Schools – Levy	449 – Safe Schools Revenue *DA
343 – School Library Aid	443 – School Library Aid *
344 – School Readiness	444 – School Readiness *DA
347 – Physical Hazards	467 – Long-Term Facilities Maintenance (LTFM) *FRA
349 – Other Hazardous Materials	467 – Long-Term Facilities Maintenance (LTFM) *FRA
350 – Aid to Nonpublic Pupils – Health Services	464 – Community Services *
351 – Aid to Nonpublic Pupils – Textbooks, Tests and Technology	464 – Community Services *
352 – Environmental Health and Safety Management	467 – Long-Term Facilities Maintenance (LTFM) *FRA
353 – Aid to Nonpublic Pupils – Guidance and Counseling	464 – Community Services *
354 – Early Childhood Screening Program	464 – Community Services *

355 – Voluntary Prekindergarten Remodeling Costs	467 – Long-Term Facilities Maintenance (LTFM) *FRA
358 – Asbestos Removal and Encapsulation	467 – Long-Term Facilities Maintenance (LTFM) *FRA
362 – Youth Development/Youth Service	431 – Community Education *DA
363 – Fire Safety	467 – Long-Term Facilities Maintenance (LTFM) *FRA
364 – Hearing Impaired Support Services	4xx – Refer to Finance code 364 for details.
366 – Indoor Air Quality	467 – Long-Term Facilities Maintenance (LTFM) *FRA
367 – Accessibility	467 – Long-Term Facilities Maintenance (LTFM) *FRA
368 – Building Envelope (excluding roof)	467 – Long-Term Facilities Maintenance (LTFM) *FRA
369 – Building Hardware and Equipment	467 – Long-Term Facilities Maintenance (LTFM) *FRA
370 – Electrical	467 – Long-Term Facilities Maintenance (LTFM) *FRA
371 – Taconite $25 Restricted/Reserved	426 – $25 Taconite *
372 – Medical Assistance/Third Party Revenue	472 – Medical Assistance *
379 – Interior Surfaces	467 – Long-Term Facilities Maintenance (LTFM) *FRA
380 – Mechanical Systems	467 – Long-Term Facilities Maintenance (LTFM) *FRA
381 – Plumbing	467 – Long-Term Facilities Maintenance (LTFM) *FRA
382 – Professional Services and Salary	467 – Long-Term Facilities Maintenance (LTFM) *FRA
383 – Roofing Systems	467 – Long-Term Facilities Maintenance (LTFM) *FRA
384 – Site Projects	467 – Long-Term Facilities Maintenance (LTFM) *FRA
388 – Gifted and Talented	438 – Gifted and Talented *
390 – Taconite Revenue Used for Building Maintenance and Repair	417 – Excess Taconite Building Maintenance Funds *
438/638 – Federal Adult Basic Education Formula Revenue	447 – Adult Basic Education (ABE) *
791 – Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority	422 – Unassigned (For Fund 01) 413 – Building Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority (For Fund 06) *
792 – Unfunded Severance and Retirement Levy	4xx – Refer to Finance code 792 for details.
793 – Funded OPEB Liabilities not Held in a Trust	452 – Funded OPEB Liabilities not Held in a Trust *
794 – Disabled Accessibility	427 – Disabled Accessibility *FRA
795 – Capital Projects Levy	407 – Capital Projects Levy *FRA
798 – Children with Disabilities in School Age Care	431 – Community Education *DA
801/901 – Adult Basic Education (ABE) Integrated English Literacy and Civics Education (IELCE) Competitive Allocation	447 – Adult Basic Education (ABE) *
803/903 – ABE Statewide Supplemental Services – Regular Federal Competitive	447 – Adult Basic Education (ABE) *

* – One-way reserve account; must not have a deficit balance.
*DA – Deficit allowed for this restricted/reserved account.
*FRA – Deficit limited to future revenue authority.
*MDE – Deficit requires prior MDE approval.

UFARS – Fund Balance/Restricted Revenue Statutes

Achievement and Integration Aid and Levy	Minn. Stat. § 124D.861 Minn. Stat. § 124D.862
Adult Basic Education	Minn. Stat. § 124D.52 Minn. Stat. § 124D.522 Minn. Stat. § 124D.531 Minn. Stat. § 124D.55
After School Enrichment Program	Minn. Stat. § 124D.19, subd. 12 and 13
Area Learning Center	Minn. Stat. § 123A.05, subd. 1(b) Minn. Stat. § 123A.05, subd. 2 Minn. Stat. § 126C.05, subd. 15(b)
Basic Skills/Basic Skills for Extended Time	Minn. Stat. § 126C.10, subd. 3 Minn. Stat. § 126C.10, subd. 4 Minn. Stat. § 126C.15, subd. 1
Capital Projects Levy	Minn. Stat. § 123B.63 Minn. Stat. § 126C.10, subd. 14
Capital Levies – Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority	Minn. Stat. § 126C.40
Community Education	Minn. Stat. § 124D.20
Committed for Separation/Retirement Benefits	Minn. Stat. § 123B.79, subd. 7
Contracted Alternative Programs	Minn. Stat. § 124D.68, subd. 3(d) Minn. Stat. § 124D.69
Disabled Accessibility	Minn. Stat. § 123B.58
Early Childhood and Family Education	Minn. Stat. § 124D.13 Minn. Stat. § 124D.135
Early Childhood Screening Program	Minn. Stat. § 121A.16 Minn. Stat. § 121A.17 Minn. Stat. § 121A.18 Minn. Stat. § 121A.19
Early Learning Scholarships Program	Minn. Stat. § 124D.165
English Learner	Minn. Stat. § 124D.59, subd. 2
Extracurricular Activities	Minn. Stat. § 123B.49
Gifted and Talented	Minn. Stat. § 120B.15 Minn. Stat. § 126C.10, subd. 2(b)
Home Visiting	Minn. Stat. § 124D.13, subd. 4 Minn. Stat. § 124D.135, subd. 6
Incentive Revenue	Minn. Stat. § 124D.862, subd. 2
Interdistrict Cooperative Activities	Minn. Stat. § 123A.27
Learning and Development	Minn. Stat. § 126C.12
Levy Reduction	Minn. Stat. § 475.61, subd. 4
Literacy Incentive Aid	Minn. Stat. § 124D.98
Long-Term Facilities Maintenance (LTFM)	Minn. Stat. § 123B.595
Maximum Effort Loan Aid	Minn. Stat. § 477A.09
Medical Assistance/Third Party Revenue	Minn. Stat. § 125A.21, subd. 3

Nonpublic Aids	Minn. Stat. § 123B.40 Minn. Stat. § 123B.41 Minn. Stat. § 123B.42 Minn. Stat. § 123B.43 Minn. Stat. § 123B.44 Minn. Stat. § 123B.445
Other Postemployment Benefits (OPEB)	Minn. Stat. § 126C.41, subd. 2(b) Minn. Stat. § 475.52, subd. 6
Operating Capital	Minn. Stat. § 123B.78, subd. 5 Minn. Stat. § 126C.10, subd. 13 and 14
Quality Compensation – Alternative Teacher Professional Pay System	Minn. Stat. § 122A.414 Minn. Stat. § 122A.415
Reorganization Operating Debt	Minn. Stat. § 123B.82
Safe Schools Revenue	Minn. Stat. § 126C.44
School Library Aid	Minn. Stat. § 134.356
School Readiness	Minn. Stat. § 124D.15 Minn. Stat. § 124D.16
Severance Pay	Minn. Stat. § 123A.30, subd. 6 Minn. Stat. § 124D.05, subd. 3 Minn. Stat. § 126C.43, subd. 6 Minn. Stat. § 465.72
Staff Development	Minn. Stat. § 122A.60 Minn. Stat. § 122A.61
State-Approved Public Alternative Programs	Minn. Stat. § 123A.05 Minn. Stat. § 126C.05, subd. 15
Taconite Outcome Based Education (OBE)	Minn. Stat. § 298.28, subd. 4
Taconite Revenue Used for Building Maintenance and Repair	Minn. Stat. § 298.28, subd. 4
Telecommunications Access Costs	Minn. Stat. § 125B.26
Unfunded Severance and Retirement Levy	Minn. Stat. § 126C.41, subd. 6
Youth Development/Youth Service	Minn. Stat. § 124D.19, subd. 9 and 10

UFARS – Miscellaneous Expenditures – Review of Object 899

Modified from School Business Bulletin No. 33, January 2006

The department is continuing to review the usage of Object Code Dimension 899 – Miscellaneous Expenditures. Typically the usage of Object Code 899 should be limited to expenditures that cannot be properly classified into other existing object codes. In some cases districts and other reporting entities are posting significant expenditures to this code.

All reporting entities should review financial transactions posted to Object Code 899 – Miscellaneous Expenditures. In some cases, the department has found that scholarships were posted to Object Code 899 rather than Object Code 898 – Scholarships in Fund 08. In other cases, districts and other reporting entities may find a new object code would better describe financial transactions currently being posted to this code. Questions should be sent to mde.ufars-accounting@state.mn.us.

UFARS – Program 930

Modified from School Business Bulletin No. 3, November 1997

Employee Benefits (**Clearing Account Only**) Districts must allocate all costs to the program, which generated the benefits. One of the school district turn-around reports from the Department to the reporting districts indicates Program 930 expenditure totals. The sum of all costs for Program Code 930 should net to zero.

Example:	Debit	Credit
01-005-930-000-000-295		TTTT.TT
(Credit this account for the total expenditures in program 930.)		
01-ORG-PRO-CRS-FIN-295	YYY.YY	
01-ORG-PRO-CRS-FIN-295	YYY.YY	
(Debit appropriate accounts in the respective sites for the amount allocated from program 930.)		

When the above entries are complete, expenditures in program 930 should equal $0.00 and expenditures in object 295 should equal $0.00. Be careful to code object 280 correctly. UFARS uses this object to determine future reemployment insurance levies.

Note: Program 930 does not allow Objects 191, 252, 289, 290 and 291. Chargeback Object 295 cannot allocate terminal leave costs to a federal program.

UFARS Procedures – Proper Source Codes for Federal Special Education

Modified from School Business Bulletin No. 44, July 2010

Proper use of Finance and Source codes for federal special education:

- When you have special education Finance codes 100, 400 and 800 series, use Source code 400 to represent the direct payments from the Minnesota Department of Education.
- For special education Finance codes 200, 600 and 900 series, use Source code 405 to represent subawards from another entity not directly paid from MDE.
- All federal special education revenues should be coded using Source code 400 if received directly from MDE. Revenues are not recorded at the specific program disability.
- Sources 400 and 405 are not valid with Finance code 000.

Questions should be sent to mde.ufars-accounting@state.mn.us.

UFARS Procedures – Reporting Federal Funds by Course Code

Modified from School Business Bulletin No. 47, December 2011

MDE has observed that many LEAs are improperly using the course dimension codes reserved for Title 1 set-asides and federal special education programs.

For all federal programs paid through SERVS Financial, districts must use course dimension codes 000 when recording expenditures of current year federal awards, 011 for prior year federal awards and 012 for second prior year federal awards. The use of these course codes to record federal revenues is also highly recommended.

Professional development set-aside course codes:

- 640, 641 and 642 are to be used only with Finance codes:
  - 401 (Title 1 Part A)
  - 422/622 (Infant and Toddlers – Age birth through two) and
- 640 only may be used with Federal Special Education Finance codes:
  - 419/619 (IDEA Part B Section 611)
  - 420/620 (IDEA Part B Section 619)

- 635-638, 628-631 and 622-625 are to be used only with Finance code:
  - 401 (Title 1 Part A)

Where LEAs have improperly used these set-aside course codes in reporting expenditures for other federal programs on UFARS, the FY 2011 SERVS/UFARS comparison report cross-walks these expenditures to expenditures reported with course codes 000, 011 and 012.

For questions please contact the MDE helpdesk at: mde.ufars-accounting@state.mn.us.

UFARS Accounting Checklist

The following information is a fund checklist and a miscellaneous list of continuing UFARS and finance reporting requirements that should be completed for year-end.

State Credits and Other Receivables

A majority of the receivables can be calculated with the IDEAS Current Account Part I report. Column 4 Annual UFARS Revenue less Part II column 1 Cumulative Amount Due should be the 10 percent receivable. The exception to the state reports would be a late 6-30-2024 aid payment received in July. Any "other adjustments" during the year are entered as journal entries so that the revenue accounts show the same as the column 4 Annual UFARS Revenue amount.

General Education should be checked with the formula since it is based on calculations using APU (Adjusted Pupil Units) and are paid during the year from estimates. General Education Aid receivable is reduced by the amount of county apportionment aid payments received. This adjustment is done by the state in the October final cleanup payments. Districts not reducing the General Education receivable will have an overstatement by the amount of the county apportionment.

Tax Shift adjustments for the previous fiscal year occur in September. The adjustments could involve multiple funds in either the 15th or 30th final Part II payments. **Early recognition levy components are included with the Tax Shift report. District adjustments recognizing these items must be reversed to prevent duplication when recording the tax shift entries.**

Receivables for Agricultural Market Value Credit and Disparity Aid should be the 10 percent receivable per the IDEAS reports. Part I column 4 Annual UFARS Revenue less Part II column 1 Cumulative Amount Due is the receivable, unless the 6-30-2024 payment is received during July 2024. Revenue will be the same as column 4 of the IDEAS Current Account Part I. Prior year Disparity Aid and Prior Year Credits are separate revenue items. All prior year credits are recorded as current year revenue using Source 258.

Note: The MDE Revenue Projection Model can also be used to calculate state receivables. The State Aids tab shows an available balance based on when the model was last updated. The Revenue Projection Model can be located on the MDE website under Data Center > Data Reports and Analytics > School Finance Spreadsheets > Revenue Projection Model.

Revenue Recognition

Warning: This example is from FY 2023! Make sure to use the most recent MDE information when preparing your entries. The Property Tax Shift spreadsheet includes additional features on the "Accounts" and "Entries" tabs.

The **Accounts tab** provides a year-end reconciliation for each tax-related account.

- This section shows how to determine the balance to be reflected in each account at year-end after all tax entries (including the property tax shift entries) have been made. Balance Sheet accounts are listed first and then revenue Source codes. Also shown is the source document where the data for each step of the reconciliation can be obtained.
- This tab can serve as a year-end reconciliation tool. Enter data in the highlighted fields on this tab and in the Funds tab. All other fields in this tab will automatically be computed.

UFARS Year-End 2024

Region XX - XXXX

	A–G	H	I	J	K	L	M	N
1	Reconciliation of Property Tax Accounts					06/30/23		Note:
2								Account balances are indicated as debit or (credit) balance
3	On Reports tab enter your district # in cell A3 so correct tax shift amounts carryover							Asset and expenditure accounts would normally have a deb
4	Data entered on Funds tab will carryover and be used to allocate adjustments and abatements							Liability and revenue accounts would normally have a credit
5	On this tab enter data in highlighted fields only--from source indicated							See comments by accounts GNL 214 and SRC 020 and 299
6	All other fields will compute, including those that come from the Tax Shift spreadshee							
7	Enter debits as positive and credits as negative, as indicated in column H		General	Comm Serv	GDS Debt	OPEB Debt	Total	
8			Debit (Credit)	Debit (Credit)	Debit (Credit)	Debit (Credit)	Debit (Credit)	
9	**Balance Sheet Accounts:**							
10	Pay 2023 Certified Levy	Debit	9,191,193.32	319,830.65	9,486,775.10	0.00	18,997,799.07	Levy Limitation and Certification Report
11	Tax settlements 05/01/2023 to 06/30/2023 for Pay 2023	(Credit)	0.00	0.00	0.00	0.00	0.00	Tax Settlement Reports (Form 52) 07/01/2022 to 06/30/2023
12	Tax settlements Fiscal disparities 05/01/2023 to 06/30/2023 for Pay 2023 levy	(Credit)	0.00	0.00	0.00	0.00	0.00	Tax Settlement Reports (Form 52) 07/01/2022 to 06/30/2023
13	Tax settlements Taconite homestead credit 05/01/2023 to 06/30/2023 for Pay 2023 levy (Do not include any July payments)	(Credit)	0.00	0.00	0.00	0.00	0.00	Tax Settlement Reports (Form 52) 07/01/2022 to 06/30/2023
14	**110 Taxes Receivable-Current 06/30/23**		**9,191,193.32**	**319,830.65**	**9,486,775.10**	**0.00**	**18,997,799.07**	
15	Delinquent Taxes Receivable 06/	Debit	0.00	0.00	0.00	0.00	0.00	General Ledger 06/30/22
16	Current Taxes Receivable 06/30/2	Debit	0.00	0.00	0.00	0.00	0.00	General Ledger 06/30/22
17	Increase (decrease) to Pay 2022 levy by cou	Debit (Credi	0.00	0.00	0.00	0.00	0.00	Taxes Receivable Report (Form 51)
18	Increase (decrease) to Pay 2021 levy by cou	Debit (Credi	0.00	0.00	0.00	0.00	0.00	Taxes Receivable Report (Form 51)
19	Agricultural Educ Homestead Market Value Credit for I	(Credit)	0.00	0.00	0.00	0.00	0.00	Report of Credits from Dept of Revenue
20	Other credits for FY 202	(Credit)	0.00	0.00	0.00	0.00	0.00	Report of Credits from Dept of Revenue
21	Disparity Aid adjustments for FY 2	(Credit)	0.00	0.00	0.00	0.00	0.00	Report of Credits from Dept of Revenue
22	Decrease (increase) to credits by county no data no data	Debit (Credi	0.00	0.00	0.00	0.00	0.00	Credits on Taxes receivable minus credits from Revenue
23	Abatements 07/01/2022 to 06/30/2023 for Pay 2022 levy	(Credit)	0.00	0.00	0.00	0.00	0.00	Taxes Receivable Report (Form 51)

The **Entries tab** shows standard accounting entries for recording property taxes.

- The entries start with the levy being certified by the school board and work through a full year of accounting entries.

The other tabs in this spreadsheet provide the data that is used to create the tax shift report shown in the **Reports tab**.

Refer to the spreadsheet's **Instructions tab** for complete details.

Minnesota Statutes

Chapters 120A to 129C

Chapter 120A – Education Code; Attendance; School Calendar
Chapter 120B – Curriculum and Assessment
Chapter 121A – Student Rights, Responsibilities, and Behavior
Chapter 122A – Teachers and Other Educators
Chapter 123A – School Districts; Forms for Organizing
Chapter 123B – School District Powers and Duties
Chapter 124D – Education Programs
Chapter 124E – Charter Schools
Chapter 125A – Special Education and Special Programs
Chapter 125B – Education and Technology
Chapter 126C – Education Funding
Chapter 127A – State Administration of Education
Chapter 128 – Cook County School District
Chapter 128B – Pine Point School
Chapter 128C – High School League
Chapter 128D – Special School District No. 1, Minneapolis
Chapter 129 – Chippewa Forest Land Exchanges; Border Agreements
Chapter 129C – Perpich Center for Arts Education

Note: Renumbered and Repealed Chapters were removed from this listing.

General Fund Accounting Checklist (Fund 01)

Achievement and Integration Revenue

Modified from School Business Bulletin No. 52, April 2014

The Achievement and Integration Revenue Program (Minn. Stat. § 124D.862) was developed to close the academic achievement and opportunity gap promoting diversity, racial and economic integration. The program ***replaces*** the old Integration Revenue beginning in FY 2014 and directs eligible school districts and school boards to implement and develop plans for commissioner evaluation.

Directs the School District of Eligible Districts to:

- Submit a detailed budget to the commissioner by March 15 in the year prior to implementation. Commissioner must review, approve and/or disapprove by June 1st of the same year.
- Implement the school district's current integration plan for FY 2014.

Directs the School Board of Eligible Districts to:

- Develop a long term plan to be incorporated into its comprehensive plan under the World's Best Workforce.
- Hold at least one formal hearing to publicly report its progress on goal achievement.

Directs the Commissioner to:

- Evaluate and review results of each district's integration and achievement progress report with the World's Best Workforce Summary Report due December 15 at the end of the third year of plan implementation and report to the legislature every odd numbered year.
- Determine if the district met its goals.
    a) If goals were met, the district may submit a new three-year plan to commissioner for review.
    b) If goals were not met, the commissioner must develop in consultation with the affected district an improvement plan and timeline for district goal achievement. Until goals are reached, 20 percent of the district's achievement and integration revenue must be used for plan implementation and improvement.

Accounting Treatment for Approved Achievement and Integration Programs

	Fund	Organization	Program	Finance	Source/Object	Course
Revenue (aid)	01,18	005,001-999	Chapter 10 Grid	313	300	XXX
Revenue (levy)	01,18	005,001-999	Chapter 10 Grid	313	001	XXX
Expenditure	01,18	005,001-999	Chapter 10 Grid	313,318	Chapter 10 Grid	XXX

Finance Code 313 – Achievement and Integration Aid and Levy (Funds 01 and 18) – Record revenues from Achievement and Integration Aid and Levy received according to Minnesota Statutes, section 124D.862, and expenditures to implement the integration plan on file at MDE and as required under Minnesota Administrative Rules, Part 3535.0160 Integration of Racially Identifiable Schools, and Part 3535.0170 Integration of Racially Isolated School Districts. This applies to all districts identified under the rule, districts that are eligible as a member of a multidistrict integration collaborative that files a plan with the commissioner, and joint power districts implementing multidistrict plans. (Collaboratives should record related expenditures under Finance Code 000 and Course Code 313 to prevent duplication.) The activities in this code apply to Restricted/Reserved for Achievement and Integration Balance Sheet Account 448.

Finance Code 318 – Incentive Revenue (Funds 01 and 18) – Record revenues and expenditures for Incentive Revenue according to Minnesota Statutes, section 124D.862, subdivision 2. An eligible school district's maximum incentive revenue equals $10 per adjusted pupil unit. In order to receive this revenue, a district must be implementing a voluntary plan to reduce racial and economic enrollment disparities through intradistrict and interdistrict activities that have been approved as a part of the district's achievement and integration plan. (Collaboratives should record related expenditures under Finance Code 000 and Course Code 318 to prevent duplication.) The activities in this code apply to Restricted/Reserved for Achievement and Integration Balance Sheet Account 448.

Source Code 300 – State Aids Received from MDE for which a Finance Code is Specified

Source Code 001 – Property Tax Levy

124D.862 Achievement and Integration Revenue
Subd. 3. **Achievement and integration revenue.** Achievement and integration revenue equals the sum of initial achievement and integration revenue and incentive revenue.

Subd. 4. **Achievement and integration aid.** For fiscal year 2015 and later, a district's achievement and integration aid equals 70 percent of its achievement and integration revenue.

Subd. 5. **Achievement and integration levy.** A district's achievement and integration levy equals its achievement and integration revenue times 30 percent. For Special School District No. 1, Minneapolis; Independent School District No. 625, St. Paul; and Independent School District No. 709, Duluth, 100 percent of the levy certified under this subdivision is shifted into the prior calendar year for purposes of sections 123B.75, subdivision 5, and 127A.441.

For further information on Achievement and Integration Programs, please reference the MDE website at: MDE > Districts, Schools and Educators > School Achievement > Achievement and Integration Program or contact mde.integration@state.mn.us. UFARS coding questions may be sent to mde.ufars-accounting@state.mn.us.

Achievement and Integration Program – Frequently Asked Questions

MDE > Districts, Schools and Educators > School Achievement > Achievement and Integration Program

MDE created a list of Frequently Asked Questions (FAQ) relating to the Achievement and Integration Program. Its purpose is to provide additional information on basic program parameters for the general public and to school districts participating in the Achievement and Integration (A&I) program. The document can be located using the path above or this link: https://education.mn.gov/MDE/dse/acint/.

Additional Funds from the Department of Human Services

School Business Bulletin No. 68, June 2021

Due to the pandemic, there are additional funds flowing to LEAs from the Department of Human Services (DHS). Unemployment reimbursement from DHS, should be coded to the original expenditure in Object Code 280. Additional Medical Assistance Revenue from DHS should be coded to Finance Code 372 with Source Code 071 – Medical Assistance Revenue Received from Minnesota Department of Human Services.

Advance of Aid, Credits and Payment Schedule

MN Statute 127A.45, subdivisions 1, 3, 4 and 6

127A.45 Payment of Aids and Credits to School Districts.
Subdivision 1. **Applicability.** This section applies to all aids or credits paid by the commissioner from the general fund to districts.

Subd. 3. **Payment dates and percentages.** (a) The commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (1) the district's other district receipts through the current payment, and (2) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	5.5
Payment 2	July 30:	8.0
Payment 3	August 15:	17.5
Payment 4	August 30:	20.0
Payment 5	September 15:	22.5
Payment 6	September 30:	25.0
Payment 7	October 15:	27.0
Payment 8	October 30:	30.0
Payment 9	November 15:	32.5
Payment 10	November 30:	36.5
Payment 11	December 15:	42.0
Payment 12	December 30:	45.0
Payment 13	January 15:	50.0
Payment 14	January 30:	54.0
Payment 15	February 15:	58.0
Payment 16	February 28:	63.0
Payment 17	March 15:	68.0
Payment 18	March 30:	74.0
Payment 19	April 15:	78.0
Payment 20	April 30:	85.0
Payment 21	May 15:	90.0
Payment 22	May 30:	95.0
Payment 23	June 20:	100.0

(b) In addition to the amounts paid under paragraph (a), the commissioner shall pay to a school district or charter school on the dates indicated an amount computed as follows:

Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

(c) Notwithstanding paragraph (b), if the current year aid payment percentage under subdivision 2, paragraph (d), is less than 90, in addition to the amounts paid under paragraph (a), the commissioner shall pay to a charter school on the dates indicated an amount computed as follows:

Payment 1	July 15: 75 percent of the final adjustment for the prior fiscal year for all aid entitlements
Payment 8	October 30: 25 percent of the final adjustment for the prior fiscal year for all aid entitlements

(d) Notwithstanding paragraph (b), if a charter school is an eligible special education charter school under section 124E.21, subdivision 2, in addition to the amounts paid under paragraph (a), the commissioner shall pay to a charter school on the dates indicated an amount computed as follows:

Payment 1	July 15: 75 percent of the final adjustment for the prior fiscal year for all aid entitlements
Payment 8	October 30: 25 percent of the final adjustment for the prior fiscal year for all aid entitlements

Subd. 4. **Appeal.** (a) The commissioner, in consultation with the commissioner of management and budget, may revise the payment dates and percentages in subdivision 3 for a district if it is determined that:

(1) there is an emergency; or
(2) there are serious cash flow problems in the district that cannot be resolved by issuing warrants or other forms of indebtedness; or
(3) the district is facing a serious cash flow problem because of an abatement that exceeds $100 times the resident pupil units of the district.

(b) The commissioner shall establish a process and criteria for districts to appeal the payment dates and percentages established in subdivision 3.

Subd. 6. **Cash flow waiver.** For any district exceeding its expenditure limitations under section 123B.83, and if requested by the district, the commissioner of education, in consultation with the commissioner of management and budget, and a school district may negotiate a cash flow payment schedule under subdivision 3 corresponding to the district's cash flow needs so as to minimize the district's short-term borrowing needs.

Alternate Applications for Educational Benefits – Cost of Certifying

Modified from MARSS Memo – July 21, 2023

The cost of processing *Applications for Educational Benefits* to provide school meal benefits may be charged to the Food Service Fund (02) or the General Fund (01) according to Minnesota Statutes, section 124D.111, subdivision 3. The cost of processing the *Alternate Applications for Educational Benefits* for a Community Eligibility Provision school must be charged to the General Fund (01) because there is no meal benefit to the students; the data are used for other than food service purposes. For more information, refer to the FNS website discussion of Financial Management System requirements.

If you have questions on the *Alternate Application for Educational Benefits*, contact MARSS (marss@state.mn.us).

Accounting for the cost of certifying the Alternate Applications for Educational Benefits, contact mde.ufars-accounting@state.mn.us.

Alternative Programs – Contracted

MDE UFARS Manual – Balance Sheet Accounts Chapter

Balance Sheet Account 435 Restricted/Reserved for Contracted Alternative Programs (Fund 01) – Pursuant to Minnesota Statutes, section 124D.68, subdivision 3(d), and Minnesota Statutes, section 124D.69, subdivision 1, school districts must restrict at least 95% of the average general education revenue, less basic skills revenue, per pupil unit times the number of pupil units for pupils attending this program, and (2) the amount of basic skills revenue generated by pupils attending the program according to section 126C.10, subdivision 4. Finance Code 304, Contracted Alternative Program, is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

Alternative Programs – State-Approved

MDE UFARS Manual – Balance Sheet Accounts Chapter

Balance Sheet Account 436 Restricted/Reserved for State-Approved Alternative Programs (Fund 01) – Per Minnesota Statutes, section 123A.05, subdivision 2, each district that is a member of a state-approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program. Finance Code 305, State-Approved Public Alternative Programs is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

Alternative Programs – State-Approved Summer Term

MARSS Memo, January 16, 2018

Following are a few tips regarding summer learning programs funded through state-approved alternative programs (SAAPs), including Area Learning Centers (ALCs) and Targeted Services.

- All summer learning programs that occur in June after the last day of the 2016-17 school year are part of and reported under FY 2018.
- Students entering kindergarten in the fall are eligible only if they are current kindergarten students who did not successfully complete kindergarten in FY 2016.
- Students must be enrolled in a Minnesota public school as public school students to be eligible to generate membership in a Targeted Services program. Nonpublic school students are ineligible to generate membership at any time of the school year in a Targeted Services program because they must be participating in core academics or receiving special education services to generate shared time aid.
- Ninth grade students are nearly always part of the ALC program, not the Targeted Services program. There are two exceptions to this:
  - Students who have officially failed eighth grade; and,
  - Students in districts where ninth grade is not a credit-bearing year for high school graduation.

Districts with residential facilities (e.g., care and treatment, correctional facilities, jails), located in their district are responsible for the instructional program for students placed in the facility. Refer to Minnesota Statutes, section 125A.515. Students are eligible for the same summer school program to which other students enrolled in the district have access. The resident district is responsible for the instructional costs incurred in the summer for students placed for residential care and treatment who are not performing at grade level. These summer school enrollment records are not reported on MARSS even if the ALC is providing the instruction. ALCs are choice programs but are in a unique position to offer instruction to students placed for care and treatment. However, only the core school year, seat-based instruction provided to students placed for care and treatment is reported on MARSS.

According to statute, districts must implement a separate recordkeeping system for students in any type of SAAP and maintain a valid Continual Learning Plan (CLP) for each participant. The CLP must be developed annually, be signed and dated by the student, parent, teacher, and any other staff who participated in developing the CLP. Refer to Minnesota Statutes, section 124D.128, subdivisions 2 and 3, for more information on the requirements of the recordkeeping system and CLP.

If you have questions, contact Sally Reynolds (sally.reynolds@state.mn.us).

Arbitrage Fees – UFARS Coding Review

School Business Bulletin No. 57, September 2015

Arbitrage can occur when there is a delay in a construction project and the district does not spend the Construction Fund 06 revenue in a timely manner. In this case, the construction fund earns too much interest and an arbitrage penalty is due to the federal government. If you are paying a consultant for arbitrage and there is a balance remaining in Fund 06, you may use Fund 06 dollars to pay the advisor and/or the arbitrage penalty to the Internal Revenue Service (IRS). If Fund 06 does not have adequate dollars to pay for these fees, the General Fund 01 must be used for this purpose. *A school district may not use the Debt Service Fund (Fund 07) to pay these costs.* Object Code 896 – Taxes, Special Assessments, and Interest Penalties should be used to record the arbitrage penalty.

If you have questions about *Arbitrage Fees – UFARS Coding Review,* please contact the Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Area Learning Center (ALC) Accounting

MDE UFARS Manual – Balance Sheet Accounts Chapter

Balance Sheet Account 434 Restricted/Reserved for Area Learning Center (Fund 01) – Represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center (Minn. Stat. 123A.05, subd. 2). Finance Code 303, Area Learning Center, is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

UFARS Accounting

It is essential to record the fiscal year ALC revenues and expenditures separately from the local school districts for legislative monitoring. Use the Area Learning Center site organization number for expenditure and revenue activity.

Area Learning Centers (ALC) – Expenditure Accounting

Condensed and Modified from School Business Bulletin No. 3, October/November 1997 and MDE UFARS Manual – Finance Chapter

ALCs should use an Organization Dimension Code representing the Budgeted Learning Site Number with Finance Dimension Code 303 on only the expenses related to the sum of (1) at least 90% and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. Additional ALC expenses using other resources should be coded to the ALC Organization Code for the Budgeted Learning Site Number and use an appropriate finance dimension for the activity.

For example: ALC Special Education is coded with Finance code 740 and a Program code 4XX representing the disability.

This applies to programs with School Classification Code 41, Area Learning Centers and School Classification Code 45, Targeted Services. Revenue generated by a particular program, as determined by school number in either the 41 or 45 school classification, can only be spent on that program which generated the revenue. For example, revenue generated by school number 040 in school classification 41 can only be spent on school program 040 in school classification 41.

Basic Skills Accounting

MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter and condensed MN Statute 126C.15

Finance 317 Basic Skills (Fund 01) – Record revenues and expenditures pertaining to the Basic Skills Revenue of Minnesota Statutes, section 126C.10, subdivision 3. This includes EL program expenditures and Compensatory Education expenditures as defined by Minnesota Statutes, section 126C.15, subdivision 1. Expenditures using this code must be in the list of permitted expenditures contained in the above statute. The activities in this code apply to Balance Sheet Code 441, Restricted/Reserved for Basic Skills.

This statute was amended in the 2013 Legislative Session to include programs designed to prepare children and their families for entry into school. These programs include early education, parent-training, school readiness, kindergarten for four-year-old children, voluntary home visits under Minnesota Statutes, section 124D.13, subdivision 4, and other outreach efforts designed to prepare children for kindergarten.

Note: American Indian education revenues and expenditures are coded to Finance Codes 320 and 375.

Recommended Revenue and Expenditure Account(s):

- For revenue coding, use 01-ORG-000-000-317-211 where ORG is each site number.
- For expenditure coding, use 01-ORG-PRO-000-317-OBJ where ORG must be an Organization/Site code, PRO is a valid Program code, and OBJ is a valid Object code.

Balance Sheet Account 441 Restricted/Reserved for Basic Skills Programs (Fund 01) – Represents resources available for the basic skills uses listed in Minnesota Statutes, section 126C.15, subdivision 1. Related to Finance Code 317, Basic Skills (Minn. Stat. 126C.10, subd. 4). Please see Balance Sheet Account Code 459 for Restricted/Reserved for Basic Skills for Extended Time. *This restricted/reserved account is not allowed to go into deficit.*

126C.15 Basic Skills Revenue; Compensatory Education Revenue.
Subdivision 1. **Use of revenue.** (a) The basic skills revenue under section 126C.10, subdivision 4, must be reserved and used to meet the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age. Basic skills revenue may also be used for programs designed to prepare children and their families for entry into school whether the student first enrolls in kindergarten or first grade.

(c) For fiscal year 2024 and later, a district's basic skills revenue must be used for:

(1) remedial instruction and necessary materials in reading, language arts, mathematics, other content areas, or study skills to improve the achievement level of these learners;
(2) additional teachers and teacher aides to provide more individualized instruction to these learners through individual tutoring, lower instructor-to-learner ratios, or team teaching;
(3) a longer school day or week during the regular school year or through a summer program that may be offered directly by the site or under a performance-based contract with a community-based organization;
(4) programs to reduce truancy; provide counseling services, guidance services, and social work services; and provide coordination for pupils receiving services from other governmental agencies;
(5) bilingual programs, bicultural programs, and programs for English learners;
(6) early education programs, parent-training programs, early childhood special education, school readiness programs, kindergarten programs for four-year-olds, voluntary home visits under section 124D.13, subdivision 4, and other outreach efforts designed to prepare children for kindergarten;
(7) transition programs operated by school districts for special education students until the age of 22;
(8) substantial parent involvement in developing and implementing remedial education or intervention plans for a learner, including learning contracts between the school, the learner, and the parent that establish achievement goals and responsibilities of the learner and the learner's parent or guardian; and

(9) professional development for teachers on meeting the needs of English learners, using assessment tools and data to monitor student progress, and reducing the use of exclusionary discipline, and training for tutors and staff in extended day programs to enhance staff's knowledge in content areas.

Subd. 2. **Building allocation.** (a) A district or cooperative must allocate at least 80 percent of its compensatory revenue to each school building in the district or cooperative where the children who have generated the revenue are served unless the school district or cooperative has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to student performance measures developed by the school board.

(b) A district or cooperative may allocate no more than 20 percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board. The money reallocated under this paragraph must be spent for the purposes listed in subdivision 1, but may be spent on students in any grade, including students attending school readiness or other prekindergarten programs.

Refer to the statute for complete details.

Basic Skills – Extended Time

Modified from MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter, and MDE Email Dated February 16, 2018

Note: Starting in FY '21, districts are not required to set aside Basic Skills revenue for extended time. However, any balance remaining in Balance Sheet Account 459 must be used for extended time allowable expenditures.

Note2: With the 2023 Legislature, the extended time allowable uses for Basic Skills for Extended Time were removed from Statute. Starting in FY '24, any existing fund balances in Balance Sheet Account 459 Restricted/Reserved for Basic Skills Extended Time cannot be spent because there are no allowable uses for the funds.

Balance Sheet Account 459 Restricted/Reserved for Basic Skills Extended Time (Fund 01) – Represents resources available for the basic skills extended time uses listed in Minnesota Statutes, section 126C.15, subdivision 1. Portions of compensatory revenue must be used for extended time activities according to the following ratios: 1.7% for fiscal year 18; 3.5% for fiscal year 19; and 5.5% for fiscal year 20. Please see Balance Sheet Account Code 441 for Restricted/Reserved for Basic Skills. *This restricted/reserved account is not allowed to go into deficit*.

Career and Technical Education (CTE) Levy

MDE > Districts, School and Educators > Business and Finance > Data Submissions > Career and Technical Education Levy Web-Based Reporting System

Career and Technical Education Levy Web-Based Reporting System
The Career and Technical Education (CTE) Levy is a permissive levy for school districts to give extra support based, in part, on the district's CTE expenditures. Districts submit anticipated CTE expenditures each year in the spring for the coming school year, and detailed information about actual CTE expenditures each fall for the previous school year. The dual reporting is required due to the legislative timing of the levy.

Estimated CTE expenditures for the coming school year must be submitted in the spring and actual expenditures are due each fall.

Each district may designate one individual as District User and one individual (generally the superintendent) as District Administrator to access the CTE Levy System.

Accounting for Career Tech:

It is necessary to align UFARS reporting with the career and technical education levy system reporting. This means not only assuring that expenditures made in approved career and technical education programs are coded correctly in UFARS, but also assuring that expenditures for programs other than state-approved career and technical education programs are coded to other UFARS codes.

Career and technical education expenditures are to be reported in UFARS:

- Fund – 01
- Finance – 830 Career and Technical Education Revenue
- Program – 301, 311, 321, 331, 341, 361, 365, 371, 385, 399, and 610
    - Object – The following codes will be included for the 35% revenue calculation:
        - 140 – Licensed Classroom Teacher
        - 143 – Licensed Instructional Support Personnel
        - 185 – Other Salary Payments (extended time, student organization advisor)
        - 305 – Consulting Fees/Fees for Services
        - 365 – Interdepartmental Transportation (allocation)
        - 366 – Travel, Conventions and Conferences
        - 394 – Payments for Educational Purposes to Other Agencies (non-school districts)
        - 396 – Salary Purchased from Another District
        - 406 – Instructional Software License Agreements
        - 433 – Supplies and Materials – Individualized Instruction
        - 490 – Food
- Finance – 835 is used for Access to Career Technical Education for Students with a Disability (ACTE-SPED) (formally Transition Disabled) with Program 380 Special Needs.

Curriculum development expenditures will be extracted on the basis of a combination of Program code 610 and Finance code 830.

Refer to MDE > Districts, Schools and Educators > Business and Finance > Data Submissions > Career and Technical Education Levy Web-Based Reporting System or MDE > Districts, Schools and Educators > Teaching and Learning > Career Technical Education > Policy and Funding > Career and Technical Education Levy webpages for details and additional information about Career and Technical Education.

Career and Technical Education (CTE) Revenue

Modified from School Business Bulletin No. 52, April 2014

Effective FY 2014 and later (Minnesota Statutes, section 124D.4531):

- A district with a state approved CTE program and a certified levy is eligible for career and technical revenue.
- The CTE levy has been converted to equalized aid and levy.
- Aid component clarifies the expenditure calculations for CTE programs offered jointly by school districts.
- Costs for reimbursing another district for instructional salaries is:
    - **Included** in the revenue calculations for the districts paying the reimbursement and,
    - **Deducted** from the revenue calculation for the district receiving the reimbursement.

Taxes payable in 2015 and later *changes the new CTE levy formula enacted in 2011 from the greater of $80 times Average Daily Membership (ADM) served in grades 9-12 or 35% of approved expenditures* ***to simply 35% of approved expenditures.***

Accounting Treatment for Approved CTE Aid and Levy Programs:

Fund	Organization	Program	Finance	Source/Object	Course

Revenue (aid)	01	XXX	301-341 361-371 385-399	830	300	XXX
Revenue (levy)	01	XXX	301-341 361-371 385-399	830	001	XXX
Expenditure	01	XXX	301-341 361-371 385-399 610	830	Chapter 10 Grid	XXX

Program Codes 300-399 – Career and Technical Education Instruction
Finance Code 830 – Career and Technical Education Revenue (Fund 01)
Source Code 300 – State Aids Received from MDE for which a Finance Code is Specified
Source Code 001 – Property Tax Levy

UFARS Salary Object Code 396 has been updated for FY 2014 to include ***all licensed salaries*** purchased from another district. Past language allowed only ***special education salaries*.**

Object 396 – Salary Purchased from Another District/Cooperative – **Note:** See Object Codes 303 and 304 for a description of expenditures for services purchased with federal funds. Do not use the object 390 series for federal subawards/contracts - use Object Code 303/304.

Include payments made to other Minnesota school districts/cooperatives for the salary of licensed teachers or related service providers who are working in your district but employed by another district.

For further information on Career and Technical Education Programs, please visit the MDE website. You can also contact mde.cte@state.mn.us or 651-582-8434. UFARS coding questions may be sent to mde.ufars-accounting@state.mn.us.

Career and Technical Education (CTE) Revenue – Reporting of Anticipated Expenses Memo
Superintendent and Charter Leader Update, May 2, 2024

Minnesota Statutes, section 124D.4531, allows a district with a career and technical program approved under this section to be eligible for career and technical revenue equal to 35 percent of approved expenditures in the fiscal year in which the levy is certified. Districts must submit annual anticipated and final expense budget information for their career and technical education programs to qualify for this permissive levy. The Department of Education approves the anticipated and final expenses for each school district's career and technical education program. Submission of anticipated CTE program expenses must be completed by June 6, 2024.

The Career and Technical Education Levy Reporting System will open May 2, 2024 for entering FY25 anticipated budget expenses. Budgets must be entered for approved Career and Technical Education programs by June 6, 2024.

A few reminders:
- Only the district's approved CTE programs are eligible for the **Career and Technical Education Revenue.**
- Please refer to the Career and Technical Education Program Approval Database for programs currently approved.
- CTE equipment expenditures are not an allowable expense for levy reimbursement.
- Cooperative educational districts must allocate their costs to their member districts via the Coop Cost Allocation Summary link. The link to the Coop Cost Allocation Summary is found on the left menu bar options available when entering the Cooperative's anticipated CTE program expenses.

- The District User should enter, save and submit all program anticipated CTE expenses for each approved CTE program. When complete, the district user must **Save, Submit,** and inform your District Administrator to log in and **Approve** your district's anticipated expenses.
- The **District Administrator** will log in and approve budgets in order to complete the anticipated expenses submission process to MDE.
- For step-by-step instructions, use the CTE Levy Web-Based Reporting System Expenditure reporting user guide for anticipated expenditures available on the Career and Technical Education Program Approval webpage.

For further information, please contact Shelli Sowles, Career and Technical Education Coordinator, Career and College Success Division, (651) 582-8403.

Career and Technical Education (CTE) Revenue – Reporting of Actual Expenses Memo

Modified from MDE Memo, July 8, 2022

Minnesota Statutes, section 124D.4531, allows a district with a career and technical program approved under this section to be eligible for career and technical revenue equal to 35 percent of approved expenditures in the fiscal year in which the levy is certified. Districts must submit annual budgets for their career and technical education programs to qualify for this permissive levy. The Minnesota Department of Education approves the actual expenses for each school district's career and technical education programs.

The **Career and Technical Education Levy Reporting System** will open on July 15, 2022 for entering Fiscal Year 2021 (FY21 - School Year 2021-2022) actual expenses. Eligible actual expenditures must be entered for approved career and technical education programs by **September 20, 2022**.

A few reminders:

- District Users and Administrators can log into the Career and Technical Education Levy Reporting System. For step-by-step instructions, use the Career and Technical Education (CTE) Levy Reporting System User's Guide available on the CTE Levy Reporting System web page.
- All program expenditures should be entered by the **District User** (business manager, office administrator, or superintendent), and submitted to the **District Administrator** (superintendent or designee) for approval. This is done through the **Summary of Program Budgets** page.
- Next, the **District Administrator** will log in to review the table of budgets submitted by the **District User**. The table includes a column that indicates the District User Status which should indicate "Submitted". If it does not indicate "Submitted", it means the **District User** will need to submit before the District Administrator can approve.
- Finalized eligible CTE Expenditures need to be submitted by the **District Administrator by September 20, 2022**. The expenditures should also match what is reported in the Uniform Financial Accounting and Reporting Standards (UFARS) under **FIN 830**.

For further information, please contact Shelli Sowles, Career and Technical Education program coordinator, Career and College Success Division, 651-582-8403.

Career and Technical Education (CTE) Revenue – Sharing of Costs Between Districts

Modified from MASBO February 2019 Presentation

A presentation was given by MDE on the Career and Technical Education (CTE) Program. An area that was covered was how to account for expenditures when more than one district is involved. Below is the example provided along with the coding involved.

Example: A district (District A) hired a full-time licensed teacher for $50,000 to work a 180 day school year. District

A sells 20% of the licensed teacher's time to the neighboring district (District B). District A purchased $190 worth of supplies that were used by District B. District A reimbursed the teacher $500 for the cost of mileage to travel to District B.

District A Entries:

E-01-xxx-3xx-000-830-140	$40,000.00	Time teacher worked in District A
E-01-xxx-3xx-000-830-2xx	x,xxx.xx	Benefit costs for time worked in District A
E-01-xxx-3xx-000-000-140	10,000.00	Time purchased by District B
E-01-xxx-3xx-000-000-2xx	xxx.xx	Benefit costs for time purchased by District B
E-01-xxx-3xx-000-000-366	500.00	Mileage for travel to District B
E-01-xxx-3xx-000-000-430/433	190.00	Instructional supplies for District B

District B Entries:

E-01-xxx-3xx-000-830-396	$10,000.00	Salary purchased from District A
E-01-xxx-3xx-000-830-397	xxx.xx	Benefit costs purchased from District A
E-01-xxx-3xx-000-830-390	500.00	Other costs purchased from District A
E-01-xxx-3xx-000-830-430/433	190.00	Instructional supplies purchased from District A

District A Entries – How to code receipt of funds from District B:

R-01-xxx-3xx-000-830-021	$10,000.00	Purchased services
R-01-xxx-3xx-000-830-021	x,xxx.xx	All other costs

Cell Phones – Business Rules

Modified from IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, December 14, 2023

Note: IRS has removed cell phones from listed property.

Employer-Provided Cell Phones

The value of the business use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a working condition fringe benefit. Personal use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a de minimis fringe benefit. The term "cell phone" also includes other similar telecommunications equipment. For the rules relating to these types of benefits, see *De Minimis (Minimal) Benefits*, earlier in this section, and *Working Condition Benefits*, later in this section.

Noncompensatory business purposes. You provide a cell phone primarily for noncompensatory business purposes if there are substantial business reasons for providing the cell phone. Examples of substantial business reasons include the employer's:

- Need to contact the employee at all times for work-related emergencies,
- Requirement that the employee be available to speak with clients at times when the employee is away from the office, and
- Need to speak with clients located in other time zones at times outside the employee's normal workday.

Cell phones provided to promote goodwill, boost morale, or attract prospective employees. You can't exclude from an employee's wages the value of a cell phone provided to promote goodwill of an employee, to attract a prospective employee, or as a means of providing additional compensation to an employee.

Additional information. For additional information on the tax treatment of employer-provided cell phones, see Notice 2011-72, 2011-38 I.R.B. 407, available at IRS.gov/irb/2011-38_IRB#NOT-2011-72.

Cell Phone Stipends and Reimbursements

MDE UFARS-Accounting Helpdesk Incident #65024, April 2012

Subject RE: Incident #65024 – FW: Cell Phone Stipends/Reimbursements. In a recent staff meeting cell phone reimbursements were discussed. Based on our discussion, it was agreed Object Code 199 – Salary Adjustments would be appropriate for coding "taxable" cell phone reimbursements; whereas, Object Code 320 – Communications Services would be appropriate for coding "non-taxable" cell phone reimbursements. It was also agreed districts are in the best position to determine whether a reimbursement is taxable or non-taxable.

Certificates of Indebtedness

Sale of Aid Anticipation Certificates Facts:

Par Value	$800,000	Interest Rate	6%
Sale Proceeds	$788,000	Sale Date	08/01/2023
Issue Costs	$2,000	Redemption Date	08/01/2024
*Discount	$10,000		

This example shows the entries to record receiving and paying off a tax or aid certificate. It does not include the entries for the receipt of state aid or county tax payments.

	Debit	Credit
1. **Record Certificate Proceeds** – 08/01/2023		
B-01-101-000 Cash and Cash Equivalents	$788,000	
B-01-202-000 Short-Term Indebtedness		$800,000
E-01-005-920-000-000-740 Loans, Interest*	10,000	
E-01-005-920-000-000-790 Other Debt Service Expenditures	2,000	
2. **Recognition of Interest Expense** – 06/30/2024		
E-01-005-920-000-000-740 Loans, Interest	44,000	
B-01-208-000 Interest Payable		44,000
(Interest = 11/12 x (.06) x $800,000 = $44,000)		
3. **Redemption of Certificates** – 08/01/2024		
B-01-202-000 Short-Term Indebtedness	800,000	
B-01-208-000 Interest Payable	44,000	
E-01-005-920-000-000-740 Loans, Interest	4,000	
B-01-101-000 Cash and Cash Equivalents		848,000
(Interest = 1/12 x (.06) x $800,000 = $4,000)		

*Whether you receive a discount or a premium when you receive Aid Anticipation Certificates, record as an entry to Loans, Interest. If you receive a premium, record as a credit to Loans, Interest.

Alert on Tax and Aid Anticipation Certificates

Modified from School Business Bulletin No. 29, September 2004

Superintendents, business managers and financial advisors need to be aware of the maturity date for aid anticipation and tax anticipation certificates and the differences. There were three near defaults this past year, all of which resulted from a lack of understanding of maturity dates and payment schedules. Minnesota Statute 126C.54 is reprinted below.

126C.54 Repayment; Maturity Date of Certificates; Interest.
The proceeds of the current tax levies and future state aid receipts or other school funds which may become available must be applied to the extent necessary to repay such certificates and the full faith and credit of the district shall be

pledged to payment of the certificates. **Certificates issued in anticipation of receipt of aids shall mature not later than the anticipated date of receipt of the aids as estimated by the commissioner, but in no event later than three months after the close of the school year in which issued. Certificates issued in anticipation of receipt of taxes shall mature not later than the anticipated date of receipt in full of the taxes, but in no event later than three months after the close of the calendar year in which issued**. The certificates must be sold at not less than par. The certificates must bear interest after maturity until paid at the rate they bore before maturity and any interest accruing before or after maturity must be paid from any available school funds.

If you have questions on this program, please contact the MDE Financial Management Team.

Charter Schools – General Education Revenue for Extended Time Instruction

Revised from [MDE > Districts, Schools and Educators > Teaching and Learning > Charter Schools > Charter School Resources](), March 13, 2024

General Information

[Minnesota Statutes, section 124E.20, subdivision 1(b)](), authorizes additional general education revenue for qualifying charter schools that provide optional instructional programs in addition to the school's core required school year:

> *For a charter school operating an extended day, extended week, or summer program, the general education revenue in paragraph (a) is increased by an amount equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit.*

Extended Time Revenue (ETR) is generated as an increase in the charter school's general education revenue and applies to all adjusted pupil units in the school, not just those participating in the optional instruction.

Funding Calculations

Minnesota Department of Education's (MDE) Minnesota Funding Reports (MFR) show an estimated amount a charter school would receive for its Extended Time Revenue (ETR) program. If an amount is not provided, the reports provide the formula to calculate funding.

```
   ******* EXTENDED TIME REVENUE ******

41 DOES SCHL HAVE PRG?                NO
25 2022-23 APU                    454.55
42 AVE DIST EXT REV                54.01
43 EXTENDED TIME ALLOW
   =IF (41) = YES
   THEN (42) * 25%
   ELSE (43) = 0

44 EXTENDED TIME REVENUE
    = (25) * (43) =
```

```
   ******* EXTENDED TIME REVENUE ******

41 DOES SCHL HAVE PRG?               YES
25 2022-23 APU                    708.65
42 AVE DIST EXT REV                54.01
43 EXTENDED TIME ALLOW
   =IF (41) = YES
   THEN (42) * 25%
   ELSE (43) = 0                   13.50

44 EXTENDED TIME REVENUE
    = (25) * (43) =             9,566.78
```

To pull your school's MFR, go to [MDE's Data Reports and Analytics](). Under School Finance Reports, click on [Minnesota Funding Reports (MFR)](). For 'District', select your charter school's name. For 'View Reports Added in the Last', leave as All Reports. For 'Category', leave as 'All'. For 'Year', select the year you are interested in. For 'Report', select General Education Revenue for Charter Schools. ETR funding information is found in the lower right corner on page 1. See images above. The image on the left shows a charter school's info which would need to be calculated following the formula provided. The image on the right shows a charter school's info which is calculated.

Definitions

For the purposes of this statute, the following definitions apply:

Extended day: An optional instructional program either offered before or after the core required school day.

Extended week: An optional instructional program offered on non-school days during the core required school year, such as a Saturday that is not a required school day, or during school breaks, such as winter vacation.

Summer program: An optional instructional program offered outside the core required school year. For the state fiscal year (FY) 2024, this includes optional instructional programs provided between July 1, 2023 and until the first day of the core-required school year and/or after the last day of the core-required school year in May or June through June 30, 2024.

Program Requirements

Instructional programs must be:

- Academic;
- Teacher-led;
- Standards based;
- Free to the family;
- Provided outside the school's core required school day or school year; and
- Optional. Please note: While optional, participants can be registered and, once registered, participants may be expected to attend.

State-Approved Alternative Program (SAAP)

Please note: if your charter school contracts with a State-Approved Alternative Program (SAAP) to provide an extended day or year program your school is not eligible for this additional funding. For example, if a SAAP is providing an after-school targeted services program at or for the charter school students, that instruction does not qualify for this additional general education extended time revenue. To learn more please contact Sally Reynolds, Director of the MDE Career and College Success Division, at sally.reynolds@state.mn.us or 651-582-8567.

Transportation

Charter schools are encouraged but not required to provide transportation for state-approved extended time programs. This is true for all three potential programs: extended day, extended week or summer program. Those that do transport for state-approved extended time can claim the cost in Finance Code 733 non-authorized or 717 late activity.

Charter schools are required to provide transportation at the end of the core required school day. For extended day programs, the charter school cannot delay transportation at the end of the school day requiring students to participate. If the end of the school day transportation is delayed until after the optional state-approved extended program then the activity becomes part of the core school day and no longer qualifies for extended revenue.

The charter school is responsible for Extended School Year (ESY) transportation for those students with special education transportation in their IEPs to the ESY program. The cost is eligible for special education funding under Finance Code 723.

Application Instructions

If your school is offering or intends to offer extended day, extended week or summer instructional programming during the 2023-24 school year (i.e., between July 1, 2023 and June 30, 2024), please complete and submit the request form for the appropriate program. ETR does not cover tutoring or homework help. Enter responses on the request form where indicated with an underlined blank space, in a table, or where prompted to type a response. Only completed submissions will be reviewed and must include:

Instructional Program Information

A brief description of the extended time instruction to be provided, including partnering community organizations to provide other enrichment for a comprehensive Out-of-school time learning (OSTL) programs, if applicable. The application must address the following:

- Academic (tutoring and homework help programs do not qualify);
- Teacher-led;
- Standards based; and,

- Free to the family.

Students Participating in the ETR Program
An estimate of the number of students by grade that will participate in the program.

Teacher(s) Providing ETR Instruction
Name, file folder numbers and licensure expiration dates of the teachers providing the instruction. Please note: The teacher(s) must be licensed in the grade level(s) and subject area(s) taught during the extended time program.

School Calendars
Submit a copy of the core school year calendar that includes the following:
- Required dates of instruction during the core required school year for all students.
- Daily schedule that shows when the core required school day begins and ends. If this varies among grades, provide the daily schedule for each grade that is eligible to participate in the school's extended instruction.

Submit pertinent calendars showing when the extended time program is scheduled to occur. The school may choose among any of the following:
- Extended day calendar, including dates of optional instruction and the daily schedule that shows when the optional instruction begins and ends (e.g., 3-4 p.m.).
- Extended week calendar, including dates of optional instruction and the daily schedule that shows when the optional instruction begins and ends (e.g., Saturdays from 8:00 a.m. to 12:00 p.m.).
- Summer calendar, including dates of optional instruction and the daily schedule that shows when the optional instruction begins and ends.
    - Note: This revenue will only cover FY 24 from July 1, 2023 – June 30, 2024.
    - July 1, 2024 would be included in FY 25 ETR

Additional Considerations
When you are planning your school's out-of-school time learning program, you should consider all of the elements that make programs interesting and accessible to students and their families. Below are a few resources available from MDE to support high quality out-of-school time learning programs.

Food and Nutrition
Evidence suggests that by providing meals, programs realize an increase in attendance and improvements in student behavior. The following programs offer funding to support snack and meal programs for students participating in OSTL activities.

Afterschool Snack Program
Schools that run the National School Lunch Program (NSLP) and operate an afterschool care program at a school or non-school site are eligible to receive reimbursement from the United States Department of Agriculture (USDA) for snacks served to children in afterschool educational or enrichment activities (such as mentoring or tutoring programs). Sponsors must retain financial, administrative, and managerial responsibility of the Afterschool Snack Program. Visit MDE's Afterschool Snack Program webpage for more information on program eligibility and the application process.

At-Risk Afterschool Meal Program
Schools may be eligible for funding to support a more complete meal to students participating in afterschool programming though the At-Risk Afterschool Meal Program. By participating in this program, organizations can use the money saved for additional programming, staff and outreach, or to provide healthier meals to students. Visit MDE's At-Risk Afterschool Meal Program webpage for more information on program eligibility and the application process.

Summer Food Service
The Summer Food Service Program (SFSP) is designed to fill the nutrition gap during the summer months and make sure children can get the nutritious meals they need. Visit MDE's Summer Food Service Program webpage for more

information on program eligibility and the application process.

OSTL Resources
OSTL programs can help provide safe, stable and nurturing learning environments that provide additional opportunities for student growth. MDE has a variety of resources available to support innovative and effective high-quality OSTL programming.

Training Opportunities
You can earn teacher and Board of School Administrator (BOSA)-approved administrative continuing education units (CEUs) by participating in free online training at You for Youth (Y4Y). Visit MDE's Out of School Time Learning webpage or enroll in MDE's OSTL Canvas program for courses, training, and funding opportunities. You will need to establish login information to access the resources.

Funding Opportunities
Schools may be eligible for additional funding through other revenue streams that support OSTL programming. For more information, visit MDE's OSTL Canvas program.

Submission information
Please submit your request to MDE's Charter Center (mde.charterschools@state.mn.us) **no later than April 17, 2024.** Requests may include electronic signatures or applicants may print the form for signature, scan it and return to MDE. Only complete requests will be processed. No additional revenue can be generated until a complete request has been provided. MDE will notify the school when their extended time revenue request is approved or disapproved and the reason for disapproval.

Please ensure your submission includes the following:
- Completed request form
- Core school year calendar with daily schedule
- Calendar showing extended time program

Year-End Certification Report
A charter school receiving this additional general education revenue is required to submit a year-end certification report to verify that extended time programming was provided before final FY 2024 revenue is calculated. MDE will communicate instructions to schools regarding this year-end certification report toward the end of the fiscal year.

MDE Contacts
The following MDE contacts are available to answer questions regarding:
Submission – Paula Higgins (paula.higgins@state.mn.us) or 651-582-8527
State-Approved Alternative Program (SAAP) – Christy Irrgang (MDE.AlternativeLearning@state.mn.us) or 651-587-8784
Student Reporting – Tara Chapa (tara.chapa@state.mn.us) or 651-582-8439
Transportation – Kelly Garvey (kelly.garvey@state.mn.us) or 651-582-8524
Revenue Calculation – Kelly Wosika (kelly.wosika@state.mn.us) or 651-582-8855

Charter School Lease Aid Requirements

Condensed from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Charter Schools, April 5, 2024

The purpose of this memorandum is to provide information to charter schools on how to apply for charter school lease aid for the fiscal year that includes the 2024-25 school year (FY 2025). We understand that the lease aid application process may be complex for many organizations. The Minnesota Department of Education (MDE) will provide assistance and work with you to successfully complete the process. If you have questions or concerns about the information required, please contact the Lease Aid Review Team (MDE.CharterSchoolapps@state.mn.us).

All charter schools must apply for lease aid on an annual basis. The lease aid entitlement is not included in the metered Integrated Department of Education Aids System (IDEAS) payment report until a charter school has applied and its application has been approved by MDE.

Charter schools are encouraged to apply as soon as possible to ensure that the approved lease aid entitlement amount is included in the calculation of the IDEAS metered payments as early in the fiscal year as possible, so that the timing of cash flow to the school is optimized.

Please submit your completed FY 2025 Lease Aid Application to: the Lease Aid Review Team (MDE.CharterSchoolapps@state.mn.us).

Fully completed applications will be reviewed and approved on a first-come, first-serve basis. All email correspondence must include the **charter school name and number in the subject line**.

Class Size Reduction Programs

Condensed from School Business Bulletin No. 13, February 2000

Learning and Development – Minnesota Statute 126C.12, subdivision 4 and subdivision 5. These monies must be used to reduce and maintain the learner-instructor ratio at 17:1 for kindergarten through Grade 3. Districts may use revenue to reduce class sizes in Grades 4, 5 and 6, if the board determines the requirements were met for kindergarten through Grade 3.

UFARS Coding For Class Size Reduction Programs for Learning and Development Revenue

- UFARS Revenue: Fund 01/Finance 330/Source 211
- UFARS Expenditures: Fund 01/Finance 330
- UFARS Fund Balance: Fund 01/Balance Sheet 428

Coding Levy and Aid

School Business Bulletin No. 34, July 2006

Districts must record all levy dollars to the proper levy components in each fund. The correct levy and aid amounts were not posted to the proper components using finance and balance sheet codes in many instances this past year. Many of the levy and aid components carry reserve balances. If correct accounting of revenue amounts is not achieved, the fund balances will not be correct. For example, review the Community Service Fund. Correct levy and aid revenue amounts must be posted to ECFE, Home Visiting, School Age Care, Adults with Disabilities, or other components such as youth services or ABE.

Compensatory Revenue – FY 2022

MARSS Memo, December 14, 2020

Preliminary FY 2022 compensatory revenue aid entitlement reports have been posted to the Minnesota Funding Reports website. (From the MDE homepage, select Data Center > Data Reports and Analytics > School Finance Reports: Minnesota Funding Reports (MFR)).

Please use these reports to assist your MARSS coordinator and food service staff in verifying the completeness and accuracy of these data. Compensatory revenue is based on the prior year's October 1 enrollments and counts of students eligible for the free or reduced-price meal program. From the final fall FY 2021 MARSS data, MDE will generate the October 1, 2020, counts that will be used to calculate FY 2022 compensatory revenue. For first-year charter schools, these counts will be used for both FY 2021 and FY 2022 compensatory revenue. Therefore, it is critical that schools edit these data thoroughly during the fall MARSS reporting cycle and make any necessary corrections before the reporting timelines have expired. These counts are not updated using year-end MARSS data.

Other Reports for Editing the Data

Other reports have been designed and made available to schools to assist them in editing and verifying data locally via MARSS WES. These reports are available from the district's/charter school's MARSS coordinator.

Local MARSS WES Report

MARSS 12 Compensatory Revenue Student Count report shows the number of students enrolled by grade on October 1 and how many have been reported as eligible for the free or reduced-price meal program. Records in error are excluded. This report is refreshed every time a new fall MARSS file is edited locally.

Statewide MARSS WES Report

MARSS 28 Economic Indicator Comparison report shows the number of students reported as enrolled on October 1 of the current school year, and the number enrolled on October 1 of the prior school year. It also compares the number of students reported as eligible for the free or reduced-price meal program for the two years. The first version of this report is posted in October after the statewide fall edit is completed. The report will be refreshed after each statewide fall edit, with the final report posted in January 2021.

If you have questions, contact Tara Chapa (tara.chapa@state.mn.us).

Compensatory Revenue – October 1 Assignment

MARSS Memo, October 20, 2020

The October 1 enrollment count is the official enrollment count generated by the fall MARSS files. These counts are used in federal reports as well as compensatory revenue. By definition, the October 1 enrollment is an unduplicated head count of students enrolled in a public school on October 1. If October 1 falls on a weekend or holiday, the next business day is used as the official count date.

According to Minnesota Statues, section 126C.05, a student is counted only once during a school year for compensatory revenue, based on the student's enrollment as of October 1. Date overlap errors on the fall MARSS files do not cause both records to be excluded from the October 1 enrollment counts. MDE programming will determine the site at which the student is counted. This programming is based on a statewide hierarchy decision process. During the fall statewide MARSS edit, each enrollment record is flagged as either "Yes" or "No" for October 1 enrollment.

View Appendix U – October 1 Assignment for Compensatory Revenue to learn about the decision process on how the October 1 count is assigned.

More information about the Economic Indicator is available in the MARSS Manual.

If you have questions, contact MARSS (marss@state.mn.us).

Compensatory Revenue and New Economic Indicators

MDE Memo, November 18, 2022

The Minnesota Department of Education (MDE) has been selected to participate in the U.S. Department of Agriculture's (USDA) Demonstration Project to Evaluate Direct Certification with Medicaid for SY23. This means there will be an additional way by which categorically eligible students can be certified for free or reduced-price meal benefits without the family completing an Application for Educational Benefits.

Starting with the 2022-23 school year, two new Economic Indicator values have been added. Both of these values support child direct certification. Up to this point, all direct certification matches resulted in Free meals. Medicaid matches can result in eligibility for either free or reduced-price meals.

Districts may see increases in compensatory revenue for fiscal year 2024 due to these changes. If you have questions regarding the numbers of students eligible for free or reduced-price meal benefits, please verify them with your MARSS coordinator.

Review your district's MARSS WES MARSS 24 List of All Students, MARSS 12 Compensatory Revenue Student Count Report and MARSS 28 Economic Indicator Report. Note that the compensatory revenue report will not include the counts for the new economic indicators. Refer to the district's MARSS 24 List of All Students to see which economic indicator was reported at the student level.

When a student appears on the direct certification report found in the Cyber-Linked Interactive Child Nutrition system CLiCS, the district needs to do their due diligence to assure that the student on the report is indeed their student. The match process is not completely accurate and may result in false positives. Therefore, the school must have a process in place to verify that the identified students are indeed the same students as enrolled in the school. The district would need to confirm this by verifying the student with their internal student enrollment file, i.e., head of household and address. The student shouldn't be "automatically" reported as Free or Reduced-price without verification.

Additional information can be found on the MDE website:
Upcoming Minnesota Automated Reporting Student System (MARSS) Changes for Fiscal Year (FY) 2022-23
Direct Certification using Medicaid Data
Direct Certification (mn.gov)

Questions can be emailed to MDE.Funding@state.mn.us.

Concession Stand Revenue and Expenditure Coding

2018 MASBO Gold Mine MDE Hot Topics Presentation and MDE UFARS Manual – Source Chapter, May 9, 2018

Districts and other entities that have concession revenues and expenditures should code appropriately as stated below.

Source 619 Cost of Materials for Revenue-Producing Activities (Contra Revenue) – Record the cost of the materials that were purchased for the purpose of (a) producing an object for sale or (b) for reselling of the material at a profit.

Example (a)	building a house, an art work, or a storage shed
Example (b)	fundraising by selling candy
	concession stands
	school stores
	vending machines

Source 620 Sales of Materials from Revenue-Producing Activities – Record the revenue generated from the sale of goods and services (see examples of sales in Source Code 619 above) under the control of the board of education. 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.

E-Rate Discounts

E-Rate Program was created by the Telecommunications Act of 1996. It is part of the Universal Service Administrative Company (USAC) governed under the Federal Communications Commission (FCC) and administered by the Schools and Library Division (SLD) of the USAC.

The Schools and Libraries Program provides discounts to assist eligible schools and libraries to obtain affordable internet access and telecommunication services. Funding is requested under four categories of service: Data Transmission Services and/or Internet Access, Internal Connections, Managed Internal Broadband Services, and Basic Maintenance of Internal Connections. Discounts are calculated by dividing the total number of students eligible for the National School Lunch Program (NSLP) by the total number of students enrolled in the district and using that percentage and the urban or rural status of the district in the discount matrix. Discounts range from 20% to 90% of the costs of eligible services. Eligible schools, school districts and libraries may apply individually or as part of a consortium.

There are two categories of services, Category One (C1) and Category Two (C2). C1 services are not capped by a budget, but must be cost-effective. C2 services are limited by a pre-discount budget over a five-year timeframe. Our fiscal year 2022-23 is in year two of the five-year budget cycle.

Beginning in funding year 2021 (our fiscal year 2021-22), a district's pre-discount C2 budget is calculated at the school district or library system level. It is based on the number of students for schools or square footage for libraries. The budget cycle is for five years. The first five-year cycle runs from funding year 2021 through 2025 (our fiscal years 2021-22 through 2025-26). C2 multipliers and a funding floor are set once at the beginning of the cycle and apply to the entire cycle. The multipliers for this first cycle are as follows: $167 per student for schools, $4.50 per square foot for all libraries, and the funding floor is $25,000 per site. The funding floor is the minimum amount a district or library will receive. For more information on C2 budgets follow this link: Category Two Budgets.

Districts make the decision on how to collect E-Rate discounts on the eligible services they receive. There are two methods of collecting:

> **FCC Form 472 – Billed Entity Applicant Reimbursement (BEAR)** – In this method, the applicant pays the bill in full. The applicant will complete the BEAR to request reimbursement (typically quarterly or annually). USAC will review the invoice and will pay the applicant if payment is approved. Billed entities will receive payment directly to their bank account.
>
> **FCC Form 474 – Service Provider Invoice (SPI)** – In this method, your service provider requests reimbursement from USAC and in turn they discount your bills. At the end of the year, you must verify that you received the correct discount based on your actual gross eligible charges.

Both BEAR and SPI forms must be submitted by October 28, 2024 for Category One monthly recurring services and January 28, 2025 for Category Two non-recurring services. BEAR forms are submitted through the legacy system. For more information on collecting your discounts follow this link: Invoicing.

Document Retention Note: Keep all documentation related to the E-Rate application process for 10 years beyond the last date of service received under that application. For example, if you signed a 3 year contract you would have to save your application documentation for 14 years (the application year, three years of the contract and ten years beyond that).

E-Rate Program Review and UFARS Accounting

Modified from School Business Bulletin No. 60, January 2017

What is E-Rate?

The E-Rate Federal Telecommunications Discount Program provides discounts ranging from 20 to 90 percent to eligible schools and public libraries on telecommunications, Internet access (https://www.usac.org/e-rate/). The amount of discount depends on the eligibility of students in the school district for the National School Lunch Program (free and reduced price lunch) and whether the school is located in an urban or rural location. The programs may also involve reimbursements from telecommunications vendors or the Federal Communications Commission (FCC) for costs incurred related to these services or access.

The FCC created the Universal Service Administrative Company (USAC) to operate the E-Rate program on its behalf. The E-Rate program is funded through fees collected on consumer bills from telecommunications providers. The division of USAC that administers the E-Rate program is known as the Schools and Libraries Division (SLD).

School districts and public libraries access E-Rate through an annual application process. There is a limited window of time for application and discounts are applied for one year in advance.

How do eligible schools code these discounts or reimbursements?
According to current (2014) guidance from the National Center for Education Statistics (NCES):

"The method of recognition of E-Rate as a financial resource in the accounting records may differ depending on whether it is a reimbursement or a discount. As a result, inconsistencies exist in current practice regarding the accounting treatment afforded E-Rate. ***NCES suggests, as a matter of practice, that E-Rate be netted against the expenditure if it was received in the same fiscal year or coded as a Refund of Prior Year's Expenditures if it was received in a subsequent fiscal year"…***

Currently, UFARS coding does not provide a category for "Refund of Prior Year's Expenditures"; therefore, the suggested UFARS coding for subsequent years' revenue should be recorded as follows:

Account	Fund	Organization	Program	Finance	Source	Course
Revenue	01	XXX	XXX	311	099	XXX

Account	Fund	Balance Sheet Code	Sub-Account
Cash	01	101	XX

UFARS Code Dimensions:
Fund 01 – General Fund
Finance Code 311 – Telecommunications Access Costs (Fund 01 and/or 04)
Source Code 099 – Miscellaneous Revenue from Local Sources
Balance Sheet Code 101 – Cash

For questions about *"E-Rate Program Review and UFARS Accounting"*, please contact mde.ufars-accounting@state.mn.us.

Expenditure Reporting by Building

MN Statute 123B.76 and MDE UFARS Manual – Organization/Site Chapter

Subdivision 1. **Recognition.** District expenditures must be recognized and reported on the district books of account in accordance with this section.

Fiscal year-end recognition of expenditures and the related offsetting liabilities must be recorded in each fund in accordance with the uniform financial accounting and reporting standards for Minnesota school districts. Encumbrances outstanding at the end of the fiscal year do not constitute expenditures or liabilities.

Deviations from the principles set forth in this subdivision must be evaluated and explained in footnotes to audited financial statements.

Subd. 2. **Accounting.** Expenditures for any legal purpose of the district not accounted for elsewhere must be accounted for in the general fund.

Subd. 3. **Expenditures by building.** (a) For the purposes of this section, "building" means education site as defined in section 123B.04, subdivision 1.

(b) Each district shall maintain separate accounts to identify general fund expenditures for each building. All expenditures for regular instruction, secondary vocational instruction, and school administration must be reported to the department separately for each building. All expenditures for special education instruction, instructional support services, and pupil support services provided within a specific building must be reported to the department separately for each building. Salary expenditures reported by building must reflect actual salaries for staff at the building and must not be based on districtwide averages. All other general fund expenditures may be reported by building or on a districtwide basis.

(c) The department must annually report information showing school district general fund expenditures per pupil by program category for each building and estimated school district general fund revenue generated by pupils attending each building on its website. For purposes of this report:

(1) expenditures not reported by building shall be allocated among buildings on a uniform per pupil basis;
(2) basic skills revenue shall be allocated according to section 126C.10, subdivision 4;
(3) secondary sparsity revenue and elementary sparsity revenue shall be allocated according to section 126C.10, subdivisions 7 and 8;
(4) alternative teacher compensation revenue shall be allocated according to section 122A.415, subdivision 1;
(5) other general education revenue shall be allocated on a uniform per pupil unit basis;
(6) state and federal special education aid and Title I aid shall be allocated in proportion to district expenditures for these programs by building; and
(7) other general fund revenues shall be allocated on a uniform per pupil basis, except that the department may allocate other revenues attributable to specific buildings directly to those buildings.

UFARS Manual Chapter 2 – ORGANIZATION/SITE DIMENSION

General Description

The organization/site dimension is a three-digit number that is the portion of the total account code which makes it possible, at the local level, to identify expenditures and revenues by a specific budgeted learning site or districtwide. A budgeted learning site is an organizational unit where students attend. It is established for a specific purpose and registered with the Minnesota Department of Education (MDE). A typical budgeted learning site is an elementary, middle or secondary school (whether or not it is in a separate building) or a budgeted learning site that is located in several buildings and is identified in the Minnesota Automated Reporting Student System (MARSS) and Staff Automated Reporting (STAR) systems.

Each school district must use the same numbers in the Uniform Financial Accounting and Reporting Standards (UFARS) reporting system as they use in MARSS and STAR. In MARSS, the school number is used to link school file records with student file records for the purpose of calculating Average Daily Membership (ADM) and assigning fall enrollment counts to a school. The three-digit numbers registered with MDE are the official identification of the learning sites within a district. For state reporting purposes, the K-12 learning sites used for MARSS and STAR reporting must be used in the organization/site dimension. However, MARSS and STAR learning sites may be grouped into "budgeted learning sites."

Revenue Accounting

Districtwide revenues should be coded to Organization/Site Code 000 or 005. Revenues earned at specific learning sites should be coded to the organization/site code using the designated number for the respective learning site.

Expenditure Accounting

Expenditures are identified by either budgeted learning sites (cost centers) or as districtwide.

Code Title and Definition

005 Districtwide or Not Otherwise Identified By Budgeted Learning Site

This code is used for all activities that cannot be related to an individual learning site. Program Codes which should be coded districtwide are 010, 020, 030, the 100 series (district support services), the 500 series (community education and services) and the 900 series (fiscal and other fixed costs). The Community Service Fund should be charged to districtwide with the exception of nonpublic schools that have their own unique organization/site code number. In accordance with instructions provided for MARSS and STAR, expenditures that occur at more than three sites may be designated as districtwide. This code cannot be used as a budgeted learning site number.

001-004, 006-798, 800-997, 999 Budgeted Learning Sites

Record transactions that relate to budgeted learning sites. This must include, but is not limited to, expenditures for basic skills education, expenditures pursuant to a site-based management agreement, and area learning center expenditures.

The following UFARS Program Codes should have a budgeted learning site number as the organization/site code: 050, and the 200 and 300 series. Exceptions may exist depending on the district organization; however, every effort should be made to allocate expenditures in these series to budgeted learning sites. The following program series should be coded with the organization/site dimension as either districtwide (005) or budgeted learning site (001-004, 006-999) depending on the district organization: 400 series (special education), 600 series (instructional support), 700 series (pupil support) and 800 series (site, buildings and equipment). Every effort should be made to allocate expenditures to budgeted learning sites when this accords with actual site association.

Do not use the same number for a public school as designated for a non-public school. Record expenditures made by the school district for pupils attending a non-public school using the same school number as in MARSS. If any budgeted learning site number is the same as a nonpublic school number, it is recommended that the nonpublic school number be changed to a unique number by contacting the MDE Financial Management Team (mde.ufars-accounting@state.mn.us).

799 Home School Sites

Record expenditures made by all home school sites. This organization/site code cannot be used as a budgeted learning site number.

998 Tuition Billing Sites

Only record expenditures for individual tuition payments for students served outside of the district (e.g., academic pairing, care and treatment, and special education) using the Organization Site Code 998. The serving district reports the Average Daily Membership (ADM) of these students through MARSS. Only the following MARSS State Aid Category (SAC) codes are used to identify a student chargeable to the 998 Organization Site – 05, 06, 10, 14, 19, 27 and 28. In all these cases, the serving district reports the students with the general education revenue going to the resident district.

MARSS SAC Codes:

- 05 Interdistrict Cooperative Agreement
- 06 Cooperative Facilities
- 10 Joint Powers Agreement
- 14 Enrollment in another state (resident district reports MARSS)
- 19 Tuition Agreement/District Placement
- 27 Care and treatment, public
- 28 Nonpublic Placed Individualized Education Program (IEP)/Individualized Family Service Plan (IFSP) or care and treatment

Include SAC 01, 03, 04 or 11 when the student has an IEP and the resident district is responsible for unreimbursed special education cost via tuition billing. Use 03 when an Alternative Learning Center (ALC) is in a cooperative with a fiscal host.

MARSS SAC Codes:

- 01 Enrollment Options/Open-Enrolled – excess special education costs only
- 03 Graduation Incentives (in a joint powers without a fiscal host)
- 04 Enrollment Choice – 11th and 12th-graders
- 11 Non-tuition Parent Initiated Agreement

Do Not Report the Following Expenditures in this Code

Concurrent Students
If the tuition is paid by the district, the expenditures will be charged to the district/high school site where the student is enrolled. This is true no matter where the instruction takes place, at the high school or on the college campus.

Postsecondary Enrollment Options (PSEO)
Student tuition paid directly to the college by the state of Minnesota is not a cost of the district and is not reflected in the district expenditures.

Cost-Sharing Agreements
Cost-Sharing Agreements are expenditures shared among districts/cooperatives based on a percentage of program costs and not on individual tuition billings. This pertains to part-time arrangements. An example would be where four students attend chemistry class in another district. They are considered full-time students in their resident district. The resident district would pay a prorated share of the expenditures of that class to the serving district.

Federal – Appropriate Use of Federal Funds for Conferences and Meals

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education,
January 25, 2018

In light of recent questions regarding the use of federal funds for meals and food at conferences, the Department of Education (MDE) has put together this guidance.

The Uniform Grants Guidance (UGG), officially titled ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards***, (2 Code of Federal Regulations [C.F.R.] 200) was issued by the Office of Management and Budget (OMB) on December 26, 2014, and took effect the same day. In issuing the UGG, OMB clarified, and in some cases strengthened, federal regulations relating to allowable expenses. Four UGG sections apply to conferences and meals:

- 2 C.F.R., section 200.412 Classification of Costs.
- 2 C.F.R., section 200.413 Direct Costs.
- 2 C.F.R., section 200.420 Considerations for Selected Items of Cost.
- 2 C.F.R., section 200.432 Conference.

The U.S. Department of Education issued Frequently Asked Questions to Assist U.S. Department of Education Grantees to Appropriately Use Federal Funds for Conferences and Meetings (FAQs) (https://www2.ed.gov/policy/fund/guid/uniform-guidance/faqs-grantee-conferences.doc). The FAQs include a number of questions regarding using federal grant funds to pay for food. As a general rule, the FAQs state:

Generally, there is a very high burden of proof to show that paying for food and beverages with federal funds is necessary to meet the goals and objectives of a federal grant. When a Local Education Agency (LEA) is hosting a meeting, the LEA should structure the agenda for the meeting so that there is time for participants to purchase their own foods, beverages, and snacks. In addition, when planning a meeting, LEAs may want to consider a location in which participants have easy access to food and beverages.

While these determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible, it is likely that those circumstances will be rare. LEAs, therefore, will have to make a compelling case that the unique circumstances they have identified would justify these costs as reasonable and necessary.

To evaluate the appropriateness of using federal funds for a working lunch, an LEA should consider the following guidelines.

1. Is a working lunch necessary?
    a. A working lunch is only appropriate when all key items on the agenda could not be accomplished without working through lunch.
    b. LEAs should not determine that a working lunch is desired and then construct an agenda to justify that decision.

2. Is the portion of the agenda to be carried out during lunch substantive and integral to the overall purpose of the conference or meeting?
    a. Inspirational talks, award ceremonies, networking, or informal discussion among attendees would not be appropriate agenda items for a working lunch.
    b. If a working lunch is not justifiable, an LEA might offer attendees the opportunity to reimburse the LEA for a lunch that the LEA purchases with its general funds and delivers to the meeting site.
    c. Alternatively, the LEA could deduct the cost of the lunch from any per diem paid to attendees.
    d. These options are generally only available if there are not opportunities near the meeting site to purchase lunch. Consider access to food and beverages when planning a meeting, as this may be justification for providing food and beverages.

3. Is there a genuine time constraint that requires the working lunch?
    a. A working lunch is not permissible if lengthening the duration of the meeting would not unduly disrupt the attendee’s schedule or make the day unreasonably long.
    b. A working lunch may be appropriate if some participants must travel a considerable distance to attend, because, absent the working lunch, it would not be possible to cover the entire agenda and still provide participants sufficient time to return home in order to avoid the additional cost of lodging.

4. If a working lunch is necessary, is the cost of the working lunch reasonable?
    A working lunch cannot contain extravagant items. It is suggested that LEAs follow state rates or another established guideline.

5. Has the LEA carefully documented that a working lunch is both reasonable and necessary?
    The LEA must document its justification for using federal funds for the purpose of a working lunch, including any cost savings that result from working through lunch.

Please note that, aside from a working lunch that meets these guidelines, it is unlikely that other food and beverage costs for a conference or meeting – for example, breakfast, dinner, snacks, or networking receptions – would be reasonable and necessary. Please remember that entertainment costs, including costs for amusement, diversion, and social activities, are never allowable.

If non-federal funds are used to pay for food and beverages, the LEA should make clear through a written disclaimer or announcement (e.g., a note on the agenda for the meeting) that federal funds were not used to pay for the cost of the food or beverages.

In providing this guidance, please note that this does not preclude an LEA from paying the travel expense of those attending a conference or meeting that is necessary to carry out its education program.

The Minnesota Department of Education may seek to recover any federal grant funds identified, in an audit or through monitoring, as having been used for unallowable costs, including unallowable food and beverage expenses.

Federal – Cash Management

Note: Federal Cash Management relates to the 3-day cash request rule. Accounts payable and salaries payable booked as a June 30 entry must have a district expenditure (cash use) before a SERVS/MEGS draw is proper and in compliance with this memo.

The US Department of Education prepared a memo dated July 12, 2016 to remind grantees of existing cash management requirements regarding payments. The memo is located at https://www2.ed.gov/policy/fund/guid/gposbul/cash-management-memo.pdf.

Also, they have developed a Frequently Asked Questions document regarding cash management. The document can be located at https://www2.ed.gov/policy/fund/guid/gposbul/cash-management-faqs.pdf.

Federal – Chargeback Allocation Methods Used for Programs

Modified from School Business Bulletin No. 41, June 2009

The chargeback allocation method is used to distribute the costs that cannot be easily, conveniently and accurately allocated at the same time as the costs are being incurred. This method allows a school to allocate costs consisting of several object line items to programs receiving the benefit by utilizing a single chargeback object account.

However, federal funds accountability requires object level detail for monitoring of allowable costs and UFARS instruction will continue to prohibit the use of chargeback codes in federal programs.

There are only 2 circumstances where a chargeback allocation may be used in federal programs:

- Allocating indirect costs via UFARS object code 895, Federal and Nonpublic Indirect Cost.
- Transportation allocations with object 365 for Federal programs.

If you have questions on this program, please contact the MDE Financial Management Team.

Federal – Funds Reporting

Modified from School Business Bulletin No. 37, June 2008

Note: The information provided below is similar to the guidance on what are the pass-through entity's responsibilities. Please review the updated Uniform Grant Guidance for §200.331 – §200.333 – Subrecipient Monitoring and Management at https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd.

Reporting of Federal Funds
The pass-through entity (the LEA) is defined as a non-federal entity that provides an award to a sub-grantee to carry out a program. The pass-through entity assumes responsibility for negotiation, issuance, oversight, and management of a sub-award. The pass-through entity assumes many of the responsibilities typically assigned to a grantor in issuance and oversight of an award to a grantee. Those responsibilities include:

1. Properly identify federal awards by informing each sub-grantee of the Assistance Listing Numbers (ALN) title and number, award name and number, award year, and the name of the federal agency;

2. Advise the sub-grantee, in writing, of requirements imposed on them by federal law, regulations, and the provisions of contracts and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Document the measures taken to monitor activities of the sub-grantee to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements. Also, document that performance goals are met. Factors such as size of awards, the percentage of total program funds awarded to the sub-grantee and the complexity of compliance requirements influence the nature and extent of appropriate monitoring procedures. Forms of monitoring activities that might be employed include:
   a) Pre-award assessments of sub-grantee financial and program capabilities;
   b) Require and collect written certification from sub-grantees that required information on federal awards has been provided and that the sub-grantee understands and agrees to comply with applicable laws, regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity;
   c) Document reviews of sub-grantee financial and programmatic reports;
   d) Perform site visits to sub-grantee to review financial and programmatic records as well as observe operations;
   e) Perform limited scope audits that address compliance requirements;
   f) Arrange for documented reviews of specific sub-grantee activity based on risk assessment or significant compliance requirements;
   g) Review and follow-up on sub-grantee single audits; and,
   h) Use various checklists to document activities such as the review and follow-up on sub-grantee audits or the receipt of required reports and documents prior to closure of grant agreements;
4. Require the sub-grantee to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required.
5. Ensure that the sub-grantee expending $750,000 or more in federal awards during the sub-grantee’s fiscal year have met the audit requirements;
6. Issue a management decision on audit findings within six months after receipt of the sub-grantee’s audit report and ensure that the sub-grantee takes appropriate and timely corrective action;
7. Consider whether the sub-grantee audits necessitate adjustment of the pass-through entity’s own records; and,
8. Require each sub-grantee to permit the pass-through entity and auditors to have access to the records and financial statements as necessary.

One of the more challenging tasks facing LEAs acting as pass-through entities for federal funds is determining when federal program awards retain their identity of federal financial assistance. If federal funds lose their federal financial assistance identity, the federal restrictions or requirements are generally no longer in effect.

Federal funds typically lose their identity when they are sub-contracted. A sub-contract for services is a purchase from a vendor, obtained through procurement action by the LEA, to perform a portion of the federal program objectives.

Passing along federal funds as a sub-award does not alter the federal assistance or award identity. A sub-award is an agreement made between the LEA and a sub-grantee to perform a portion of the federal program objectives.

The LEA will issue a sub-award to a sub-grantee when:
1. the LEA determines who is eligible to receive the sub-award;
2. the sub-grantee has its performance measured against the objectives of the federal program;
3. the sub-grantee has responsibility for programmatic decision-making;
4. the sub-grantee assumes responsibility for adherence to applicable federal program compliance requirements; and,
5. the sub-grantee uses federal funds to carry out a program of the LEA.

The LEA will sub-contract when the Vendor:
1. provides the goods and services within its normal business operations;

2. provides similar goods or services to many different purchasers;
3. operates in a competitive environment;
4. provides goods or services that are ancillary to the operation of the federal program; and,
5. is not subject to compliance requirements of the federal program.

When determining if a sub-grantee or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present; however, supporting documentation is recommended when the relationship does not align with the characteristics.

Accounting treatment for the pass-through entity when sub-awarding (sub-grantee) or sub-contracting for services (vendor) with federal funds:

Record Revenue R-xx-xxx-xxx-xxx-4xx-400
Record Expenditures E-xx-xxx-xxx-xxx-4xx-303
(First $25,000 of each sub-award/sub-contract)
E-xx-xxx-xxx-xxx-4xx-304
(After first $25,000 of each sub-award/sub-contract)

Note: MDE expanded the Federal Special Education sub-award/sub-contract objects. Check the UFARS manual for current information.

Record the federal revenue received to the federal finance code (400 series) with source code 400. The expenditure for the sub-award/sub-grant will need to be broken down into the first $25,000 per sub-award/sub-contract and the remaining amount of the sub-award/sub-contract. Record the first $25,000 to the federal finance code (400 series) and object code 303. Record the remaining amount of the sub-award/sub-contract to the federal finance code (400 series) and object code 304. For the purpose of calculating indirect cost rates, only the amount expensed in object code 303 will be used in the base (see UFARS Manual Chapter 13).

Accounting treatment for the sub-grantee when receiving a federal sub-award:

Record Sub-grant Revenue R-xx-xxx-xxx-xxx 6xx-405
Record Sub-grant Expenditures E-xx-xxx-xxx-xxx-6xx-xxx

Record the federal sub-award revenue received to the sub-grantee federal finance code (600 series) with source code 405. Record the expenditures related to the sub-grant using the same sub-grantee federal finance code (series 600) and the appropriate object codes.

Accounting treatment when considered a vendor and receiving a sub-contract for service payment:

Record Revenue R-xx-xxx-xxx-xxx-xxx-021
Record Expenditures E-xx-xxx-xxx-xxx-xxx-xxx

Record the revenue to source code 021. Record the expenditures to the appropriate object codes. Do not use a federal finance code when recording the revenue or the expenditures.

Federal – Grant Training (Uniform Grant Guidance/Omni-Circular)

Summary from April 21, 2015 MDE Training Session

Note: Single Audit threshold is $750,000. Effective October 1, 2024, the Single Audit threshold increases to $1,000,000.

Written Procedures/Policies are needed for several areas. Review your current processes to make sure everything is included.

Obligations:

- When may a district obligate funds:
  - Formula grants – When the awarding agency approves the application or the awarding agency determines the application is "substantially approvable".
  - Discretionary grants – When the subgrant is made, however pre-agreement costs are permissible.
- When may obligations be made:

Type of Obligation	When Obligation Occurs
Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken
Approved Pre-Agreement Cost	On the first day of the grant or subgrant performance period

Factors Affecting Allowability of Costs:

1. Necessary, Reasonable and Allocable: Cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
2. Conform with federal law and grant terms
3. Consistent with state and local policies
4. Consistently treated
5. In accordance with GAAP
6. Not included as match
7. Net of applicable credits
8. Adequately documented

Salaries and Wages:
Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. A federal agency may require personnel activity reports (PARs), but PARs are not defined. Documentation must:

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable, and properly allocated;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated (not to exceed 100%);
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting policies and practices; and
6. Support distribution among specific activities or cost objectives.

Reconciliations must be completed to make sure all necessary adjustments are made that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Substitute systems may be used, if approved.

Procurement Methods:

- Micro-purchase – Acquisition of supplies and services under $3,000. Construction subject to the Davis-Bacon Act is $2,000. May be awarded without soliciting competitive quotations, if the cost is reasonable. Must distribute micro-purchases equitably among qualified suppliers. (See **Note2** below.)
- Small purchase procedures – Acquisition of goods or services that cost $250,000 or less. Must obtain price or rate quotes from an adequate number of qualified sources. (See **Note3** below.)
- Competitive sealed bids – Bids are publicly solicited for items over $250,000. (See **Note3** below.)
- Competitive proposals – For items over $250,000 when a sealed bid is not appropriate. (See **Note3** below.)
- Noncompetitive proposals – Appropriate only when:
  - The item is only available from a single source;
  - There is a public emergency that will not permit delay;
  - The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

- After soliciting a number of sources, competition is determined inadequate.

For contracts over $25,000, the vendor must be verified that they are not excluded or disqualified (suspension and debarment). This must be done by either:

- Checking the Excluded Parties List System in the System for Award Management (SAM); or
- Collecting a certification from the vendor; or
- Adding a clause or condition to the covered transaction with that person.

Note2: The micro-purchase threshold has periodic increases. It increased from $3,000 to $3,500 as of October 11, 2015. On June 20, 2018, the threshold increased to $10,000.

Note3: Remember that State statutes must be followed for the procurement process, if more restrictive. As of June 20, 2018, the federal threshold increased from $150,000 to $250,000. On August 1, 2018, the State threshold increased from $100,000 to $175,000. The federal guidance will state $250,000 versus the $175,000.

Equipment:

- Property records must include description, serial number or other ID, source of funding, title, acquisition date and cost, percent of federal participation, location, use and condition, and ultimate disposition date including sales price.
- Physical inventory at least every two years.
- Control system to prevent loss, damage, and theft.
- Adequate maintenance procedures.
- If authorized or required to sell property, proper sales procedures to ensure highest possible return.
- Disposition of Equipment – When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:
  - Nonfederal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
  - Otherwise, may be retained, sold or otherwise disposed as follows:
    - Over $5,000 – pay federal share – if equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain $500 or 10% of the proceeds for selling and handling instructions.
    - Under $5,000 – no accountability (still must formally dispose)

Federal – Time and Effort Recording and Collecting Documentation

Modified from MDE Memo

When your organization pays all or a part of an employee's wages using some of a federal grant award, the organization must abide by federal rules for spending the grant award. The rules that govern spending federal grant monies are referred to as the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and more succinctly as Uniform Grant Guidance (UGG).

What does UGG say?

§200.430 Compensation – personal services.

(i) ***Standards for Documentation of Personnel Expenses***

(1) Charges to Federal awards for salaries and wages must be based on records that **accurately reflect the work performed**. These records must:

(i) **Be supported by a system of internal control** which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the **official records** of the non-Federal entity;

(iii) **Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities** (for IHE, this per the IHE's definition of IBS);

(iv) **Encompass federally-assisted and all other activities** compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
(vi) [Reserved]
(vii) **Support the distribution of the employee's salary or wages among specific activities or cost objectives** if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Your Organization's Responsibilities with Employee Time and Effort Records

Your organization must:

- Collect and report any employee's time and effort working if any part of the employee's wages are paid by the federal grant.
- Keep the record of the employee's time and effort documentation.
- Have internal controls to verify that the work was completed as described in the documentation.

Note: See the section titled "Federal – Time and Effort Recording Updates and Alternatives Memo" for additional guidance.

Federal – Time and Effort Recording Updates and Alternatives Memo

Modified from Special Education Memo, September 18, 2013

Note: Enclosures not included as referenced in this document.

The U.S. Department of Education (USDE) Office of Chief Financial Officer (OCFO) issued a Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success on September 7, 2012 (the Letter). In this Letter the OCFO clarified the definition of a cost objective and provided an example of a substitute system for time and effort reporting that can be used effective immediately.

In response to concerns about administering a complicated time and effort system, USDE undertook the task of identifying the problems and how to ease the burden of the requirements. The resulting Letter and enclosures A-C can be found at the U.S. Department of Education website. The discussions below will have reference to the enclosures.

Cost Objective

The definition of a cost objective in 2 C.F.R. Part 200 (formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) is "A function, organization subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred." An employee who works on one cost objective is required to complete a semi-annual certification while an employee who works on more than one cost objective has been required to complete a personnel activity report at least monthly.

Over the previous two years, based on guidance Minnesota Department of Education (MDE) had received, this definition was interpreted to mean, in part, that an employee that has more than one cost objective paid with more than one funding source, with at least one of those sources being federal funds, must complete a personnel activity report at least monthly. Districts were directed to proceed with this understanding and we acknowledge that many districts across the state worked diligently in updating their internal processes to adhere to this interpretation.

Enclosure C of the Letter explains that a single cost objective can be a single function OR a single grant OR a single activity. A person may be paid out of more than one funding source but still be working on only one cost objective because only one activity is being completed using both funding sources. The Letter further states, "The key to determining whether an employee is working on a single cost objective is whether the employee's salary and wages can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee's salary is also paid with non-Federal funds." This new interpretation, now in effect, should reduce for many schools the number of employees required to complete a personal activity report (PAR) each month. Enclosure C of the Letter has several staffing examples where a certification can now be used rather than a PAR. In addition, MDE staff have prepared examples of cost objectives for special education based upon this new guidance from the U.S. Department of Education. These examples are attached.

Substitute System
Available in 2 C.F.R. Part 200 is the option of a substitute system for time and effort reporting if approved by the funding source. The Letter authorizes MDE as the state educational agency (SEA) to approve proposals from local educational agencies (LEAs) to use a substitute system which complies with the guidelines provided in Enclosure A.

The substitute system can be utilized for employees who would normally have to complete a PAR, even after this new understanding of a cost objective. The employee must work on multiple cost objectives with a predetermined schedule that does not change and the work on multiple cost objectives is not at the exact same time. The employee's schedule must specify the work activity or cost objective for each segment of time during the day. It must account for the total hours for which the employee is compensated and be certified at least semi-annually. Schedule revisions must be documented and certified and significant deviations from the schedule must be documented through the use of a PAR. Enclosure A of the Letter outlines these requirements in greater detail while Enclosure B shows an example of what the schedule and substitute certification may look like for an employee.

MDE has determined that a 5 percent (.05) cumulative deviation in the schedule of the employee will be considered a significant deviation from an employee's established schedule that would warrant an individual reverting to a PAR for the remainder of the fiscal year.

It is recommended, although not required, that a substitute system be modeled off the example the OCFO provided. However, a district may propose for MDE approval its own substitute system as long as it fulfills the requirements outlined in Enclosure A of the Letter.

Questions regarding Time-and-Effort Recording Updates and Alternatives should be directed to mde.spedfunding@state.mn.us.

Note: Starting FY '20, LEAs will no longer be required to submit an application to MDE if they are using a substitute system for time and effort reporting. Any questions should be directed to Special Education Compliance and Assistance (mde.compliance-assistance@state.mn.us).

Federal – Time Distribution Record-Keeping Requirements

NCLB Federal Program Requirements

Note: There is new guidance through the Uniform Grant Guidance relating to time and effort reporting. What is required depends on when the grant was issued and what the grant requires. The new guidance tends to be less restrictive, but some grant requirements may still want this type of record-keeping kept.

Time Distribution Record-Keeping Requirements
Your district may have overlooked this requirement and although it has not been discussed in the past few years, it remains a federal program requirement. It has come to our attention that as auditors are reviewing NCLB program expenditures they are requesting evidence of Time Distribution Record-keeping, some districts are not aware of this requirement. Please note the following:

Districts that charge staff salaries to federal programs are required to document and have on file the employee's time distribution records.

- When an employee is paid from a single federal program, the certification is to be prepared on a semi-annual basis – once every 6 months. (This includes salaries of personnel who are paid in full from the ESEA Consolidated Administration.)
- When an employee is paid from multiple programs (cost objectives), the certification is to be prepared monthly.

For your convenience, we have attached the necessary documentation as well as the website location where you can find this information.

Your district IS required to have this information on file. Your district IS NOT required to submit this information to MDE.

Time and Effort Records:
Support for salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
   (a) More than one Federal award,
   (b) A Federal award and a non-Federal award,
   (c) An indirect cost activity and a direct cost activity,
   (d) Two or more indirect activities which are allocated using different allocation bases, or
   (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:
   (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
   (b) They must account for the total activity for which each employee is compensated,
   (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
   (d) They must be signed by the employee.
   (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
      i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
      ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten

percent; and

iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods (primarily for Aid to Families with Dependent Children (AFDC), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);

ii) The entire time period involved must be covered by the sample; and

iii) The results must be statistically valid and applied to the period being sampled.

(b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

<u>Federal – Time Distribution Record-Keeping Requirements – Examples</u>

Example #1

Semi-Annual Certification

I, (employee name), hereby certify for the period (month, day, year) through (month, day, year) I worked solely on (name of cost objective).

Employee Signature ______________________________ Date ___________

Supervisor Signature ______________________________ Date ___________

Sample "Blanket" Semi-Annual Certification Form

__________School Time Certification Form

Date __________

This is to certify that the following individuals have worked 100% of their time during the last six months under cost objective ______________ ___________, activity account number _______________(if known).

POSITION	Printed Name	SIGNATURE
-Teacher	____________________	____________________
-Teacher	____________________	____________________
-Teacher	____________________	____________________
-Teacher	____________________	____________________
-Teacher	____________________	____________________
-Instructional Assistant	____________________	____________________
-Tutor	____________________	____________________
-Guidance Counselor	____________________	____________________

I HAVE FULL KNOWLEDGE OF 100% OF THESE ACTIVITIES:

PRINCIPAL ____________________ ____________________

Example #2

Time and Effort Fixed Schedule with Multiple Funding Streams

Name:

Position:

Employee Number:

During the period of:

The cost objections I spent my time and effort working on are reported in the table below.

Cost Objective	UFAFS Code	Percentage of Time Spent

I hereby certify that I spent my time as indicated on the attached schedule.

Signature:

Date:

Federal – Unique Entity Identifier (UEI)

MDE > Districts, Schools and Educators > Educators, Administrators and Staff > Superintendents > Superintendent Mail, March 18, 2022

This is a reminder that all entities need a unique identifier for federal awards purposes. On April 4, 2022, that identifier is changing from the DUNS number to the Unique Entity ID (UEI), issued by SAM.gov. **If you do not have an active entity registration on SAM.gov you may not be able to receive federal payments or apply for federal grants.**

Where possible, MDE has updated the District and School Site Verification System with the SAM UEI identifier for organizations that had previously entered a DUNS number in SERVS Financial; however, this does not guarantee that your SAM.gov registration is currently active. If you have not done so already, please verify with your business office that your SAM.gov entity registration is active and that the associated SAM UEI is correctly listed on the MDE Organization Reference Glossary (MDE-ORG). You can review the SAM UEI on MDE-ORG by searching for your organization and then choosing the organization record (the identifier is located near the top, above "physical location"). If needed, the organization's Site Verification Coordinator will need to log into the District and School Site Verification System to enter or correct the SAM UEI. To find the SAM UEI field within the District and School Site Verification System: from the Dashboard click on the organization record and on the next screen click "Update Organization Details." The SAM UEI is located between the website URL field and business phone number fields within the District and School Site Verification system.

If you have questions on how to enter or verify your UEI number in the MDE District and School Site Verification system please contact Michelle Carey at 651-582-8287 or by email at mde.school-verify@state.mn.us.

If you need assistance to renew or receive your SAM UEI, or to activate an inactive registration please contact SAM.gov Customer Service. Options to reach SAM.gov Customer Service can be found near the bottom of the Federal Service Desk webpage.

Fiscal Disparities Revenue

Modified from School Business Bulletin No. 8, October 1998

Districts receiving Fiscal Disparities need to report these revenues using Source Code 009. Exclude this adjustment amount from local levy Source 001.

Source 009 Fiscal Disparities Revenue (Funds 01, 04, 07 and 47) – Record the revenue from the Fiscal Disparities Adjustment. This revenue must be identified with the source code and apportioned to the several funds on the county report (Minn. Stat. § 473F.08).

GASB 96 Subscription-Based Information Technology Arrangements (SBITAs)

School Business Bulletin No. 71, May 2023

GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs) is effective for the fiscal year ended June 30, 2023. To the extent relevant, the standards for SBITAs were based on the standards established in Statement No. 87, Leases, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The GASB subcommittee has updated the following Uniform Financial Accounting and Reporting Standards (UFARS) codes effective for FY 2023 to be in compliance with GASB No. 96. Please be sure to check last page of each chapter in the UFARS manual for any additional changes, additions or deletions.

Coding Changes effective July 1, 2022:

The following object codes were added for FY 2023:

562 Principal on Long-Term Non-Instructional Subscription-Based Information Technology Arrangements (SBITAs)
563 Interest on Long-Term Subscription-Based Information Technology Arrangements (SBITAs)
564 Principal on Long-Term for Instructional Subscription-Based Information Technology Arrangements (SBITAs)

The following object codes were updated for FY 2023:

315 Repairs, Maintenance and Service Agreements for Computers, Technology and Software
335 Short-Term Lease Payments or Short-Term Rentals
380 Short-Term Leases for Computer or Technology Related Hardware Rental – Record expenditures for the principal cost of short-term leases or rental of computers or technology related hardware that is not required to be recorded as a long-term liability under GASB 87. Short-term leases and rental for computers and copiers should be coded to the program series where the equipment is used. The lease cannot have the possibility of an extension beyond 12 months. Examples of computer or technology related hardware may include the following: interactive boards, copiers, servers, network equipment, phone systems and security systems.

Object Code 380 will no longer be available after FY 23 (June 30, 2023).

Please refer to Object Code 335 for short-term lease payments or short-term rentals not related to computer or technology related hardware. Also, refer to Object Code 465 Non-Instructional Technology Devices or Object

Code 466 Instructional Technology Devices for purchases or short-term leases. Refer to Object Code 405 Non-Instructional Licensing Agreements Purchases or Short-Term Non-Instructional Subscription-Based Information Technology Arrangements (SBITAs) or Object Code 406 Instructional Licensing Agreements Purchases or Short-Term Instructional Subscription-Based Information Technology Arrangements (SBITAs).

Note: Due to GASB 87 and 96 implementation, please consult with your auditor to determine if the expenditures are short-term or long-term lease or rentals and how to properly record the transactions.

405 Non-Instructional Software Licensing Agreement Purchases or Short-Term Non-Instructional Subscription-Based Information Technology Agreements (SBITAs)
406 Instructional Software License Agreement Purchases or Short-Term Instructional Subscription-Based Information Technology Agreements (SBITAs)
455 Non-Instructional Technology Supplies
456 Instructional Technology Supplies
465 Non-Instructional Technology Devices
466 Instructional Technology Devices
505 Capitalized Non-Instructional Software
506 Capitalized Instructional Software

The following balance sheet account codes were updated for FY 2023:
148 Lease Asset and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 98)
152 Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 99)
254 Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 99)

If you have questions regarding GASB 96, please contact the UFARS Accounting Helpdesk (MDE.UFARSAccounting@state.mn.us).

General Education Revenue

MARSS Reporting Dates

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > MARSS Student Accounting > Timelines, March 14, 2023

The following table specifies when Minnesota Automated Reporting Student System (MARSS) files will be edited, used to produce turnaround/statewide reports, and what other uses will be made of the data. There is no need to wait for a deadline to submit files; they will be accepted any time (prior to the final deadline). The data will automatically be used for the next submission cycle's turnaround edits and reports.

A district/charter school need not resubmit data every reporting deadline if it has no errors or omissions to correct. Each submission must be district-wide (all schools' data). One submission completely replaces the prior submission. Records containing errors will not generate a student count, or revenue, for the district/charter school.

MARSS timelines for end-of-year reporting of FY 2024 data applies to the following dates:

Reporting Deadline	Comments/Data Used For	Statewide Reports
January 11	Through mid-May 2024, a district's most recent submission will be provided to the assessment vendors to update student information for test administration and test results.	None
March 21	Mandatory for Charter Schools,	Refer to MARSS WES

	Optional for Districts. Used to verify Average Daily Membership Projections.	MARSS 30 Statewide Error Report
April 1	All end-of-year (EOY) errors activated on the local edit.	N/A
April 4	Statewide edit. New statewide reports will be posted.	Refer to MARSS WES MARSS 30 Statewide Error Report
April 25	Mandatory for All Districts and Charter Schools. May contain a few errors. Used to identify date overlap errors.	Refer to MARSS WES
May 16	Statewide edit. New statewide reports will be posted.	Refer to MARSS WES Preliminary Early Childhood Screening Aid Entitlement (MFR)
June 6	Local auditors use the Statewide reports. Used for: Special Education tuition billing; ESEA Accountability Enrollment; Direct Certification for FY 2024.	Refer to MARSS WES District/School ADM Report (MFR), Preliminary Early Childhood Screening Aid Entitlement (MFR)
June 27	Statewide edit. New statewide reports will be posted.	Refer to MARSS WES District/School ADM Report (MFR)
July 25	Used for: August 30 FY 2024 entitlements; Special Education tuition billing; September 30 FY 2024 Early Childhood Screening Aid.	Refer to MARSS WES District/School ADM Report (MFR), Early Childhood Screening Aid Entitlement (MFR)
August 8	Statewide edit. New statewide reports will be posted.	Refer to MARSS WES District/School ADM Report (MFR)
August 29	Used for: September 30 FY 2024 entitlements; Special Education tuition billing.	Refer to MARSS WES District/School ADM Report (MFR)
September 12	Statewide edit. New statewide reports will be posted. Used for October 30 FY 2024 entitlements.	Refer to MARSS WES District/School ADM Report (MFR)
October 10	Final data due. ONLY electronic appeal Web Files will be accepted after this date.	Refer to MARSS WES District/School ADM Report (MFR)
October 14 – November 7	Electronic appeal file process. Records that cause cross-district errors will prevent the entire file from submission.	Refer to MARSS WES District/School ADM Report (MFR)
November 11 – November 26	Refer to Appeal of MARSS Data Reported by Another District/Charter	Refer to MARSS WES District/School ADM Report (MFR)
December 16	Refer to MDE Policy for Making State Aid Adjustments. Final FY 2024 Aid Entitlements (MARSS Manual, Appendix P).	Refer to MARSS WES Final District/School ADM Report (MFR), Final Aid Entitlement Reports

MARSS DISTRICT ADM SERVED REPORT
This report is available from the state edit that is done before the MARSS data is submitted to MDE. This ADM information can be used for the General Education revenue calculation, if MDE turnaround reports are not available. Compare this report with the District ADM Summary Report. An example follows.

DISTRICT ADM SUMMARY REPORT

This state turnaround report is titled District/School ADM Report. The data is used to determine the final general education aid payment. If this turnaround report is available, you should use it for the General Education revenue calculations. An example follows.

Timelines for ADM Estimates and Selected Aid Entitlements

MDE > Districts, Schools and Educators > Business and Finance > School Finance > MARSS Student Accounting > Average Daily Membership > ADM Estimates

The Timelines for ADM Estimates and Selected Aid Entitlements for Calendar Year 20XX may be found on the MDE website under MDE > Districts, Schools and Educators > Business and Finance > School Finance > MARSS Student Accounting > Average Daily Membership > ADM Estimates.

Pupil Unit Terms

ADJ ADM (Adjusted Average Daily Membership – Capped at 1.0)
ADM served + ADM for whom the district pays tuition – ADM served that the district receives tuition.

Ext Time ADM (Extended Time Average Daily Membership)
ADM generated by students in learning year programs exceeding 1.0, but less than 1.2.

RES ADM (Resident Average Daily Membership)
All student ADM residing in the district regardless of where they attend school.

ADM SRV (Average Daily Membership Served)
ADM enrolled in the district.

ADJ PUPIL UNITS =
1.00 X ECSE ADM +
1.00 X VPK ADM* (Voluntary Prekindergarten) +
1.00 X SRP ADM ** (School Readiness Plus) +
1.00 X KINDERGARTEN ADM with a disability +
.55 X HALF KINDERGARTEN ADM +
1.00 X FULL KINDERGARTEN ADM +
1.00 X ADM IN GRADES 1-3 +
1.00 X ADM IN GRADES 4-6 +
1.20 X ADM IN GRADES 7-12

* Due to a total appropriation for Voluntary Prekindergarten funding, sites have been approved for a capped ADM based on the application submitted. Schools can only receive funding up to the approved ADM. Voluntary Prekindergarten students can generate up to .6 pupil units. See the Voluntary Prekindergarten spreadsheet.

** Sites approved for School Readiness Plus (SRP) will be funded based on the lesser of the number of ADM estimated in the application or the actual ADM calculated at the end of the school year. Funding for each student is based on the instructional hours for that student, up to a maximum of 510 hours for .6 ADM. For example, students receiving 415 hours of instruction will generate .49 ADM and students receiving 510 or more hours of instruction will generate .6 ADM. See the School Readiness Plus spreadsheet.

Declining Enrollment Revenue
= 28% x $7,138.00 (Basic Formula Allowance) x Decrease in ADJ PU (FY ‘23 ADJ PU minus FY ‘24 ADJ PU)
Note: ADJ PU includes Voluntary Prekindergarten (VPK) and School Readiness Plus (SRP) for FY ‘24.

MARSS District ADM Served Report

MARSS DISTRICT ADM SERVED REPORT — Page 1

District 0000:01 PUBLIC SCHOOL DISTRICT — USING EOY DATA — Edited 4/9/2024 9:56:26AM

School 000 ALL SCHOOLS — SCHOOL YEAR 2023-2024 — Printed 4/15/2024 7:12:11AM

This report represents data at a preliminary stage and will differ from the state's final verification report.*

A Grade	B Pupil Unit Weight	C Inst Days	D Length of Day	E Residents	F Nonresidents: Enrollment Options	G Nonresidents: Tuition	H Nonresidents: Ineligible	I Tribal Contract/ Grant	J Shared time: Aid	K Shared time: Tuition	L Private Contract	M Non-Public/ Non-MN	N Total Served	O Adjusted E + F	P % Att	Count of students in column N	Q Extended ADM
EC	1.000			52.61	2.07	0.81							55.49	54.68	87.3	340	
PK	1.000			34.73	2.48		13.77						50.98	37.21	99.8	88	
KG	1.000			265.49	12.34								277.83	277.83	96.9	338	2.68
01	1.000			317.78	14.88				0.17				332.83	332.66	97.1	407	3.64
02	1.000			344.15	22.68				0.08				366.91	366.83	96.7	416	2.24
03	1.000			315.61	22.59				0.34				338.54	338.20	97.1	390	1.87
04	1.000			349.84	14.33				0.58				364.75	364.17	97.2	412	1.91
05	1.000			337.18	18.66				0.38				356.22	355.84	97.2	395	1.27
06	1.000			312.79	18.64				0.49				331.92	331.43	96.2	390	1.78
07	1.200			343.28	25.58	1.00			0.19				370.05	368.86	95.8	418	1.44
08	1.200			315.29	21.41				0.60				337.30	336.70	95.5	373	0.78
09	1.200			377.83	22.52				0.45				400.80	400.35	95.4	424	0.08
10	1.200			391.72	23.09				0.20				415.01	414.81	94.0	447	1.65
11	1.200			396.67	30.84								427.51	427.51	91.9	459	1.80
11P	1.200			1.08									1.08	1.08	0.0	9	
12	1.200			353.55	23.79								377.34	377.34	91.6	416	0.84
12P	1.200			1.69									1.69	1.69	0.0	15	

Grade	Pupil Unit Weight	Inst Days	Length of Day	Residents	Nonresidents: Enrollment Options	Nonresidents: Tuition	Nonresidents: Ineligible	Tribal Contract/ Grant	Shared time: Aid	Shared time: Tuition	Private Contract	Non-Public Non-MN	Total Served	Adjusted E + F	% Att	Extended ADM
EC				52.61	2.07	0.81							55.49	54.68	87.3	
PK				34.73	2.48		13.77						50.98	37.21	99.8	
KG				265.49	12.34								277.83	277.83	96.9	2.68
01-03				977.54	60.15				0.59				1038.28	1037.69	97.0	7.75
04-06				999.81	51.63				1.45				1052.89	1051.44	96.9	4.96
07-08				658.57	46.99	1.00			0.79				707.35	705.56	95.6	2.22
09-12				1522.54	100.24				0.65				1623.43	1622.78	93.2	4.37
TOTAL ADM				4511.29	275.90	1.81	13.77		3.48				4806.25	4787.19	95.4	
TOTAL WADM				4947.51	305.35	2.01	13.77		3.77				5272.41	5252.86		

* MARSS records with local errors are excluded from this report and records with either local or statewide errors will be excluded from reports produced by the state. The ADM included on this report is capped at 1.0. Consider this ADM preliminary because the actual ADM calculation requires all of a given student's MARSS enrollment records to be accurate. The ADM that is provided on the District/School ADM Report that is posted to the web takes precedence over the ADM contained in this report.

Marss15_District_ADM_Served

District ADM Summary Report

Example displays FY '23's format at this time. Check your district information for a current year report.

To find this report go to the MDE website at https://education.mn.gov/. Then select:

- Go to Data Center Data Reports and Analytics School Finance Reports Minnesota Funding Reports (MFR).
- Select District Name or enter District Number.
- Select All Reports.
- Category = Student
- Select the fiscal year.
- Report = District/School ADM Report

MINNESOTA: STUDENT DATA : DISTRICT ADM SUMMARY DISTRICT: PUBLIC SCHOOL DISTRIC PAGE 24
DEPT EDUC: 400 NE STINSON BLVD. : GENERAL EDUCATION REVENUE
FY 22-23 : MINNEAPOLIS, MN, 55413 : SKIPYD 0123
TIME/DATE: 15:37:35 - 12/20/23

1	2	3	4	5	6	7	8	9	10	11	12	13	14
		RESIDENTS							NONRESIDENTS				
						TUITION							
GRADE	PUN WTG	SERVED IN DISTRICT	SERVED IN COOP. RES IS FISCAL	OPTIONS ELSEWHR INCL (4)	CHARTER	TO OTHR MN DST	TO NONP /NONMN	TOTAL RESIDENT	TUITION	PRIVATE C AND T	OPTIONS	SERVED IN COOP. THIS IS FISCAL	TOTAL ADJUSTED
EC	1.000	79.08	0.00	1.27	0.00	2.00	0.00	82.35	3.53	0.00	2.98	0.00	84.06
PK	1.000	24.29	0.00	0.00	0.00	0.00	0.00	24.29	0.00	0.00	0.21	0.00	24.50
HK	1.000	60.41	0.00	4.60	1.46	1.07	0.00	67.54	0.00	0.00	3.19	0.00	64.67
KG	1.000	248.57	0.00	16.90	5.54	0.00	0.00	271.01	0.00	0.00	9.88	0.00	258.45
01	1.000	329.38	0.00	23.00	0.50	0.93	0.00	353.81	0.00	0.00	15.01	0.00	345.32
02	1.000	327.55	0.00	16.85	2.00	0.00	0.00	346.40	0.00	0.00	13.54	0.00	341.09
03	1.000	356.52	0.00	24.42	3.11	1.30	0.00	385.35	0.00	0.00	12.61	0.00	370.43
04	1.000	336.46	0.00	18.08	4.00	2.05	0.00	360.59	0.00	0.00	14.29	0.00	352.80
05	1.000	311.56	0.00	20.86	0.00	1.12	0.00	333.54	0.00	0.00	19.03	0.00	331.71
06	1.000	336.50	0.00	14.53	2.00	1.06	0.00	354.09	1.00	0.00	24.63	0.00	362.19
07	1.200	305.69	0.00	29.42	4.60	0.57	0.00	340.28	0.00	0.00	20.92	0.00	327.18
08	1.200	329.62	0.00	27.90	7.42	5.62	0.00	370.56	0.00	0.00	17.35	0.00	352.59
09	1.200	391.45	0.00	23.68	7.48	5.52	0.00	428.13	0.00	0.00	18.09	0.00	415.06
10	1.200	395.37	0.00	18.61	12.22	2.63	0.00	428.83	0.00	0.00	22.75	0.00	420.75
10P	1.200	0.39	0.00	0.00	0.00	0.00	0.00	0.39	0.00	0.00	0.00	0.00	0.39
11	1.200	371.28	0.00	14.71	9.87	1.81	0.00	397.67	0.00	0.00	22.91	0.00	396.00
11P	1.200	3.77	0.00	0.00	0.00	0.00	0.00	3.77	0.00	0.00	0.00	0.00	3.77
12	1.200	324.13	0.00	25.91	16.29	25.06	0.00	391.39	0.00	0.00	18.92	0.00	368.11
12P	1.200	6.42	0.00	0.24	0.42	0.12	0.00	7.20	0.00	0.00	0.39	0.00	6.93

		RESIDENTS							NONRESIDENTS				
						TUITION							
GRADE	PUN WTG	SERVED IN DISTRICT	SERVED IN COOP. RES IS FISCAL	OPTIONS ELSEWHR INCL (4)	CHARTER	TO OTHR MN DST	TO NONP /NONMN	TOTAL RESIDENT	TUITION	PRIVATE C AND T	OPTIONS	SERVED IN COOP. THIS IS FISCAL	TOTAL ADJUSTED
EC	1.000	79.08	0.00	1.27	0.00	2.00	0.00	82.35	3.53	0.00	2.98	0.00	84.06
PK	1.000	24.29	0.00	0.00	0.00	0.00	0.00	24.29	0.00	0.00	0.21	0.00	24.50
HK	1.000	60.41	0.00	4.60	1.46	1.07	0.00	67.54	0.00	0.00	3.19	0.00	64.67
KG	1.000	248.57	0.00	16.90	5.54	0.00	0.00	271.01	0.00	0.00	9.88	0.00	258.45
KG5													
1- 3	1.000	1,013.45	0.00	64.27	5.61	2.23	0.00	1,085.56	0.00	0.00	41.16	0.00	1,056.84
4- 6	1.000	984.52	0.00	53.47	6.00	4.23	0.00	1,048.22	1.00	0.00	57.95	0.00	1,046.70
7- 8	1.200	635.31	0.00	57.32	12.02	6.19	0.00	710.84	0.00	0.00	38.27	0.00	679.77
9-12	1.200	1,492.81	0.00	83.15	46.28	35.14	0.00	1,657.38	0.00	0.00	83.06	0.00	1,611.01
TOTAL ADM		4,538.44	0.00	280.98	76.91	50.86	0.00	4,947.19	4.53	0.00	236.70	0.00	4,826.00
TOTAL PUN		4,964.06	0.00	309.07	88.56	59.11	0.00	5,420.80	4.53	0.00	260.96	0.00	5,284.13

Calculating General Education Revenue

The What If/Interactive Projection Model spreadsheet is available on the MDE website under [Data Center > Data Reports and Analytics]. Go to School Finance Spreadsheets, General Education and under Subcategory, select Interactive Projection Models. Then, select the appropriate year. Charter School spreadsheets are under Charter Schools instead of General Education. Using ADM data from the MARSS reports as input, the General Education Aid receivable and restricted/reserved amounts can be determined. **REMEMBER: Any receipts from County apportionment and Taconite reduce the General Education Aid.**

An example of the FY '24 What If/Interactive Projection Model/Revenue Projection Model Revenue Summary page follows showing the revenue restrictions. Use the Aid and Levy splits on the Revenue Summary section to determine the Total General Education Aid (Aid Entitlement = UFARS Source 211). The Revenue Restrictions section provides the expenditure target amounts for each restricted area.

Revenue Restrictions

1. Basic Skills (M.S. 126C.10, subd. 4 and M.S. 126C.15).
    - Compensatory – This is the total amount allocated for Compensatory. Districts must allocate compensatory revenue to each school building where the children who have generated the revenue are served. See M.S. 126C.15, subd. 2 on flexibility given to districts and cooperatives on the use of these funds by a plan adopted by the board. Revenues and expenditures use Finance 317. Any remaining unexpended revenues use Balance Sheet 441.

    - English Learner (EL) – Revenues and expenditures use Finance 317 or 339. Any remaining unexpended revenues use Balance Sheet 441 or 439. Below is the calculation for EL revenue.

        EL ADM (greater of 0, 20, or actual EL ADM) * $1,228
        + ((lesser of 1 or (EL ADM / ADM Served Total / .115)) * EL ADM) * $436
        Total EL Revenue

2. Gifted and Talented (M.S. 120B.15). Revenues and expenditures use Finance 388. Any remaining unexpended revenues use Balance Sheet 438.

3. Operating Capital (M.S. 126C.10, subd. 13). Revenues and expenditures use Finance 302. Any remaining unexpended revenues use Balance Sheet 424.

4. Learning and Development (M.S. 126C.12). Revenues and expenditures use Finance 330. Any remaining unexpended revenues use Balance Sheet 428.

5. Staff Development (M.S. 122A.60 and M.S. 122A.61). Revenues and expenditures use Finance 316. Any remaining unexpended revenues use Balance Sheet 403.

Note for Charter Schools: Recommend Charter Schools do not use revenue restrictions. If necessary, crosswalk Finance segments to 000. Charter Schools do not use the restricted/reserved fund balance accounts unless stated by statute. Charter Schools must use Restricted/Reserved for:

- Student Activities (BAL 401),
- Scholarships (BAL 402),
- English Learner (BAL 339),
- School Library Aid (BAL 343),
- Medical Assistance (BAL 472).

In FY ’20, Charter Schools received Safe Schools Aid. Charter Schools must use Restricted/Reserved for Safe Schools Revenue (BAL 449) until the aid has been spent.

FY ’24 What If/Interactive Projection Model/Revenue Projection Model

District OWATONNA PUBLIC SCHOOL DISTRICT
Number and Typ 0761-01

Minnesota Department of Education
Interactive Projection Model (What If) 2024 - Current Data

02/02/24
Page 11

AID, LEVY, AND REVENUE SUMMARY BY FUNDING COMPONENT

	GENERAL ED REV	AID	LEVY	TOTAL	TOTAL PER AD	TOTAL PER ADJ
A	BASIC	37,900,709.98	0.00	37,900,709.98	7,138.00	7,832.49
B	DECLINING ENROLL	0.00	0.00	0.00	0.00	0.00
C	PENSION	389,603.26	0.00	389,603.26	73.38	80.51
D	GIFTED & TALENT	69,026.23	0.00	69,026.23	13.00	14.26
E	EXTENDED TIME	104,386.80	0.00	104,386.80	19.66	21.57
F	BASIC SKILLS	5,300,945.06	0.00	5,300,945.06	998.35	1,095.48
G	SMALL SCHOOLS	0.00	0.00	0.00	0.00	0.00
H	SPARSITY	0.00	0.00	0.00	0.00	0.00
I	TRANSP SPARS	566,333.67	0.00	566,333.67	106.66	117.04
J	**SUM (A) TO (I)**	**44,331,005.00**	**0.00**	**44,331,005.00**	**8,349.04**	**9,161.36**
K	OPER CAPITAL	847,137.16	390,167.51	1,237,304.67	233.03	255.70
L	LOCAL OPTIONAL	760,545.23	3,083,684.81	3,844,230.04	724.00	794.44
M	EQUITY	21,333.98	724,547.53	745,881.51	140.47	154.14
N	TRANSITION	5,406.58	183,619.10	189,025.68	35.60	39.06
O	**SUM (J) TO (N)**	**45,965,427.95**	**4,382,018.95**	**50,347,446.90**	**9,482.15**	**10,404.71**
P	REFERENDUM	308,376.31	2,501,203.64	2,809,579.95	529.14	580.62
Q	**SUM (O) + (P)**	**46,273,804.26**	**6,883,222.59**	**53,157,026.85**	**10,011.29**	**10,985.33**
R	ALT ATT ADJ	-111,352.80	0.00	-111,352.80	-20.97	-23.01
S	**TOTAL REV = (Q)**	**46,162,451.46**	**6,883,222.59**	**53,045,674.05**	**9,990.31**	**10,962.32**

Adjusted Pupil Units:	5,309.71
Adjusted ADM:	4,838.91
Resident Pupil Units:	5,458.31
Resident ADM:	4,971.91

	NON-GENERAL EI AID		LEVY	TOTAL	TOTAL PER AD	TOTAL PER ADJ
T	ALT TEACHER COMP	0.00	0.00	0.00	0.00	0.00
U	ENDOWMENT	262,254.23	N/A	262,254.23	49.39	54.20
V	TACONITE	0.00	N/A	0.00	0.00	0.00
W	EL CROSS-SUB AID	8,747.52	N/A	8,747.52		

AID ENTITLEMENTS ON IDEAS

		ANNUAL AID ENTITLEMENT	PRORATED AID ENTITLEMENT	UFARS REVENUE
A	GENERAL ED	46,273,804.26	46,162,451.46	46,162,451.46
B	Q COMP	0.00	0.00	0.00
C	ENDOWMENT	262,254.23	262,254.23	262,254.23
D	EL CR-SUB	8,747.52	8,747.52	8,747.52
E	TOTAL	46,544,806.01	46,433,453.21	46,433,453.21

AID ENTITLEMENTS ON IDEAS

	AID ADJUSTMENT	VY ADJUSTMENT	CORRESPONDING RECEIPTS
CNTY APPORT	0.00	0.00	0.00

DETAIL FOR UFARS REPORTING

	PRORATED AID ENTITLEMENT	UFARS REVENUE
AID ENTITLEMENT		
GEN ED SRC 211 = (325) =	46,162,451.46	
CNTY APPOR SRC 010 = (324) =	0.00	
SUBTOTAL AID		46,162,451.46
TOTAL LEVY SRC 001 = (319) =		6,883,222.59
TOTAL REVENUE = (319) + (320) =		53,045,674.05

REVENUE RESTRICTIONS

BASIC SKILLS		
COMPENSATORY = (63) =	4,815,585.50	
EL = (66) + (71)	485,359.56	
EL CROSS-SUB AID = (78)	8,747.52	
TOTAL BASIC SKILLS = (351)		5,309,692.58
GIFTED & TALENTED = (57) =		69,026.23
OPERATING CAPITAL = (126) =		1,237,304.67
ALT TEACHER COMPENSATION = (341) =		0.00
LEARNING & DEVELOPMENT = (358) =		1,031,458.00
STAFF DEVELOPMENT = (359) =		755,787.14
TOTAL RESTRICTIONS = (360) =		8,403,268.62

Note: Another resource to help calculate General Education revenue is MDE’s Revenue Projection Model. Besides calculating General Education revenue, this model will also help with State Aids, Levy, and Taconite components. The Revenue Projection Model can be located on the MDE website under Data Center > Data Reports and Analytics > School Finance Spreadsheets > Revenue Projection Model.

Compensatory Revenue for Cooperatives

Modified from School Business Bulletin No. 42, August 2009

Minnesota Laws 2009, Chapter 96, Article 1, section 8, 12-13 and 18, directs MDE to now pay compensatory revenue directly to cooperatives, and to exclude compensatory revenue from the special education tuition adjustment calculations for cooperatives. This change was made to simplify tuition adjustments and avoid confusion regarding the allocation of compensatory revenue.

Compensatory revenue is part of basic skills revenue, therefore, cooperatives receiving compensatory revenue are required to maintain separate accounts to identify expenditures for salaries and programs related to basic skills revenue under Minnesota Statutes 126C.15, subdivision 4. Basic Skills revenues and expenditures are to be recorded using Finance code 317 and the accounts should close to Balance Sheet Account 441, Restricted/Reserved for Basic Skills.

For more information, contact mde.funding@state.mn.us or 651-582-8779.

Gifted and Talented Accounting

MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter and MN Statute 120B.15

Finance 388 Gifted and Talented (Fund 01) – Record the revenues and expenditures of this General Education Aid component for a program which identifies gifted and talented students, provides educational programs for these students and/or provides staff development for teachers to best meet the unique needs of Gifted and Talented Students (Minn. Stat. 120B.15). The activities in this code apply to Balance Sheet Code 438 Restricted/Reserved for Gifted and Talented Fund Balance.

Balance Sheet Account 438 Restricted/Reserved for Gifted and Talented (Fund 01) – The part of general education aid revenue for the gifted and talented program that is unspent at year end must be restricted in this balance sheet account. See Finance Code 388 for the proper accounting of revenue and expenditures for this program [refer to Minn. Stat. 126C.10, subd. 2(b)]. *This restricted/reserved account is not allowed to go into deficit.*

120B.15 Gifted and Talented Students Programs and Services.
(a) School districts may identify students, locally develop programs and services addressing instructional and affective needs, provide staff development, and evaluate programs to provide gifted and talented students with challenging and appropriate educational programs and services.

(b) School districts must adopt guidelines for assessing and identifying students for participation in gifted and talented programs and services consistent with section 120B.11, subdivision 2, clause (2). The guidelines should include the use of:

(1) multiple and objective criteria; and
(2) assessments and procedures that are valid and reliable, fair, and based on current theory and research. Assessments and procedures should be sensitive to underrepresented groups, including, but not limited to, low-income, minority, twice-exceptional, and English learners.

(c) School districts must adopt procedures for the academic acceleration of gifted and talented students consistent with section 120B.11, subdivision 2, clause (2). These procedures must include how the district will:

(1) assess a student's readiness and motivation for acceleration; and
(2) match the level, complexity, and pace of the curriculum to a student to achieve the best type of academic acceleration for that student.

(d) School districts must adopt procedures consistent with section 124D.02, subdivision 1, for early admission to kindergarten or first grade of gifted and talented learners consistent with section 120B.11, subdivision 2, clause (2). The procedures must be sensitive to underrepresented groups.

Money for Gifts

Modified from School Business Bulletin No. 18, April 2001

Every unit of government is authorized to expend public funds only for necessary costs and obligations specifically expressed by law or implied by the character of their taxing authority. All public officials and employees are obligated to establish and maintain expenditure controls that assure the public that all expenditures are necessary costs to fulfill the obligations of their respective units of government.

Gifts are by definition unearned by the recipient and donations are contributions for which no obligation exists. Gifts and donations of school district funds to board members, employees, and students, outside organizations or individuals are therefore illegal. Gifts and donations, no matter how meritorious the cause, cannot be construed as a necessary cost.

Examples:
1. Hosting or subsidizing the cost of a dinner for a winning football team.
2. Donations of cash, goods or materials to a local service or charitable organization.
3. Providing free pop or coffee to teachers or other employees on the job.
4. Providing plaques, clocks or other items for retirements or recognitions, including flowers for all occasions (includes memorials).
5. MS 123B.02, subd. 14a. **Employee recognition.** A school board may establish and operate an employee recognition program for district employees, including teachers, and may expend funds as necessary to achieve the objectives of the program. **The employee recognition program shall not include monetary awards.**

Governmental Accounting Standards Board (GASB) Statement No. 87 Leases

Modified from School Business Bulletin No. 68, June 2021

GASB Statement No. 87 was scheduled to become effective for the fiscal year ended June 30, 2021. However, GASB delayed the implementation date by 18 months. The original implementation date was for Fiscal Years beginning after December 15, 2019, so the new implementation date is for June 15, 2021. **Therefore, we must comply beginning on July 1, 2021 for Fiscal Year (FY) 2022.**

The GASB subcommittee has updated the following Uniform Financial Accounting and Reporting Standards (UFARS) codes effective for FY 2022 to be in compliance with GASB No. 87. Please be sure to check last page of each chapter in the UFARS manual for any additional changes, additions or deletions.

Coding Changes effective July 1, 2021:
The following object codes will be added for FY 2022:

335 Short-Term Lease Payments or Short-Term Rentals – Record expenditures for the cost of a lease for short-term usage that is not required to be recorded as a long-term liability under GASB 87. This code should also be used for short-term rentals. For example, but not limited to the following: chairs or hall rental for graduation or off-site storage. The lease or short-term rental **cannot** have the possibility of an extension beyond 12 months.

Please refer to Object Codes 465 Non-Instructional Technology Devices and 466 Instructional Technology Devices for computer hardware. Refer to Object Code 405 Non-Instructional Software Licensing Agreements or Short-Term Non-Instructional Subscription-Based Information Technology Arrangements (SBITAs) or Object Code 406 Instructional Software Licensing Agreements or Short-Term Instructional Subscription-Based Information Technology Arrangements (SBITAs).

Note: Due to GASB 87 implementation, please consult with your auditor to determine if the expenditures are short-term or long-term lease or rentals and how to properly record the transactions.

560 Principal on Long-Term Computer or Technology Related Hardware Leases or Financed Purchases – Record expenditures for the principal cost of the lease(s) for long-term usage that may or may not result in the ownership of computers or technology related hardware. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months. Long-term leases for computers and technology related hardware should be coded to the program series where the equipment is used.

Examples of computer or technology related hardware may include the following: computers, ipads, chrome books, interactive boards, copiers, servers, network equipment, phone systems and security systems.

561 Interest on Long-Term Computer or Technology Related Hardware Leases or Financed Purchases – Record expenditures related to the payment of interest of the lease for long-term usage that may or may not result in the ownership of computers or technology related hardware. Long-term leases for computers and technology related hardware should be coded to the program series where the equipment is used.

570 Principal on Long-Term Building or Land Leases – Record expenditures for the principal cost of the lease(s) for long-term usage that does not result in the ownership of the building or land (Minn. Stat. §126C.40).

Charter Schools must use this code to record the amount of the building lease. Charter schools must use Finance Code 348 with Program Code 850 (Minn. Stat. §124E.13 and Minn. Stat. §124E.22).

571 Interest on Long-Term Building or Land Leases – Record expenditures related to the payment of interest of the lease(s) for long-term usage that does not result in the ownership of the building or land (Minn. Stat. §126C.40).

Charter Schools must use this code to record interest on the building lease. Charter schools must use Finance Code 348 with Program Code 850 (Minn. Stat. §124E.13 and Minn. Stat. §124E.22).

The following object codes will be deleted for FY 2022:

370 Operating Leases or Rentals

The following object codes will be updated for FY 2022:

520 Building Acquisition or Construction – Expenditures made for the acquisition, capital lease, or construction of buildings, installation of heating and ventilating systems, electrical, plumbing, fire protection and other service systems, lockers, elevators and other equipment built into the building, paint, and other interior or exterior decoration.

535 Long-Term Leases or Financed Purchases – Record the value of the long-term leases or financed purchases, for equipment, vehicles, technology equipment or software. This code must be used only with Object Code 589 (contra account) at the inception of the lease and the activity must equal zero (debit must equal credit).

The value of the lease or financed purchase is recorded as an expenditure in the financial statements.

580 Principal on Long-Term Lease or Financed Purchases – Record expenditures of the principal on outstanding long-term leases and financed purchases. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months.

Please refer to Object Code 560 for computer or technology related hardware, Object Code 570 for building or land, Object Code 582 for direct instruction of special education students and Object Code 583 for vehicles used for special education students.

581 Interest on Long-Term Lease or Financed Purchases – Record expenditures related to payment of interest on long-term leases or financed purchases. Please refer to Object Code 561 for computer or technology related hardware and Object Code 571 for building or land.

582 Principal on Long-Term Lease or Financed Purchases Used for Direct Instruction of Special Education Students – Record expenditures of the principal on outstanding long-term leases or financed purchases used for direct instruction of special education students. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months.

To record the interest expenditures, please use Finance Code 000 and refer to Object Code 561 for computer or technology related hardware and Object Code 581 for other types of equipment.

583 Principal on Long-Term Lease or Financed Purchases Used for Vehicles Used for Special Education Students – Record expenditures of the principal on outstanding long-term leases or financed purchases used for vehicles for special education students. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months.

To record the interest expenditures, please use Finance Code 000 and refer to Object Code 561 for computer or technology related hardware and Object Code 581 for other types of equipment.

589 Long-Term Lease Transactions or Financed Purchases (Fund 01 – Other Financing Source) – Used in conjunction with Object Code 535, Long-Term Leases or Financed Purchases, at the inception of the transaction. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months.

This entry represents a contra-expenditure amount (credit amount) so that the General Fund balance is not affected by the recording of a long-term lease transaction or financed purchases. The value of the lease or financed purchase is recorded as other financing source in the financial statements. The recorded activity in Object Code 535 and Object Code 589 must equal zero.

The following source codes will be updated for FY 2022:

093 Revenue from Leases or Rentals – Record revenue for the lease of school property for any purpose, including the rental of buildings, land, vehicles and equipment. For districts with outstanding bonds on the real property, the rent, net of expenses, shall be recorded pursuant to Minnesota Statutes, section 123B.51, subdivision 4.

635 Certificates of Participation (Financed Purchase) – Record proceeds from Certificates of Participation. This amount is recorded as *other financing source* in the financial statements.

The following balance sheet codes will be updated for FY 2022:

139 Long-Term Lease Receivable – Represents the amount to be received from a lease in succeeding fiscal years. Record as a long-term lease, if the maximum potential term of the lease exceeds 12 months.

This amount should also be accounted for in the Balance Sheet Code 237, Deferred Inflow of Resources.

140 Land (Fund 98) – Represents the cost of land owned by the district. This account includes the purchase price and costs such as legal fees, filling and excavation costs or any other costs that put the land in condition for its intended use. This account also includes land acquired by gift. Use the appraised value of the donated property at time of acquisition.

Please refer to Balance Sheet Code 148, Lease Asset, to record land acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 140.

142 Buildings (Fund 98) – Represents the cost of permanent structures used to house staff, students and property that is owned by the district. This account includes the purchase or contract price of all permanent buildings and fixtures forming a permanent part of such buildings. It also includes the appraised value of buildings acquired by gift. This account also includes the cost of heating systems and related fuel storage tanks, air conditioning, ventilation, electrical, plumbing, fire protection, and other building service systems, built in equipment, carpeting and draperies.

Please refer to Balance Sheet Code 148, Lease Asset, to record buildings acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 142.

143 Equipment (Fund 98) – Represents the cost of tangible property of a durable nature other than land, land improvements and buildings. Equipment includes machinery, tools, full depreciated or noneligible pupil transportation vehicles, trucks, cars, furniture and fixtures. A distinction should be made between supplies and equipment in accordance with GAAP. Supplies are defined as those items that have a lesser value and are expendable or are consumed in use. Equipment items are tangible units of a nonexpendable character;

are not consumed in use; have an extended useful life; and are of material value.

Please refer to Balance Sheet Code 148, Lease Asset, to record equipment acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 143.

148 Lease Asset and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 98) – Represents land, buildings, equipment or Subscription-Based Information Technology Arrangements (SBITAs) acquired through a long-term lease that is not considered a financed purchase.

For more detailed information on the accounting requirements for leases, refer to GASB Statement No. 87, Leases and GASB Statement No. 96 Subscription-Based Information Technology Arrangements.

152 Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 99) – Record amount to be provided for the long-term lease payable and Subscription-Based Information Technology Arrangements (SBITAs), if the maximum potential term of the lease exceeds 12 months.

174 Accumulated Amortization on Property and Equipment under Leases (Contra Asset) – Represents the amount of accumulated amortization to date on leased assets included in Balance Sheet Code 148, Lease Asset.

230 Unearned Revenue (Appropriate Fund) – Represents all payments of revenue received that will not be earned until a future period. Do not include property tax amounts recorded in Balance Sheet Code 235, Property Taxes Levied for Subsequent Year's Expenditures.

254 Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs) (Fund 99) – Represents the principal of long-term leases and Subscription-Based Information Technology Arrangements (SBITAs) that are outstanding and unpaid. Represents leases that are longer than twelve months.

The following balance sheet code will be added for FY 2022:

237 Deferred Inflow of Resources – Record deferred inflow of resources.

GASB 87 Lease Accounting Example:

The following are examples of how to record various leases in compliance with GASB No. 87.

Short Term Lease

Example: lease vehicle for 11 months for $11,000 total

Lessee:		**Debit**	**Credit**
Each time the monthly lease payment is made:			
E-01-XXX-XXX-XXX-335-000	Short-Term Lease Payments or Short-Term Rentals	1,000	
B-01-101-000	Cash and Cash Equivalents		1,000
	To record lease payment		

Lessor:			
B-01-101-000	Cash and Cash Equivalents	1,000	
R-01-XXX-XXX-XXX-093-000	Revenue from Leases or Rentals		1,000
	To record lease revenue		

Financed Purchases – Certificates of Participation (C.O.P.)

ISD X enters into a financed purchase agreement on July 1, 2021. The term of the lease is 10 years, with an option to terminate the agreement. Payments consisting of principal and interest of $10,000 are due on July 1 of each year, beginning on July 1, 2021. The fair market value of the equipment on July 1, 2021 was $87,000. The equipment has a life of 20 years with no salvage value. The district **OWNS** the equipment at the end of the 10th year. (The LEA should locate the amortization schedule in the long-term lease documents.)

Implicit interest rate is 2.832%.

Note: Portions of the lease payment related to maintenance of equipment or office supplies should be coded to the appropriate object codes.

Lessee:		**Debit**	**Credit**
Year 1 – July 1, 2021			
E-01-005-XXX-XXX-535-000	Long-Term Leases or Financed Purchases	87,000	
E-01-005-XXX-XXX-589-000	Long-Term Lease Transactions or Financed Purchases (Other Financing Source)		87,000
	To record the value of the financed purchase		
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)	87,000	
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)		87,000
	To record the financed purchase liability*		

*This should be added to your fixed assets through your district's normal process.

R-01-005-XXX-XXX-001-000	Property Tax Levy		10,000
B-01-101-000	Cash and Cash Equivalents	10,000	
	To record the levy receipt to be used for lease payments		
E-01-005-XXX-XXX-580-000	Principal on Long-Term Lease or Financed Purchases	7,635	
E-01-005-XXX-XXX-581-000	Interest on Long-Term Lease or Financed Purchases	2,365	
B-01-101-000	Cash and Cash Equivalents		10,000
	To record payment of long-term financed purchase interest and principal		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	7,635	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		7,635
	To record the effect of financed purchase		
R-06-005-XXX-791-635-000	Certificates of Participation (Financed Purchase)		87,000
B-06-101-000	Cash and Cash Equivalents	87,000	
	To record receiving the C.O.P. funds for construction		
E-06-XXX-870-791-XXX-000	Expenditures	X,XXX	
B-06-101-000	Cash and Cash Equivalents		X,XXX

To record the construction expenditures

Financed Purchase

ISD X enters into a financed purchase agreement on July 1, 2021. The term of the lease is 10 years, with an option to terminate the agreement. Payments consisting of principal and interest of $10,000 are due July 1 of each year, beginning on July 1, 2021. The fair market value of the equipment on July 1, 2021 was $87,000. The equipment has a life of 20 years with no salvage value. The district **OWNS** the equipment at the end of the 10th year. (The LEA should locate the amortization schedule in the long-term lease documents.)

Implicit interest rate is 2.832%.

Note: Portions of the lease payment related to maintenance of equipment or office supplies should be coded to the appropriate object codes.

Lessee:		**Debit**	**Credit**
Year 1 – July 1, 2021			
E-XX-XXX-XXX-XXX-535-000	Long-Term Leases or Financed Purchases	87,000	
E-XX-XXX-XXX-XXX-589-000	Long-Term Lease Transactions or Financed Purchases (Other Financing Source)		87,000
	To record the value of the financed purchase		
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)	87,000	
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)		87,000
	To record the financed purchase liability*		

*This should be added to your fixed assets through your district's normal process.

E-XX-XXX-XXX-XXX-580-000	Principal on Long-Term Lease or Financed Purchases	7,635	
E-XX-XXX-XXX-XXX-581-000	Interest on Long-Term Lease or Financed Purchases	2,365	
B-XX-101-000	Cash and Cash Equivalents		10,000
	To record payment of long-term financed purchase interest and principal		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	7,635	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		7,635
	To record the effect of financed purchase		

Building Lease – Charter School

Year End	Principal	Interest	Total Payment
6/30/2022	20,947	3,053	24,000
6/30/2023	21,584	2,416	24,000
6/30/2024	22,241	1,759	24,000
6/30/2025	22,918	1,082	24,000

6/30/2026	23,615	385	24,000
Total	**111,305**	**8,695**	**120,000**

Lessee:		**Debit**	**Credit**
Year 1 – Execution of Lease – July 1, 2021			
E-01-005-850-348-535-000	Long-Term Leases or Financed Purchases	111,305	
E-01-005-850-348-589-000	Long-Term Lease Transactions or Financed Purchases (Other Financing Source)		111,305
	To record long-term lease		
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)	111,305	
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)		111,305
	To record the capital lease liability		
E-01-005-850-348-570-000	Principal on Long-Term Building or Land Leases	20,947	
E-01-005-850-348-571-000	Interest on Long-Term Building or Land Leases	3,053	
B-01-101-000	Cash and Cash Equivalents		24,000
	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	20,947	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		20,947
	To record the effect of long-term lease payment		

Year 2 – July 1, 2022		**Debit**	**Credit**
E-01-005-850-348-570-000	Principal on Long-Term Building or Land Leases	21,584	
E-01-005-850-348-571-000	Interest on Long-Term Building or Land Leases	2,416	
B-01-101-000	Cash and Cash Equivalents		24,000
	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	21,584	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		21,584
	To record the effect of long-term lease payment		

Lessor:		**Debit**	**Credit**
B-01-139-000	Long-Term Lease Receivable	111,305	
B-01-237-000	Deferred Inflow of Resources		111,305

Following year:

B-01-101-000	Cash and Cash Equivalents	24,000	
R-01-XXX-XXX-XXX-093-000	Revenue from Leases or Rentals		24,000
B-01-237-000	Deferred Inflow of Resources	20,947	
B-01-139-000	Long-Term Lease Receivable		20,947

Building Lease

Year End	Principal	Interest	Total Payment
6/30/2022	20,947	3,053	24,000
6/30/2023	21,584	2,416	24,000
6/30/2024	22,241	1,759	24,000
6/30/2025	22,918	1,082	24,000
6/30/2026	23,615	385	24,000
Total	**111,305**	**8,695**	**120,000**

Lessee:		**Debit**	**Credit**
Year 1 – Execution of Lease – July 1, 2021			
E-01-XXX-XXX-XXX-535-000	Long-Term Leases or Financed Purchases	111,305	
E-01-XXX-XXX-XXX-589-000	Long-Term Lease Transactions or Financed Purchases (Other Financing Source)		111,305
	To record long-term lease		
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)	111,305	
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)		111,305
	To record the building lease		
E-01-XXX-XXX-XXX-570-000	Principal on Long-Term Building or Land Leases	20,947	
E-01-XXX-XXX-XXX-571-000	Interest on Long-Term Building or Land Leases	3,053	
B-01-101-000	Cash and Cash Equivalents		24,000
	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	20,947	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		20,947
	To record the effect of long-term lease payment		

Year 2 – July 1, 2022		**Debit**	**Credit**
E-01-XXX-XXX-XXX-570-000	Principal on Long-Term Building or Land Leases	21,584	
E-01-XXX-XXX-XXX-571-000	Interest on Long-Term Building or Land Leases	2,416	
B-01-101-000	Cash and Cash Equivalents		24,000

	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	21,584	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		21,584
	To record the effect of long-term lease payment		

Lessor:		**Debit**	**Credit**
B-01-139-000	Long-Term Lease Receivable	111,305	
B-01-237-000	Deferred Inflow of Resources		111,305
Following year:			
B-01-101-000	Cash and Cash Equivalents	24,000	
R-01-XXX-XXX-XXX-093-000	Revenue from Leases or Rentals		24,000
B-01-237-000	Deferred Inflow of Resources	20,947	
B-01-139-000	Long-Term Lease Receivable		20,947

Lease Liability – Equipment

Year End	Principal	Interest	Total Payment
6/30/2022	20,947	3,053	24,000
6/30/2023	21,584	2,416	24,000
6/30/2024	22,241	1,759	24,000
6/30/2025	22,918	1,082	24,000
6/30/2026	23,615	385	24,000
Total	**111,305**	**8,695**	**120,000**

Lessee:		**Debit**	**Credit**
Year 1 – Execution of Lease – July 1, 2021			
E-01-XXX-XXX-XXX-535-000*	Long-Term Leases or Financed Purchases	111,305	
E-01-XXX-XXX-XXX-589-000*	Long-Term Lease Transactions or Financed Purchases (Other Financing Source)		111,305
	To record long-term lease (present value)		
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)	111,305	
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)		111,305
	To record the long-term lease liability		

*This should be added to your fixed assets through your district's normal process.

E-01-XXX-XXX-XXX-580-000	Principal on Long-Term Lease or Financed Purchases	20,947	
E-01-XXX-XXX-XXX-581-000	Interest on Long-Term Lease or Financed Purchases	3,053	
B-01-101-000	Cash and Cash Equivalents		24,000

	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	20,947	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		20,947
	To record the effect of long-term lease payment		

Year 2 – July 1, 2022		**Debit**	**Credit**
E-01-XXX-XXX-XXX-580-000	Principal on Long-Term Lease or Financed Purchases	21,584	
E-01-XXX-XXX-XXX-581-000	Interest on Long-Term Lease or Financed Purchases	2,416	
B-01-101-000	Cash and Cash Equivalents		24,000
	To record payment of long-term lease		
B-99-254-000	Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs)	21,584	
B-99-152-000	Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs)		21,584
	To record the effect of long-term lease payment		

Note: To record long-term leases for computers or technology related hardware, use Object codes 560/561 to record the principal and interest, instead of Object codes 580/581.

Lessor:		**Debit**	**Credit**
B-01-139-000	Long-Term Lease Receivable	111,305	
B-01-237-000	Deferred Inflow of Resources		111,305
Following year:			
B-01-101-000	Cash and Cash Equivalents	24,000	
R-01-XXX-XXX-XXX-093-000	Revenue from Leases or Rentals		24,000
B-01-237-000	Deferred Inflow of Resources	20,947	
B-01-139-000	Long-Term Lease Receivable		20,947

Health Benefits for Retirees Reporting

Modified from School Business Bulletin No. 11, August 1999

Health Benefits (Finance Code 796) – Check your expenditure accounts and finance crosswalk for proper usage. Districts may lose or have their levy authority reduced, if Finance 796 expenditures are used improperly. Finance 796 tracks the health benefits levy cost of a district associated with the FY 1992 early retirement program. Your expenditure amount should be close to the estimated levy authority requested via the Summer Levy Reporting system. Instructions are located on the MDE website under Districts, Schools and Educators > Business and Finance > School Finance > Levy Certification Process. Contact Jan Carlson at janice.carlson@state.mn.us or 651-582-8342 if you have questions.

Note: Check your district levy certification for missing or negative amounts!

Indirect Costs Chargeback Object 895

Modified from FAI 104.26

District reimbursements for federal indirect costs (for grants that allow indirect cost reimbursement) **must** use the indirect cost chargeback code 895 for fiscal year end reporting. Districts not using this code will not receive reimbursement from federal programs providing reimbursement for these costs. **Object 895 expenditures must net to zero.**

Example:	DR	CR
E-01-XXX-XXX-000-4XX-895	$1,500.00	
E-01-005-1XX-000-000-895		$1,500.00

Interest Allocation Reminder

School Business Bulletin No. 36, April 2008

Revenues must be recorded in the period received and posted to the appropriate fund, including tax receipts. Districts should not wait until the end of the year to transfer cash balances to the appropriate fund. They should record revenues into the proper fund upon receipt of the tax settlement report. The general ledger cash balances should reflect accurate cash balances by fund throughout the year. Interest earned should be spread accordingly to the appropriate fund as well. This accounting treatment is guided by Minnesota Statutes, section 123B.75, subd.2 which states:

Except as provided in this section, revenues must be recorded in a manner which clearly indicates that they are applicable to a specific accounting period and fund.

If you have questions on this program, please contact the MDE Financial Management Team.

IPads, Other Tablets and E-Reader Finances

Minnesota School Boards Association (MSBA) – Management Services Newsletter, October 24, 2013
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THE FINANCES OF iPADS, OTHER TABLETS, AND E-READERS – by Cathy Miller, MSBA Director of Legal and Policy Services

One of the trends in school districts across the state is to equip their teachers and students with iPads, other electronic tablets, or electronic readers (for simplicity, these technological wonders will hereinafter be referred to collectively as “e-devices”). While this new technology offers exciting opportunities for education, the decision whether to take the digital leap may turn on finances. MSBA wants to raise some cautions – not to dampen the excitement over the possibilities e-devices bring to education but to make sure legal and good decisions are made by its member school districts.

These new e-devices are so popular for so many reasons that districts may be tempted to charge a fee to each student who gets an e-device. Parents may not complain about the fee because they can see the benefits to their children, but a fee may be illegal anyway. If an e-device is a substitute for one or more textbooks or used for similar purposes, MSBA’s position is that districts cannot charge a fee for its use. The statute addressing prohibited fees (M.S. 123B.37) prevents schools from charging for textbooks. While the statute does not specifically include e-devices, if the information formerly obtained from a paper textbook is now obtained from text on an e-device, MSBA does not believe a school district can charge a fee for that content just because the means of delivery has changed. Perhaps a successful argument can be made that a fee for an e-device which delivers textbook content does not violate the letter of the law; however, charging such a fee certainly violates the spirit of this law.

Even if students are allowed to keep the e-devices, Minnesota law does not state the school district may charge for them. If students have the option to keep "the resultant product" of a program, schools may charge a fee pursuant to M.S. 123B.36, subd. 1(b)(1). Because an e-device is not "the resultant product" of a class, even if a student is allowed to keep it, this provision does not allow school districts to charge the students. MSBA does not think school districts can allow students to keep the e-devices for free either (see the discussion about disposition of surplus equipment that follows).

School districts may charge a security deposit for return of an undamaged e-device. This deposit must be returned when the e-device is returned. School districts can offer insurance for a fee to cover repair or replacement of a damaged or lost e-device. However, insurance must be an option rather than a mandate. Parents may choose to take the risk of repair or replacement of the e-device without insurance.

Before any of these new fees are charged for the first time, a hearing is required by M.S. 123B.38 because the fees for security deposits or insurance fees are fees "not authorized or prohibited" by M.S. 123B.36 and M.S. 123B.37, respectively.

School districts are often required to offer a sliding scale for fees to accommodate families without the ability to pay those fees. The security deposits and insurance fees for e-devices likely would be examined the same way. Public education is available to all resident children, and the constitutional principle is public education is paid for by the government (federal, state, and local), not by individual families through tuition or fees.

MSBA also receives questions about purchasing e-devices. The most important caution is to remember the bid law. If a purchase is over $100,000, the sealed bid process must be used; if over $25,000 and up to $100,000, two or more quotations must be sought and direct negotiations used (or the sealed bid process may be employed); if $25,000 or less, the purchase may be made on quotation in the open market.

A state contract may exist for specific types of technology and is an option worth exploring. If a state contract is available, that contract serves as an exception to the bid law.

The bid law applies not only to the purchase of equipment but also to its disposition once the school district determines the equipment it owns has reached the end of its useful life. The school district must declare the equipment to be surplus and follow the bid law requirements noted above for the value of the surplus equipment. School boards also have a fiduciary responsibility to get the best price for surplus equipment, so these items cannot simply be given away. While an exception exists for "a surplus school computer and related equipment," e-devices may or may not fit that exception (see M.S. 123B.52, subd. 6). Even if this law does apply to e-devices, it only allows "giveaways" in the following limited circumstances: to another school district; to the state department of corrections; to a Minnesota state college or university; or to a resident student's family whose income meets the federal poverty definition.

For school districts that may be taking or considering approaches to the financing of e-devices that are different from the recommendations in this article, MSBA strongly encourages them to obtain a written, legal opinion from their legal counsel before proceeding further. A little caution now may circumvent many problems later.

Note: As of August 1, 2018, the State's bid law statute increased the threshold from $100,000 to $175,000.

Note2: Surplus school computers and related equipment can also be disposed to a charitable organization under section 501(c)(3) of the Internal Revenue Code that is registered with the attorney general's office for educational use. See M.S. 123B.52, subd. 6.

Isolated Districts Report

Modified from School Business Bulletin No. 60, January 2017

The Minnesota Department of Education (MDE) recently posted a new report for the 2015-16 school year called

"Isolated Districts Report" to the Student category of the Minnesota Funding Reports (MFR) website. This report shows the data and calculations used to identify isolated districts and the determination of eligibility for Achievement and Integration Revenue for FY 2017. The report does not include charter schools because they are not eligible for Achievement and Integration Revenue and do not have contiguous districts.

The report was recently re-written as a mainframe application for our own internal purposes but which allowed us to post every districts' data and not just those districts that qualify for the revenue. A list of the districts that currently receive Achievement and Integration Revenue is posted to Districts, Schools and Educators > School Achievement > Achievement and Integration Program. The Integration Revenue Report is also posted to MFR under Aid Entitlement Reports. Districts in which the percentage of total protected class students exceeds that of any contiguous district by at least 20 percentage points are considered isolated and are required to develop an Achievement and Integration Plan with the identified neighboring district. These districts are identified on the "Isolated Districts Report" with an asterisk (*) next to the district's name. All contiguous districts are eligible to participate in the plan and generate the revenue.

There is nothing that districts need to do with the "Isolated District Report." The report shows the final October 1, 2015 enrollment. A report for October, 2016 enrollments will be posted in January for the 2016-17 school year and for revenue for FY 2019. However, if a district is curious as to how close it is to becoming eligible for Achievement and Integration Revenue, the report will provide the data for each contiguous district.

Contacts: mde.integration@state.mn.us for more information about the Achievement and Integration program and budget.

Jan Carlson at 651-582-8342 for information on Achievement and Integration Revenue.
Kelly Wosika at 651-582-8855 for information on the enrollment used in the report.

Library Media Center Expenditure Reporting

Modified from School Business Bulletin No. 42, August 2009

Library media center expenditure definitions were revised starting with the 07-08 reporting period in conjunction with an annual report that the librarians began submitting to State Library Services, the state library agency division within MDE. The report, which includes the comprehensive reading achievement scores, will help school library media staff assess the strengths and weaknesses of their programs. The financial data for each school will be provided in the report in four categories: Salaries, Benefits, Library Materials and All Other. Based on reviewing the 07-08 expenditures, Financial Management recommends keeping the following broad guidelines in mind when submitting the 08-09 expenditures for library media centers (620).

1. Instructional and support wages and benefits should mirror the library media center FTE. For example, if a library media specialist works half time in the library and half time teaching English, the salary in the 620/143 object code should be only the salary for time worked in the library media center.

2. Only expenditures for materials that are stored in or lent by the library should be placed in the 620/470 Object Code. Textbook purchases or items stored in a classroom should not be included here.

   Note: Include database expenditures in the 470 Object Code even if the students can access the database in the classrooms or remotely.

   Note: Professional materials for use by faculty and staff and housed in the library should be included in 470.

3. Enter expenditures for equipment and supplies that will be used in or lent by the library or library computer labs in the various object codes under 620.

Note: A mobile computer lab, i.e. computers on a cart that are taken to classrooms, is classified as library equipment if the library has the responsibility for the mobile computer lab.

The 07-08 library expenditures along with the 07-08 data the librarians submitted will be available via an online database to the librarians in early September. Each school will be listed individually. District-wide expenditures will be included to provide comprehensive financial information. The database has functions to make peer comparisons, store queries and create a permanent grouping of a district's schools.

As the library media center report becomes routine, the school librarians will have earlier access to the data. The 08-09 output measures reported by the librarians, such as staffing, circulation, student assistance, and the reading achievement scores will be uploaded in October 2009. The 08-09 financial data will be uploaded in March 2010, depending on when MDE Financial Management releases the data.

If you have questions on this program, please contact the MDE Financial Management Team.

Line of Credit

FAI 104.15

Districts are permitted to have a line of credit with a financial institution for short term borrowing purposes. The amount of the credit is limited to 95% of the average monthly operating expenditures in the previous fiscal year.

The amount borrowed must be repaid within 45 days. The benefit to this change over issuing warrants is that the financial institution and the public more easily understand credit lines. A credit line is easier to administer and more flexible than warrants.

Literacy Incentive Aid and Small Schools Revenue

Modified from School Business Bulletin No. 48, June 2012 and MN Statute 124D.98

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.

Effective with the FY 2023 school year, MN Statute 124D.98, subd.5 states a school district must use its literacy incentive aid to support implementation of evidence-based reading instruction. The following are eligible uses of literacy incentive aid:

(1) training for kindergarten through grade 3 teachers, early childhood educators, special education teachers, reading intervention teachers working with students in kindergarten through grade 12, curriculum directors, and instructional support staff that provide reading instruction, on using evidence-based screening and progress monitoring tools;
(2) evidence-based training using a training program approved by the Department of Education;
(3) employing or contracting with a literacy lead, as defined in section 120B.1118;
(4) materials, training, and ongoing coaching to ensure reading interventions under section 125A.56, subdivision 1, are evidence-based; and
(5) costs of substitute teachers to allow teachers to complete required training during the teachers' contract day.

Literacy Aid estimates will be posted to the School Finance section of the MDE website under: MDE > Districts, Schools and Educators > Business and Finance > School Finance > Funding Projections and Trends. Initial estimates of aid entitlement will be loaded to IDEAS in July 2012.

Districts must submit its local literacy plan to the commissioner as authorized in MN Statutes 120B.12, subdivision 4(a). Submission of the plan is a condition of receiving proficiency and growth aid (Minn. Stat. 124D.98).

Literacy Incentive Aid Accounting – New FY 2024:

- Finance 312
- Source 300
- Restricted/Reserved Fund Balance 412

Small Schools Revenue

Small Schools Revenue, a new FY 2013 component of general education revenue formula provides that a school district, not including a charter school, is eligible (Minnesota Statutes, section 126C.10). Refer to the General Education Aid WhatIf/Interactive Projection Model spreadsheet for calculation details.

Small Schools Revenue Accounting:

- New component of general education revenue
- Finance 000, Source 211
- Revenue is unrestricted, no reserve requirement

Literacy Incentive Aid for Fiscal Year (FY) 2024

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Funding Projections and Trends, November 20, 2023

Literacy Incentive Aid is calculated by school site using third and fourth grade test results averaged from the previous three test administrations. The COVID-19 outbreak disrupted the statewide assessments during the 2019-2020 school year that would have been included in the FY 2024 Literacy Incentive Aid calculations. Normally the tests administered in 2021, 2022 and 2023 would have been used to calculate the average third grade proficiency and fourth grade growth percentages for FY24 aid. There were no testing results for 2020, and Minnesota Session Laws – 2020, Regular Session: Article 3, Subd. 8 excludes 2020 from the Literacy Incentive Aid calculations.

The FY24 third grade aid calculation is based on three-year average proficiency percentages for tests administered in the 2021, 2022 and 2023 school years with updated October 1, 2022, enrollment counts.

The FY24 fourth grade calculation is based on three-year average growth percentages using tests administered in the 2019, 2022 and 2023 school years with updated October 1, 2022 enrollment counts. No growth calculation was possible for 2021 because there were no testing results for 2020.

The FY24 revenue is based on the statutory $530 allowance. Minnesota Session Laws – 2020, Regular Session: Article 3, Subd. 8, now expired, allowed the commissioner to adjust the per pupil allowance amount from $530 to an amount that ensured that Literacy Incentive Aid did not fall below the February 2020 forecast amount. The Literacy Incentive Aid allowance for FY22 and FY23 were $586.21 and $597.23, respectively.

Literacy Incentive Aid is contingent on districts and charter schools submitting a Read Well by Grade Three local literacy plan by July 1 under Minnesota Statutes, section 120B.12, subdivision 4a. Historically, there have been some districts and charter schools that do not submit a plan and, therefore, forfeit their calculated Literacy Incentive Aid. A link to the submission application as well as instructions and an FAQ are provided on the Read Well K-3 Data and Plan Upload page. Please note: The READ Act legislation went into effect on July 1, 2023 and replaces the RWBTG legislation. More information can be found on the MDE READ Act webpage.

Report Literacy Incentive AID revenue under UFARS 01-005-XXX-312-300-000. See UFARS manual for expenditure coding. See the statute below for allowable uses for Literacy Incentive Aid.

Minnesota Statutes, section 124D.98, subdivision 5 includes the following eligible uses of Literacy Incentive Aid:

(1) training for kindergarten through grade 3 teachers, early childhood educators, special education teachers, reading intervention teachers working with students in kindergarten through grade 12, curriculum directors, and instructional support staff that provide reading instruction, on using evidence-based screening and progress monitoring tools;
(2) evidence-based training using a training program approved by the Department of Education;
(3) employing or contracting with a literacy lead, as defined in section 120B.1118;
(4) materials, training, and ongoing coaching to ensure reading interventions under section 125A.56, subdivision 1, are evidence-based; and
(5) costs of substitute teachers to allow teachers to complete required training during the teachers' contract day.

MARSS Reporting for Children Awaiting Foster Care Based on Changes in the Every Student Succeeds Act (ESSA)

Condensed and Modified from School Business Bulletin No. 60, January 2017

The McKinney-Vento Homeless Assistance Act (McKinney-Vento Act) was amended by the Every Student Succeeds Act (ESSA) on December 10, 2015. One of the key provisions is that "children awaiting foster care" was removed from the definition of "homeless children and youths". Under this provision, schools cannot use McKinney-Vento funds to serve children and youth who are in and awaiting foster care. Districts will no longer be able to access state special education funds that have been available to cover the additional costs of transporting students awaiting foster care to their school of origin. This affects students initially placed for foster care on or after December 10, 2016. Students that are awaiting foster care before December 10, 2016 would be eligible to generate Special Education Aid to cover their additional transportation cost until the end of the school year. However, students that are awaiting foster care on or after December 10, 2016 would not be eligible to generate Special Education Aid for transportation. No special education transportation dollars will be available for children awaiting foster care beginning in the 2017-2018 school year. This does not relieve a district's obligation to provide transportation to the school the children were enrolled at the time of placement. See **Note** below.

ESSA provides that Local Education Agencies (LEAs) receiving Title IA funds collaborate with state or local child welfare agencies on local procedures for transportation for students in foster care. Child welfare agencies must ensure that children placed in foster homes or awaiting foster care stay in the school in which the children were enrolled at the time of placements (unless it is not in their best interest to do so). Therefore, LEAs and child welfare agencies should work together to ensure that school transportation is provided when needed.

Can Title, Part A homeless set-aside funds be used to fund transportation for homeless children?
The Every Student Succeeds Act (ESSA) authorizes the use of Title I, Part A funds for transportation to the school of origin for homeless children and youth for costs of transportation if other state and local funding sources are exhausted. Title IA funds can also be used to help fund other kinds of transportation, such as transportation to early childhood education programs, extra-curricular activities and academic enrichment services for homeless children and youth. However, Title I, Part A funds cannot be used for transportation of children in or awaiting foster care.

Title IV-E Dollars
Federal child welfare reimbursement dollars are available to assist with transportation. To be eligible for Title IV-E reimbursement, the child must meet all eligibility requirements under Title IV-E of the Social Security Act for foster care, including that the child has been:

- Removed from an income-eligible home pursuant to a voluntary placement agreement or as a result of a judicial determination that continuation in the home would be contrary to the welfare of the child,
- Placed in the care of the child welfare agency, and
- Placed with a licensed foster family home or in a licensed child-care institution.

These costs can be reimbursed for Title IV-E eligible children in the following ways by:

- Including transportation in a child's Minnesota Assessment of Parenting for Children and Youth (MAPCY), the assessment that calculates the foster care maintenance payment to the foster parent for the care of the child.
- Making a separate payment for a child's transportation costs to foster parents through mileage reimbursement or gas cards.
- Making separate payments to another provider, such as the local school district or third party provider.
- Paying for public transportation through the use of bus cards.

Program Guidance: Districts and charter schools should seek other resources to cover their transportation expenditures for transporting students in foster care or awaiting foster care. Local counties may have funds available.

Other Provisions: Students in foster care or awaiting foster care continue to be eligible for free meals, Title I services before and after the December 10, 2016 change.

Contact Information: If you have questions or need further information, contact:
Kelly Garvey, MDE Student Transportation Specialist, 651-582-8524
Roberto Reyes, MDE State McKinney Vento Homeless Coordinator, 651-582-8302
Tara Chapa, MDE Student Accounting Specialist, 651-582-8439

Note: The Minnesota 2017 Legislative Session amended Minnesota Statutes, section 123B.92. Districts are able to access state special education funds to cover the additional costs of transporting students in a shelter care facility to their school of origin. This affects students initially placed for foster care on or after December 10, 2016. These students were removed from the federal definition of homeless effective December 10, 2016. This law is retroactive to December 10, 2016, so that these students remain eligible for transportation funding under Special Education Aid. See the MARSS Memo dated June 12, 2017 for additional information.

Notices of Residents Enrolled Elsewhere

MARSS Memo, December 14, 2020

Minnesota Statutes, section 127A.47, subdivision 5, requires school districts and charter schools to share lists of nonresident students served with the resident districts.

> *A district educating a pupil who is a resident of another district must notify the district of residence within 60 days of the date the pupil is determined by the district to be a nonresident, but not later than August 1 following the end of the school year in which the pupil is educated.*

The local MARSS 03 Nonresident Report was designed to help districts exchange uniform information.

In many cases with the posting of MARSS Web Edit System (WES) statewide reports, the MDE facilitates this process by posting MARSS 31 Residents Served Elsewhere reports after each fall MARSS reporting deadline and after most of the year-end MARSS reporting deadlines. MARSS 31 is a list of resident students reported by another district or charter school and provides basic enrollment information to the resident district. Therefore, when a district or charter school submits MARSS enrollment data files with the first statewide reporting deadline, the MARSS 31 that is posted will be within two months of enrollment for most students who started the school year at the nonresident district or charter school. Students who enroll in the nonresident district or charter school during the last two months of the school year will be included on a MARSS 31 report starting in May. For these students, a separate notice to the resident would not be necessary.

For a school that starts prior to Labor Day or does not submit files for the initial fall statewide deadline, the span between the student's enrollment and the posting of the MARSS statewide reports may be unacceptable. Also, for students who enroll after the final fall MARSS submissions, no MARSS 31 will be posted until May. To meet the intent of the statute, districts and charter schools that enroll nonresident students who are not posted to a MARSS 31 within a reasonable time frame of the student's enrollment, because of MARSS reporting timelines, must continue to provide a copy of the MARSS 03 Nonresident Report to the resident district.

Exemptions
The above procedure does not replace the student acknowledgement for tuition billing that a nonresident district or charter school must provide the resident district for students with an individualized education program (IEP). A signed acknowledgement is required to confirm agreements for the education of students with disabilities receiving instruction. The Special Education Student Acknowledgement that schools may use is necessary for the resident district to verify that the student is a resident of their district.

Note: Beginning in FY 2018, if a resident district notifies the department after August 1, with documentation that they have contacted the serving district and have been unable to get a *Special Education Student Acknowledgement*, the department will permanently block the student from tuition billing. (Blocking the student will result in the unreimbursed cost of providing special education services **not** to be billed to the resident district through Special Education Tuition Billing.)

A serving district is still required to notify the resident district within 15 days of enrolling a student placed for treatment.

Minnesota Statutes, section 127A.47, subdivision 6. State agency and court placements.

> *If a state agency or a court of the state desires to place a child in a district that is not the child's district of residence or to place a pupil who is a parent under section 120A.22, subdivision 3, in a school district which is not the school district in which the pupil's biological or adoptive parent or designated guardian resides, that agency or court must, before placement, allow the district of residence an opportunity to participate in the placement decision and notify the district of residence, the district of attendance and the commissioner of the placement decision. When a state agency or court determines that an immediate emergency placement is necessary and that time does not permit district participation in the placement decision or notice to the districts and the commissioner of the placement decision before the placement, the agency or court may make the decision and placement without that participation or prior notice. The agency or court must notify the district of residence, the district of attendance and the commissioner of an emergency placement within 15 days of the placement.*

A Notification of Change in Student Enrollment form is still needed to assure that the MARSS State Reporting Number follows the student and to notify the prior enrolling district of the date the student enrolled in the new district or charter school.

The Statewide Enrollment Options Form, which is completed by the student's parent/guardian when there is a parent-initiated request to attend a nonresident district, is also still needed. The nonresident district must notify the resident district by March 15 (or 30 days after initial receipt if the form is filed after January 15) of the student's intent to enroll, under Minnesota Statutes, section 124D.03.

This change in procedure also does not replace the Parent Initiated Agreements Between School Boards, Minnesota Statutes, section 124D.08, subdivisions 1 and 2.

124D.08 School Boards' Approval to Enroll in Nonresident District.
Subdivision 1. Enrollment exception.

> *A pupil may enroll in a district of which the pupil is not a resident under this section.*

Subdivision 2. Board approval.

> *The pupil's parent or guardian must receive the approval of the board of the nonresident district and the board of the resident district. The nonresident board shall notify the resident board of the approval.*

A district or charter school should always stand ready to provide a MARSS 03 Nonresident Report to the resident district upon request.

If you have questions on MARSS reporting, contact MARSS (marss@state.mn.us).

If you have questions on Special Education Tuition Acknowledgments, contact Special Education Funding (mde.spedfunding@state.mn.us).

Online Learning (OLL) Programs – Enrollment in Comprehensive and Supplemental

MARSS Memo, July 21, 2023

When a student enrolls in a comprehensive Online Learning (OLL) program, no other district has access to revenue for the student, like a student who open enrolls to a neighboring district. If a student enrolled in a comprehensive OLL program wants to take one or two classes at the resident district, there is no state funding available to the resident district. The resident district is not obligated to provide additional instruction to a student enrolled elsewhere. However, the resident district can request a tuition agreement with the OLL program. The OLL program is not obligated to honor the tuition request, but it can if it chooses. Only the OLL program reports the student on MARSS, including all of the instructional time it either provides or pays for through a tuition agreement (not to exceed 100 percent enrolled).

If the OLL program denies the tuition request, the resident district can deny the student the class, charge the family tuition, or provide the instruction free of charge. In these situations, the resident district does not report the student on MARSS because the student is already enrolled in an OLL program.

Students may access supplemental OLine Learning (OLL) courses from a Minnesota state-approved Supplemental OLL program. Use the *Online Learning (OLL) Supplemental Notice of Student Registration* form to document how the student's course will be paid.

When the enrolling school pays for the supplemental OLL course, the school reports the student on MARSS for the time the student is required to attend at the school site, plus the equivalent number of hours each supplemental OLL course would have generated in a seat-based setting at the high school (not to exceed 100 percent).

When MDE pays Supplemental Online Learning (OLL) aid for the student's supplemental OLL course, the enrolling school reports the student on MARSS for the time the student is required to attend at the school site, and teh approved Supplemental OLL program reports the course completion to MDE outside of MARSS.

However, a student who is enrolled in a traditional school has access to supplemental OLL courses from a Minnesota state-approved OLL program. Use the *Online Learning (OLL) Supplemental Notice of Student Registration* form to document how the student's courses will be paid for. Find a copy of the form on the Online Learning page.

In either case, the supplemental OLL program does not report the student on MARSS.

For more information and resources, visit the MDE Online Learning Providers webpage.

If you have questions, contact Becky Wochnick (becky.wochnick@state.mn.us).

OPEB Pay-As-You-Go Levy

MDE UFARS Manual – Finance Chapter

Finance 797 OPEB Pay-As-You-Go Levy (Funds 01, 02 and 04) – Record levy revenue under the authority of Minnesota Statutes, section 126C.41, subdivision 2(b), and related annual disbursements for other postemployment benefit (OPEB) costs, including the implicit rate subsidy, for retired employees under qualifying contracts, not funded with another levy source. Use only with Object Code 291. Refer to *Chapter 13* for additional OPEB accounting instructions.

The OPEB pay-as-you-go Levy authority will be adjusted for actual expenditure data. OPEB costs may qualify for levy authority under the health benefits levy, annual OPEB levy, various severance levies, or OPEB bonding authority. The district can receive levy revenue only once for any specific cost. If levy authority is received under a provision other than the OPEB pay-as-you-go levy for the costs described above, these costs should not be coded Finance Code 797 (Minn. Stat. 126C.41, subd. 2(b)).

OPEB Pay-As-You-Go Levy Accounting Information:

- Use with Finance 797.
- Only use with Object 291.
- Sunset clause required. May be by contract group.
- Districts with OPEB bonds require net OPEB liability. Additional information is needed to determine allowed annual levy amount.

Payments in Lieu of Taxes (PILT)

MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter and Modified MDE Memo, July 31, 2018

Finance 176 Payments in Lieu of Taxes (PILT) (Fund 01) – This code is used to record all **federal** revenues and expenditures of PILT. PILT are payments to local governments that help offset losses in property taxes due to non-taxable **federal** lands within their boundaries. (34 C.F.R. § 200.35 (a)(i)(B)(2)). To record the revenue, use Source Code 019, Miscellaneous Tax Revenues Paid by County. This finance code is used to identify revenues and expenditures against Balance Sheet Code 476, Restricted for Payments in Lieu of Taxes (PILT).

Balance Sheet Account 476 Restricted for Payments in Lieu of Taxes (PILT) (Fund 01) – Represents the unspent resources available from the PILT funds. All activity in this account must be related to Finance Code 176 (ALN No. 84.041 Elementary and Secondary Education Act (ESEA), P.L. 107-110) as reauthorized under the Every Student Succeeds Act (ESSA). *This restricted balance sheet account is not allowed to go into deficit.*

The county needs to notify the school district of the amount of PILT money that is federal versus state. State PILT funds should not be recorded in Finance Code 176. PILT funds can be spent in any manner allowed in the General Fund.

Policy for Making State Aid Adjustments

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > MARSS Student Accounting, July 1, 2019

A. Background – There are two statues that govern state aid adjustments for school districts. A specific 1977 law, amended in 2015, (Minn. Stat. § 127A.49, subd. 1), sets a time limit and criteria for aid adjustments. A more general 1979 law (Minn. Stat. § 127A.41, subd. 2) authorizes the commissioner of education to make adjustments and sets the manner in which adjustments are to be implemented. An attorney general review and opinion was requested on two occasions in FY 1981 to assist the Minnesota Department of Education (MDE) in the interpretation and administration of the aid adjustment statutes.

B. MDE – Based on the relevant state laws and subsequent interpretations, the MDE policy for making aid adjustments, whether positive or negative, is summarized below (also see the following table):

1. Adjustments are approved for all affected districts in all cases, regardless of the source or origin of the incorrect district data, when the incorrect data are corrected by the statutory deadline of December 15 in the following fiscal year.

Note: In cases when MDE provides data confirmation reports or processes final aid payments and provides aid entitlement reports for district review after December 15, the timeline for correcting district data is extended a reasonable time. In these cases, MDE will notify districts of the due date.

2. In cases where timelines for correcting district data has expired, aid adjustments are:
   a. Approved for all affected districts when the incorrect district data or aid entitlement is due to incorrect reporting of another district(s) or to MDE processing or computation errors.
   b. Denied for all affected districts when the district has failed to correct its data after reviewing data confirmation or aid entitlement reports provided by MDE. In denying an aid adjustment, MDE is to provide the district with the rationale for the denial. The rationale may be that MDE has provided adequate reporting instructions and procedures for verifying and correcting the reported data.

   Note: In cases where the source or origin of a district's incorrect data is unknown or is in dispute, an aid adjustment is approved when the facts indicate that another district(s) or MDE most likely contributed to the problem (for example, a confirmation report was not provided to the affected district), and is denied when the facts indicate that the district most likely contributed to the problem (for example, the affected districts failed to correct the data when a confirmation report was provided by MDE).

3. School districts may make corrections to the MARSS and UFARS data submissions within the regular reporting timelines and due dates specified for each data report or submission. If the need for correcting district data occurs after all reporting timelines have expired, including the December 15 statutory date, the procedure is to **submit a written request stating the specific facts and other circumstances relating to the data reporting problems to Denise Anderson, CFO** (Minnesota Department of Education, 400 NE Stinson Blvd., Minneapolis, MN 55413). Include a discussion of each of the following:
   a. Describe the error.
   b. Describe how the error occurred.
   c. Describe why the error could not have been corrected within the reporting timeline.
   d. Describe what steps the district or school has since taken to assure future data submissions are complete and accurate within the reporting timelines.
   e. For an appeal of UFARS, provide a letter from the external CPA firm detailing and approving the adjustments and stating the effect the adjustments will have on the audited financial statements.

   A project team of relevant MDE staff will review the information provided and approve or deny the request based on this aid adjustment policy. The district will be notified in writing of the final decision.

4. When changes in student data are approved, the programs for which aid entitlements are to be recomputed must include general education. The state aid for this program is directly related to student counts and the formula allowances are significant. Categorical aid programs with smaller formula allowances are also considered for adjustment when the district's total program revenue amount (aid and levy) is affected and the adjustment amount is material in terms of generally accepted accounting principles. Approved changes in finance data will result in adjustments to state aid for the affected programs.

5. Appeals will be handled on a case-by-case basis. Exceptions to this policy may be approved by the commissioner based on unique circumstances, including, but not limited to, the timing of the appeal, extraordinary factors contributing to the need for a late data change, corrective actions implemented by the district to avoid future late reporting, and the materiality of the fiscal impact on the district.

MDE Policy for Making State Aid Adjustments
Related to Changes to Student Data (MARSS) and Finance Data (UFARS)
Effective Beginning FY 1994

	Original Error Made by Affected District	Original Error Made by Another District	Original Error Made by MDE	Original Error Made By Unknown or In Dispute
Affected district corrects data via confirmation report or other means by December 15	Approve for all affected districts	Approve for all affected districts	Approve for all affected districts	Approve for all affected districts
Affected district fails to correct data via confirmation report or other means by December 15	Deny for all affected districts	Approve for all affected districts	Approve for all affected districts	Approve or deny based on facts in each case

For more information, contact mde.funding@state.mn.us.

Postsecondary Enrollment Options (PSEO) Data Guide

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Postsecondary Enrollment Options (PSEO), January 2022

Minn. Stat. § 124D.09 provides guidance relating to Postsecondary Enrollment Options (PSEO). Students in grade 10, 11 and 12 may simultaneously earn high school and postsecondary credit at state-approved postsecondary institutions (PSIs). In some circumstances, students in grades 9 and 10 may earn high school and postsecondary credit at state-approved PSIs.

PSEO Programs Include:

- PSEO
- Courses According to Agreement (CAA)
- Concurrent Enrollment (CE)
    - College in the Schools

There are two ways payment is made for PSEO programs. The Minnesota Department of Education (MDE) pays the tuition or the courses are according to an agreement where the districts pay the tuition.

MDE has created a flow-thru chart showing how each program operates. It can be found at https://education.mn.gov/MDE/dse/schfin/pseo/.

Quality Compensation (Q Comp) Finance Code 335

Modified from School Business Bulletin No. 63, November 2018

Quality Compensation – Alternative Teacher Professional Pay System, Finance Code 335, revenues can be split between Fund 01 and Fund 04 based upon actual expenditures in Fund 04. The journal entry will be a transfer from Fund 01 to Fund 04, the amount dependent upon Fund 04 expenditures.

Debit:	01-005-XXX-335-910-000	$X.XX	
Credit:	04-005-XXX-335-649-000		$X.XX
Debit:	04-101-XXX	$X.XX	
Credit	01-101-XXX		$X.XX

Note: Based on a follow-up email with MDE on December 13, 2018, this transfer transaction does not need Board approval.

Quality Compensation (Q Comp) Program Funding Update

Modified from MDE > Districts, Schools and Educators > Educators, Administrators and Staff > Teacher Development and Evaluation (TDE) and Q Comp > Q Comp/Alternative Teacher Professional Pay System > Implementation, August 16, 2021

As you may be aware, Q Comp funding is capped at $88,118,000 for Fiscal Year 2022 and beyond. (See **Note** below.) Under Minnesota Statutes, section 122A.415, subdivision 4, the Minnesota Department of Education (MDE) is required to prorate Q Comp basic aid so as not to exceed the cap. In an effort to stay under the funding cap, MDE has not approved new school districts, charter schools or intermediate/cooperative districts for funding after school year 2016-17.

Despite limiting application approval and attempting a legislative fix, Q Comp basic aid for funded districts and schools continues to exceed the cap due to enrollment growth and, as a result, the basic aid will need to be prorated.

Basic aid calculation for school districts and charter schools is based on previous years' enrollment as of October 1 (e.g., October 1, 2020 enrollment for Fiscal Year 2021-2022 Q Comp revenue). Since the Q Comp funding formula is different for school districts, charter schools and intermediate/cooperative districts, the basic aid proration will have a different impact on each of these groups, as is outlined in later sections of this memo. Please refer to program-specific information below.

A spreadsheet showing the current estimate of the impact of basic aid proration on school districts, charter schools, and cooperative/intermediates is available on the Q Comp webpage. As more information is received throughout the fiscal year, MDE will continue to refine the proration percentage as well as the charter school per pupil enrollment amount. Please note that while the spreadsheet and estimates for proration are outlined for the current fiscal year, this issue is expected to change over time as enrollment counts fluctuate and a new spreadsheet will be posted annually to outline the most current proportion.

Since Q Comp funding is categorical revenue and carry-over funding remains with the program for future years, Districts/Charters/Intermediates/Cooperatives may use carryover funds from previous fiscal years when the district did not spend all of their revenue to help bridge the gap caused by this proration. In addition, MDE encourages all participants to annually review their plan and budget to identify necessary changes, which can then be submitted as part of the Program Update process (due no later than August 31).

For questions on Q Comp aid, levy and revenue calculations and timing, please contact Jason Reil at jason.reil@state.mn.us or 651-582-8866. For questions or further information on the impact of proration on the Q Comp budget and plan, please contact Kristie Anderson at mde.q-comp@state.mn.us or 651-582-8860.

Proration of School Districts

School districts' maximum Q Comp revenue is $260 per student. Of that revenue, 65% (or $169 per student) comes from basic aid and the remainder from an equalization levy (revenue minus basic aid). Since Q Comp basic aid will continue to be prorated, school districts may levy to cover the aid shortfall or forego the portion of the revenue that is shifted from aid to levy. The additional Q Comp levy will be added to the FY 2023 levy adjustment on this fall's Payable 2022 Levy Limitation and Certification Report. The additional levy authority is meant to offset school districts prorated aid to keep the Q Comp program fully funded if a district so wishes. The additional levy authority will be equalized at the same rate as the initial Q Comp levy.

Proration of Charter Schools

Charter school basic aid is equal to the statewide average amount of Q Comp revenue (aid plus levy) that school districts actually receive. Since some school districts choose to levy less than the maximum, charter school basic aid allowance has historically always been slightly less than the full $260 per student. Conversely, to the extent that school districts levy for the prorated aid shortfall, charter school aid will remain near the same level as if the program were fully funded. Based on the information available and using historical information on levy history, charter schools will receive an estimated $254 per pupil enrolled. As this estimate may adjust as school districts make decisions about their levy options, we recommended that charter schools estimate their funding using a lower per pupil allocation to better ensure they have the funding necessary to support their plans expenses.

Proration of Intermediate/Cooperative Districts
Intermediate/cooperative district's aid is $3,000 times the number of licensed teachers employed by the cooperative district. School district levies do not have a bearing on the funding for these districts, so the aid proration will result in a revenue loss. Like school districts, intermediate/cooperative districts are forecasted to be prorated.

Note: The state total basic alternative teacher compensation aid entitlement must not exceed $88,118,000 for fiscal year 2023; $88,461,000 for fiscal year 2024; $88,461,000 for fiscal year 2025; and $89,486,000 for fiscal year 2026 and later.

Quality Compensation (Q Comp) Reporting

Condensed from MDE > Districts, Schools and Educators > Educators, Administrators and Staff > Teacher Development and Evaluation (TDE) and Q Comp > Q Comp/Alternative Teacher Professional Pay System and MDE UFARS Manual – Finance Chapter

The alternative teacher professional pay system (ATPPS, commonly known as Q Comp) law was enacted through a bipartisan agreement in the Minnesota Legislature in July 2005. It is a voluntary program that allows local districts and exclusive representatives of the teachers to design and collectively bargain a plan that meets the four components of the law. Charter schools, intermediate and cooperative districts are also eligible for the program.

There are four components in a Q Comp system:

- Career ladder/advancement options (teacher leadership positions and responsibilities)
- Job-embedded professional development (frequently utilizing teacher leaders and professional learning community structures)
- Teacher evaluation
- Performance pay and alternative salary schedules

Approved programs receive up to $260 per student ($169 per student in state aid and $91 per student in board-approved levy) for the program. Charter schools and the Perpich Center for the Arts receive approximately $254 per student in state aid through an equalized levy, since these entities do not have authority to impose local tax levies. Intermediate, Education and Cooperative Districts receive $3,000 per teacher in state aid.

Applications and information are available at https://education.mn.gov/MDE/dse/edev/qc/.

Finance 335 Quality Compensation – Alternative Teacher Professional Pay System (Funds 01 and 04) – Record revenues and expenditures related to the Quality Compensation – Alternative Teacher Professional Pay System. The participating districts have developed an approved alternative teacher pay system.

Teachers in the following programs may be paid using quality compensation revenue only if they are members of the teacher's bargaining unit: Program Code 520 (adult basic and continuing education), Program Code 580 (Early Childhood Family Education) and Program Code 582 (School Readiness) (Minn. Stat. 122A.414-415).

Accounting for Q Comp:
A district may decide to directly charge the cost of Q Comp to all programs with the use of the Finance code. Caution should be used in recording teacher salaries paid with federal revenue. Districts choosing to pay federal program teachers with Q Comp dollars must revise the percentage of total time spent in the federal program to avoid supplanting. If a teacher was paid with 100% federal dollars and now receives Q Comp revenue, the percentage now charged to federal will be reduced by a prorated share of the Q Comp dollars.

A second option a district may choose is to use the chargeback method to track the Q Comp revenue. This involves fewer codes but will necessitate the use of additional tracking by the payroll system to identify the amount of expenditures to be used in the chargeback journal entry. Q Comp revenue will be paid to the teacher's regular salary code during the year. Benefits would follow the salaries. At the end of the year to make the chargeback entry, the Q Comp amounts paid per teacher in a program could be accumulated with other programs in that site. The Finance dimension in these expenditure codes must be 000. The Object code for the journal entry would be 195 for the salaries and 295 for the benefits of the teachers included in the accumulation. If the original salary expenditure code has a Finance dimension, other than 000, then the chargeback must be made directly to the program with the same Finance dimension and the Object code must be 140 (Licensed Classroom Teacher) or 143 (Licensed Instructional Support Personnel).

Stipends paid to a teacher for extra duties or other assignments, like mentoring or team leaders, should be made directly to a site code using Program 203/211 with Object 185 (Other Salary Payments (Licensed or Certified)) and Finance 335.

Special Education Aid accepts total salary expenditures of a teacher using both Finance codes 335 and 740.

Note: Federal programs do not allow chargeback Objects 195 and 295.

REAP Grant Awards

U.S. Department of Education (ED.gov) – Small, Rural School Achievement (SRSA) Program

As per the Small, Rural School Achievement (SRSA) Program website at https://oese.ed.gov/offices/office-of-formula-grants/rural-insular-native-achievement-programs/rural-education-achievement-program/small-rural-school-achievement-program/, the estimated SRSA grant award can be calculated by the following.

Allocation Formula
SRSA grant funds are allocated to eligible LEAs that submit an application based on the following formula:

- The number of students in average daily attendance, subtract 50
- Multiply this number by 100
- Add $20,000 – total amount may not exceed $60,000
- From the total above, subtract the amount of funding under Title II, Part A and Title IV, Part A the LEA received in the prior fiscal year

Congress determines the amount of funds available for REAP on an annual basis. Per ESEA section 5234, the REAP appropriation from Congress is divided equally between the SRSA and the RLIS programs.

The actual size of an LEA's allocation depends on several factors including: the amount of funds Congress appropriates for REAP, the number of LEAs that are eligible and apply for SRSA funds, the LEA's ADA for a preceding year, and the LEA's Title II, Part A and Title IV, Part A award amounts for a preceding fiscal year. The Department collects information on the Title II, Part A and Title IV, Part A award amounts from the SEAs when collecting eligibility data each year. The maximum amount of SRSA funds an LEA may receive in any year is $60,000.

Some LEAs that meet the eligibility criteria of the SRSA program (i.e., being both small and rural), may not receive an SRSA grant award due to the funding formula described above. If the combined amount of Title II, Part and Title IV, Part A funding for a preceding fiscal year exceeds the LEA's initial SRSA award amount, the resulting final SRSA award amount would be $0. In these cases, LEAs are not invited to submit an SRSA application for that fiscal year.

If the amount appropriated for SRSA is not sufficient to award the calculated allocations, all awards are ratably decreased. Alternatively, all award amounts are ratably increased if the amount of funds made available by Congress is more than the total of the calculated allocations.

The FY '24 application deadline is May 10, 2024. Steps for applying for an SRSA grant can be found at https://oese.ed.gov/offices/office-of-formula-grants/rural-insular-native-achievement-programs/rural-education-achievement-program/small-rural-school-achievement-program/applicant-information-2-2/.

For questions about the application, contact the Department at REAP@ed.gov.

Note: This grant requires a Unique Entity Identifier (UEI) number. The UEI number must be registered annually at https://www.sam.gov/.

Reemployment (Unemployment) Levy Accounting

This summary reflects revenue recognition only.

Current accounting process:

- Current reemployment levy amounts are recorded in Source 001 or Source 005 with a UFARS crosswalk to 001.
- All districts should code expenditures for reemployment to Object 280 (Unemployment Compensation). The appropriate Fund can be charged.
- Future levies will have an adjustment provision. Districts should make every effort to estimate as close as possible to avoid large adjustments in the revenue stream.
- Refer to the Tax Shift Report for reemployment early recognition entries.

Safe Schools Revenue

MN Statute 126C.44 and Modified from School Business Bulletin No. 41, June 2009

Minnesota Statute 126C.44

Subd. 2. **School district safe schools levy.** A school district's safe schools levy equals $36 times the district's adjusted pupil units for the schools year.

Subd3. **Safe schools revenue for intermediate school districts.** A school district that is a member of an intermediate school district may include in its levy authority under this section the costs associated with safe schools activities authorized under this section for intermediate school district programs. This authority must not exceed the product of $15 and the adjusted pupil units of the member districts. This authority is in addition to any other authority authorized under this section. Revenue raised under this subdivision must be transferred to the intermediate school district.

Subd4. **Use of safe schools revenue.** (a) Safe schools revenue must be reserved and used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes:

(1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools;
(2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools;
(3) to pay the costs for a gang resistance education training curriculum in the district's schools;
(4) to pay the costs for security in the district's schools and on school property;
(5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district;

(6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and substance use disorder counselors to help provide early responses to problems;
(7) to pay for facility security enhancements including laminated glass, public announcement systems, emergency communications devices, and equipment and facility modifications related to violence prevention and facility security;
(8) to pay for costs associated with improving the school climate;
(9) to pay costs for collocating and collaborating with mental health professionals who are not district employees or contractors; or
(10) to pay for the costs of cybersecurity measures, including updating computer hardware and software, other systems upgrades, and cybersecurity insurance costs.

(b) For expenditures under paragraph (a), clause (1), the district must initially attempt to contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries.

School Business Bulletin No. 41
The safe school levy proceeds and expenditures related to purposes (1) through (10) listed above should be reported under the Uniform Financial Accounting and Reporting Standards (UFARS) Finance code 342, Safe Schools – Revenue. Any unspent levy funds should be reserved in UFARS Balance Sheet code 449, Restricted/Reserved for Safe Schools Revenue.

Note: In FY 2010, the UFARS Object codes used to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors will depend on what type of program is paying for that cost. The type of program will fall into one of three categories: federal, state special education, or state non-special education. Federal funds require that the cost is identified by the amounts under and over $25,000. State special education is still reported on SEDRA and must stay consistent with SEDRA reporting (Object codes in the 390-399 range). State non-special education does not need to identify whether it is over or under $25,000 but should use the new codes related to these expenditures (see gray section in the grid below).

SAFE SCHOOLS LEVY

New Object Codes	Federal - SERVS			State - Special Education (EDRS)			State - Non-Special Ed	
		Subaward/Subcontract	Subaward/Subcontract		Purchase of	Contracted		Purchased
	Salaries	<$25,000	>$25,000	Salaries	Service	Services	Salaries	Service
School counselor	165	303	304	165	396/397	392/393/394/399	165	305
School nurse	154	375	345	154	396/397	392/393/394/399	154	375
School social worker	156	377	347	156	396/397	392/393/394/399	156	377
School psychologist	157	378	348	157	396/397	392/393/394/399	157	378
Alcohol and chemical dependency counselor	169	303	304	169	396/397	392/393/394/399	169	303

For further information, contact the MDE Financial Management Team.

Separation and Retirement Benefits

Modified from School Business Bulletin No. 40, June 2009

A subcommittee of the Advisory Committee on Financial Management, Accounting and Reporting was formed to address the accounting treatment of separation and retirement benefits in the Uniform Financial Accounting and Reporting Standards (UFARS) manual.

The levy authority for unfunded severance and retirement costs (M.S. 126C.41 subd. 6) is the only statute that has a reserve requirement related to severance. A school district qualifies for this levy if the district (1) participated in the cooperative secondary facilities program; (2) consolidated with at least two other school districts; and (3) has unfunded severance or retirement costs. A school district that levies under this section must reserve the proceeds of the levy and spend those amounts only for unfunded severance or retirement costs. UFARS Balance Sheet Account 453 – Restricted/Reserved for Unfunded Severance and Retirement Levy should be used for these purposes.

The UFARS Balance Sheet Code 418 – Committed for Separation/Retirement Benefits balance is based on the GASB statements related to this account and Minnesota Statutes 123B.79, subd. 7. The account definition was expanded to include separation and retirement benefits, including compensated absences, termination benefits, pension benefits and other post-employment benefits not accounted for elsewhere.

Compensated Absences, Termination, Pension and Other Post-Employment Benefits
Prior to this change, the UFARS Balance Sheet Account 411 – Reserved for Severance reserved funds used for insurance for accumulated sick leave, early retirement incentive payments, and continuing health insurance payments to retired employees. For all districts with severance pay plans, the amount recorded in this account was equal to the portion of long term debt at the end of the current fiscal year that was scheduled for payment in the second ensuing year. Beginning in FY 2010, this calculation will no longer be used. Guidance on the proper accounting for Compensated Absences, Termination Benefits, Pension Benefits, and Other Post-Employment Benefits (OPEB) are listed below, per the applicable GASB Statements.

Compensated Absences (GASB No. 16)
Compensated absences are absences for which employees will be paid, including vacation leave and sabbatical leave. For financial reporting purposes, compensated absences are strictly limited to leave that 1) is attributable to services already rendered, and 2) is not contingent on a specific event that is outside the control of the employer or employee.

Vacation leave and sabbatical leave normally expected to be liquidated with expendable available financial resources would be considered a liability in your operating funds, as stated in GASB Interpretation No. 6. This is not intended to be a change from current practice.

Sick leave would be included only if paid at resignation, termination or retirement. Sick leave is not considered a compensated absence liability in your operating funds until the occurrence of relevant events such as employee resignations and retirements.

Object Code 191 (taxable)
Object Code 250 and/or 251 (non-taxable)
Current Balance Sheet 201
Long-Term Balance Sheet 99-262

Termination Benefits (GASB No. 47)
Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination (voluntary termination benefits) or as a consequence of the involuntary early termination of services (involuntary termination benefits). Termination benefits are different in nature from the salaries and benefits, including postemployment benefits that an employer provides as compensation for employee services.

In determining whether the nature of a benefit arrangement is to provide benefits in exchange for the early termination of services (a termination benefit) or to provide benefits in exchange for employee services (a pension benefit or OPEB), professional judgment should be applied considering all relevant factors – including, for example, the employer's intent, the way in which the employees generally view the benefits, whether the benefit is conditioned on termination of employment prior to the normal retirement age, and the length of time for which the benefits have been made available.

Termination benefits normally expected to be liquidated with expendable available financial resources would be considered a liability in your operating funds, as stated in GASB Interpretation No. 6.

Object Code 191 (taxable)
Current Balance Sheet 201
Long-Term Balance Sheet 99-260

Pension Benefits (GASB No. 27 and GASB No. 50) – Modified

Note: These GASBs have been superseded by 68, 73, 78, or 82, so review for any changes, if applicable.

Lump-sum payments based on years of service paid directly to a retiree or paid to a deferred compensation plan on behalf of an employee would be a pension benefit. Contributions to a health reimbursement account (HRA) or health savings account (HSA) would be a pension benefit. Payments to an insurance plan could be considered other post-employment benefit, not a pension benefit, if listed in the district OPEB Actuarial report.

Pension benefits require an actuarial valuation. Expenditures related to these benefits are recorded in the operating funds when paid to the retiree or deferred compensation plan.

An internal service fund is specifically designed for goods or services that are provided on a cost-reimbursement basis. Accumulation of excess funds in the internal service fund for the purpose of pension payments is not recommended.

Object Code 191 (taxable)
Object Code 250 (non-taxable)
Current Balance Sheet 201
Long-Term Balance Sheet 99-260

Other Post-Employment Benefits (GASB No. 45)

Note: GASB 45 has been superseded by GASB 75, so review for any changes, if applicable.

Other post-employment benefits (OPEB) are another form of compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan.

OPEB benefits require an actuarial valuation. An entity may fund any amount up to its total unfunded liability plus current year normal cost, through pay-as-you-go payments or contributions to an irrevocable trust. Funds may also be set-aside in a reserve account, an internal service fund, or a revocable trust fund. However, these set-asides would not fund the liability since the district would still have ownership or control of the assets.

Object Code 252 (Up to or = to ARC)
Object Code 289 (Contributions to Internal Service)
Object Code 290 (In excess of ARC)
Object Code 291 (Pay-As-You-Go)
Long-Term Balance Sheet 99-260

If you have questions on this program, please contact the MDE Financial Management Team.

Severance and Retirement – Levy for Unfunded Costs

Modified from School Business Bulletin No. 42, August 2009

The levy authority for unfunded severance and retirement costs is contained in Minnesota Statutes, section 126C.41 subd. 6. This is the only statute that has a reserve requirement related to severance. A school district qualifies for this levy if the district (1) participated in the cooperative secondary facilities program; (2) consolidated with at least two other school districts; and (3) has unfunded severance or retirement costs.

A school district that levies under this section must reserve the proceeds of the levy and spend those amounts only for unfunded severance or retirement costs.

The following codes specific to the Unfunded Severance and Retirement Levy were created for FY 2010. However, most of the levy proceeds are currently on a reimbursement basis. Therefore, the description has changed to the following:

- Revised Finance Code 792 – Unfunded Severance and Retirement Levy (Funds 01, 02 and 04) – Record revenues and expenditures related to the unfunded severance and retirement levy. If the levy revenue is reimbursement for severance and/or retirement costs of prior year's recorded in the General Fund (Fund 01), the account should go to Balance Sheet Code 422 – Unassigned Fund Balance, 461 – Committed, or 462 – Assigned Fund Balance; levy proceeds in excess of prior severance and retirement costs in the General Fund (Fund 01) apply to Balance Sheet Code 453, Restricted/Reserved for Unfunded Severance and Retirement Levy. In Fund 02, activities related to this levy should close to 464 – Restricted Fund Balance; in Fund 04, to the appropriate Restricted/Reserved Account or 464 – Restricted (Minn. Stat. 126C.41, subd. 6).

If you have questions on this program, please contact the MDE Financial Management Team.

Shared Time Revenue Recognition

School Business Bulletin No. 38, September 2008

Minnesota Statutes, section 127A.45, subdivision 11 was amended in 2006 to change the manner in which shared time revenue was paid. Beginning in FY 2007, shared time revenue was paid as a reimbursement aid. Revenue earned in the current fiscal year is not received until the following fiscal year. The aid is metered through IDEAS.

Estimated revenue should be set up as a receivable on June 30th of the year in which it is earned.

If you have questions on this program, please contact the MDE Financial Management Team.

Special Education – Accounting, Funding, Reporting and Tuition Data

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education

Special Education Funding and Data available from the Minnesota Department of Education includes information on state and federal special education funding for school districts, including charter schools. Content is organized by specific topic areas within the area of special education funding and data.

Special Education – Acronyms Used

MDE > Students and Families > Programs and Initiatives > Special Education > Students with Disabilities, August 28, 2017

The MDE website has a list of acronyms used in Special Education. This list may be useful for identifying what an acronym means in general.

Special Education – Aid Adjustment for Programs Closed or Transferred to Cooperatives

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education, June 25, 2018

This memorandum outlines the department's procedure for adjusting the prior year and State Fiscal Year (SFY) 2016 data used to calculate state special education aid when a school district closes or moves a substantial portion of a program to a cooperative unit pursuant to Minnesota Statutes, section 125A.76, subdivision 2c, paragraph (d), which states:

> *(d) Notwithstanding subdivision 2a and section 125A.79, a charter school in its first year of operation shall generate special education aid based on current year data. A newly formed cooperative unit as defined in section 123A.24 may apply to the commissioner for approval to generate special education aid for its first year of operation based on current year data, with an offsetting adjustment to the prior year data used to calculate aid for programs at participating school districts or previous cooperatives that were replaced by the new cooperative. The department shall establish procedures to adjust the prior year data and fiscal year 2016 old formula aid used in calculating special education aid to exclude costs that have been eliminated for districts where programs have closed or where a substantial portion of the program has been transferred to a cooperative unit.*

State special education initial aid and excess cost aid are based on prior year data. An adjustment is made to prior year data only if the cooperative is in its first year of serving students and applies to the commissioner for approval to generate aid for its first year of operation based on current year data. If the cooperative does not elect to be paid state aid on its current year data, it will not receive initial or excess cost aid for its first year of operation, and 100 percent of its cost will be processed through the tuition billing system and billed to the resident districts based on the students served. If the cooperative elects to be paid aid on its current year expenditures, then an offsetting entry to a member district is needed for all the cooperative's reported data, including any new program costs that were not at a member district in the prior year.

The hold harmless and growth cap in the state special education aid formula are based on SFY 2016 data, increased by 4.6 percent per year and adjusted for change in Average Daily Membership (ADM). The growth cap is also increased by $40 per ADM each year. These calculations are designed to enable districts to maintain the programs that were in place for SFY 2016, accommodating inflation- and enrollment-related changes in program cost. For districts that have closed a program or have transferred a substantial portion of a program to a cooperative, the SFY 2016 data used in these calculations is adjusted to ensure that the district does not continue to receive aid for programs that no longer exist in the current year or have had significant reduction in expenditures due to the transfer of significant program components to a cooperative.

The department's procedure is to have the Special Education Funding Team in the School Finance Division work with each district eliminating a program or moving substantial program cost to a cooperative by sending them a copy of the district's SFY 2016 Special Education Data Reporting Application/Electronic Data Reporting System (SEDRA/EDRS) and asking them to review and highlight the program costs that have been eliminated or moved to a cooperative. This is done at the resident district's request or when a cooperative is started. The Special Education Funding Team also annually compares expenditure reporting by cooperatives with prior year reporting from the cooperative and member districts, reviewing the magnitude of the increases and identifying any staff or other costs that were at member districts in the prior year.

Once the department receives the highlighted data file from the district, the Special Education Funding Team reviews the selected expenditures, compares them to what the cooperative is reporting in the current year, and may ask additional questions if there are discrepancies. When the file is final, the Special Education Funding Team calculates the initial and excess cost aid along with the tuition billing adjustment attributed to the expenditures. The final file along with a summary adjusting entry is then sent back to the resident district for them to review. If there are no changes to be made, the new corresponding hold harmless will be entered in the system and used in all later year calculations.

When a program operates under a separate Uniform Financial Accounting and Reporting Standards (UFARS) site, the department will review and compare the district's selected SEDRA costs to verify that it ties out to what the district had reported in UFARS. If, for example, in SFY 2016 the cooperative held contracts for all the speech staff and sold them to its member districts, who in turn reported them on their SEDRA/EDRS, and now going forward the cooperative will report the costs, there will need to be an adjustment to each member district's hold harmless so they don't continue to generate aid, increased by 4.6 percent and their adjusted ADM ratio for costs they no longer have.

While the state recognizes the challenges faced by school districts whose special education aid is constrained by the growth cap, the statutory requirement for the Minnesota Department of Education (MDE) to adjust the SFY 2016 base for the hold harmless and growth cap calculations for districts that have closed programs or transferred a substantial part of a program to a cooperative is intended in part to prevent districts from routinely shifting costs from the district to a cooperative to avoid the growth cap. Given the adjustment to the SFY 2016 base for the hold harmless and the growth cap, the main reason a district would look to move a program/cost to a cooperative is if the cost was increasing annually beyond 4.6 percent and their adjusted ADM ratio. For example, if a district was seeing a 1 percent decline in its ADM each year, then it would be receiving roughly a 3.6 percent increase each year. So if the speech staff's costs including benefits were increasing by more than 3.6 percent each year, the district could see a benefit from moving it to a cooperative. However, if the costs are increasing by less than 3.6 percent, then the district benefits from keeping them. Districts should be aware that costs transferred to cooperatives are permanent and the process cannot be undone. If in later years the district wants to take the costs back from the cooperative, there is no statute or mechanism for increasing a district's hold harmless.

If you have any questions, please contact the Special Education Funding Team.

Note: The calculation for the Hold Harmless and Growth Limits were changed starting in FY '20. In FY '21, the Growth Limit calculation was removed.

Special Education – Allocating Salaries for Special Education Staff

Condensed and Modified from Tuition Billing Reference Guide, December 2023

Salaries for special education professionals, related services and paraprofessional staff members are to be allocated according to the disabilities of the students served by that staff member. The allocation needs to be done consistently within the district. It is recommended that the allocation process take place at the same time that the district is reporting staff in October to MDE through Staff Automated Reporting System (STAR). The district will then have consistent data through STAR, SEDRA and UFARS.

The Minnesota Department of Education recommends the 10 percent rule for reporting staff. If a teacher's case load in a particular disability area is less than 10 percent of his/her total case load, then the expenditures do not need to be allocated to that disability. However, LEAs still need to account for 100 percent of the time spent on special education activities.

Teachers who are not licensed appropriately in the area of the student's disability will need to have the team-teaching model implemented to assure that the teacher has the consultation available from a licensed teacher in that disability area. The amount and duration of the consultation should be specified in the IEP with the consultant's participation.

An interactive spreadsheet titled Allocating Staff by Disabilities is available on MDE's website (MDE > Data Center > Data Reports and Analytics > under School Finance Spreadsheets > Special Education > Category "Special Education" > Subcategory "Allocating Staff by Disabilities > Year "xxxx") that will assist the districts to allocate the special education staff appropriately. The spreadsheet is a tool to allocate the staff time and expenditures across the disabilities of the students served. The spreadsheet will reallocate the expenditures and hours. Directions on how to enter the data are located on the first tab of the spreadsheet.

Special Education – Application Out-of-State Tuition for Minnesota Residents 2022-2023
Modified from MDE Memo, April 3, 2023

This memorandum outlines the department's procedure for processing Special Expenditure Application Out-of-State Tuition for Minnesota Residents for state fiscal year (SFY) 2023.

Minnesota Statutes, section 125A.79, subdivision 8, states:

> *"Out-of-state tuition – For children who are residents of the state, received services under* section 125A.76, subdivisions 1 *and* 2*, and are placed in a care and treatment facility by court actions in a state that does not have a reciprocity agreement with the commissioner under* section 125A.155*, the resident school district shall submit the balance of the tuition bills, minus the amount of the basic revenue, as defined by* section 126C.10, subdivision 2*, of the district for the child and the special education aid, and any other aid earned on behalf of the child."*

Court action places these students in a care and treatment facility in a state that does not have a reciprocity agreement with Minnesota. The resident district reports the students in MARSS using SAC 14.

LEAs must work with contracting public, private or voluntary agencies to have invoice split out between eligible special education costs and those that are general education.

LEAs will only enter the special education share in SEDRA. LEAs will use expenditure information to identify and resolve contracted student placements discrepancies on their Special Education/Uniform Financial Accounting and Reporting Standards (UFARS) Comparison Report prior to system close.

Entering the expenditure in SEDRA ensures LEAs have entered Regular School Year (RSY) records in the Minnesota Automated Reporting Student System (MARSS) for RSY application period. LEAs must also verify Extended School Year (ESY)/Summer Session placement residency is correct.

The Out-of-State Tuition for Minnesota Students Application is posted to MDE website on the Special Education > State Funding/Code Sheets page.

For more information and requirements, please see ***Section 20 – Special Education Tuition Fund Applications*** of the Special Education Funding Guide (MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Special Education Funding Guide).

If you have any questions, please contact the Special Education Funding and Data Team.

Special Education – Construction or Remodeling Questions and Answers
MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education, December 24, 2019

MDE has created a document that provides questions and answers relating to construction or remodeling for special education.

Special Education – Contracted Student Placements
Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education, November 7, 2017

This memorandum is to outline a change in the calculation of state special education aid for contracted student placements that will take effect in State Fiscal Year (SFY) 2018. After reviewing changes in the state special education aid formula that took effect in SFY 2016, we have determined that the calculation of aid for contracted student placements needs to be updated to be consistent with the new aid formula.

History – Prior to SFY 16

Under Minnesota Statutes, section 125A.76, subdivision 2, districts were able to claim the cost of contracting with public, private or voluntary agencies other than school districts, in place of special instruction and services provided by the district, and the aid was 52 percent of the difference between the amount of the contract and the general education revenue. For special instruction and services provided to any pupil by contracting for services with public, private or voluntary agencies other than school districts that are *supplementary* to a full educational program provided by the school district, the aid was 52 percent of the amount of the contract for that pupil.

Districts would record the full cost of contracted placements in the Special Education Data Reporting Application (SEDRA). Below are the three most common situations and how they would play out financially.

1. *Early Childhood (EC) (school readiness type program) charges a tuition fee that normally would be charged to the parents but since the Individualized Education Program (IEP) places the student in the program, the district pays the fee. Student receives pull-out special education services and/or maybe a paraprofessional is placed in the classroom. The school readiness teacher is a general education teacher.*
    a. Under this scenario, the school would record the tuition fee in SEDRA on a separate line and enter the amount of time the student spent in the program. The district would receive general education revenue for the time spent in the program through their Minnesota Automated Reporting Student System (MARSS) reporting. At a minimum, EC students generate 231 hours of membership (0.28 Average Daily Membership (ADM)). When the district entered the expenditure on SEDRA, they would use deduct status “A”, meaning the program is in place of a regular education program. SEDRA then calculated the amount of general education revenue based on the time reported that the district would receive and deducted it from the expenditure. Any residual amount was rolled into the special education funding formula and generated roughly 52 percent reimbursement. In the most recent closed year (SFY 16), there were around 3,300 entries totaling $4.79M. Only $480K was flowed to the funding formula after general education revenue was deducted.

2. *Early Childhood (school readiness type program) charges a tuition fee that would normally be charged to the parents, but since the IEP places the student in the program, the district pays the fee. Student receives pull-out and/or push-in special education services and a licensed special education teacher is placed in the classroom to work alongside the general education teacher.*
    a. Under this scenario, the school would record the tuition fee in SEDRA on a separate line and enter the amount of time the student spent in the program. The district would receive general education revenue for the time spent in the program through their MARSS reporting. At a minimum, EC students generate 231 hours of membership (0.28 ADM). When the district entered the expenditure on SEDRA, they would use deduct status “B”, meaning the program is supplementary to a regular education program. Under deduct status “B”, the general education revenue is not calculated to reduce the expenditure. Instead, the full tuition fee was rolled into the special education funding formula and generated roughly 52 percent reimbursement. There were around 290 entries in SFY 16 totaling $282K. General education revenue was not deducted so the full amount flowed to the special education funding formula.

3. *A first- to twelfth-grade student is placed in private care and treatment, placed out of state or similar situations where the resident district reports as being the serving district in MARSS, yet another non-Minnesota Local Education Agency (LEA) is providing the service. In these cases, districts would receive an invoice for just the educational services and enter the cost on SEDRA. Because they are reported in MARSS as being served by the resident district, they generate general education funds.*

  a. Similar to example 1 above, the SEDRA line had a deduct status of “A” and general education revenue was deducted first and then, if there is a residual amount, it was included in the funding formula. It is unknown by the Minnesota Department of Education (MDE) what percentage of invoices received by districts had the costs broken out by general and special education. Under the old formula, it was not required since deduct status was part of the calculation. There were close to 1,160 entries in SFY 16 totaling $7.35M. Just over $5.03M flowed to the funding formula after general education revenue was deducted.

Formula Changes in SFY 16

Changes to the funding formula starting in SFY 16 eliminated section 125A.76, subdivision 2, and replaced it with "nonfederal special education expenditure" means all direct expenditures that are necessary and essential to meet the district's obligation to provide special instruction and services to children with a disability. No longer are there the statements: “that are *supplementary* to a full educational program” or “in place of.” This means that SEDRA should no longer have a general education deduct because LEAs must report only the cost of special education. Taking our three examples from above, the corresponding results would be as follows:

1. *Early Childhood (school readiness type program) charges a tuition fee that normally would be charged to the parents, but since the IEP places the student in the program, the district pays the fee. Student receives pull-out special education services and/or maybe a paraprofessional is placed in the classroom. The school readiness teacher is a general education teacher.*
    a. In this example, the school will continue to pay the tuition fee, however they will not enter the cost on SEDRA as the fee is for general education and not specialized instruction. The district will receive general education revenue for the time spent in the program through their MARSS reporting. At a minimum, EC students generate 231 hours of membership (0.28 ADM). The district will report only the push-in/pull-out special education services it provided in SEDRA. If they did place a special education para in the classroom, they will claim that person’s costs in SEDRA for aid.

2. *Early Childhood (school readiness type program) charges a tuition fee that normally would be charged to the parents, but since the IEP places the student in the program, the district pays the fee. Student receives pull-out and/or push-in special education services and a licensed special education teacher is placed in the classroom to work alongside the general education teacher.*
    a. In this example, the school will continue to pay the tuition fee, however they will not enter the cost on SEDRA, as the fee is for general education and not specialized instruction since it is a fee that would normally just be paid by general education students. The district will receive general education revenue for the time spent in the program through their MARSS reporting. At a minimum, EC students generate 231 hours of membership (0.28 ADM). The special education teacher’s time and costs will be entered on SEDRA and will generate aid. The district will report only the push-in/pull-out special education services it provided in SEDRA.

3. *A first- to twelfth-grade student is placed in private care and treatment, placed out of state or similar situations where the resident district reports as being the serving district in MARSS, yet another non-Minnesota LEA is providing the service. In these cases, districts would receive an invoice for just the educational services and enter the cost on SEDRA. Because they are reported in MARSS as being served by the resident district, they generate general education funds.*
    a. The district will need to work with the service provider to have their invoices split into special and general education costs. They will then enter only the special education costs on SEDRA. The total cost on SEDRA will flow to the funding formula for aid. Again, it is unknown what percentage of invoices received by districts have the costs broken out by general and special education.

These changes will go into effect beginning in SFY 18. For examples 1 and 2, LEAs will stop coding the tuition fee in the Uniform Financial Accounting and Reporting Standards (UFARS) system to special education. Subsequently, this will result in less data having to be entered into SEDRA. Example 3 requires LEAs to work with contracting public, private or voluntary agencies to have their invoices split out between eligible special education costs and those that are general education. The Minnesota Department of Education does not know if all invoices received have costs split out by general and special education. The majority of invoices that MDE sees have the costs separated, but not all do.

Special Education – Equipment and Physical Inventories Q&A

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Fiscal Monitoring > Q&As, April 29, 2021

The Minnesota Department of Education (MDE), Division of Assistance and Compliance has developed this document to provide technical assistance to local education agencies (LEAs) about equipment and inventory requirement that is federally and state funded. The purpose of this document is to provide helpful, general information to the public. It does not constitute legal advice nor is it a substitute for consulting with a licensed attorney. You should not rely on this document as a comprehensive or definitive response to your specific legal situation. It will also answer questions about what to do when the equipment is sold.

Special Education – Excess Federal Revenue and Local Costs

Modified from School Business Bulletin No. 21, April 2002

Districts wishing to use up to 50% of the excess Federal Flow Through dollars to defray local Special Education costs should follow this procedure. Salary benefits are the best expenditure group to cover with the excess dollars. The direct method of allocation uses Finance code 419 or Finance code 619 and the appropriate Object code detail with each Special Education program. Example:

Account	Debit	Credit
E-01-xxx-4XX-000-419/619-2xx	$4,500	
E-01-xxx-4XX-000-740-2xx		$4,500

(4XX – Programs are 401-422)
(2xx – Objects are appropriate detail benefits as allowed by Federal Reporting)

Note: Effective with the FY 2013 fiscal year, the UFARS Chapter X grid discontinued the use of Object 295 (Employee Benefits Chargeback) with federal grant account codes.

Special Education – Federal Grant Prior Approvals

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education, May 1, 2024

When using federal funds, local educational agencies (LEAs) are required to secure prior approval from the Division of School Finance prior to undertaking any obligation or purchasing under the following service codes:

- N – Construction and Remodeling
- O – Equipment for Office Supervision/Management ($5,000 or more)
- P – Equipment for Instruction and Technology ($5,000 or more)
- Q – Equipment for Transportation Services ($5,000 or more)

LEAs must email a request for prior approval to the Special Education Funding and Data Team (mde.spedfunding@state.mn.us). The Division has no authority to approve any of these expenditures after the fact.

Below are the specific instructions for requesting prior approval under each service code. Please read each one carefully, as each service code has slightly different requirements.

For more detailed information on specific service codes, please refer to "Section 11 – Service Codes" of the Special Education Funding and Data Reference Guide: (https://education.mn.gov/MDE/dse/schfin/sped/guide/).

Construction and Remodeling Requests (Service Code N)

The federal Uniform Grant Guidance (UGG) described when prior written approval is required for allowability. Construction and remodeling is covered under UGG § 200.462 rearrangement and reconversion costs. Individuals with Disabilities Education Act (IDEA) 34 CFR § 300.144(e) does not allow any Part B IDEA funds for repairs, minor remodeling, or construction of nonpublic school facilities, which includes leased space.

Beginning in SFY 2025, the Build America Buy America Act (BABAA) requires that all construction and remodeling projects using Part B IDEA funds use materials produced in the United States. More detailed information on BABAA requirements can be found on the U.S. Department of Education's BABAA's FAQ page (https://www2.ed.gov/policy/fund/guid/buy-america/faqs.pdf).

Only special education federal funds used to expand and enhance the instruction of students with disabilities are reimbursable. It is the obligation of the district to improve its facilities in response to ADA issues or general repairs.

The request needs to be signed by the superintendent/executive director OR special education director OR business manager and include answers to the following:

1. Describe where the remodeling or construction is to occur and what specific building or space is going to be remodeled.
2. Include whether the LEA owns the space or is leased space. (Only LEA-owned property is eligible).
3. Explain the purpose of the project.
4. Explain how the completed remodeling will benefit students with disabilities.
5. Provide the estimated start and finish date.
6. Provide the name of the construction company.
7. Provide the type of funds and the fiscal year in which funds will be obligated.
8. Provide the itemized estimate from the builders, including verification that they are complying with BABAA requirements..
9. Estimate the total cost of the project.

Equipment Purchase Requests (Service Codes O and P)

UGG indicates that when federal funds are used to purchase equipment: "capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the federal awarding agency or pass-through entity." (2 CFR § 200.439 (b) (2).) Any requests received after the fact (after the date of the purchase) will be denied as the Special Education Funding and Data Team can only approve equipment prior to the obligation.

The request needs to be signed by the superintendent/executive director OR special education director OR business manager and include answers to the following:

1. Describe what the equipment is and where the equipment will be located.
2. Explain the purpose of the equipment.
3. Explain how the equipment will benefit students with disabilities. If the equipment is for a specific student, provide the Minnesota Automated Reporting Student System (MARSS) number for the student.
4. Provide the type of funds and the fiscal year in which funds will be obligated.
5. Provide the itemized estimate from the vendor.
6. Estimate the total cost of the equipment.

It is the LEA's responsibility to establish and maintain an inventory. An LEA must inventory and tag equipment as a special education purchase. Equipment must be available for inspection during monitoring and auditing activities. When the device is no longer needed to meet the IEP needs of a child with a disability, it must be managed or disposed of in accordance with UGG, section 200.313(e).

Figure 1 – Criteria for Distinguishing Equipment from Supplies

If any answers are "No" in this figure, the item is a supply, not equipment:*

ITEM

Last more than one year

↓**Yes**

Independent unit rather than being incorporated into another unit item

↓**Yes**

Cost equals or exceeds the lessor of the capitalization level established by the non-federal entity for financial statement purposes, or $5,000

↓**Yes**

= EQUIPMENT

*See UGG section 200.313 Equipment, 200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment and 200.94 Supplies.

Vehicle Purchase Requests (Service Code Q)
The request needs to be signed by the superintendent/executive director OR special education director OR business manager and include answers to the following:

1. The vehicle year, model and make.
2. The name of the dealership or seller.
3. The documented cost estimate or quote from the dealership or seller.
4. The fiscal year in which the funds will be obligated and the type of funds to be used.
5. All purposes and functions of the vehicle to be purchased.
6. The Vehicle Identification Number (VIN) for the vehicle, if available.

Vehicles purchased with state or Medical Assistance funds do not need prior approval. MDE still recommends seeking prior approval in case federal funds are needed to complete the purchase. An LEA must maintain an efficient vehicle inventory. Completing inventory documents will provide accurate data for special education aid entitlement, depreciation, and nonpublic calculations.

Special Education – Federal Tuition Accounting

Modified from School Business Bulletin No. 37, June 2008 and No. 44, July 2010

It is extremely important to understand how your federal and state funds interact with one another before making any entries.

If a school chooses to use federal funds to pay tuition and that amount is not already listed in the Tuition Billing District Calculation report (upper section, columns B and E), the EOY entries would include (See Figure 2 for T-account summary of these entries):

1. 6/30/24: Set-up EOY State and federal aid receivables. Do not include the designation of federal funds for tuition in the state aid or federal aid receivable calculation.

2. 6/30/24: Recognize receipt of federal funds that will be allocated to tuition.
   Debit B-01-122-xx (Due from Federal Government through MDE)
   Credit R-01-xxx-xxx-xxx-419-xxx

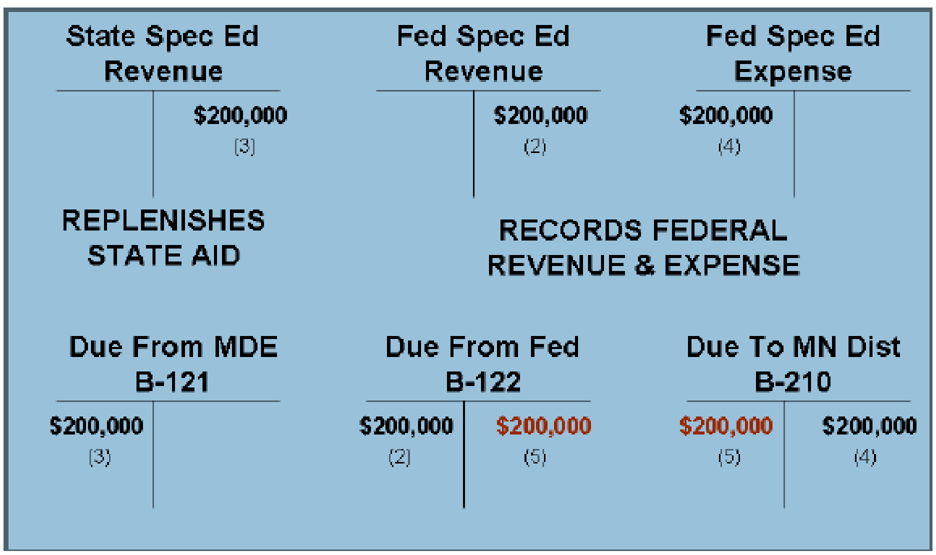
3. 6/30/24: Recognize the increase in state aid receivable.
   Debit B-01-121-xx (Due from MDE)
   Credit R-01-xxx-xxx-xxx-xxx-360

4. 6/30/24: Recognize the payable for tuition payments made with federal funds.
   Debit E-01-xxx-xxx-004-419-308/309*
   Credit B-01-210-xxx (Due to other Minnesota Districts)

5. Apr/May 2025: Recognize the increase in federal aid and the payment of tuition (which increases state aid).
   Debit B-01-210-xxx (Due to other Minnesota Districts)
   Credit B-01-122-xxx (Due from Federal Government through MDE)
   No Cash Impact

* Assumes current year funds were used. The split between 308 and 309 may be an estimate. Review the use of Course codes for state fiscal year reporting. In April/May of the following year, MDE will calculate final tuition bills and make payments to the non-resident local education agency (LEA). In the following year, adjust the Object codes 308/309 for the difference between the estimated tuition payments and the actual payments. The adjustment should take into account the amount of federal funds used as well as the split between 308/309.

FIGURE 2:



If a school chooses to use federal funds to pay tuition and that amount is already listed in the Tuition Billing District Calculation report (upper section, columns B and E), the End of Year (EOY) entries would be slightly different. If the use of federal funds have already been adjusted on the Tuition Billing District Calculation (upper section, columns B and E), it would mean that the state aid entitlement calculation has already been increased by the amount of the federal funds designation. Since the state aid entitlement has already been adjusted for the use of federal funds, and that amount has already been accounted for in the state aid receivable entry (#1), entry #3 would not be needed.

A school should consider all tuition bills due to it as part of its state aid entitlement at year end, unless the entitlement has already been adjusted for and all subsequent entries are consistent**.** The federal tuition adjustment will take place in April/May.

Districts using federal funds to pay tuition

- MDE will make a federal payment and then reduce the federal payment by the same amount to pay tuition to the districts (see step #5).
- PAYS description will say FEDERAL TUITION PAYMENT.
- **Note: Payment Process was changed to a MMB payment**.

Districts being paid tuition with federal funds

- MDE will pay federal funds and reduce the state aid entitlement by the amount of federal funds that they have received.

- Those funds should not be reported as federal funds. They should be used to offset the state aid receivable booked as of 6/30/24.
- PAYS description will say Tuition Bill (Fed Allocation).
- **Note: Payment Process was changed to a MMB payment.**

<u>Special Education – Federal Tuition Year-End Coding</u>
Modified from MDE Memo, November 16, 2007

<u>Entry #1</u> **State Special Ed. Aid Receivable**		EOY FY '24 ENTRY
Entitlement (including tuition adjustments)	$7,477,664.33	
Less Paid as of 6/30	-$7,010,454.93	
Receivable**	$467,209.40	
	<u>Debit</u>	<u>Credit</u>
R-01-xxx-xxx-xxx-xxx-360		$467,209.40
B-01-121-xx	$467,209.40	

**Assumes all tuition in/out is paid through State Aid Adjustment.

<u>Entry #2</u> **Federal Special Ed. Aid Receivable**		EOY FY '24 ENTRY
Entitlement	$1,183,409.11	
Less Paid as of 6/30	-$1,065,068.20	
Receivable**	$118,340.91	
	<u>Debit</u>	<u>Credit</u>
R-01-xxx-xxx-xxx-419-xxx		$118,340.91
B-01-122-xx	$118,340.91	

**Assumes no designation of federal monies for tuition.

<u>Entry #3</u> **"IF" Your District Elects to Use** **Federal Monies to Pay Tuition Bills to Other Districts**		EOY FY '24 ENTRY
	<u>Debit</u>	<u>Credit</u>
R-01-xxx-xxx-xxx-419-xxx		$200,000.00
B-01-122-xx	$200,000.00	
Funds requested from Federal Source receipted.		
	<u>Debit</u>	<u>Credit</u>

	Debit	Credit
R-01-xxx-xxx-xxx-xxx-360		$200,000.00
B-01-121-xx	$200,000.00	

Recognize increase in state aid entitlement resulting from less tuition expense paid by the State.

	Debit	Credit
B-01-210-xx		$200,000.00
E-01-xxx-xxx-004-419-308/309	$200,000.00	

Federal payment of tuition to other districts.

Do not use CRS 000, 011 or 012 for this entry.

Entry #4 APR/MAY 2025 ENTRY

"IF" Your District Elects to Use
Federal Monies to Pay Tuition Bills to Other Districts

	Debit	Credit
B-01-122-xx (PAYS payment for federal revenue requested to pay tuition)		$200,000.00
B-01-210-xx (PAYS adjustment for paying districts with the federal revenue)	$200,000.00	

In April/May 2025, MMB payment will reflect receipt of federal money and adjust for the payment to other districts for tuition bills you elected to pay with federal money – no cash impact.

Your state entitlement will be increased, but you have already set the receivable up in Entry #3 to reflect that change.

Entry #5 APR/MAY 2025 ENTRY

"IF" Other Districts Elect to Use
Federal Monies to Pay Their Tuition Bill To Your District

No entry is needed in FY 20234 since your district will not know if other districts elected to pay your district with federal funds. You have assumed that the tuition bills will be paid through the state aid adjustment and that entry has been made (Entry #1).

IF FEDERAL PAYMENT < 3% + any entitlement adjustments	Debit	Credit
B-01-121-xx (PAYS Payment – tuition in from another district)		$85,641.62
B-01-121-xx (IDEAS Payment)		$138,688.31
B-01-101-xx (Remaining 3% of Prorated Entitlement Due)	$224,329.93	

In April/May 2025, the tuition payments from other districts will get paid to you through MMB and your state aid gets adjusted on IDEAS.

APRIL/MAY 2025 HAS CASH IMPACT, BUT DO NOT RECEIPT AS FEDERAL REVENUE IN CURRENT YEAR – ADJUST THE XX-121-XX BALANCE SHEET ACCOUNT!!

EXAMPLE: Federal Payment = $85,641.62; 3% = $224,329.93

IF FEDERAL PAYMENT < 3% + any entitlement adjustments	Debit	Credit
B-01-121-xx (PAYS Payment – tuition in from another district)		$85,641.62
B-01-121-xx (IDEAS Payment)		$138,688.31
B-01-101-xx (Remaining 3% of Prorated Entitlement Due)	$224,329.93	

IF FEDERAL PAYMENT > 3% + any entitlement adjustments		
B-01-121-xx (PAYS Payment – tuition in from another district)		$85,641.62
B-01-121-xx (IDEAS Payment)	$25,641.62	
B-01-101-xx (Remaining 3% of Prorated Entitlement Due)	$60,000.00	

EXAMPLE: Federal Payment = $0; 3% = $224,329.93

IF NO FEDERAL PAYMENT	Debit	Credit
B-01-121-xx (PAYS Payment – tuition in from another district)		$0.00
B-01-121-xx (IDEAS Payment)		$224,329.93
B-01-101-xx (Remaining 3% of Prorated Entitlement Due)	$224,329.93	

Special Education – Fiscal Updates – Finance Code 600 Series

Special Education Memo, February 28, 2014

The Division of School Finance has been reviewing the Uniform Financial and Reporting Standards (UFARS) data for Finance Dimensions 600 Series. The member districts of a cooperative are to use Finance Dimensions 619, 620 or 622, when they have expenditures that are reimbursed with federal special education funds from the cooperative. The review of the SFY 2013 UFARS data indicates that the members of a cooperative are showing little to no expenditures in the Finance Dimension 600 Series. The member districts of a cooperative or education district must report all expenditures reimbursed with federal funds with the Finance Dimension 600 series in order to assure that the Minnesota Department of Education (MDE) can have accurate expenditure data that is used for the various reports to the public, legislature and the U.S. Department of Education. This data is used also for the indirect cost rate calculation. Again, member districts of a cooperative must use the UFARS Finance Dimensions in the 600 Series to document expenditures made with federal special education funds.

Special Education – Fiscal Year 2015 Funding and Data Updates

Modified and Summarized from Special Education Memo, September 2, 2014

Overview of Special Education Funding Changes

Below is a high level overview of the changes that have taken place in the calculation of state special education aids and will take place in SFY 2016.

Coding for IEP Administrative Services Fee Invoices

Districts are receiving invoices for ‘IEP Administrative Services’ from the Minnesota Department of Human Services (DHS). Districts can code the expenditure to current year funds if no payable was established in SFY 2014. The expenditure could be coded to Finance 372, Program 400, and Object 305. Just a reminder that this expenditure is not eligible for state special education aids and cannot be entered on SEDRA, even under Funding Source Code ‘a’ or ‘m’.

Planning for IEP-MA Revenue

With the new funding formula for SFY 2016 districts will have to look at IEP-MA revenue a bit differently since the SFY 2016 calculation of state special education aids will include “nonfederal” expenditures. Some districts have not expended their IEP-MA funds (Finance 372, Source 071).

The Division of School Finance is providing guidance for districts that have not spent their IEP-MA revenue in a planned way. Districts can defer the funds in the first and second year and budget and spend the first year funds in the third year. In this way, settle-up will not be a factor in the budgeting. It also provides access to cash for districts, intermediates and especially the charter schools.

For districts that have been expending their IEP-MA revenue in a timely manner, the same can still hold as noted above. The district can set targets for their spending of IEP-MA revenue in the current year and start deferring these funds for the same cycle, with the net result of spending and budgeting in the third years. The advantages are:

- Encourage districts to use all their federal funds as they expire. IEP-MA funds do not expire.
- Can have funds available for changes in staffing that will hold the district's MOE at a constant level. If a student or program needs additional staffing then the IEP-MA funds would be perfect as the expenditure of those funds do not increase your MOE.
- Budget and plan for recurring expenditures, e.g., replacement of vans, buses and equipment that need upgrading or replacing.
- Use IEP-MA revenue to buy down increases in salaries by paying benefits, again hold the MOE constant.
- If IEP-MA revenue is used as a "rainy day fund" then there are funds available for special needs for staffing or other activities as noted above. Districts can plan to utilize all their federal funds so that Minnesota does not continue to turn back hundreds of thousand dollars.

Special Pupil Applications
The SFY 2024 applications for special pupils may be found on the Minnesota Department of Education's (MDE) Website under Districts, Schools and Educators > Business and Finance > Forms. The reimbursement is payable in SFY 2025 and is paid May of 2025. The applications are due to MDE on or before November 30, 2024 for SFY 2024. The special pupils are:

- Wards of the State with IEPs
- Wards of the State without IEPs
- Court Placed (Non Minnesota student with IEP placed by Minnesota Court or Human Services)
- Out-of-State (Minnesota student with IEP placed out of state by Minnesota Court or Human Services)

Districts are reminded to submit a Minnesota Automated Reporting Student System (MARSS) 17 report with each application. The MARSS 17 report should have the same dates as the placement of the students into the care and treatment program. If the application is only for an Extended School Year (ESY), then no MARSS 17 report is required. All applications without the MARSS 17 report will be returned.

Special Education – Funding Guide

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Special Education Funding Guide

The *Special Education Funding and Data Reference Guide* will serve as an important resource for identifying fiscal and compliance criteria for most of the special education funds disbursed to local educational agencies (LEAs) through the Minnesota Department of Education (MDE). This information should assist you in your analysis of financial activity; enhance your ability to maximize financial resources; and accurately report special education financial and student data.

The format is designed for ease of use in identifying funding sources and program expenditures. For your convenience, the manual is posted by section. As additional or revised information becomes available during the school year, we will update the sections posted to our website.

Special Education – IEP and Due Process System Expenditure Coding

Condensed from MDE Memo, September 6, 2017

Personnel Type Code 16 has been added to Funding Source Codes "a" (lower case) and "m" (lower case) under Service Code "b." This would correspond to just the Uniform Financial Accounting and Reporting System (UFARS) Object Code 305* when using state or Medical Assistance (MA) funds.

* UFARS Object Code 305 should only be used in correspondence to SEDRA Service Code "b" for state special education costs and reported under Funding Source Codes "a," "b" and "m."

Note: UFARS Object Code 394 should only be used in correspondence to SEDRA Service Code B for state special education costs and reported under Funding Source Codes A, E, I, j, C, N and R.

IEP and Due Process Software
Nonfederal or federal funds may be used to procure special education information systems, such as IEP and due process programs. The most common of which is SPED Forms. This is just for the general Individualized Education Program (IEP) reporting. See the last section for software used to assist districts with reporting MA services for third-party billing to the Department of Human Services (DHS) on how to code those expenditures specifically.

<u>Option 1 Using Federal Funds</u>
The software and related services may be eligible for payment with federal special education funds. Code to 01-xxx-4xx-000-419/619-405.

<u>Option 2 Unreimbursable Nonfederal Funds</u>
Since the software and related service is not directly used in a classroom, and it was not eligible for state special education program aid under the old funding formula; it should be reported under the nonfederal state special education funding source. Record the expenditure under unreimbursable nonfederal funds. Code to 01-xxx-4xx-000-740-405.

<u>Option 3 Unreimbursable Nonfederal Funds</u>
Since the software and related service is not directly used in a classroom it is not eligible for state special education program aid under the old funding formula. However, it doesn't provide a benefit to students with a disability and therefore is an eligible use of your MA Funds. Record the expenditure under unreimbursable nonfederal MA funds. Code to 01-xxx-4xx-000-372-405.

IEP and Due Process Systems Consultant Training
Nonfederal or federal funds may be used to train staff on how to use special education information systems, such as IEP and due process programs.

<u>Option 1 Federal Funds</u>
The training fee for a consultant may be paid with federal special education funds. Code to 01-xxx-4xx-000-419/619-303/304.

<u>Option 2 Unreimbursable Nonfederal Funds</u>
The training fee for a consultant is not eligible for state special education program aid because students do not directly use it. Record the expenditure under unreimbursable nonfederal funds. Code to 01-xxx-420-000-740/372-305.

IEP and Due Process Systems Training Travel Reimbursement
Nonfederal or federal funds may be used to train staff on how to use special education information systems, such as IEP and due process programs. This includes expenditures incurred for the cost of transportation, meals, hotel, registration fees and other expenditures associated with travel for staff to attend training on how to use special education information systems.

<u>Option 1 Federal Funds</u>
Use special education federal funds UFARS 419/619 with Object 366. Code to 01-xxx-420-000-419/619-366.

<u>Option 2 Unreimbursable Nonfederal Funds</u>
Since the software and related service is not directly used in a classroom, it was not eligible for state special education program aid under the old formula. Record the travel and training expenditure under unreimbursable nonfederal funds. Code to 01-xxx-4xx-000-740/372-366.

MA Software and Add-ons to Assist with Third-Party Billing
<u>Option 1 – Funding the Actual Software</u>
Use medical assistance funds to pay for software to assist the district in billing its third party billing. This means if you purchase a separate add-on or an individual program that aids the Local Education Agency (LEA) with compiling the data needed to do Medical Assistance (MA) billing. This software/service is an eligible use of the LEA's MA funds but is not eligible for state special education funding. The expenditure is not entered into SEDRA. Code to 01-xxx-400-000-372-405.

<u>Option 2 – Funding Training for How to Use the Software</u>
The training fee for a consultant may be paid with medical assistance funds. The expenditure is not entered into SEDRA. Code to 01-xxx-400-000-372-305.

<u>Option 3 – Funding Travel Costs for Staff to Attend Training</u>
Medical assistance funds can be used to pay for travel reimbursement for electronic service plan training for how to use the MA software. Do not enter expenditure into SEDRA. Code to 01-xxx-400-000-372-366.

Department of Human Services (DHS) Processing Fee for Third-Party Billing
<u>Option 1 – Funding the DHS Fee</u>
Use medical assistance funds to pay for the fee the Department of Human Services charges a district for third-party billing. It may be an application, administration, contractor, processing or renewal fee. This fee is an eligible use of the LEA's MA funds but is not eligible for state special education funding. Do not enter expenditures into SEDRA. Code to 01-xxx-400-000-372-305.

For more information, contact Special Education Funding and Data (mde.spedfunding@state.mn.us).

<u>Special Education – Medical Assistance/Third Party Accounting</u>

Modified from MDE > Districts, Schools and Educators > Teaching and Learning > Special Education > Medicaid in Education and MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter

What is Third Party Reimbursement?
Seeking reimbursement for health-related services as part of a student's individualized education program (IEP) or Individualized Family Service Plan (IFSP).

Third party Medicaid billing helps to access funds to support Minnesota schools in building capacity to provide better health and behavioral health services to students.

Federal and state law require all public Minnesota schools to request payment for IEP health-related services from public and private health insurers. Minnesota Health Care Programs (MHCP) pays the federal share of covered health-related services described on a child's IEP or IFSP.

Schools are reimbursed when a child has a disability and an IEP or IFSP, requires health-related services to benefit from special education, and is eligible for MHCP (which includes Medical Assistance (MA), MinnesotaCare and other public, government health programs). Reimbursable IEP or IFSP health-related services include assessments and services for:

- Physical therapy.
- Occupational therapy.

- Speech-language-hearing.
- Children's Therapeutic Services and Supports (Mental Health).
- Nursing.
- Personal care assistance services.
- Assistive technology devices (medical equipment).
- Interpreter services when needed during a medical service.

Parents/guardians of children with disabilities must be fully informed before consenting to schools sharing information with the Minnesota Department of Human Services (DHS) and to bill. See the consent policy and form.

More information is available at https://education.mn.gov/MDE/dse/sped/med/.

UFARS/Accounting Instructions

Finance 372 Medical Assistance/Third Party Revenue (Fund 01) – Record revenues and expenditures with this finance code related to additional special education activities funded only from the revenue recorded in Source Code 071 and/or Source Code 072. Do not code Source Code 073 to this finance code. The expenditures of this money must follow the guidelines of Minnesota Statutes, section 125A.21, subdivision 3, which states districts may:

1. Retain an amount sufficient to compensate the district for its administrative costs of obtaining reimbursements;
2. Regularly obtain from education and health-related entities training and other appropriate technical assistance designed to improve the district's ability to access third-party payments for individualized education program health-related services, or
3. Reallocate reimbursements for the benefit of students with individualized education programs or individual family service plans in the district.

Use this finance code in all charge back entries to achieve the conditions of the statute. If the expenditure is not eligible for state special education regular program aid, the district should code the expenditure to Finance Code 372, Program Code 400, and use the appropriate object code. Revenues and expenditures in this code apply to Balance Sheet Code 472, Restricted/Reserved for Medical Assistance.

Balance Sheet Account 472 Restricted/Reserved for Medical Assistance (Fund 01) – Represents available resources to be used for Medical Assistance expenditures in Finance Code 372 (Minn. Stat. 125A.21, subd. 3). *This restricted/reserved account is not allowed to go into deficit.*

**Note – This Balance Sheet Account is required for Charter Schools.*

Special Education Medicaid Reimbursed and Third Party Reimbursed Activity:

1. Record expenditures with Finance 740 and Objects:
   - 381 – Medicaid Reimbursed Equipment
   - 382 – Medicaid Reimbursed Services
   - 384 – Third-Party Reimbursed Equipment, not Medicaid
   - 385 – Third-Party Reimbursed Services, not Medicaid
2. Record revenues with Finance 372 and Sources:
   - 071 – Medical Assistance Revenue Received from Minnesota Department of Human Services (Fund 01)
   - 072 – Third Party Revenue Received from Private Insurance Providers (Fund 01)
   - 073 – Medical Assistance Revenue Received from Minnesota Department of Human Services (Fund 01) for Students Without Disabilities

Medical Assistance/Third Party Revenue:

Record expenditures with Finance 372 and appropriate Program (400 related to additional special education activities) funded from the revenue recorded in Sources 071 and/or 072.

Note: DHS Third Party rebate payments have been discontinued. Districts will receive DHS invoices for the administrative fees owed after the end of each school year. Code this invoice to E-01-005-400-000-372-305. The DHS invoice is not eligible for SEDRA entry.

Special Education – Medical Assistance/Third Party Reimbursement (TPR)

Modified from MDE Document, August 2018

How to Use Third Party Reimbursement (TPR) Funds

This lists the four categories for which third party revenue may be used: billing costs, training and technical assistance to meet the criteria for billing, and, to address the needs of special education students. Notes on the correct finance and student reporting codes are also listed.

School districts may use TPR revenue as follows:

Options	**Notes**
1) Administrative costs of Third Party Reimbursement:	
- Paying contractor for billing services. The fee cannot be based on Medical Assistance (MA) revenue received by the school. - Support staff to review documentation required for billing procedures. - Staff time for invoicing. - Necessary supplies and equipment needed to conduct the business of billing and documentation of billing. - Fee charged by the Minnesota Department of Human Services (DHS) to process invoices (2-4% of total revenue).	Do not report in SEDRA. Use Finance 372, Program 400.
2) Training and technical assistance to improve services that may be billed to MA:	
- Upgrading technology/equipment/software necessary for interacting with the DHS billing system. - Professional development to increase the capacity of the district/staff to invoice DHS for individualized education program (IEP) – MA services. - Staff certification for those staff eligible to be invoicing DHS, i.e., speech/language therapist to obtain 3C certification. - Staff participation and training of the procedures and requirements for eligible expenditures to be invoicing DHS.	Do not report in SEDRA. Use Finance 372, Program 400.
3) Benefits to Students:	
Expenditures that would not be eligible for state or federal special education aid: - Construction/remodeling costs. - Furnishing new special education spaces (level IV program space) with desks, fixtures and other non-instructional capital equipment and supplies. - Paying for the unreimbursed costs of placing students in other schools programs. i.e., the invoice from a serving school that is billing their unreimbursed Access to Career and Technical Education for Students with a Disability (ACTE-SPED) or similar costs. These are program costs where the unreimbursed cost is **not** billed through the tuition billing process.	Do not report in SEDRA. Use Finance 372, Program 400.
Expenditures typically eligible for state special education aid: (Funding Source (FIN) Code A), providing direct services to children with disabilities: - Payroll personnel (salaries only). - Contracted personnel/agency services for students. - Repair and maintenance. - Individual instructional supplies and testing materials. - Equipment for direct instruction.	Enter in SEDRA as FIN Code (lowercase) “i” or “j”. TPR funds used in this way are included in

Options	Notes
- Purchase of services (salaried personnel from other districts). **See Medical Assistance SEDRA State Expenditures Code Sheet for all eligible costs.**	the state aid on the comprehensive aid report. The unreimbursed cost is **not** tuition billed back to the resident district. Use Finance 372, Program 401-420.
Expenditures typically eligible for federal special education aid: (FIN Code B): - Fringe benefits. - Personnel development related to special education. - Staff travel. - Office supplies, materials and printing. - Dissemination examples: Postage, recruitment, advertising, media resources. - Rent or lease/insurance. - Electronic communication services. - Equipment for office/supervision/management. **See Medical Assistance Unreimbursable Federal Expenditures Code Sheet for all eligible costs.**	Enter in SEDRA as FIN Code (lowercase) “m”. TPR funds used in this way are included in the state aid on the comprehensive aid report. The unreimbursed cost is **not** tuition billed back to the resident district. Use Finance 372, Program 401-420.

Special Education – Notification of Resident District

MDE Special Education Memo, September 28, 2016

We are starting to get appeals from resident districts that have students being served elsewhere. The statute states:

127A.47 Payments to Resident and Nonresident Districts.
Subd. 5. **Notification of resident district.** A district educating a pupil who is a resident of another district must notify the district of residence within 60 days of the date the pupil is determined by the district to be a nonresident, but not later than August 1 following the end of the school year in which the pupil is educated.

The Minnesota Department of Education (MDE) recommends that a copy of the student’s Individualized Education Program (IEP) be sent along with the acknowledgement. There is a sample form entitled Special Education Student Acknowledgement available on the MDE website (MDE homepage > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Tuition Billing). The Minnesota Automated Reporting Student System (MARSS) 31 report does not replace the student acknowledgement for tuition billing.

Starting in SFY 16-17, if districts do not meet the statute deadline and MDE receives an appeal from the resident district with documentation that they have notified the serving district requesting the information, MDE will automatically block the record in tuition billing from being billed.

Special Education – Organization-Site Rate (Org-Site) Eligible Expenditure – State Fiscal Year 2020

Condensed from MDE > Districts, Schools and Educators > Business and Finance > Data Submissions > Special Education Data Reporting Application (SEDRA)

The Minnesota Department of Education (MDE) tuition billing has been updated for the SFY 2019-20 school year. Intermediate districts, cooperatives, education districts and charter schools are automatically put on Org-Site rates. School districts with an enrollment of fewer than 500 students will need to submit a formal request to be changed from disability rates to Org-Site rates. The following information is for approved Org-Site users for tuition billing. The pre-loaded information comes from the second prior year of Uniform Financial Accounting and Reporting Standards (UFARS). The district is responsible to update and maintain this information throughout the year for all Org-Sites, as it will be used until final and audited UFARS data is received. Failure to update and maintain information will result in (1) costs not being covered, and, (2) inaccurate distribution of costs to the resident districts. The information that will be submitted must be approved budget data.

A menu option is available in the Special Education Data Reporting Application (SEDRA) to keep the budget and expenditures up-to-date for the tuition billing system. Select **Tuition Billing Org-Site Expenditure Entry** from the menu options on the special education expenditure page on SEDRA. Note: this option will not appear on your menu if you have not been approved for Org-Site rates.

This Org-Site rate is calculated using the UFARS data provided to MDE.

Only expenditures charged to UFARS Finance Code (FIN) 740, 317, 320 and 335 may be included. Do not use FIN 372, 419 or any other federal finance codes.

- Salaries – enter all salaries and purchased services (service code A and U) (object codes 140, 143-146, 150-166, 168, 172-176, 185-186 and 396).
- Contracted staff – enter the total contracted amount of all student services (service code B, e.g., occupational therapist (OT), physical therapist (PT), etc.) (object codes 307, 394 and 399).
- Supplies, materials and equipment – enter the total amount (object codes 315, 350, 369, 370, 380, 381, 406, 433, 456, 466, 506, 533 and 556).
- Unreimbursable nonfederal – enter the total amount (object codes 110, 170, benefits; 191, 199, 210-251, 270-280, 299, 397, 305, 320, 329, 365, 366, 401, 405, 455, 465, 505, 530, 555 and 820).

Each site will have a percentage based on the total expenditures for payroll, contracted services and supplies from UFARS FIN 740, 317, 320 and 335 with the object codes above (denominator). Expenditures for Org-Site 005 (districtwide) will be distributed to the site proportionally.

An example of the calculation of an Org-Site rate can be found in the Tuition Billing Reference Guide. To locate the reference guide, go to the MDE homepage > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Tuition Billing.

Special Education – Out-of-State Travel Request Form

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education

This form is to be used when requesting approval to use federal special education funds to travel out of state for professional development or other activities that would require staff to be out-of-state. Incomplete travel requests will be returned without action. When the travel is completed (travel is not an obligation until it is completed) enter the costs for this travel on a single line on the Special Education Data Reporting Application (SEDRA) under Service Code "?". Email Special Education Funding and Data (mde.spedfunding@state.mn.us) with the line number for this trip to request line error removal. Enter the location and dates of travel in the description field so the approved travel request can be matched to the SEDRA line number.

Note: This form no longer needs prior approval. However, approval is still needed to remove the line error.

Special Education – Questions and Answers: Public School District Responsibilities to Provide Free Appropriate Public Education (FAPE) for Nonpublic School Students

MDE > Districts, Schools and Educators > Teaching and Learning > Special Education > Assistance and Compliance Q and As > Individualized Education Program (IEP), Evaluations and Eligibility, April 30, 2021

The Minnesota Department of Education (MDE), Division of Assistance and Compliance, has developed this document to provide technical assistance to parents and school districts that have questions regarding students who are attending nonpublic school in Minnesota and are also eligible for special education and related services. Minn. Stat. § 120A.22, subd. 5 and 125A.18. The intention of this document is to provide helpful, general information to the public. It does not constitute legal advice nor is it a substitute for consulting with a licensed attorney. The information below should not be relied upon as a comprehensive or definitive rendition of applicable state and federal law.

Question 1: What is a nonpublic school?
Answer: Under Minnesota law, a nonpublic school includes any school that is not a public school, where a student that is a resident of Minnesota can attend school and meet compulsory instruction requirements. This includes private school, a church or religious organizations, and home school.

Authority: Minn. Stat. § 123B.41, subd. 9.

Question 2: What is the obligation of Minnesota public school districts to provide special education and related services and procedural due process rights to nonpublic school students?
Answer: The public school district where the nonpublic school is located is obligated to provide a FAPE to nonpublic school students. Minnesota law extends the same procedural due process rights to Minnesota nonpublic school students as those given to public school students.

Authority: Minn. Stat. § 125A.18 and 125A.03(a)(2) and (4). *See also* Special Sch. Dist. No. 1, Minneapolis Pub. Schs. v. R.M.M., 861 F.3d 769, 774 (8th Cir. 2017) (holding that "a plain reading of Minnesota state law shows that private school students have a right to a FAPE.").

Question 3: In addition to providing FAPE, what are the other primary responsibilities of the district where the nonpublic school is located?
Answer:

- Identify students with disabilities attending the nonpublic school.

  Authority: 34 C.F.R. § 300.131.

- Conduct reevaluations of students previously identified for special education services and attending the nonpublic school.

  See Minn. Stat. § 125A.03(a).

- Determine the location of special education and related services, which may be at the nonpublic school building, a public school, or at a neutral site other than a nonpublic school, consistent with federal law.

  Authority: 34 C.F.R. § 300.115 and 300.116, and Minn. Stat. § 126C.19, subd. 4(b).

  See also Questions and Answers on Serving Children with Disabilities Placed by Their Parents in Private Schools, U.S. Department of Education, Office of Special Education and Rehabilitative Services (OSERS), page 24, (Rev. Apr. 2011).

- Engage in a consultation process during the "design and development of special education and related services" for the students.

Authority: 34 C.F.R. § 300.134.

For more information about the consultation process, *see Questions and Answers on Serving Children with Disabilities Placed by Their Parents in Private Schools*, U.S. Department of Education, Office of Special Education and Rehabilitative Services (OSERS), pages 8-10, (Rev. Apr. 2011).

Question 4: At parent request, can a district provide less service than necessary for the nonpublic school student to receive a FAPE?
Answer: No. Just as the law requires for public school students, the district must *provide* all services necessary for FAPE. It is not sufficient only to make a FAPE *available* for the nonpublic school student.

See Special Sch. Dist. No. 1, Minneapolis Pub. Schs. v. R.M.M., 861 F.3d 769, 776 (8th Cir. 2017) ("[B]cease state law defines special instruction and services as a FAPE, . . .districts [are required] to provide a FAPE to nonpublic school students." The court in *R.M.M.* also expressly rejected the school district's argument that "Minnesota law requires only that public schools make a FAPE available to private school students." (emphasis in original)).

Question 5: What can a district do if a nonpublic school parent only wants some special education and related services, and those services alone would not provide a FAPE?
Answer: Again, as in the case with public school students, the district must provide FAPE, despite parental preference to the contrary. When faced with a parent's anticipated or actual refusal to consent for a proposed IEP, in addition to conciliation conference requirements, the district must consider alternative dispute resolution processes available, facilitated team meetings, mediation, and/or a due process hearing.

See Special Sch. Dist. No. 1, Minneapolis Pub. Schs. v. R.M.M., 861 F.3d. 769 (8th Cir. 2017) (impartial due process hearings are available to resolve disputes involving the provision of FAPE to nonpublic school students).

Question 6: Can a parent revoke consent to all special education and related services for their nonpublic school student?
Answer: Yes, if the parent chooses to do so. The revocation of parental consent must be in writing and the district must provide prior written notice.

Authority: 34 C.F.R. § 300.9 and 300.300.

Special Education – Reporting Purchase of Services

Modified from Special Education $ and Sense, May 28, 2004

Purchase of Services

There have been several questions raised about how to code in UFARS and SEDRA the purchase of services of a teacher or other licensed professional from another school district or cooperative. Below is a series of charts that may assist you in coding the information correctly on UFARS and SEDRA. Purchase of service may be paid with state or federal funds.

Example: District A employs a school psychologist for $52,000 salary and $14,000 benefits per year. District B purchases the services of the psychologist from District A for half the time or .50 FTE. District B will reimburse District A for $26,000 in salary and $7,000 in benefit costs. District A bills District B for $33,000 ($26,000 in salary + $7,000 in benefit costs). District A should also provide a copy of the payroll records to District B to document the purchase of service costs by the district paying the salary. District A must reduce its claim on SEDRA by the amount reported by the purchasing district.

District A – Expenditures		District B – Expenditures	
L-Fd-Org-Pro-Crs-Fin-Obj		L-Fd-Org-Pro-Crs-Fin-Obj	
E-01-xxx-4xx-000-740-157	$26,000	E-01-xxx-4xx-000-740-396	$26,000

E-01-xxx-4xx-000-740-2xx 7,000 E-01-xxx-400-000-000-157* 26,000 E-01-xxx-400-000-000-2xx* 7,000 If paid with federal, substitute 419/619 for 740. * The portion purchased does not have a Finance code.	E-01-xxx-4xx-000-740-397 7,000 or E-01-xxx-4xx-000-419/619-3SS 26,000 E-01-xxx-4xx-000-419/619-3SS 7,000 3SS – Federal Subaward/Subcontract have specific Objects.
District A – SEDRA Entries Enter psychologist as Service A .50 FTE for $26,000. Enter benefit costs for $7,000 on SEDRA using Service Code L.	District B – SEDRA Entries Enter psychologist as Service U, .50 FTE for $26,000. Enter benefit costs for $7,000 on SEDRA using Service Code L.
District A – Reimbursement L-Fd-Org-Pro-Crs-Fin-Src R-01-005-400-000-000-022 $26,000 R-01-005-400-000-000-022 7,000 * District does not enter the Finance code 740 when receipting the funds from District B.	District B – Reimbursement None
District A – Revenue District A will enter their special education expenditures in SEDRA to be included in the Special Education Aid calculation.	District B – Revenue District B will enter in their special education expenditures in SEDRA to be included in the Special Education Aid calculation.

Accounting for Special Education Contracted Billing
Districts should use an adequate accounting method such as a spreadsheet to identify contracted cost provided to other districts.

Object 396 Salary Purchased from Another District/Cooperative – **Note:** See Object Codes 303 and 304 for a description of expenditures for services purchased with federal funds. Do not use the object 390 series for federal subawards/contracts – use Object Code 303/304.

Include payments made to other Minnesota school districts/cooperatives for the salary of licensed teachers or related service providers who are working in your district but employed by another district.

Object 397 Benefits Purchased from Another District/Cooperative – **Note:** See Object Codes 303 and 304 for a description of expenditures for services purchased with federal funds. Do not use the object 390 series for federal subawards/contracts – use Object Code 303/304.

Include payments made to other Minnesota school districts/cooperatives for the benefits of licensed teachers or related service providers who are working in your district but employed by another district. Purchasing districts must use the appropriate finance code for benefit costs.

Source 022 Reimbursement Revenue for Special Education Purchased Services from another District (Fund 01) – Record reimbursement revenue from a Minnesota school district for all the costs of licensed special education teachers, including: salaries and benefits, supplies and equipment, travel, or contracted purchased services that have been sold to another district. The district selling the services must use General Special Education Program Code 400 to show the expenditures as being Special Education in nature but not reimbursable costs to their district. The receiving district must also use Source Code 022 with Program Code 400, General Special Education, to record the revenue reimbursement. The purchasing district must use Finance Code 740 and the proper object code to qualify the purchase costs for inclusion in the special education base revenue and excess cost aid calculations when the object code dictates such inclusion.

If you have questions on the SEDRA reporting, please contact mde.spedfunding@state.mn.us.

Note: Per an MDE email dated April 30, 2019, any Homebased travel for ECSE students paid with State special education aid is coded to Program 412, Finance 740, Object 366. It is entered into SEDRA as Funding Source Code 'A' and Service Code 'F'. Any other staff travel paid with State special education aid is coded to Program 401-411, 414, 416, or 420, Finance 740, Object 366. It is entered into SEDRA as Funding Source Code 'a' and Service Code 'F'.

Special Education – Special Education Data Reporting Application (SEDRA) and Access to Career and Technical Education - Special Education (ACTE-SPED) Opening May 1, 2024

Modified MDE Memo, March 25, 2024

SEDRA and ACTE-SPED will be opening for SFY 2025 on May 1, 2024.

Specific service code expenditures without errors entered in SEDRA for SFY 2024 as of May 1, 2024, will be copied into the upcoming year on May 1 by 9 a.m. Prior to May 1, 2024, please review your SEDRA lines to ensure only current data rolls into the new year. As of March 20, 36,502 lines have not been updated since May 2023.

SEDRA SFY 2024 expenditures without errors will generate the state and federal cover sheets for SFY 2025. Each line will be renumbered for the new fiscal year and will have an error message "Initial Data – Has Not Been Retained or Changed."

The following Funding Source Codes (FSC) are copied from the current year to the upcoming school year:

- FSC A: State Special Education Aid – Regular Year (Uniform Financial Accounting and Reporting Standards (UFARS) Finance Dimension (FIN) 740, 317, 335)
- FSC E: State Special Education Aid – Extended School Year (FIN 740)
- FSC B: Section 611 Federal Flow Through (ages 3-21) (FIN 419)
- FSC F: Section 619 Federal Preschool Incentive (ages 3-5) (FIN 420)
- FSC G: Federal Low Incidence Discretionary (Regional) (FIN 421)
- FSC H: Federal Part C Infants and Toddlers with Disabilities (ages 0-2) (FIN 422)
- FSC R: Local Collaborative Time Study (LCTS) (FIN 799)
- FSC W: Federal Regional Comprehensive System of Personnel Development (CSPD)-Discretionary Projects (ages 3-21) (FIN 432)
- FSC "a": Unreimbursable State (FIN 740, 317, 335)
- FSC "h": Part C Regional Interagency Early Intervention Committee (IEIC) (ages birth-2) (FIN 423)
- FSC "i": Third Party Expenditures ESY (FIN 372)
- FSC "j": Third Party Expenditures RSY (FIN 372)
- FSC "p": Section 619 Regional Centers of Excellence Discretionary CSPD (ages 3-5) (FIN 430)
- FSC "x": Part C Regional Centers of Excellence CSPD Grant (ages birth-2) (FIN 446)
- FSC "z": Mandatory Coordinated Early Intervening Services (CEIS)

The following SEDRA Service Codes (SRV) will be copied from the current year into the upcoming school year:

- SRV A: Payroll Personnel (includes expenditure data)
- SRV B: Contracted Personnel/Agency Service for pupils (no expenditure data)

The following ACTE-SPED Service Codes will be copied from the current year into the upcoming school year:

- SRV A: Payroll Personnel (includes expenditure data)
- SRV L: Fringe Benefits (includes expenditure data)
- SRV U: Purchase of Services (includes expenditure data)

- SRV “p”: Purchase of Contracted Services (no expenditure data)

This data serves as the local educational agency's (LEAs) proposed budget for the upcoming year. LEA staff will need to call up each line in SEDRA and either save, update, or delete the line in order to remove the error message. This will need to be completed by June 1, 2024, for MDE to begin reviewing state SEDRA retained lines for SFY 2025 Eligibility Maintenance of Effort.

MDE prefers that LEAs submit their special education application forms for SFY 2025 electronically. Please email the forms to mde.spedfunding@state.mn.us.

Please note: Copies mailed through the U.S. Postal Service will still be accepted but may cause delays in processing times.

All forms must be received by June 1, 2024.

SFY 2025 grant applications are posted in the Minnesota Education Grant System (MEGS) under Grants Management and need to be in “Under Process” status by July 1, 2024, to be substantially approved.

If you have questions, please contact the Special Education Funding and Data Team.

Special Education – State Aid Calculation Calendar

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education,
May 15, 2023

Open the “SFY 2024 Special Education State Aid Calculation Calendar” document located in the path above for dates relating to the Special Education State Aid Calculation..

Special Education – State Fiscal Year (SFY) 2023 Federal Requirements for Maintenance of Effort (MOE) for Special Education Services

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education,
December 15, 2023

IDEA Requirements for MOE

The Individuals with Disabilities Education Act (IDEA) requires that federal funds “…must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA (local educational agency) from (state and) local funds below the level of those expenditures for the preceding fiscal year….” (34 Code of Federal Regulations (C.F.R.) section 300.203). This requirement is referred to as Maintenance of Effort (MOE).

Every year, the Division of School Finance, Special Education Funding and Data Team, reviews MOE for each LEA which includes each local school district, charter school and special education cooperative. This memorandum summarizes the IDEA requirements used in that review.

The IDEA, 20 United States Code (U.S.C.) section 1413(a)(2)(A), specifically requires that federal funds:

“…provided to the local educational agency under this subchapter…

(i) shall be used only to pay the excess cost of providing special education and related services to children with disabilities;
(ii) shall be used to supplement state, local and other federal funds and not to supplant such funds; and,
(iii) shall not be used … to reduce the level of expenditures for the education of children with disabilities made by the local educational agency from local funds below the level of those expenditures for the preceding fiscal year.”

Exceptions to these requirements also set forth in 20 U.S.C. section 1413(a)(2)(B), allow LEAs to:

"…reduce the level of expenditures where such reduction is attributable to:

(i) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education (or related services) personnel;
(ii) a decrease in the enrollment of children with disabilities;
(iii) the termination of the obligation of the agency, consistent with this subchapter, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the state educational agency, because the child:
   (I) has left the jurisdiction of the agency;
   (II) has reached the age at which the obligation of the agency to provide a free appropriate public education has terminated; or
   (III) no longer needs such program of education; or
(iv) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities."

Calculation of MOE

The Special Education Funding and Data Team calculates MOE by comparing expenditures reported to the Minnesota Department of Education (MDE) from SFY 2022 with those expended in SFY 2023. The MOE comparison will be made by the assessment of a combination of state and local funds, local funds or a per-capita basis of state and local funds or local funds only (34 C.F.R. section 300-203).

The MOE calculation pulls data from the Special Education Data Reporting Application (SEDRA) and Uniform Financial Accounting and Reporting Standards (UFARS) used by LEAs to report eligible expenditures to MDE. The data used in the MOE calculation for two years are:

Special Education

- Funding source code A – special education regular year (include service code F, home-based travel)*
- Funding source code E – extended year
- Funding source code M – court placement (non-Minnesota residents)
- Funding source code U – full state payment (students with individualized education programs (IEPs) only)
- Funding source code "a" – unreimbursable nonfederal special education expenditures
- Allocated special education expenditures from hosts/cooperatives (regular and extended year)

*Personnel Type Code (PTC) 21 and Service Code 9 are not included in SFY 2021 MOE calculation

Special Transportation

All expenditures reported in UFARS under finance code 723 used for the calculation of state special education aids.

Access to Career and Technical Education – Special Education (ACTE-SPED)

- Total ACTE-SPED expenditures
- Allocated ACTE-SPED expenditures from hosts/cooperatives

Minnesota Automated Reporting Standards System (MARSS)

Unduplicated Child Count – this totals all special education students served for a given year by pulling valid end of year MARSS records, Special Education Evaluation Status (SEES) of 4,6 or 9, state aid category < 29 and student grade level NOT = "PS".

MOE Calculation Does Not Include the Following:

Special Education

- Funding source code "i" – third-party expenditures extended school year*
- Funding source code "j" – third-party expenditures regular school year*

- Funding source code C – alternative-delivery program regular year
- Funding source code N – alternative-delivery program extended year
- Funding source code R – local collaborative time study regular year
- Funding source code X – full state payment (students without IEPs)
- Employee benefits reported in UFARS finance code 799, object code 199, and object code 200 series (the benefit costs are included from funding source "a")
- UFARS object code 252 other post-employment benefits (OPEB) (up to or equal to the annual required contributions (ARC))
- UFARS object code 289 – OPEB contributions (not pay as you go or ARC)
- UFARS object code 290 – OPEB (in excess of the ARC)
- UFARS object code 291 – OPEB (pay as you go)
- Any lines in error in SEDRA or ACTE-SPED
- PTC 21 and Service Code 9 (SFY 2021 only)

*IDEA references to third-party payments

34 C.F.R. section 300.154. Methods of ensuring services (g). Proceeds from public benefits or insurance or private insurance. (2) If a public agency spends reimbursements from federal funds (e.g., Medicaid) for services under this part, those funds will not be considered "state or local" funds for purposes of the maintenance of effort provisions in section 34 C.F.R. section 300.163 and 34 C.F.R. section 300.203.

What Happens When MOE Is Not Maintained?
LEAs that fail to maintain effort from SFY 2023 will forfeit general education revenue SFY 2023, equal to the amount that they fell short in SFY 2023 (Minnesota Statutes, section 126C.21, subdivision 5). For example, in the table below, this district could justify only $54,000 of the $64,811.24 in reduction of expenditures in SFY 2023, the unjustified amount of $10,811.24 would then be subtracted from the district's general education revenue in SFY 2023. Also, the district's unjustified amount of $10,811.24 must be added to their reported SFY 2023 MOE base amount of $1,087,123.15. The adjusted SFY 2023 MOE base amount in the comparison example below would be $1,097,934.39.

Subsequent Years Rule
34 C.F.R. section 300.203(c). If an LEA fails to meet the requirements of section 300.203 in effect at that time, the level of expenditures required of the LEA for the fiscal year subsequent to the year of the failure is the amount that would have been required in the absence of that failure, not the LEA's reduced level of expenditures.

This example uses a simple two-year comparison, but every LEA's MOE was reset in SFY 2016 to their current base due to the funding formula change. Therefore, there are cases when LEAs will need to look at multiple years to see what their all-time high spending was when comparing to the most recent closed year. We created the MOE Interactive Spreadsheet to use as a tool for LEAs to keep track of their all-time highs in each of the four criteria areas. The MOE Interactive Spreadsheet is located on the MDE homepage (https://education.mn.gov): MDE > Data Center > Data Reports and Analytics > School Finance Spreadsheets > Special Education > Year.

Comparison Example:

District ABC	**2021-2022**	**2022-2023**	**Difference**
State expenditures	$1,151,934.39	$1,087,123.15	n/a
Total	**$1,151,934.39**	**$1,087,123.15**	**$(64,811.24)**

Fifty percent MOE reduction under IDEA
Under IDEA section 613(a)(2)(C) (34 C.F.R. section 300.205);
- In any fiscal year that an LEA's subgrant allocation exceeds the amount the LEA received in the previous fiscal year, the LEA may reduce the level of local, or state and local, expenditures otherwise required by the

LEA's MOE requirements (in IDEA, section 613(a)(2)), by up to 50% of the increase in the LEA's subgrant allocation.

- The LEA must spend the freed-up local, or state and local funds, on activities that are authorized under the elementary secondary education act (ESEA) of 1965.
- If an LEA chooses to utilize the flexibility available under IDEA section 613(a)(2)(C), to reduce the level of local, or state and local, expenditures otherwise required in the current fiscal year, in subsequent fiscal years, the LEA would be required to maintain effort at the reduced level – except to the extent that an LEA increases the level of expenditures for the education of children with disabilities made by that LEA above the level of expenditures in SFY 2022, using local, or state and local funds.

In other words, an LEA choosing to take advantage of this flexibility may reduce the required MOE level in subsequent years, until that LEA increases the level of special education expenditures, using state or local funds, on its own. If an LEA reserves up to 15% of their Section 611 and 619 funds for Coordinated Early Intervening Services (CEIS); voluntary or mandatory will reduce the amount eligible for the fifty percent rule.

For SFY 2023, districts must have at least the same amount of state and local expenditures as they did in SFY 2022. If a district does not maintain effort in SFY 2023 from the previous year, these further reductions must be justified under the four (4) criteria areas.

Timelines

Once SFY 2023 is finalized, the Division of School Finance, Special Education Funding and Data Team, will begin the MOE review process. A memo will be emailed to every LEA informing them if they have or have not maintained effort for SFY 2023. For the districts/hosts/cooperatives that have not maintained effort, a memo will be sent and the districts/hosts/cooperatives will have 30 days to respond. If MDE does not receive a justification memo from the districts/hosts/cooperatives within the 30 days, MDE will assume the districts/hosts/cooperatives did not maintain effort. The maintenance of effort process is scheduled to be concluded no later than June 30, 2024.

Questions related to this memorandum may be directed to the Special Education Funding and Data Team (mde.spedfunding@state.mn.us).

Special Education – State Fiscal Year (SFY) 2023 Tuition Billing Final Calculation – Federal Funds Tuition Payments

Modified from MDE Memo, May 6, 2024

The final calculation for SFY 2023 state aids with tuition adjustments have been completed. The federal funds have been applied to the non-reimbursed costs. Resident districts that requested to use their federal finance 419 funds for tuition have been applied to the districts serving the resident districts' students. The federal funds are anticipated to be paid to the serving district at about the same time the negative adjustments will be made in the Integrated Department of Education Aids System (IDEAS).

Note: All entities need a Unique Entity Identifier (UEI) for federal award purposes. On April 4, 2022, the identifier was changed from the Data Universal Numbering System (DUNS) number to the UEI, issued by SAM.gov. If you do not have an active entity registration on SAM.gov, you may not be able to receive federal payments or apply for federal grants. If you have questions on how to verify your UEI number in the MDE District and School Site Verification system, send an email to mde.school-verify@state.mn.us.

The federal funds tuition payment revenue should be coded to the original code that the district receiving the funds set up as a year-end receivable. Some districts used Source Code 360, State Aid for Special Education. Other districts used Source Code 400, Federal Aids Received through Minnesota Department of Education with Finance Code 419, Individuals with Disabilities Education Act (IDEA) Part B Section 611.

The resident district and serving districts should also go to the Minnesota Funding Reports (MFR) to print their tuition district summary. The summary is located at: Data Center > Data Reports and Analytics > Minnesota Funding Reports > District, Fiscal Year – 22-23, Special Education Tuition Billing > "Special Education Tuition Billing District Calculation" Report.

The total Federal Portion under Expenditures – Column E will be the total funds paid out on behalf of the resident district. The total Federal Portion under Revenues – Column E will be the total funds that will be received by the district serving non-resident students. This report should be printed and made available to the district auditors.

If you have any questions, send an email to mde.spedfunding@state.mn.us.

UFARS Procedures – Using Federal Funds for Tuition Bill Costs
For SFY 2023, Minnesota Department of Education (MDE) withheld the amount declared from their final federal Part B Section 611 Allocation (FIN 419) for use towards tuition bill expenses. The amount is currently not reflected in the amount of the Part B, Section 611 Allocations in SERVS. The Uniform Financial Accounting and Reporting Standards (UFARS) Object Code 308 should be used for the first $25,000 of tuition bill payment and UFARS Object Code 309 should be used for the remaining portion of the tuition bill (amount in excess of $25,000).

The following entries are used to record the amount declared to be used for tuition bills at the end of SFY 2023.
Debit – 01-XXX-XXX-419-308/309-010
Credit – 01-122-XXX

This expense is not reported in SEDRA.

In April or May of the following year, MDE will calculate final tuition bills and make payments to the non-resident local educational agency (LEA). In the following year, adjust the object codes 308/309 for the difference between the estimated tuition payments and actual payments. The adjustment should take into account the amount of federal funds used as well as the split between 308/309. In the example used above, the UFARS Course Code 010 will identify that it is a prior year adjustment not reflected in SERVS.

For assistance with questions on UFARS coding of federal funds for tuition bill costs, contact Deb Meier.

Special Education – State Fiscal Year (SFY) 2025 Application Materials and Eligibility for Program Approval

Condensed from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education, April 15, 2024

This memorandum provides the necessary steps, timing and deadlines that local educational agencies (LEAs) must complete in order to apply and be substantially approved for special education funding for SFY 2025.

Program and Aid Approval
As part of the program and aid approval for special education, Minnesota Statutes, section 125A.75, subdivision 4, states:

> *"Before June 1 of each year, each district providing special instruction and services to children with a disability…must submit to the commissioner an application for approval of these programs and their budgets for the next fiscal year."*

Each LEA is required to employ a director of special education.
Minnesota Rules, section 3525.2405, subpart 1. Director requirement.

> *"The school board in every district shall employ, either singly or cooperatively, a director of special education to be responsible for program development, coordination and evaluation; in-service training; and general special education supervision and administration in the district's total special education system..."*

In order to ensure compliance with statutes, the following forms must be completed and approved by the Minnesota Department of Education (MDE) before state and federal aids can flow to LEAs.

Forms to be Submitted

1. Statement of Assurances (ED-01350) must be completed and signed by the licensed director of special education and either the superintendent or clerk of the school board, and submitted to MDE. For cooperatives, intermediates, service cooperatives and education districts, each member and participating district must complete the form and be signed by both the director of special education and the district superintendent or school board clerk.
2. State Cover Sheet must be signed by the director of special education and submitted to MDE. The state cover sheet must indicate all of the following:
    - The number of teacher contract days for the regular school term (not student contact days).
    - The number of minutes in the contract day. (In most instances, lunch is not considered part of the school day unless staff is required to be present during the lunch period).
    - The district or cooperative that serves as your applicant agency for federal funds.
3. Federal Cover Sheet must be signed by the director of special education. Circle Yes or No for each of these:
    - If the LEA authorizes MDE to withhold up to $5 per child count for the State Services for the Blind (SSB) for the LEA's children and youth with disabilities.
    - If the LEA intends to use up to 15% of Section 611 and 619 funds for Voluntary Coordinated Early Intervening Services (CEIS) (please include the amount for Voluntary CEIS if less than the full 15%) or if your district has been identified for Mandatory CEIS FIN 429.
    - If the LEA intends to use not more than 50% Maintenance of Effort (MOE) reduction to local fiscal efforts.
4. SFY 2025 Program Assurances need to be completed for each finance code and the Central Data Collection tile needs to be in Approved status by July 1 in the Minnesota Education Grants System (MEGS) and electronically signed by the Identified Official with Authority (IOwA).
5. Request for SFY 2025 Federal Funds for Special Education Tuition Adjustment (ED-02448). This form must be signed by the director of special education. Note: Send the form to MDE only if you want to use federal funds for nonreimbursable tuition costs, no later than June 20, 2025.

The state and federal cover sheets will be posted to the MDE website on May 1, 2024.

All forms must be completed, signed and submitted to MDE by June 1, 2024 (with the exception of the Request for SFY 2025 Federal Funds for Special Education Tuition Adjustment). All required forms are posted to the MDE website. Access your state and federal cover sheets on the Data Reports and Analytics webpage. Under School Finance Reports, select Minnesota Funding Reports (MFR). Use the drop-down boxes to select your District; Category: Special Education; Year: 24-25; Report: Special Education Regular Year – Initial Expenditures.

Please note: when sending in the cover sheets MDE does **not** need the additional pages of data that are part of that report. Please send only the one page state cover sheet and the one page federal cover sheet.

Access the Application for Special Education Funds – Statement of Assurances (SFY 2025) from the MDE website (https://education.mn.gov > Districts, Schools and Educators > Business and Finance > School Finance > Special Education. The Request for SFY 2025 Federal Funds for Special Education Tuition Adjustment is located on the MDE website (https://education.mn.gov) > Districts, Schools and Educators > Business and Finance > School Finance > Special Education > Tuition Billing. Select the SFY 2025 form for both the Statement of Assurances and Federal Funds for Special Education Tuition Adjustment. **Prior year forms will not be accepted.**

New charter schools in their **first** year of operation will receive the state and federal cover sheets from MDE.

MDE prefers LEAs to submit their special education application forms for SFY 2025 electronically. Please email the forms to mde.spedfunding@state.mn.us.

Please note, mailed copies will also be accepted. **If you choose to submit electronically your state and federal cover sheets along with the statement of assurances, please DO NOT mail a hard copy as duplicates could delay processing times.** All forms must be received by June 1, 2024.

Mail forms to:
Minnesota Department of Education
Special Education Funding and Data
400 NE Stinson Boulevard
Minneapolis, MN 55413

Special Education State and Federal SEDRA Data
Specific service code expenditures without errors entered in the Special Education Data Reporting Application (SEDRA) as of April 30, will be copied into the upcoming fiscal year. SFY 2025 data will be available on the morning of May 1, 2024. This data serves as the district's proposed budget for the upcoming year. Each line item will be renumbered for the new fiscal year and will have an error message stating "Initial Data - Has Not Been Retained or Changed." District staff will need to call up each line in SEDRA and either retain (save), change, or delete the line in order to remove the error message on the data line by June 1, 2024.

Eligibility Maintenance of Effort for Federal Special Education SFY 2025 Program Application Approval
34 Code of Federal Regulations (C.F.R.), section 300.203 Maintenance of Effort
Eligibility standard. (1) For purposes of establishing the LEA's eligibility for an award for a fiscal year, the SEA (State Education Agency) must determine that the LEA budgets, for the education of children with disabilities, are at least the same amount, from at least one of the following sources, as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available:

i. Local funds only;
ii. The combination of state and local funds;
iii. Local funds only on a per capita basis; or
iv. The combination of state and local funds on a per capita basis.

After June 1, 2024, MDE will review state SEDRA ***retained*** lines for SFY 2025 (including lines in error) and compare them to SEDRA lines reported in SFY 2023 (the most current closed year), to determine if LEAs are maintaining effort. Therefore, it is very important that district SEDRA expenditure data be updated. LEAs will be notified in writing of the status of their application approval.

The following expenditure data will be reviewed for Eligibility MOE:

- Funding Source Code A – State Special Education Program Aid – Regular Year
    - Service Code A – Payroll
    - Service Code U – Purchase of Services
    - Service Code X – To be Hired

When staff are reported for more than the allowable full-time equivalent (FTE), the errors will be reviewed on an individual basis. The district will need to submit documentation to MDE justifying why the staff is reported for more than the normal duty year. If the justification is accepted, the line errors will be removed by MDE staff. (See Section 12: Personnel Type Codes under On-Line FTE Edits for maximum FTE limits).

If you anticipate hiring staff and increasing payroll or purchase of services expenditures in SEDRA for SFY 2025, you will need to enter Service Code X (To Be Hired Personnel) expenditure lines. This service code can only be entered in SEDRA with Funding Source Code A and requires a personnel type code, disability code, time unit, number of time units and expenditure amount, but does not require a file folder number. Service Code X will not generate special education aid and will automatically generate an error message.

MDE will delete any lines entered under Service Code X and any unretained lines on November 1, 2024.

Federal budgets will not be loaded into MEGS until the LEA justifies they have maintained effort for Part B Section 611 (Finance Code 419) and Part B Section 619 (Finance Code 420). SEDRA SFY 2025 expenditures must be equal to or greater than SFY 2023, which is the most recent closed year. The LEA is still entitled to the award, but will not be able to access these funds until effort is maintained.

Below is a list of possible exceptions which may justify your district not maintaining effort:

Exceptions to these requirements also set forth in 34 C.F.R., section 300.204, which allows local educational agencies to "reduce the level of expenditures where such reduction is attributable to:"

> *"…(a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel. (b) A decrease in the enrollment of children with disabilities. (c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child – (1) Has left the jurisdiction of the agency; (2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or (3) No longer needs the program of special education. (d) The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities…"*

Federal Special Education Data Reporting

The budget process for federal special education funds is managed in SEDRA instead of through MEGS. The Program Assurances and Central Data Collection tile will need to be Approved status in MEGS in order for the SEDRA budgets to flow through. Estimated allocations for Part B Section 611, Part B Section 619 and Part C Infants and Families with Disabilities will be loaded into MEGS before the end of August. Any adjustments to Part B Section 611, Finance Code 419, such as SSB, federal funds applied to nonreimbursable expenditures from tuition billing will be deducted in MEGS as a fund balance adjustment. If a district intends to use up to 15% of Section 611 and 619 funds for CEIS, these funds will be deducted from FIN 419 and loaded into MEGS under Finance Code 425 or, if Mandatory CEIS, Finance Code 429. The CEIS grant application tiles will need to be submitted in MEGS by the July 1 deadline.

The deadline to request any adjustment is August 15, 2024. If the request is received after the deadline, the adjustment will be made when final allocations are loaded in March 2025. The load of federal funds to MEGS in August for FINs 419, 420, 425 and 429 are estimates. **LEAs should not draw all of their funds prior to MDE loading the final allocation in March. The allocations may decrease based on current year child count data resulting in an overpayment.**

A report will be posted to the MDE Data Reports and Analytics webpage under School Finance Reports: Minnesota Funding Reports (MFR) > Category: Special Education > Year 24-25. This report, entitled "Special Education Current Year Adjustments," shows the adjustment amounts and descriptions.

LEAs are required to submit all expenditures in SEDRA by Funding Source Codes. The data will be edited and validated in SEDRA. Data without errors will be summed to the UFARS object code level and Finance Code and loaded into MEGS overnight Wednesday. The budgets are generally available on Thursday.

LEAs will be able to view (read only) their budgets but will not be able to amend the budget through MEGS. Any changes to your budgets will need to be made in SEDRA so that data edits can be applied. The budgets will automatically become funded and active in MEGS, except for those with MEGS errors, i.e., budget is less than draws and budget exceeds allocation.

LEAs will request reimbursement requests in MEGS based on the budget loaded from SEDRA every Wednesday. Draw requests will continue to be made by UFARS finance dimension, object code and course code. The weekly draws will be processed on Tuesday mornings from requests completed by 11:59:59 p.m. on Monday. LEAs will need to have an approved state and federal special education application before a draw request will be processed.

Substantially Approved

The LEA may not obligate funds until the LEA has been fully approved or has received the status of being substantially approved.

According to 34 C.F.R., section 76.708, the district is “substantially approved” when the district has completed the following two activities:

1. Completed and submitted the paper application, including state and federal cover sheets and the statement of assurances, to MDE Division of School Finance.
2. Completed and electronically signed the Program Assurances in MEGS. The Central Data Collection tile will need to be in Approved status by July 1.

When these two activities have been completed and received/approved by the Division of School Finance, the LEA has been substantially approved and may begin to obligate funds for that finance dimension.

Obligation Period

An obligation is a transaction that requires payment. The obligation period is the same as the numbers of months of grant availability. Obligations are booked in the fiscal year in which they occur.

If the LEA meets MDE requirements for substantial approval, the LEA may begin to obligate the funds once the state fiscal year begins on July 1. (See Section 3 State and Federal Application and Aid Approval of the reference guide for substantially approved information.) Table 4-2 explains the federal definition of obligation:

***Table 1 Obligation as Defined According To 34 C.F.R., section 76.707*. When obligations are made.**

If the obligation is for	The obligation is made
(a) Acquisition of supplies, materials, equipment. Use SEDRA Service Code I, O, H, P, Q, G, M.	On the date in which the subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the subgrantee. Use Service Code A, U, L.	When the services are performed.
(c) Services by a contractor who is not an employee of the subgrantee. Use Service Code B, b, N, R, C, E, S, T.	On the date in which the subgrantee makes a binding written commitment to obtain the services.
(d) Public utility services such as Electronic/Communication Services. Use Service Code K.	When the subgrantee receives the services.
(e) Travel. Use Service Code F, R, W.	When the travel is taken.
(f) Rent. Use Service Code J.	When the subgrantee uses the property.

For SFY 2025, incurred expenditures prior to the date the LEA was substantially approved will need to be moved to a non-federal finance code. The LEA’s federal entitlement will not be reduced. Once substantially approved, the LEA can begin to obligate their federal funds.

Applications for CEIS Finance 425 and Finance 429

LEAs should submit their requests on the federal cover sheet to use up to 15% of Section 611 and 619 funds for Voluntary CEIS Finance 425 at the time of the application. The LEAs may indicate an exact amount or request up to 15% of the Finance 419 and 420 allocations. The maximum allowed by the Individuals with Disabilities Education Act (IDEA) is 15% of Section 611 and 619 (Finance 419 and 420, combined). If an LEA wishes to use the maximum, they need to enter 15% on their application.

If the LEA received a letter indicating they are in Mandatory CEIS Finance 429, they will need to reserve 15% of Section 611 and 619 (Finance 419 and 420, combined) and submit the corresponding grant application in MEGS.

If the LEA has unspent funds from SFY 2023 or SFY 2024, they will need to submit the corresponding grant application for the finance code, either FIN 425 or FIN 429, to be able to access the carry over. Voluntary CEIS FIN 425 funds can be requested to be moved back to FIN 419. The obligation period for SFY 2023 ends on September 30, 2024.

Completion and submission of each grant application tile for both Voluntary FIN 425 and Mandatory CEIS FIN 429 need to be completed in MEGS by July 1, 2024. The CEIS grant application program and budget narrative sections are now embedded into MEGS to be completed, no paper applications will be accepted. Please make sure you are completing all of the required blue tabs within the grant application.

For Mandatory CEIS FIN 429, the program and budget narrative should align with the reason the LEA was identified for significant disproportionality (i.e., student group and category of analysis). LEAs may utilize CEIS funds for students *with* and *without* disabilities as long as the LEA does not dedicate 100% of the CEIS allocation on students with IEPs. The plan must describe activities needed to implement the LEA's CEIS Plan. LEAs voluntarily submitting CEIS applications without Year 1 or Year 2 letter should show alignment to a specific student group and category of analysis. Each component will need to be completed prior to approval. Incomplete applications will delay the approval process and access to these funds.

MDE will review the program and budget narrative. Any additional information requested by MDE will need to be submitted **by October 31, 2024**. Failure to do so will result in the LEA having their designated funds automatically returned to FIN 419 for Voluntary CEIS FIN 425.

LEAs will need to report all students without disabilities receiving CEIS services in the Minnesota Automated Reporting Student System (MARSS) with a Special Education Evaluation Status (SEES) 8 by **October 10, 2024** through MDE MARSS Webpage. MARSS Timelines Fall FY 2025, will be available in June and is located on the MDE website (https://education.mn.gov) > Districts, Schools and Educators > Business and Finance > School Finance > MARSS > Timelines.

LEAs under FIN 429 Mandatory CEIS who choose to utilize CEIS funds on students *with* disabilities/IEPs will be expected to separately report these students using the MDE CEIS Student Data Tracker. This document will need to be uploaded into MEGS under the End of Year Reporting tab within the Mandatory CEIS FIN 429 grant application tile. The MDE CEIS Student Data Tracker (Special Education Student CEIS Reporting) is located on the CEIS webpage.

Update for SFY 2024 and beyond: LEAs identified as being in Mandatory CEIS are required to **publicly report** on the revision of policies, practices, and procedures if the change in policies is a result of significant disproportionality in identification, placement in restrictive settings, and/or discipline, including suspensions and expulsions of students with disabilities.

Public reporting may include, but is not limited to, presenting information at a local school board meeting or other public forum, disseminating information to the public via mail, and/or posting updated documents or narratives on the district website. The **public reporting** deadline for SFY 2025 is **July 1, 2025**.

LEAs who have completed their **public reporting** requirements should submit a copy of the presentation or minutes from the school board meeting and/or appropriate public forum. These documents should be submitted via email to MDE.CEIS@state.mn.us by **July 1, 2025**.

Failure to report any students in MARSS as SEES 8 in a given year will result in recoveries of all CEIS funds for Voluntary CEIS. CEIS funds may not be used for students receiving preventative services in the state Alternative Delivery of Specialized Instructional Services (ADSIS) program. MARSS Timelines for End of Year FY 2025.

For further information and questions regarding CEIS programming, please contact:
Alex Migambi, Disproportionality Specialist, Special Education, 651-582-8736 (Alex.Migambi@state.mn.us)

Applications for Regional Low Incidence Finance 421 and Regional CSPD Finance 432
Completed applications for these funds will include: 1) a narrative work plan with goals and activities aligned to MDE priorities, and including measurable outcomes, and 2) an aligned budget. Recipients of these funds will be required to submit a narrative plan (work plan and executive summary) to the supervisor for Workforce and Low Incidence Disabilities. No funds will be available until both components have been submitted and approved.

End of Year Reporting
The **SEDRA system is closed on November 30** for the prior fiscal year. UFARS audited data is due by November 30, as well. LEAs are asked to download SEDRA reports and review the data lines with their business office to ensure that all expenditures reported are the actual costs. **Once the SEDRA system has closed, no changes for the fiscal year can be entered through SEDRA**. If any changes must be made after the system has closed during the appeal window from December 1 to December 15: email the changes to mde.spedfunding@state.mn.us. A listserv will be sent out in November with further information.

Minnesota Statutes, section 127A.49 Aid Adjustments. Subdivision 1. **Omissions**. No adjustments to any aid payments made pursuant to this chapter or chapters 120B, 122A, 123A, 123B, 124D, 124E, 125A, and 126C resulting from omissions in district reports, except those adjustments determined by the legislative auditor, shall be made for any school year after December 15 of the next school year, unless otherwise specifically provided by law.

Reconciliation
An LEA's final special education funds are based on the reconciliation of:
- State special education expenditures compared to expenditures reported in UFARS.
- Federal draws in MEGS compared to expenditures reported in UFARS.

The Division of School Finance will use the lesser of SEDRA and UFARS as the total old formula and total nonfederal level for state special education funds and the lesser of the draws in MEGS to the federal expenditures as reported in UFARS. Information on the reconciliation process will be found in Section 7 (Reconciliation) of the Special Education Reference Guide.

If you have questions, please contact the Special Education Funding and Data Team.

Special Education – Substitute Licensure or Lifetime Substitute

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Special Education Funding Guide > Section 12 - Personnel Type Codes, Updated June 2022

Personnel Type Code 23 – Substitute Teacher
UFARS Object Code 145 payroll (old formula)
UFARS Object Code 303/304 federal sub awards (Host/cooperatives) (federal only)
UFARS Object Code 307 contracted substitutes for special education (state only)
UFARS Object Code 394 contracted services for pupil (state only)
UFARS Object Code 396 purchase of services salaries (state only)
Requires folder number

Substitute Licensure or Lifetime Substitute
An individual holding a short-call substitute license, or any Minnesota educator license, may substitute in any classroom for 15 or fewer consecutive days. For substitute assignments that continue for more than 15 consecutive days, a teacher must hold a Minnesota teaching license or a lifetime substitute license aligned to the assignment.

On March 8, 2019, PELSB passed the following resolution:
The "regionally accredited requirement" (Minnesota Rules 8710.0325, subpart 2.A.) For short-call substitute teachers is waived until Minnesota Rules, part 8710.0325, is opened and revised by the board. (See section A.)

Subpart 2. Requirements. The board must issue a short-call substitute license to an applicant who meets the requirements of this subpart. The applicant must:

Section A. Hold the minimum of a bachelor's degree from a college or university located in the United States that is regionally accredited by the Higher Learning Commission or by the regional association for accreditation of colleges and secondary schools, as verified by a college transcript;

Special Education Substitutes

For individuals replacing a teacher of record in a special education assignment for 15 or fewer consecutive days, a short-call substitute license, or any Minnesota Educator license, is required. Please note that the use of a temporary special education substitute teacher must also comport with IDEA. LEAs must ensure that students with an IEP continue to receive FAPE and that the use of a substitute teacher is consistent with IDEA regulations related to personnel qualifications. See 34 C.F.R., section 300.156. MDE encourages short-call substitute special education teachers to be licensed in special education or supervised by a licensed special education teacher.

A replacement that will continue more than 15 consecutive days for a teacher of record in a special education assignment must hold a Minnesota teaching license, or a lifetime substitute license, aligned to the specific special education assignment. LEA cannot use Team Teaching Model Activity Codes and consultant folder numbers for a long-term substitute. Expenditures should be entered using PTC 01.

If a teacher has a lifetime substitute license, they are only allowed to substitute or teach in the field of their previous license/s that were in active status when they retired. The SEDRA line will still error since PELSB doesn't extend the special education license. LEAs will need to submit documentation to mde.spedfunding@state.mn.us to support that they have the active licenses when they retire and received the lifetime substitute license.

Qualifications

A short-call substitute teacher is one who teaches on a day-to-day basis not to exceed 15 consecutive days replacing the same teacher. A lifetime substitute teacher is one who replaces the same teacher for 15 or more consecutive days. The substitute must hold either a Minnesota teaching license or a substitute license appropriate for the position in which they are employed and the duties they perform.

When the substitute is reimbursable through state special education funding (the teacher is licensed to teach in the area they substitute for), then the expenditure code should identify the UFARS Program Code (401 through 420) with the UFARS Finance Code 740.

When the substitute is reimbursable through federal special education (the teacher is licensed to teach in the area they substitute for), then the expenditure code should identify the UFARS Program Code (401 through 420), the appropriate federal special education UFARS Finance Code, and the UFARS Course Code that identifies the year of the federal award (000, 011, 012).

Duties/Assignments

Includes salaries of substitute teachers replacing regular classroom instructors (UFARS Object Code 140) due to short-term absences. Includes, but not limited to, staff development and illness.

If the substitute is replacing a state or federally funded teacher on leave, and that regular teacher's salary is paid from another UFARS Object Code or no longer on the payroll, the substitute's salary should be recorded using the regular special education teacher's salary (Object Code 140, Licensed Classroom Teacher).

When the regular special education teacher/staff is on personal leave or illness, the substitute is not reimbursable with state (not licensed to teach in the area they substitute for) or federal (not licensed in Special education at all) special education funding, then the expenditure code should use UFARS Program Code 400 with UFARS Finance Code 000. LEAs do not enter program code 400 expenditures in SEDRA.

When LEAs hold professional development meetings, and teachers are released from classrooms to attend the meetings, expenditures for substitute teachers can be reimbursed with federal (must hold a valid teaching license) or state funds if the substitute teacher holds the appropriate license.

LEAs may allow any public school teacher to participate in professional development activities and claim federal reimbursement for a licensed replacement in order for the teacher to attend.

LEAs ***can use federal funds*** to pay for substitutes for federally funded staff as listed in Table 12-8 below. The activities as listed are considered to be supplementing, not supplanting, state funds under IDEA because it replaces a federally funded position with a federally funded substitute.

Federal funds ***cannot be used*** to pay for substitutes for state-funded staff (see Table 12-8 below). This would be considered supplanting under IDEA, because it would replace a state-funded position with a federally funded substitute.

Table 12-8 Funding Eligibility for Substitute Teachers

Funding Eligibility for Substitutes	**Use State Funds**	**Use Federal Funds**
For paid illness/personal days for ***state*-funded** special education licensed teachers?	Yes (SpEd License Required)	Yes (SpEd License Required)
For paid illness/personal days for ***federal*-funded** special education licensed teachers?	Yes (SpEd License Required)	Yes (SpEd License Required)
For ***state*-funded** special education teachers doing IEP meetings and paperwork?	No	No
For ***federal*-funded** special education teachers doing IEP meetings and paperwork?	No	No
For ***state*-funded** special education teachers attending special education professional development activities? (Use SEDRA Service Code R and UFARS Course Code 640.)	Yes (SpEd License Required)	Yes (Licensed Teacher Required)
For ***federal*-funded** special education teachers attending special education professional development activities? (Use SEDRA Service Code R and UFARS Course Code 640.)	Yes (SpEd License Required)	Yes (Licensed Teacher Required)
For general education teachers to attend professional development activities dealing with special education and children with disabilities? (Use SEDRA Service Code R and UFARS Course Code 640.)	No	Yes (Licensed Teacher Required)

PELSB Function Codes that can do this Assignment
See PTC 01 – Teacher for Students with IEPs/IFSPs.

SEDRA Disability Codes
PTC 23 can be used with all Disability Codes except Disability Code 420.

Reporting in SEDRA

When entering expenditures in SEDRA for PTC 23 assignments, include “name-sub” in the description. PESLB folder number must be entered. For discussion, the substitute in the scenarios (Tables 12-9 and 12-10) below hold whatever licensure is needed to be eligible for state or federal funding.

Table 12-9 Short Term Replacement for One Teacher or Multiple Teachers Scenarios

Scenarios	UFARS Object Code	SEDRA PTC
Substitute for one teacher still on payroll less than 15 days	145	23
Substitute for one teacher not on payroll less than 15 days	145	23
Substitute for one teacher till on payroll more than 15 days	145	23
Substitute for one teacher not on payroll more than 15 days	140	01
Substitute for multiple teachers still on payroll less than 15 days	145	23
Substitute for multiple teachers not on payroll less than 15 days	145	23
Substitute for multiple teachers still on payroll more than 15 days	145	23
Substitute for multiple teachers not on payroll more than 15 days	140	01

Table 12-10 Long Term Replacement for One Teacher or Multiple Teachers Scenarios

Scenarios	First Six Months UFARS SEDRA PTC	First Six Months SEDRA PTC	Remainder of Year UFARS Object Code	Remainder of Year SEDRA PTC
Substitute for multiple teachers on payroll less than 15 days each for six months then replaced one teacher not on payroll fulltime for remainder of the year	145	23	145	23
Substitute for multiple teachers not on payroll more than 15 days each for six months then replaced one teacher on payroll fulltime for remainder of the year	145	23	140	01
Substitute for multiple teachers not on payroll more than 15 days each of six months then replaced one teacher on payroll fulltime for remainder of the year	140	01	145	23
Substitute for multiple teachers not on payroll more than 15 days each for six months then replaced one teachers not	140	01	140	01

on payroll fulltime for remainder of the year				
Full time teacher substitute for another teacher during their prep period.	185	63	185	63

Special Education – Vehicle Disposal

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Pupil Transportation Vehicle Newsletter, Volume 31 Issue 2, May 2017

A Local Education Agency (LEA) may choose to dispose of a vehicle purchased with Individuals with Disabilities Education Act (IDEA) grant funds by selling the vehicle or by choosing to no longer use it solely for the purposes of special education.

Equipment purchased with IDEA funds must be used by the program as long as the program need exists. To “dispose” of a vehicle, the LEA must determine that the special education program no longer needs the vehicle. While factors such as age and size of the vehicle may be taken into consideration, the LEA may not repurpose a vehicle for general education use and purchase a new vehicle with IDEA funds simply because the funds are available to do so.

If an LEA chooses to dispose of a vehicle that was purchased with IDEA grant funds, the following options are available:

1. If the vehicle has a current fair market value of less than $5,000 it may be repurposed for general education use, sold, or otherwise disposed of with no further obligation.
   - If the vehicle is repurposed for general education use or otherwise disposed of, no additional financial transactions between general education and special education are required.
   - If the vehicle is sold and revenue received, the revenue should be coded as compensation for sale or loss of fixed assets to the special education fund. The LEA must expend the funds in the year of the sale.

2. If the vehicle has a current fair market value of $5,000 or greater, it may be repurposed for general education use or sold, but the value of the vehicle must be reinvested into the special education program or returned to the Minnesota Department of Education (MDE) (who in turn will send the funds to the U.S. Department of Education). MDE will accept:
   - If the LEA chooses to sell the vehicle and reinvest the revenue into the special education program, the LEA must code the revenue received as compensation for sale or loss of fixed assets to the special education fund. The LEA must expend the funds in the year of the sale.
   - If the LEA chooses to repurpose the vehicle for general education use, the LEA must code the fair market value of the vehicle as equipment expense in general education and compensation for sale or loss of fixed assets to special education.
   - If the LEA chooses to sell the vehicle and return the funds to the U.S. Department of Education, please contact MDE at mde.spedfunding@state.mn.us.

3. The LEA needs to be aware that these expenditures shall not be included in the calculation of the Maintenance of Effort (MOE) requirement of IDEA. The LEA must submit an “Activity Report” to the Division of School Finance at the end of the fiscal year to document expenditures.

4. To determine the fair market value of the vehicle, the LEA should rely on the expertise of an auto dealership or self-identify the value through websites such as Kelley Blue Book (www.kbb.com). Ultimately, the LEA should be able to justify the development of the fair market value.

Maintaining an efficient vehicle inventory is critical to a district's budgets in several areas. Completing the proper documents to account for regular school buses or special education buses will provide accurate data information for each district's depreciation. Bus depreciation impacts a district's special education aid entitlement and nonpublic calculations.

Form ED-00186-xx is to be used for reporting the disposal of a Type A, B, C or D regular school bus (yellow school buses) District-Owned School Bus Transaction.

Form ED-01658-xx is to be used for reporting the disposal of a Type III school bus District-Owned Type III School Bus Transaction. A Type III school bus (car, station wagon or van) can only be added to the inventory if it is used the majority of time for pupil transportation purposes.

Form ED-02387-xx is used to report the disposal of a Regular Special Education School Bus District-Owned Special Education School Bus Transaction.

Form ED-02388-xx is used to report the disposal of Type III Special Education school bus District-Owned Special Education Type III School Bus Transaction.

Special forms have been modified so that districts must indicate whether or not the vehicle was purchased with federal special education funds. The district's Special Education Bus Inventory Reports will reflect the selected indicators. However, vehicles purchased with federal funds are not eligible for bus depreciation per Minnesota Statutes, section 123B.92, subd. (1)(a)(ii) and as the costs have already been covered 100 percent and will not be included in the bus depreciation calculation in determining state program aid.

Completed forms are sent to PupilTransportation.MDE@state.mn.us.

Staff Development – Frequently Asked Questions

Condensed and Modified from MDE > Districts, Schools and Educators > Educators, Administrators and Staff > Staff Development, Last Updated January 2022

In response to many interpretation and implementation questions about Minnesota's staff development statutes, the organizations listed below have jointly developed this set of frequently asked questions (FAQ).

- Minnesota Department of Education (MDE)
- Minnesota School Board Association (MSBA)
- Education Minnesota
- Learning Forward Minnesota
- Minnesota Association of School Administrators (MASA)
- Minnesota Association of Secondary School Principals (MASSP)
- Minnesota Elementary School Principals' Association (MESPA)
- Minnesota Rural Education Association (MREA)

Staff development statutes are Minnesota Statutes, sections 122A.60 and 122A.61.

Staff Development Reporting

Minnesota Statute 122A.60

Subd. 4. **Staff development report.** (a) The district and site staff development committees shall write a report of staff development activities and expenditures for the previous year. The report, signed by the district superintendent and staff development chair, must include assessment and evaluation data indicating progress toward district and site staff development goals based on teaching and learning outcomes, including the percentage of teachers and other staff involved in instruction who participate in effective staff development activities under subdivision 3 as part of the district's world's best workforce report under section 120B.11, subdivision 5.

(b) The report must break down expenditures for:
   (1) curriculum development and curriculum training programs; and
   (2) staff development training models, workshops, and conferences, and the cost of releasing teachers or providing substitute teachers for staff development purposes.

The report also must indicate whether the expenditures were incurred at the district level or the school site level, and whether the school site expenditures were made possible by grants to school sites that demonstrate exemplary use of allocated staff development revenue. These expenditures must be reported using the uniform financial and accounting and reporting standards.

Statutory Operating Debt (SOD)

Modified from School Business Bulletin No. 71, May 2023

Many of the COVID-19 additional funds are expiring at the end of FY 23 (June 30, 2023) or early FY 24 (September 30, 2023). As your LEA works on the FY 24 budgets, it is important that the decrease in funding be recognized during the budget planning for FY 24 and future years.

School districts and charters schools are required to comply with Minnesota Statutes, section 123B.83 – Expenditure Limitations, which requires that a district must limit its expenditures so that the calculated net unreserved general fund balance or "operating debt" as of June 30 does not constitute Statutory Operating Debt (SOD). According to Minnesota Statutes, section 123B.81, Subdivision 2, SOD exists if the school's operating debt is more than 2 ½ percent of the most recent Fiscal Year's (FY) expenditure amount. This includes General Fund Balance Sheet Accounts: 418 Committed for Separation/Retirement Benefits; 460 Nonspendable; 461 Committed; 462 Assigned; 464 Restricted; 475 Title VII-Impact Aid; 476 PILT and 422 Unassigned.

The SOD calculation excludes expenditures that flow through the following Restricted/Reserved accounts:

- Balance Sheet Accounts 401, 402-403, 407-408, 412-414, 416-417, 424, 426-428, 434-436, 438-441, 443, 448-449, 451-453, 459, 467 and 472-474

The SOD calculation also excludes Object Codes:

- 891 TRA and PERA Special Funding Situations Pension Expense
- 910 Permanent Transfers to Other Funds

If an LEA is classified as in SOD, by January 31 of the following fiscal year of SOD, the school and the school board of education are required to create and implement a Special Operating Plan which is formally approved through a board resolution and submitted to the commissioner of the Minnesota Department of Education for approval.

The Special Operating Plan consists of the following sections:

- Introduction and Explanation of Current SOD Position (Narrative)
- Budget Development and Financial Management Process (Narrative)
- Ongoing Financial Monitoring Processes and Procedures (Narrative)
- Action Plan to remove SOD Status (Narrative)
- Special Financial Operating Plan (Excel Spreadsheet Model)
- Board Resolution

If you have questions about Statutory Operating Debt, contact the UFARS Accounting Helpdesk (MDE.UFARS-Accounting@state.mn.us).

SWIFT – Reminder Vendor Bank Changes and IDEAS Payments

School Business Bulletin No. 57, September 2015

Changing Banks or Other Vendor Information at Minnesota Management and Budget (MMB) – Reminder

When changing bank data or any other vendor data at Minnesota Management and Budget (MMB), **please avoid accessing the district vendor information on a date three days prior to a state or federal aid payment.**

MMB implemented a new statewide accounting system on July 1, 2011. The system is called Statewide Integrated Financial Tools (SWIFT). As a result of the new system and administrative processes, files sent for payment from the MDE IDEAS systems to the MMB SWIFT system go through a two-stage edit process. The first process is an interface for file layout and valid vendor numbers. When a district or school revises vendor information, that vendor number is tagged as unapproved until MMB manually intervenes to reapprove. In the first stage edit, any unapproved vendor stops the edit process for all districts, charter schools, and cooperatives. The next stage, verification of valid accounts and available encumbrance that will allow payments, will not run. **As a result, one vendor change could delay the IDEAS payment and result in late payments for all MDE customers.**

For questions on *Changing Banks or Other Vendor Information at Minnesota Management and Budget (MMB),* please contact Minnesota Management and Budget at: https://mn.gov/mmb/accounting/swift/vendor-resources/ or vendor.mmbefax@state.mn.us.

Tax Increment Finance (Excess TIF) Accounting

MN Statute 469.176, subd. 2; MN Statute 469.1831, subd. 4; MN Statute 469.177, subd. 1(a)

Record all revenues received from participating cities or counties for tax increment financing district payments made for referendums, distribution of excess tax increments, and for Neighborhood Revitalization Program tax increments in Source 004. If your TIF payments are not adjusted during the current fiscal year IDEAS payment, set up the TIF receipts as deferred revenue in Balance Sheet 230 (B-01-230-xxx). Recognize the TIF revenue in the fiscal year General Education Aid is adjusted to prevent fund balance fluctuations.

Teacher Development and Evaluation Review

Modified from School Business Bulletin No. 55, April 2015 and 2015 MASBO Annual Conference UFARS Hot Topics Session

2014 Legislation, Supplemental Budget Bill, Chapter 312, Article 16 addresses teacher development and evaluation revenue for a school district, intermediate school district, or charter school who did not have an alternative professional pay system agreement (Q-Comp). Under Minnesota Statutes, section 122A.414, subdivision 2, revenue equals $302 times the number of full-time equivalent teachers (FTEs) employed on October 1 of the previous school year (FY 2015 only). To participate in this program, a school district, intermediate school district, school site, or charter school must have an educational improvement plan under section 122A.413 and an alternative teacher professional pay system agreement under paragraph (b). A charter school participant also must comply with subdivision 2(a).

The definition of a "teacher" is found in Minnesota Statutes, section 122A.40, subdivision 1, or Minnesota Statutes, section 122A.41, subdivision 1. There is no budget requirement; however, expenditures should align with the educational improvement plan.

Teacher Development and Evaluation has a reserve requirement **(UFARS Finance Code 319 and Balance Sheet Account 440)** as noted in Minnesota Statutes, section 122A.40, subdivision 8, or Minnesota Statutes, section 122A.41.

For revenue reporting use UFARS Source Code 300 – State Aids Received from MDE for which a Finance Code is Specified.

Please send accounting inquiries about *Teacher Development and Evaluation* to the Accounting Helpdesk at mde.ufars-accounting@state.mn.us. For program questions, contact Tyler Livingston at 651-582-8427 or tyler.livingston@state.mn.us.

Additional Information from the 2015 MASBO Annual Conference UFARS Hot Topics Session (Slides 24 and 25).
Teacher Development and Evaluation revenue must be reserved and used for activities consistent with Minnesota Statutes (Minn. Stat. §122A.40, subd. 8 or Minn. Stat. § 122A.41, subd. 5) and supporting its implementation.

- Training for summative evaluators and peer reviewers
- Activities connected to the 3-year review cycle such as individual growth and development planning
- Summative evaluations
- Peer reviewers
- Processes and tools to facilitate the process, such as rubrics and online management systems
- Measures of student engagement, such as surveys
- External providers or internal systems for providing student growth measures
- Teacher portfolios
- Communications and materials supporting the process
- Teacher professional learning communities
- Mentoring and induction activities
- Time during the school day for peer review and teacher collaboration
- Coordinated staff development based on the evaluation process and outcomes

Note: No additional funding is received for this program. Expenditures should only exist if you have a remaining fund balance in Balance Sheet Code 440.

Telecommunications Access Costs and Cluster Payments

MDE UFARS Manual – Finance Chapter

Record the Telecom Access Cost cluster payments from your cooperative with a revenue account using Source 021. Finance 311 is not used with this revenue account. A specialized Course identifier is optional, but not necessary.

Finance 311 Telecommunications Access Costs (Funds 01 and 04) – This code is used to record eligible expenditures pertaining to Telecommunications/Internet Access Equity Aid.

Record expenditures for approved costs exceeding $15 times the prior year's Adjusted Marginal Cost Pupil Units (AMCPU), unless the district is a member of an organized telecommunications access cluster. For districts that are cluster members, all approved costs are to be recorded.

Schools are required to submit eligible cost data for the prior fiscal year on an annual basis, at a time determined by MDE. Revenues must be used for ongoing or recurring telecommunication access costs, including access to data lines, video lines and/or Internet access, and ongoing cooperative costs associated with the delivery of telecommunications access.

This aid is available to all school districts, charter schools and nonpublic schools (Fund 04 for nonpublic). All public and charter schools are required to have a technology plan on file with MDE and file an e-rate application either separately or through their telecommunications grant cluster to be eligible for aid under Minnesota Statutes, section 125B.26. Revenue received from another school district or host cooperative should be recorded as source 021 with Finance Code 000.

Additional info about Telecommunications/Internet Access Equity Aid can be found at https://education.mn.gov/MDE/dse/schfin/fac/.

Telecommunications Cluster

Modified from School Business Bulletin No. 63, November 2018

If your entity does not receive telecommunications funds directly and your entity utilizes a telecommunication cluster, the cluster receives all the revenue. The telecommunications cluster must distribute the funds received to the members. The journal entries for the telecommunications cluster are as follows:

Revenue:

Debit:	01-101-XXX	$X.XX	
Credit:	01-005-000-311-300-000		$X.XX

Expenditure:

Debit:	01-005-108-000-391-000	$X.XX	
Credit:	01-101-XXX		$X.XX

The journal entries for the members of the telecommunications cluster are as follows:
Revenue:

Debit:	01-101-XXX	$X.XX	
Credit:	01-005-000-000-021-000		$X.XX

Expenditure:

Debit:	01-005-108-311-320-000	$X.XX	
Credit:	01-101-XXX		$X.XX

To record the entities' expenditures for telecommunication costs the Object code is dependent upon the type of expenditure. We are using Object code 320, Communication Services, for this example.

The journal entry for an entity that receives the funds directly is as follows:

Debit:	01-101-XXX	$X.XX	
Credit:	01-005-XXX-311-300-000		$X.XX

Title I – REAP Flex Coding

MASBO Annual Conference Title I Programs Update, May 2, 2013

REAP Flex/Transfer Title II to Title I

- Funds transferred from Title II (FIN 414) to Title I (FIN 401) will appear on the Title I reconciliation report and be excluded on the Title II reconciliation report.
- These costs will be identified by Program 216 and FIN 414 as reported in UFARS and drawn from the transferred funding stream in SERVS Financial.
- Be sure to transfer the funds in SERVS Financial if you are going to report them that way in UFARS.
- REAP FLEX – Districts eligible for REAP FLEX and choosing to utilize object codes 430, 555 or 820 should transfer those funds to FIN 401 in SERVS Financial. These funds should be reported in UFARS using program 216 and FIN Code 414. The other object codes for REAP FLEX funds can be built on the General Tab in the Title II (FIN 414) application, drawn down in SERVS Financial from FIN 414 and reported in UFARS by Program 204 and FIN 414.

UFARS Course Code	Carry Forward %
011 - Transfer from 414 2011 Award	0.0%
011 - 401 2011 Award	0.0%
000 - Transfer from 414 2012 Award	15.0%
000 - 401 2012 Award	15.0%

education.state.mn.us 72

Title I MEGS/UFARS Course Codes – Set-Asides

Modified from MASBO Annual Conference Title I Programs Update, May 2, 2013

Below are the Title I set-aside UFARS Course codes. These Course codes should only be used with Finance code 401, with the exception of 640-642, which may be used in Federal Special Education reporting.

UFARS Reporting

SERVS/UFARS Reconciliation Issues
Course Codes – Set-Asides – Title I

Course Code	Current Year	Prior Year	Second Prior Year
Highly Qualified	634	627	621
LEA Level Activities	635	628	622
Neglected	636	629	623
Homeless	637	630	624
Parent Involvement	638	631	625
School Choice and SES	639	632	626
Professional Development	640	641	642
Waiver School Improvement	667 *	668**	669***

* Effective in FY 2013 ** Effective in FY 2014 *** Effective in FY 2015

These Course Codes are used in UFARS reporting only. (Not with SERVS draws.)

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Note: Waiver School Improvement is now for School Improvement Implementation Set-Aside.

Note2: Effective FY '24, these Course codes have been deleted and no longer should be used (Course 621, 626, 627, 632, 634, 639, 667, 668, and 669).

Transfer of Personal Property to Another Public Corporation

School Business Bulletin No. 58, January 2016

Minnesota Statutes, section 471.85 authorizes school districts an option to transfer its personal property to another public corporation for public use. This transfer may be for nominal consideration or without consideration. Authority for this type of transfer must be approved by the governing body (school board) in a board resolution. Minnesota statute language follows:

Minnesota Statutes, section 471.85 **Property Transfer; Public Corporations.**
Any county, city, town, or school district may transfer its personal property for a nominal or without consideration to another public corporation for public use when duly authorized by its governing body.

For questions about "School District Transfer of Personal Property to another Public Corporation", contact the accounting helpdesk at mde.ufars-accounting@state.mn.us.

UFARS/SERVS/MEGS Reconciliation Errors – Prior Year Adjustments

Modified from MDE 2010 UFARS Hot Topics

Entries made in the current UFARS fiscal year for federal programs not reflected in SERVS/MEGS must use the appropriate State Fiscal Year Course code 001 to 010. These exception items do not use the Course codes 011-015, 622-625, 628-631, or 635-638. If the Federal Awards or Course code is used for transactions not in SERVS/MEGS, the end of year SERVS/MEGS/UFARS reconciliation will not match.

LEAs that are required to refund federal or state aid in FY 2024 due to an FY 2023 adjustment should use the following UFARS code for payment to MDE:

- Revenue Code for the Refund of an Overpayment of State Special Education Aid (contra-revenue account) – Debit R-01-xxx-xxx-004-740-306.
- Adjustment not in SERVS: Revenue Code for the Refund of an Overpayment of Federal Special Education Aid (contra-revenue account) – Debit R-01-xxx-xxx-004-4xx-406.
- Adjustment in SERVS: Revenue Code for the Refund of an Overpayment of Federal Title 1 Aid (contra-revenue account) – Debit R-01-xxx-xxx-0xx-401-406. (Course would be whatever year the funding was from, Course 000, 011, etc.)
- Interest payments relating to overpayment of federal funds returned to MDE should be recorded in Object 896.

Note: Refer to the UFARS manual for Source 306 and 406 details.

Verifying Average Daily Membership (ADM) Data on the District/School ADM Report

MARSS Memo, July 21, 2023

The following are suggested steps to take when a school or district believes that the ADM shown on the *District/School ADM Report* is less than it should be (e.g., lower than that generated on local reports). The report is described in the documentation for the District/School ADM Report and MARSS 35 ADM Adjustment Report.

1. Verify that the school has no MARSS enrollment records with local errors. All of the records with local errors are excluded from other local and statewide reports. The local errors are listed on the MARSS 08 Error Report.

2. Verify that the statewide date overlap errors and Status End code 08 and 40 errors have been corrected. These records will be excluded from the state-produced ADM reports, but they would have been included on the local reports. The statewide errors are listed on the MARSS 30 Statewide Error Report. The MARSS 30 report does not reiterate the local errors, so the school needs to review both error reports.
3. Verify that all students are included on the MARSS B Student file. Run the local report MARSS 24 List of All Students and compare the list of students with a report run from the school's software. Missing students cannot generate ADM.
4. Verify that all students have the correct enrollment and withdrawal dates and membership days. If these dates are in error, the generated membership days may be in error.
5. Verify that the software's calendar that generates student membership and instructional days is/are correct and in sync. A student enrolled for the entire school year in a single enrollment record from the first day of school through the last day of school should generate the same number of membership days as instructional days reported on the MARSS A School file in the same grade.
6. Verify that the number of instructional days reported on the MARSS A School file includes the number of days in the core, required school year. The file should exclude snow days, optional days, holidays, staff-only days, summer, etc. If full-year students on the MARSS 24 report consistently have less than 1.00 ADM, there is an inconsistency between the number of instructional days and the student membership days.
7. State-approved alternative programs also need to verify the number of instructional days and length of day reported on the MARSS A School file. The instructional days should include only the number of days in the core, required school year. The length of day should include only the number of minutes in the core, required school day, excluding meal times. If the length of day varies during the year, calculate the average length of day using the *Flexible Scheduling Report (worksheet)* posted to the MARSS Reporting Instructions website.
8. For state-approved alternative programs with a state-approved independent study component, the number of instructional days and length of day reported on the MARSS A School file needs to be the same as those used on the *Independent Study Calculation of Membership Hours* worksheet. Refer to the *MARSS Manual, Procedure 8* for more information.
9. ADM cannot exceed 1.00 unless the student is enrolled in a state-approved learning year program (e.g., alternative program). When the statewide edit is run, each student's total ADM is checked to assure that it does not exceed 1.00. If it does exceed 1.00, each record is proportionately reduced. If the student is enrolled in a learning year program, that enrollment record(s) is eligible to generate extended time ADM. Refer to the MARSS WES statewide report called *MARSS 35 ADM Adjustment*. This is a list of all enrollment records in which the locally computed ADM is probably different than that generated after the statewide edit. The adjustment could be due to:
   a. A total ADM that exceeds 1.00, whether the student participated in a learning year or not.
   b. The calculation of extended time ADM.
   c. Supplemental online learning (OLL) participation.
   d. An increased ADM for an early childhood special education student.

If you have questions, contact Tara Chapa (Tara.Chapa@state.mn.us).

Voluntary Prekindergarten Program Information

Modified from School Business Bulletin No. 60, January 2017

Information about Voluntary Prekindergarten may be found under the MDE website at MDE > Districts, School and Educators > Teaching and Learning > Early Learning > Early Learning Programs > Voluntary Prekindergarten and School Readiness Plus.

On the Voluntary Prekindergarten and School Readiness Plus webpage, you will find resources to include the program application process and Questions and Answers (Q & A's).

For further questions about the *"Voluntary Prekindergarten Information"*, please contact June Reineke at mde.vpk@state.mn.us or 651-582-8755.

Note: The Voluntary Prekindergarten expenditures should be coded to Fund 01, Program 200, and Finance 000. There is no restricted/reserved fund balance account.

General Fund Related – Checklist

General Fund – Balance Sheet

1. Delinquent Property Taxes Receivable (BAL 111) normally equals Deferred Inflows of Resources – Unavailable Revenue – Delinquent Taxes (BAL 231). See FAI 64.3.

2. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

3. Sales taxes are recorded properly in Due to other Governmental Units (BAL 212) per Minnesota Department of Revenue Sales Tax Fact Sheet 111 (Schools – Sales and Purchases).

4. Property Tax Shift Adjustment (BAL 213) should represent the balance of column 6 on the Property Tax Shift Year-End Reconciliation worksheet or the Tax Shift Reconciliation report in the Minnesota Funding Reports (MFR).

5. Advance of Unearned General Education Aid (BAL 214) – For districts that have statutory early recognition amounts in excess of spring tax settlements, this account represents the difference between cash receipts from spring tax settlements and the early recognition amount in Minnesota Statutes, section 123B.75, subdivision 5. The difference is the amount of general education aid that is recognized early.

6. Restricted/Reserved for Student Activities (Funds 01, 08 and 18) (BAL 401) – Represents the resources available for the extracurricular activity funds raised by students. Activities associated with Finance Code 301 Extracurricular Activities must be restricted in this code (Minn. Stat. 123B.49). *This restricted/reserved account is not allowed to go into deficit.*

   Note: This Balance Sheet Account is required for Charter Schools.

7. Restricted/Reserved for Scholarships (Funds 01, 08 and 18) (BAL 402) – Represents the resources available for the scholarship funds. Activities associated with Finance Code 340 Scholarships must be restricted in this code. *This restricted/reserved account is not allowed to go into deficit.*

   Note: This Balance Sheet Account is required for Charter Schools.

8. Restricted/Reserved for Staff Development (Fund 01) (BAL 403) – Represents unspent staff development revenues set aside from General Education Revenue that were Restricted/Reserved for Staff Development related to Finance Code 316. Expenditures for staff development must equal at least two percent of the basic General Education Revenue, unless legal stipulations are met (Minn. Stat. 122A.61, subd. 1). *This restricted/reserved account is not allowed to go into deficit*.

9. Restricted/Reserved for Cooperative Programs (Fund 01) (BAL 408) – Represents the resources available to purchase services from entities for cooperative purposes or to provide educational services in a cooperative manner. Related to Finance Code 310, Cooperative Revenue (Minn. Stat. 123A.27). *This restricted/reserved account is not allowed to go into deficit.*

10. Restricted/Reserved for Literacy Incentive Aid (Fund 01) (BAL 412) – Represents the resources available to support implementation of evidence-based reading instruction. This code is related to Finance Code 312,

Literacy Incentive Aid-Reading to Ensure Academic Development Act (Read) Act (Minn. Stat. 124D.98, subd. 5). *This restricted/reserved account is not allowed to go into deficit.*

11. Restricted/Reserved for Operating Debt (Fund 01) (BAL 414) – Represents the amount of remaining operating debt for districts under legislative authority given to them. The Operating Debt Levy is posted directly to this account and is not reflected in the district's revenue accounts. *This restricted/reserved account may go into deficit to the extent of future levy authority.*

12. Restricted/Reserved for Levy Reduction (Fund 01) (BAL 416) – Represents resources in the General Fund that are transferred from the Debt Service Fund. This restricted fund balance becomes an available resource in the fiscal year in which the related tax levy adjustment is recognized as revenue (Minn. Stat. 475.61, subd. 4). *This restricted/reserved account is not allowed to go into deficit*.

13. Restricted/Reserved for Excess Taconite Building Maintenance Funds (Fund 01) (BAL 417) – Represents resources remaining from the distribution of taconite revenue for the purpose of building maintenance and repair. See Finance Code 390 Taconite Revenue used for Building Maintenance and Repair for a description of expenditures [Minn. Stat. 298.28, subd. 4(b) (ii)]. *This restricted/reserved account is not allowed to go into deficit*.

14. Committed for Separation/Retirement Benefits (Fund 01) (BAL 418) – Represents resources segregated from the Unassigned Fund Balance for retirement benefits, including compensated absences, pensions, other post-employment benefits and termination benefits (as defined in GASB Statement Numbers 16, 27, 45, 47 and 50) (Minn. Stat. 123B.79, subd. 7). *This committed account is not allowed to go into deficit.*

15. Unassigned Fund Balance (Funds 01, 08, 20, 25 and 45) (BAL 422) – Used in Fund 01 to record Unassigned Fund Balance available to meet current and future years' expenditures. These are resources in Fund 01 that are not restricted and have not been committed or assigned. The fund balance may be positive or negative.

    Statutory Operating Debt (SOD) is calculated by using the yearly activity and ending balances of the following six accounts in the General Fund (01) only: 418 Committed for Separation/Retirement Benefits; 460 Nonspendable Fund Balance; 461 Committed Fund Balance; 462 Assigned Fund Balance; 464 Restricted Fund Balance; and 422 Unassigned Fund Balance. See the UFARS Compliance Report for the SOD percentage that is calculated from these accounts. Balance Sheet Account 422 is also used to record net assets in the following funds, where GASB 54 is not applicable:

    Fiduciary Funds
    08 Trust Fund
    45 Postemployment Benefits Irrevocable Trust Fund

    Proprietary Funds
    20 Internal Service Fund
    25 Postemployment Benefits Revocable Trust Fund

16. Restricted/Reserved for $25 Taconite (Funds 01 and 04) (BAL 426) – Represents available resources for outcome-based learning programs or early childhood learning programs from taconite referendum revenue. Related to Finance Code 371, $25 Taconite (Minn. Stat. 298.28 subd. 4(d)). *This restricted/reserved account is not allowed to go into deficit.*

17. Restricted/Reserved for Learning and Development (Fund 01) (BAL 428) – Learning and Development is funded by general education revenue. This reserve represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio. Related to Finance Code 330 (Minn. Stat. 126C.12). This revenue is generated by extra weightings on the pupil units. *This restricted/reserved account is not allowed to go into deficit*.

18. Restricted/Reserved for Area Learning Center (Fund 01) (BAL 434) – Represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to [section 126C.10, subdivision 2](), times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center (Minn. Stat. 123A.05, subd. 2). Finance Code 303, Area Learning Center, is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

19. Restricted/Reserved for Contracted Alternative Programs (Fund 01) (BAL 435) – Pursuant to Minnesota Statutes, section 124D.68, subdivision 3(d), and Minnesota Statutes, section 124D.69, subdivision 1, school districts must restrict at least 95% of the average general education revenue, less basic skills revenue, per pupil unit times the number of pupil units for pupils attending this program, and (2) the amount of basic skills revenue generated by pupils attending the program according to section 126C.10, subdivision 4. Finance Code 304, Contracted Alternative Program, is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

20. Restricted/Reserved for State-Approved Alternative Programs (Fund 01) (BAL 436) – Per Minnesota Statutes, section 123A.05, subdivision 2, each district that is a member of a state-approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program. Finance Code 305, State-Approved Public Alternative Programs is used to identify revenues and expenditures against this fund balance account. *This restricted/reserved account is not allowed to go into deficit.*

21. Restricted/Reserved for Gifted and Talented (Fund 01) (BAL 438) – The part of general education aid revenue for the gifted and talented program that is unspent at year end must be restricted in this balance sheet account. See Finance Code 388 for the proper accounting of revenue and expenditures for this program [refer to Minn. Stat. 126C.10, subd. 2(b)]. *This restricted/reserved account is not allowed to go into deficit.*

22. Restricted/Reserved for English Learner (Fund 01) (BAL 439) – Represents resources available for English Learner students per Minnesota Statutes, section 124D.59, subd. 2. Related to Finance Code 339, English Learner. *This restricted/reserved account is not allowed to go into deficit.*

    Note: This Balance Sheet Account is required for Charter Schools.

23. Restricted/Reserved for Teacher Development and Evaluation (Funds 01 and 04) (BAL 440) – Represents resources available for teacher development and evaluation uses listed in Minnesota Statutes, section 122A.40, subdivision 8 or section 122A.41, subdivision 5. Related to Finance Code 319, Teacher Development and Evaluation (Minn. Stat. 122A.414-415). *This restricted/reserved account is not allowed to go into deficit.*

    Note: No additional funding is received for this program. Expenditures should only exist if you have a remaining fund balance in Balance Sheet Code 440.

24. Restricted/Reserved for Basic Skills Programs (Fund 01) (BAL 441) – Represents resources available for the basic skills uses listed in Minnesota Statutes, section 126C.15, subdivision 1. Related to Finance Code 317, Basic

Skills (Minn. Stat. 126C.10, subd. 4). Please see Balance Sheet Account Code 459 for Restricted/Reserved for Basic Skills Extended Time. *This restricted/reserved account is not allowed to go into deficit.*

25. Restricted/Reserved for School Library Aid (Fund 01) (BAL 443) – Represents the resources available for the school library aid uses listed in Minnesota Statutes, section 134.356, subd. 1. Related to Finance Code 343, School Library Aid. *This restricted/reserved account is not allowed to go into deficit.*

    *Note – This Balance Sheet Account is required for Charter Schools.

26. Restricted/Reserved for Achievement and Integration Revenue (Funds 01 and 18) (BAL 448) – The unspent resources available from the Achievement and Integration program must be restricted in this account for use within the fiscal year (no carryover is allowed). All activity in this account must be related to Finance Code 313 and 318 (Minn. Stat. 124D.862) and spent on the students that generated the revenue in the current year. *This restricted/reserved account is not allowed to go into deficit.*

    Note: This Fund Balance code is not allowed to have a carryover balance or negative balance at year-end. If there is a balance, an entry needs to be completed to have a $0 balance.

27. Restricted/Reserved for Safe Schools Revenue (Fund 01) (BAL 449) – The unspent resources available from the safe schools revenue must be restricted in this account for future use. All activity in this account must be related to Finance Code 342 (refer to Minn. Stat. 126C.44). *This restricted/reserved account is allowed to go into deficit.*

28. Restricted/Reserved for QZAB and QSCB Payments (Funds 01 and 07) (BAL 451) – Represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments. These resources are held by the district and will pay off the debt at maturity. Districts segregate operating capital funds for lease purchase instruments (Fund 01). Districts segregate levy proceeds for bond instruments (Fund 07). *This restricted/reserved account is not allowed to go into deficit.*

29. Restricted/Reserved for Funded OPEB Liabilities not Held in a Trust (Funds 01, 02, 04) (BAL 452) – Represents available resources from OPEB bond proceeds used to fund OPEB liabilities that are not held in a trust. Activity for this reserve will be related to Finance Code 793 (Minn. Stat. 475.52, subd. 6). *This restricted/reserved account is not allowed to go into deficit.*

30. Restricted/Reserved for Unfunded Severance and Retirement Levy (Fund 01) (BAL 453) – Represents available resources from the unfunded severance and retirement levy. Related to Finance Code 792, Unfunded Severance and Retirement Levy (Minn. Stat. 126C.41, subd. 6). *This restricted/reserved account is not allowed to go into deficit.*

31. Restricted/Reserved for Basic Skills Extended Time (Fund 01) (BAL 459) – Represents resources available for the basic skills extended time uses listed in Minnesota Statutes, section 126C.15, subdivision 1. Related to Finance Code 309, Basic Skills for Extended Time. Portions of compensatory revenue must be used for extended time activities according to the following ratios: 1.7% for fiscal year 18; 3.5% for fiscal year 19; and for fiscal year 20 and later, 3.5% plus the percentage change in the formula allowance from fiscal year 19 (Minn. Stat. 126C.10, subd. 3(d)). Please see Balance Sheet Account Code 441 for Restricted/Reserved for Basic Skills. *This restricted/reserved account is not allowed to go into deficit.*

    Note: Starting in FY ’21, districts are not required to set aside Basic Skill revenue for extended time. However, any balance remaining in Balance Sheet Account 459 must be used for extended time allowable expenditures.

    Note2: With the 2023 legislature, the allowable uses for the Basic Skills Extended Time fund balance were removed from Minnesota Statutes, section 126C.15, subdivision 1. As of FY ‘24, there are no allowable expenditures to be applied towards this fund balance.

32. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

33. Committed Fund Balance (Fund 01) (BAL 461) – Represents amounts constrained for a specific purpose by the district using the highest level of decision making authority (generally the school board). It requires action by the same group to remove or change the constraints placed on the resources. *The committed account is not allowed to go into deficit.*

34. Assigned Fund Balance (Fund 01) (BAL 462) – Represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the school board itself, or a body (budget or finance committee) or an official (finance director) to which the school board has delegated the authority to assign amounts to be used for specific purposes. The actions to remove or modify assignments are not as strict as for committed fund balances. *The assigned account is not allowed to go into deficit.*

35. Restricted Fund Balance (Funds 01, 02, 04, 06, 07, 18 and 47) (BAL 464) – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. If Finance Code 337 – Pathway II, and Finance Code 338 – Pathway I, are not used in conjunction with the School Readiness Program, these accounts would close to Fund Balance Account 464. *The restricted account is not allowed to go into deficit.*

36. Restricted/Reserved for Medical Assistance (Fund 01) (BAL 472) – Represents available resources to be used for Medical Assistance expenditures in Finance Code 372 (Minn. Stat. 125A.21, subd. 3). *This restricted/reserved account is not allowed to go into deficit.*

    *Note – This Balance Sheet Account is required for Charter Schools.

37. Restricted for Title VII – Impact Aid Funds (Fund 01) (BAL 475) – Represents the unspent resources available from the Title VII – Impact Aid funds. All activity in this account must be related to Finance Code 175 (Assistance Listing Number (ALN) 84.041 Elementary and Secondary Education Act (ESEA), Public Law (P.L.) 107-110) as reauthorized under the Every Student Succeeds Act (ESSA). (34 C.F.R. § 200.35 (a)(i)(B)(2).) *This restricted balance sheet account is not allowed to go into deficit.*

38. Restricted for Payments in Lieu of Taxes (PILT) (Fund 01) (BAL 476) – Represents the unspent resources available from the PILT funds. All activity in this account must be related to Finance Code 176 (ALN No. 84.041 Elementary and Secondary Education Act (ESEA), P.L. 107-110) as reauthorized under the Every Student Succeeds Act (ESSA). *This restricted balance sheet account is not allowed to go into deficit.*

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance Accounts.

General Fund – Revenues

1. Reemployment Insurance Levy is recorded in Source 001 and must represent the early recognition amount shown on the Property Tax Shift form. Close activity into Fund Balance 422.

2. Property Tax Shift Recognition Revenue Source 020 must equal Source 299.

3. Telecommunications Access is recorded with Source 021. Districts that receive these cluster payments from a

cooperative must not use Finance 311. They should use Finance 000.

4. Medical Assistance received from the MN Department of Human Services is recorded in Source 071 with Finance 372. Activities close to Fund Balance 472.

5. Third Party revenue received from Private Insurance Providers is recorded in Source 072 with Finance 372. Activities close to Fund Balance 472.

6. Medical Assistance received from the MN Department of Human Services for students without disabilities is recorded in Source 073 with Finance 000.

7. Lease and rental revenue are recorded with Source 093.

8. Do not overuse Source 099 Miscellaneous Revenue from Local Sources.

9. Endowment Fund Apportionment is recorded with Source 201. M.S. 127A.33

10. Shared Time Aid is recorded with Source 213. M.S. 126C.19

11. Abatement Aid is recorded with Source 227. M.S. 127A.49

12. Disparity Reduction Aid is recorded with Source 229. M.S. 273.1398, subd. 3

13. Agricultural Market Value Credit is recorded with Source 234. M.S. 273.1384

14. Other aids received for the replacement of local taxes are recorded with Source 258.

15. Other state aid received from MDE for which a Finance code is specified is recorded with Source 300.

16. State Aid for Special Education is recorded with Source 360.

17. Other state revenue received from state agencies other than MDE when a Finance code is not specified and the Unemployment Insurance reimbursement is recorded with Source 369.

18. Other state revenue received from MDE when a Finance code is not required is recorded with Source 370. Check the IDEAS and SWIFT payment reports for details.

19. The support received from the State of Minnesota (as a nonemployer contributing entity) for TRA and PERA special funding situations is recorded with Source 397.

20. The cost of the materials that were purchased for the purpose of (a) producing an object for sale or (b) for reselling of the material at a profit is recorded with Source 619. Examples include building a house, art work, storage shed, fundraising by selling candy, concession stands, school stores, or vending machines. This is a contra revenue account.

21. Revenue generated from the sale of goods and services under the control of the board of education is recorded with Source 620. 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. See examples of sales above in Source 619.

22. 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 is recorded with Source 621. 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.

23. Net revenue from sales of materials and supplies from inventories not purchased for resale is recorded with Source 622. Exclude sales of materials purchased for resale and any sales taxes collected applicable to such sales.

24. Proceeds from the sale or exchange of school buildings or real property of a school is recorded with Source 623. This amount is recorded as an *Other Financing Source* in the financial statements (Minn. Stat. 123B.51, subd.6).

25. Proceeds from the sale of equipment is recorded with Source 624. This amount is recorded as an *Other Financing Source* in the financial statements.

26. Revenue from insurance recoveries for losses of school property is recorded with Source 625. These revenues must be recorded in the fund that incurred the loss. This code also includes FEMA (Federal Emergency Management Agency) proceeds not related to Health and Safety projects.

    Note: Include former Source Code 626, Insurance Recovery of Pupil Transportation Vehicles.

27. Non-recurring funds received as a result of class action suits/litigation settlements is recorded with Source 628.

28. TRA/FICA optional transfer to Fund 04 is recorded with Source 649 per M.S. 123B.79, subd. 3.

29. Literacy Incentive is recorded with Finance 312 and Source 300. Close to Balance Sheet 412.

30. Achievement and Integration is recorded with Finance 313 and Source 300. Activities apply to Fund Balance 448. The Fund Balance code is not allowed to have a carryover balance or negative balance at year-end. If there is a balance, an entry needs to be completed to have a $0 balance.

31. Incentive is recorded with Finance 313 and Source 300. Activities apply to Fund Balance 448. The Fund Balance code is not allowed to have a carryover balance or negative balance at year-end. If there is a balance, an entry needs to be completed to have a $0 balance.

32. Paraprofessional Training is recorded with Finance 314 and Source 300. Close to Fund Balance 422. This aid is reimbursed the following fiscal year.

33. The additional English Learner (EL) Cross Subsidy funding included on the IDEAS report is recorded with Finance 317 and Source 300. Close to Balance Sheet 441.

    Note: In FY '24, English Learner could also be recorded with Finance 339 and Source 300. Close to Fund Balance 439.

    Note2: Starting in FY '25, English Learner will be recorded with Finance 339 and Source 300. Close to Fund Balance 439.

34. Teacher Development and Evaluation is recorded with Finance 319 and Source 300. Close unexpended revenue to Fund Balance 440. **Note:** No additional funding is received for this program. Expenditures should only exist if there is a fund balance in Balance Sheet Code 440.

35. English Learner is recorded with Finance 339 and Source 211. Close to Balance Sheet 441.

    Note: In FY '24, English Learner could also be recorded with Finance 339 and Source 211. Close to Fund Balance 439.

    Note2: Starting in FY '25, English Learner will be recorded with Finance 339 and Source 211. Close to Fund

Balance 439.

36. Safe Schools is recorded with Finance 342. Close to Fund Balance 449.

37. School Library Aid is recorded with Finance 343 and Source 300. Close to Fund Balance 443.

38. The Charter School Building Lease Aid and School District Lease Levy Authority is recorded with Program 850 and Finance 348.

39. Student Support Personnel is recorded with Finance 373 and Source 300. Close to Fund Balance 422. Any revenue not spent will be returned to MDE through an IDEAS adjustment the next fiscal year.

40. Student Support Personnel – Cooperative or Intermediate is recorded with Finance 374 and Source 300. Close to Fund Balance 422. Any revenue not spent will be returned to MDE through an IDEAS adjustment the next fiscal year.

41. Career and Technical Education (CTE) Aid is recorded with Finance 830 and Source 300. Close unexpended revenue to Fund Balance 422.

42. Federal Aid received through MDE is recorded with UFARS Finance 1xx, 4xx or 8xx series with Source 400.

43. Federal Aid received through another district, cooperative, local agency, or state agency other than MDE as a sub-grantee or sub-recipient is recorded in the UFARS Finance 2xx, 6xx or 9xx series with Source 405. This is the only appropriate revenue Source for these finance accounts.

44. COVID-19 federal funds received directly from the MN Department of Human Services (DHS) for daycare and other types of services with no specific Finance code identified is recorded with Finance 699.

45. Federal funds must use the appropriate Course (011-015) to identify the correct federal award year.

46. Federal Connectivity Funds is recorded with Finance 699.

47. Compare revenues to MDE's Aid Confirmation Pay Report.

General Fund – Expenditures

1. Program 930 – Employee Benefits (Clearing Account Only) – Activities relating to employer costs of maintaining employee insurance programs (including reemployment compensation) and retirement plans for employees. At year-end all costs associated with benefits, reemployment compensation, and workers' compensation are to be allocated to the program which generated the benefit. This program code must not be used in Fund 20. **Program 930 must have a zero balance at year-end!**

2. Program 940 – Insurance – Consists of all insurance activities relating to property and liability (excluding transportation), surety, and fidelity bond insurance programs. Only Object 3xx series is allowed.

3. Unemployment Compensation uses Object 280 for expenditures related to the reemployment insurance levy.

4. Unemployment Compensation – Hourly Workers Over the Summer Term is recorded in Fund 01, Finance 000, and Object 281.

5. Medicaid reimbursements for equipment or services use Objects 381 or 382 with Finance 740.

6. Third-Party reimbursements for equipment or services that are not Medicaid use Objects 384 or 385 with Finance

740.

7. American Rescue Plan (ARP) Individuals with Disabilities Education Act (IDEA) for Part B Section 611 (Fund 01) must be coded to Finance 140/640.

8. American Rescue Plan (ARP) Individuals with Disabilities Education Act (IDEA) for Part B Section 619 – Preschool Grants for Children with Disabilities (Fund 01) must be coded to Finance 141/641.

9. American Rescue Plan (ARP) Individuals with Disabilities Education Act (IDEA) Part C – Ages Birth through 2 (Fund 01) must be coded to Finance 142.

10. American Rescue Plan (ARP) Individuals with Disabilities Education Act (IDEA) Part B Coordinated Early Intervention Services (CEIS) – Voluntary (Fund 01) must be coded to Finance 143/643.

11. American Rescue Plan (ARP) Individuals with Disabilities Education Act (IDEA) Part B Coordinated Early Intervention Services (CEIS) – Mandatory (Fund 01) must be coded to Finance 144/644.

12. American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health (Fund 01) must be coded to Finance 150.

13. Elementary and Secondary School Education Relief (ESSER) II Fund – 90% Formula Allocation (Funds 01, 02 and 04) must be coded to Finance 155.

14. Elementary and Secondary School Education Relief (ESSER) II Fund – 9.5% State-Directed Grants (Funds 01, 02 and 04) must be coded to Finance 156.

15. The Governor’s Emergency Education Relief (GEER) II Fund (Funds 01, 02 and 04) must be coded to Finance 157.

16. American Rescue Plan (ARP) – Homeless I (Fund 01) must be coded to Finance 158.

17. American Rescue Plan (ARP) – Homeless II (Fund 01) must be coded to Finance 159.

18. Elementary and Secondary School Education Relief (ESSER) III Fund – 90% Formula Allocation (Funds 01, 02 and 04) must be coded to Finance 160.

19. Elementary and Secondary School Education Relief (ESSER) III Fund – 90% Learning Loss (Funds 01, 02 and 04) must be coded to Finance 161.

20. Expanded Summer Learning – GEER (Funds 01 and 02) must be coded to Finance 162/662.

21. Expanded Summer Learning – ESSER (Funds 01 and 02) must be coded to Finance 163/663.

22. Expanded Summer Learning – Special Allocation (Funds 01 and 02) must be coded to Finance 164.

23. American Rescue Plan (ARP) Expanded Access to Tutoring (Funds 01 and 04) must be coded to Finance 167.

24. Learning Recovery – Lost Instructional Time (Funds 01, 02 and 04) must be coded to Finance 169.

25. Minnesota COVID-19 Testing Program (Fund 01) must be coded to Finance 170.

26. Other Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding Received Through Other Local Entities (Funds 01, 02 and 04) must be coded to Finance 174.

27. Title VII – Impact Aid (Funds 01 and 06) must be coded to Finance 175. Close to Balance Sheet 475.

28. Payments in Lieu of Taxes (PILT) (Fund 01) must be coded to Finance 176. Close to Balance Sheet 476.

29. Extracurricular activities raised by the students of an activity and where the content of the activities is determined by the students must be coded to Finance 301. Close to Balance Sheet 401.

30. Area Learning Center (ALC) must be coded to Finance 303 and by building site. Close to Balance Sheet 434. Revenue generated by a particular program, as determined by school number in either the 41 or 45 school classification, can only be spent on that program which generated the revenue. For example, revenue generated by school number 040 in school classification 41 can only be spent on school program 040 in school classification 41.

31. Contracted Alternative Programs must be coded to Finance 304. Close to Balance Sheet 435.

32. State-Approved Public Alternative Programs must be coded to Finance 305. Close to Balance Sheet 436.

33. Interdistrict Cooperative Activities must be coded to Finance 310. Close to Balance Sheet 408.

34. Telecommunications Access Costs must be coded to Finance 311.

35. Literacy Incentive must be coded to Finance 312. Close to Balance Sheet 412.

36. Achievement and Integration Aid and Levy must be coded to Finance 313. Close to Balance Sheet 448. Fund Balance code is not allowed to have a carryover balance or negative balance at year-end. If there is a balance, an entry needs to be completed to have a $0 balance.

37. Paraprofessional Training must be coded to Finance 314. School districts and charter schools must provide a minimum of eight hours of paid orientation or professional development annually to all paraprofessionals providing instructional support as defined by the commissioner of education.

38. Staff Development must be coded to Finance 316. Close to Balance Sheet 403.

39. Basic Skills must be coded to Finance 317 and by site. See UFARS Chapter X Restricted Grid for the appropriate Program options. Close to Balance Sheet 441.

40. Incentive Revenue must be coded to Finance 318. Close to Balance Sheet 448. Fund Balance code is not allowed to have a carryover balance or negative balance at year-end. If there is a balance, an entry needs to be completed to have a $0 balance. Collaboratives should record related expenditures under Finance 000 and Course 318 to prevent duplication.

41. Teacher Development and Evaluation Revenue must be coded to Finance 319. Close to Balance Sheet 440. **Note:** No additional funding is received for this program. Expenditures should only exist if there is a fund balance in Balance Sheet Code 440.

42. American Indian Education Aid must be coded to Finance 320.

43. Learning and Development must be coded to Finance 330. Close to Balance Sheet 428.

44. Quality Compensation – Alternative Teacher Professional Pay System must be coded to Finance 335.

45. English Learner may be coded to FIN 317 or FIN 339. If using FIN 317, close to Balance Sheet 441. If using FIN

339, close to Balance Sheet 439.

46. Scholarships must be coded to Finance 340 with Program 960 and Object 898. Close to Balance Sheet 402.

47. Safe Schools – Levy must be coded to Finance 342. Close to Balance Sheet 449.

48. School Library Aid must be coded to Finance 343. Close to Balance Sheet 443.

49. School Readiness Plus must be coded to Finance 344. Close to Balance Sheet 444.

50. Charter School Building Lease Aid must be coded to Finance 348 with Program 850.

51. School District Lease Levy Authority may be coded to Finance 348, 302, or 000.

52. Taconite $25 must be coded to Finance 371. Close to Balance Sheet 426.

53. Medical Assistance (MA)/Third Party must be coded to Finance 372. Close to Balance Sheet 472.

54. Medical Assistance (MA) Administrative Fee should be coded to E-01-005-400-000-372-305.

55. Student Support Personnel Aid must be coded to Finance 373. Must be used for directly funding the costs of adding student support personnel staff.

56. Student Support Personnel Aid – Cooperative or Intermediate must be coded to Finance 374. Must be used for funding the costs of adding student support personnel staff at a cooperative or intermediate.

57. Gifted and Talented must be coded to Finance 388. Close to Balance Sheet 438.

58. Taconite Revenue Used for Building Maintenance and Repair must be code to Finance 390. Close to Balance Sheet 417.

59. ESEA expenditures reauthorized under ESSA use Finance segments 401, 406/606, 414, 417/617, 424/624, 433/633 and 442/642. The expenditures need to agree with MEGS.

60. Title V, Part B, Subpart 2 – Rural and Low-Income Schools must be coded to Finance 424/624.

61. Federal Special Education uses Finance segments 419-423, 425, 429-432 and 446 along with the equivalent 6xx code. Review the sub-award and sub-contract objects for the correct code segment and application.

62. Carl Perkins Vocational and Applied Technology must be coded to Finance 428/628.

63. Carl Perkins Career and Technical Education – Reserve must be coded to Finance 475/675.

64. COVID-19 funds from the MN Department of Human Services (DHS) used for daycare and other types of services where no specific Finance code exists must be coded to Finance 699.

65. Federal Connectivity Funds is coded to Finance 699.

66. Districts or cooperatives making pass-through sub-awards and sub-contracts with federal funds must use Objects 303 (1st $25,000) or 304 (>$25,000). Special Education has specific sub-award and sub-contract codes. Refer to the current UFARS manual for details.

67. Federal funds must use the appropriate Course (011-015) to identify the correct federal award year.

68. Title Federal funds must use the appropriate Course set aside (622-625, 628-631, 635- 638, 640-642) to identify the federal award year.

69. Special Education 50 Percent Maintenance of Effort Reduction must use Course 633.

70. Districts or cooperatives receiving Federal aid from another district, cooperative, local agency, or state agency other than MDE as a sub-grantee or sub-recipient must use Finance 6xx.

71. Title V, Part A – Small, Rural Education Achievement Program Grants (REAP) must be coded to Finance 514. Funds are received directly from the federal government.

72. State Special Education, Ages Birth through 22, must be coded to Finance 740.

73. State – Special Education Separate Sites and Program must be coded to Finance 742. This is for special education cooperatives, education districts and intermediates.

74. Unfunded Severance and Retirement Levy must be coded to Finance 792.

75. Funded OPEB expenditures for liabilities not held in a trust must be coded to Finance 793. Close to Balance Sheet 452.

76. Health Benefits must be coded to Finance 796. See UFARS manual for specifics.

77. OPEB Pay-As-You-Go Levy must be coded to Finance 797 with Object 291.

78. Career and Technical Education reporting uses Finance 830 with the correct Objects. Career and Technical Programs – Children with Disabilities uses Finance 835 with the correct Objects and must be entered online via MDE’s website. Course numbers must report as a UFARS crosswalk of 000.

79. Do not overuse Object 899 Miscellaneous Expenditures.

Transportation Accounting Checklist (Fund 01)

UFARS – Transportation Reporting

Transportation Data is Collected at Year-End on the Following Reports:

Pupil Transportation Annual Report via the Transportation Reporting System (TRS) – Number of eligible nonpublic school students transported "to-and-from" school during the regular school term, number of school buses used to transport students, and annual miles, hours, or routes by transportation category. The report is **due to MDE by August 15th**.

MARSS (Minnesota Automated Reporting Student System) – Number of public school students transported "to-and-from" school during the regular school term.

UFARS (Uniform Financial Accounting and Reporting System) – Cost of providing transportation services.

UFARS Report – Transportation expenditures are collected by Finance dimension. Each Finance dimension corresponds to a different type of transportation service. The following is a table that shows the UFARS dimensions associated with the transportation program:

FUND	ORGANIZATION	PROGRAM	FINANCE	OBJECT
01 02 04	001-999	See MDE UFARS Manual – Chapter 10 for allowable Program codes.	711, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 725, 726, 728, 733, 737, 739	See MDE UFARS Manual – Chapter 10 for allowable Object codes.

Fund:	01 – General Fund 02 – Food Service Fund 04 – Community Education Fund
Organization:	001-999 – All Organization Codes
Program:	See MDE UFARS Manual – Chapter 10 for allowable Program codes.
Finance:	711 – Learning Year – Summer (Fund 01) 713 – Open Enrollment Transportation – Outside the District (Fund 01) 714 – Transportation to Multi-District Integration/Desegregation Programs (Fund 01) 715 – Foster Care Transportation (Fund 01) 716 – Noon Kindergarten Transportation (Fund 01) 717 – Late Activities Bus for Public School Pupils (Funds 01 and 04) 718 – Student Transportation Safety (Fund 01) 719 – Traffic Hazards – Walkers (Fund 01) 720 – Regular To-and-From School (Fund 01) 721 – Regular Summer School (Fund 01) 722 – Area Learning Center (ALC) Transportation Aid (Fund 01) 723 – Transportation of Pupils Attending Special Education Programs (Fund 01) 725 – Between Schools – Public (Fund 01) 726 – Nonpublic Non-regular (Fund 01) 728 – Special Transportation of Selected Pupils (Fund 01) 733 – Non-Authorized Transportation (Funds 01, 02 and 04) 737 – Ineligible/Nonresident Pupils (Fund 01)

739 – Low-Income Families Enrollment Options Transportation Reimbursement (Fund 01)

Important Points to Remember

Summarized from Various Memos at [MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation]

- **UFARS Data Submission** – All transportation costs are obtained from the UFARS data submission. If a district reports students and/or miles, hours, or routes in any category on MARSS or the annual report, then a cost must be reported in the corresponding Finance code on the UFARS data submission. Sample cost allocation methods are available on the website.

- Districts may allocate transportation expenditures among categories based on a cost-per-mile, cost-per-hour, cost-per-route, or cost-per-student regardless of whether districts own their buses or whether they contract for bus service. Districts that contract for services may allocate based on contract rates, if reasonable. Districts that use district-owned transportation services may report expenditures based on true rates. Information on this cost allocation method is available on the department's website. In addition, districts are limited on which district employee's salaries and fringe benefits can be included in transportation.

- **Cost allocation working papers** (either paper or spreadsheet) **must be** submitted to MDE at the time of submission of the Pupil Transportation Annual Report. The working papers must show what cost allocation was used and how the cost in each of the categories was determined. Districts will not have to re-submit updated worksheets after that date unless there is a substantial change between the costs reported on UFARS and the working papers submitted.

- **Pupil Transportation Supplemental Sheet via the Transportation Reporting System (TRS)** – A Supplemental sheet for categories of transportation services not listed on the annual report is available as a separate document. The form is for districts to report miles, hours, or routes for other types of programs that are not included in any category of the annual report. This would include the miles, hours, or routes for Federal programs. The sheet can be obtained in the TRS to be downloaded, filled in, and uploaded back into the TRS.

- If a school district charges bus driver's salaries (and related fringe benefits) directly to each Finance dimension, it must not include the bus driver salaries and related fringe benefits in the amount to be allocated among all Finance dimensions.

- If a student's IEP identifies that an aide is needed when they are being transported, the aide's salaries and fringe benefits for this time should be directly coded to Finance 723, Transportation of Pupils Attending Special Education Programs. It must not be included in the transportation allocation process at year end. These costs will be included in the State Special Education Aid calculation.

- Initial cost allocations can be based on an estimated cost. However, once expenditures have been finalized for the year, the allocations must be adjusted to reflect actual costs.

- A district may include a portion of the superintendent's, business manager's, or other district employee's salary and fringe benefits if the individual has been designated as the district's transportation director. If audited, a district must show either a contract or position description where the individual's transportation duties are outlined. Districts that have a full-time transportation manager will not be able to designate any other employee as the transportation director.

- A district allocating transportation expenditures among Finance dimensions should use Object 365, Interdepartmental Transportation (allocation). This dimension is a contra-account and the total must be zero at year-end. That is, the total dollars debited to Object 365 must equal the total dollars credited to Object 365.

- Make sure all audit entries have been made to correct expenditure and revenue data. Lawmakers and Department

Managers make decisions on program requirements and funding levels based on school district financial data. If the data is incorrect, the program requirements and funding levels based on this data will be incorrect.

MARSS/UFARS Relationship

MARSS Transportation Code	UFARS Finance Dimension
00 – Walkers or Transportation Field Does Not Apply	• No cost if the student was not transported. • Finance 715, if foster care student. • Finance 719, if adult crossing guards were hired to assist the students in their walk to and from school. • Finance 721, if summer school student. • Other codes may be appropriate depending on the student and services.
01 – Regular	Finance 720
02 – Excess	Finance 720
03 – Disabled	Finance 723
04 – Desegregation	Finance 714 and 313
05 – Ineligible	Finance 737
06 – Special	Finance 728
07 – Shelter Care Facility	Finance 728
08 – Pregnant and Parenting Teen	Finance 720. MDE will contact, if eligible.

If your district has students with any of these MARSS Transportation Codes, then your district must have expenditures reported in the corresponding UFARS Finance dimension.

Transportation Website Information

Go to MDE's website at https://education.mn.gov/. Then, Districts, Schools and Educators > Business and Finance > School Finance > Transportation. The information on these pages helps school districts understand the requirements in providing transportation for students to different types of schools and programs. There is also information to help parents and students understand their rights to transportation services.

- Resources – Information that helps school districts report students and costs on year-end state reports along with documents that will help districts and parents understand their transportation responsibilities and rights.
- School Bus Purchasing – School districts may purchase school buses through the state school bus purchasing program. Find individual pricing by distributors and the makes, models and cost of the buses currently available through this program. This information is updated annually.
- Pupil Transportation Vehicle Newsletter – The *Pupil Transportation Vehicle* is a transportation newsletter. It hasn't been published since 2017, where it provided information about school transportation topics, deadlines, forms and more.
- Reporting – Information on this page helps school districts report students and costs on year-end state reports.
- Safety – Find school bus safety training and other general information related to the student transportation program.
- By Student Type – This section includes information to help parents and students understand their rights to transportation services. Topics include transporting:
  - Students to nonpublic schools and charter schools.
  - Students with disabilities.
  - Students experiencing homelessness.
  - Students who have enrolled to another public school district.

Transportation Contact List			
Topic	**Contact**	**Telephone**	**Email Address**

		Number	
Transportation Reporting	Kelly Garvey	651-582-8524	kelly.garvey@state.mn.us
School Bus Inventory	Kelly Garvey	651-582-8524	kelly.garvey@state.mn.us
General Transportation Issues	Kelly Garvey	651-582-8524	kelly.garvey@state.mn.us
Transportation Funding: Nonpublic School Students	Greg Sogaard	651-582-8858	greg.sogaard@state.mn.us
Transportation Funding: Public School Students	Kelly Wosika	651-582-8855	kelly.wosika@state.mn.us
Transportation Funding: Special Needs Students	Paul Ferrin	651-582-8864	paul.ferrin@state.mn.us

Adaptive Sports Reporting

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Pupil Transportation Vehicle Newsletter, Volume 31 Issue 2, May 2017

The transportation cost for transporting a student to an extra-curricular activity like adaptive sports, when the activity is identified in a student's IEP, is eligible for the state special education aid formula. If the activity is not included in the student's IEP, there may be times when the district would still be required to provide transportation to the extra-curricular activities. However, when the activity is not documented in the student's IEP, the transportation cost is not eligible to be claimed for special education aid either under Finance Code 723.

If the adaptive sport is not listed in the student's IEP, the district would report the cost in UFARS under Fin Code 717.

Best Practices and Model Contract

Modified from School Business Bulletin No. 39, April 2009

The Office of the Legislative Auditor (OLA) completed a program audit on student transportation and found that school districts vary significantly in how they provide, manage and oversee student transportation. OLA recommended that the Department of Education (MDE) develop and distribute best practices on student transportation and a model contract for district use.

MDE staff worked with the Department's Transportation Issues Committee to respond to the OLA recommendations. "Best Practices for Student Transportation" provides an outline of oversight issues school districts should consider while administrating their student transportation programs. The "Model Contract" is for school districts to consider when entering into a transportation contract.

These documents are available on the MDE website at: https://education.mn.gov/MDE/dse/schfin/Trans/.

While both these documents provide guidelines for districts, they are not mandated in statute.

- Minnesota School Transportation Best Practices
- Student Transportation Best Practices and Model Transportation Contract

If you have any questions, contact Kelly Garvey at the Minnesota Department of Education's Pupil Transportation Office at 651-582-8524 or kelly.garvey@state.mn.us.

Buying or Leasing Nonconforming Vans

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Safety, April 2, 2012

Schools Now Subject To Federal Fines for Buying or Leasing Nonconforming Vans
Federal and state requirements regulate vehicles that are used to transport students to or from school or on school related events and that carry 11 or more persons including the driver. These vehicles must conform with federal and state requirements on design and construction for school buses. In addition, the Minnesota State Patrol must inspect any vehicle used to transport students.

A 15-passenger van does not comply with federal and state requirements on design and construction and, therefore, cannot be used to transport students in Minnesota. The federal government defines a 15-passenger van as a vehicle that seats 10 to 14 passengers not including the driver.

In the past, the federal government could impose civil penalties on dealerships that would sell or lease the 15-passenger vans to schools. Effective August 10, 2005, the federal government extended the penalties to the buyer or lessee of these vehicles. A single violation carries a civil penalty of up to $10,000 and the civil penalty for a series of related violations is up to $15,000,000.

School districts should take steps now to ensure that no employee transports students in vehicles that do not comply with federal and state regulations. In addition to the civil penalties, districts may be assigned a greater level of liability if a lawsuit results from a district employee transporting students in an "illegal" vehicle.

Charter School Transportation MARSS 62 Reporting

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Reporting > Charter School Transportation Reporting, March 18, 2020

Charter School Administrators
Must submit the Minnesota Automated Reporting Student System (MARSS) 62 Charter Transportation report.
Charter schools must notify the districts in which they are located of their transportation choice by March 1 for existing charter schools, and July 1 for charter schools in their first year. Many districts develop bid specifications for their routes for the upcoming school year around March 1. If the districts know they must provide transportation for charter schools, the additional routes can be included on their route bid specification.

Minnesota Statutes, section 124E.15, gives charter schools the authority to either provide their own transportation services, or to use the transportation services of the districts in which they are located. There are many transportation issues that charter schools must consider. Below are some of the most important.

MARSS 62 Charter Transportation
A copy of the report must be sent to the Minnesota Department of Education (MDE) and the district in which the charter school is located, regardless if the charter school is or is not using district-provided transportation. To find contact information for the district, use the MDE Schools and Organizations (MDE-ORG) site.

Charter schools can verify submission of the notification by checking the school's General Education Revenue of Charter Schools Report on the Minnesota Funding Reports (MFR) system.

Transportation Requirements
If a charter school provides any student transportation services, it must use vehicles and drivers that comply with all the statutes and rules governing pupil transportation. We are sending a copy of a document on these matters. The document titled School Buses, Licensing of Drivers and Training of Drivers and Students is also available on the MDE website.

Charter schools that decide to provide their own transportation services will be required to complete the year-end transportation report. Records must be kept on the number of buses used to transport students and annual mileage, hours or routes for the different types of transportation services. The number of students transported will be obtained from MARSS data submissions. Expenditures for pupil transportation services will be obtained from the Uniform Financial Accounting and Reporting Standards (UFARS) electronic data submission.

MARSS Reporting Related to Transportation
Regardless of whether charter schools elect to provide their own transportation services or use district-provided services, the charter schools must enter the appropriate MARSS transportation code on the student record.

Charter schools may also access the handbook on MARSS transportation codes that is on the department's website: View the handbook titled MARSS Transportation Categories.

Charter schools are also required to enter the "Transporting District Number and Type" on each student record. For charter schools that opted to provide their own transportation services, the "Transporting District Number" will be the charter school district number. The district type for all charter schools is 07.

For charter schools that have opted to use district-provided transportation services, the "Transporting District Number and Type" will be the number and type of the district in which the charter school is located for all students. The only exception would be when a nonresident special education student has special education transportation accommodations or adaptations identified in his/her individual education program (IEP). Under this circumstance, the charter school would be identified as the Transporting District and responsible for providing the related transportation service even if it means going outside the district boundaries. The Transportation Category tells the department whether the student actually received transportation services.

UFARS Reporting Related to Transportation
The Transportation Reporting webpage also contains the *Financial Accounting for Student Transportation Services* document that contains sample cost allocation methods to help charter schools determine their transportation costs.

As stated earlier, each finance code represents a type of transportation service. View the UFARS Manual for more information. Print out *Chapter 4-Finance Dimension* of the UFARS Manual. The transportation finance codes begin at 711 and continue through 739. Each finance dimension represents a type of transportation service.

Please submit the MARSS 62 Charter Transportation report to MDE by March 1 for existing charter schools and July 1, for new charter schools.

A copy of the MARSS 62 Charter Transportation report must be submitted to the district in which the charter school is located.

If you have any questions about transportation reporting, please email the pupil transportation coordinator.

Early Childhood Family Education (ECFE) and School Readiness (SR) Programs

Modified from MDE > Districts, Schools and Educators > Teaching and Learning > Early Learning > Early Learning Programs > Early Childhood Family Education > Program Resources, December 14, 2022

Minnesota Statutes, section 123B.88, subdivision 12, provides that "Districts may provide bus transportation along regular school bus routes when space is available for participants in early childhood family education programs and school readiness programs if these services do not result in an increase in the district's expenditures for transportation. The costs allocated to these services, as determined by generally accepted accounting principles, shall be considered part of the authorized cost for regular transportation for the purposes of section 123B.92."

If a school district changes a regular-scheduled school bus route by adding additional miles or hours so that Early Childhood Family Education and School Readiness students can be transported, then the district must allocate a cost to the appropriate expenditure codes in Fund 4, Community Service. The extra miles or hours increase the district's expenditures for transportation.

The extra miles or hours for these routes will be reported with the non-authorized (Finance Dimension 733) miles on the year-end Pupil Transportation Annual Report. The cost for these miles or hours should be coded to Finance Dimension 325 or 344 in Fund 4. Districts should further identify these expenditures in these Finance Dimensions by using Object Dimension 360, Transportation Contracts with Private or Public Carriers, or Object Dimension 365, Transportation Chargebacks.

Districts will not be required to report the number of ECFE or School Readiness students transported by the district on the year-end transportation report or MARSS file.

Further, Minnesota Statutes, section 169.685, subdivision 5, requires every motor vehicle operator to use a child passenger restraint system when transporting a child who is both under the age of eight and shorter than four feet nine inches in a "motor vehicle equipped with factory-installed seat belts." Because Types A, B, C and D and multifunction school activity buses are exempt from the seat belt requirement, school districts and contract operators are not required to use an infant seat or child passenger restraint system when transporting a child who is both under the age of eight and shorter than four feet nine inches in Types A, B, C and D and multifunction school activity buses. If a child is being transported in a Type III school bus (passenger cars, station wagons, vans) with factory-installed seat belts, a child passenger restraint system meeting federal motor vehicle safety standards would be required by law.

If you have any questions about student transportation email pupil transportation or call 651-582-8524.

Early Childhood Students and Transportation Reporting

MARSS Memo, December 15, 2022

Children who are receiving early childhood special education (ECSE) services under a current individualized education program (IEP)/individualized family service plan (IFSP) are entitled for transportation under Minnesota Statutes, section 123B.88, subdivision 1. The transportation service can be added to the IEP under the Least Restrictive Environment (LRE) and would state that the student will be receiving free transportation. This is not considered a related service. A related service of transportation must be an IEP team determination based on the child's needs. The IEP team would include the related service of transportation when it is actually an IEP team determination based on the needs of the child. For example, the student may need a wheelchair-accessible bus.

For state reporting purposes and aid entitlement, the ECSE student receiving special transportation under the LRE provision, not a related service in the IEP, would be coded with Transportation Category 03-Disabled in MARSS, when the district provides a special education route for the student because of the timing or location of the classes. The related cost would be coded in Uniform Financial Accounting and Reporting Standards (UFARS) under Finance Code 723 for state aid.

When the IEP team has included transportation as a related service in a student's IEP based on the individual needs of the child, the ECSE student would be coded with Transportation Category 03-Disabled in MARSS. The related cost would be coded in UFARS under Finance Code 723 for state aid.

In those instances when an ECSE student rides a regular bus along with general education students, without any accommodations, adaptations or special routing, the student would be coded with Transportation Category 01-Regular. The cost of the transportation would be reported in UFARS under Finance Code 720.

If you have questions, contact Kelly Garvey (kelly.garvey@state.mn.us).

Emergency School Bus Purchases

Modified from School Business Bulletin No. 5, January 1998

Our office occasionally receives questions from school districts on whether they can buy a school bus without going through the bid process. For example, the school district may have had a lift school bus destroyed in an accident and the district must replace the school bus as soon as possible in order to continue transporting a student with a disability.

Minnesota Statutes, Section 471.345, subd. 3, provides that if a contract (purchase of supplies, materials, equipment or rental thereof) exceeds $175,000, a district must solicit sealed bids by public notice. There isn't any exception in present law to bypass the bid process in order to purchase school buses. Districts may contract with the parents or with other districts that have a school bus equipped with a lift. Districts may also lease a school bus from a school bus dealership in the state. So in the example above, the district must still go through the bid process if it is anticipated that the lift school bus will cost more than the subd. 3 bid amounts. A used school bus costing less than the bid amounts noted could be purchased through direct negotiation pursuant to subd. 4 of the section listed above.

Federal Funds for Transportation Costs

Modified from School Business Bulletin No. 44, July 2010

For FY 2011 and later, when reporting federal contracted transportation expenditures, districts should use Object code 360 for contracted private or public carriers amounts under $25,000 and Object code 364 for contracted private or public carriers amounts over $25,000.

Districts using Object code 365 are required to allocate student transportation expenditures miles. For federal programs, the results of the allocation should be reported on the supplemental sheet in the Transportation Reporting System (TRS).

If you have any questions, contact Kelly Garvey at the Minnesota Department of Education's Pupil Transportation Office at 651-582-8524 or kelly.garvey@state.mn.us.

Fee Law

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Pupil Transportation Vehicle Newsletter, Volume 22 Issue 01, June 2008

Districts are reminded that, according to public school fee law, districts cannot charge fees for transporting students that live two miles or more from school and for all other transportation that is required by law. Further, if a district charges fees for transportation of pupils, it must establish guidelines for that transportation to ensure that no pupil is denied transportation solely because of inability to pay.

Fees – Accounting for Student Fees

Pupil Transportation Vehicle Newsletter, Volume 16 Issue 2, August 2002

Many school districts have or will start charging students a fee for to-and-from school transportation service. In order for the Department to analyze the impact of this new procedure, we are asking all districts to account for to-and-from school transportation fees in the same manner. Districts should record the expense of transporting the fee-paying students in Finance Dimension 737, Ineligible/Nonresident Pupils. Revenues received from the families or students for to-and-from school transportation service should be identified with Finance Dimension 737 and Source Dimension 050, Fees from Patrons.

Fuel Excise Tax – Federal

Modified from Pupil Transportation Vehicle Newsletter, Volume 14 Issue 4, March 2001

School districts can get an exemption from paying the federal fuel excise tax when they purchase diesel fuel for school purposes. Purchases must be made from a "registered ultimate vendor." Contact your vendor for more information about this program. You may also visit the website for the Internal Revenue Service at http://www.irs.gov. Select "Find forms & instructions". Search on Publication 510, Excise Taxes. This has more information on nontaxable uses. IRS Form 8849 is used for the refund.

Fuel Tax – State

Condensed from MN Department of Revenue Sales Tax Fact Sheet 116 (Petroleum Products), January 2023

The federal government may buy all fuel exempt from state petroleum tax or sales and use tax.

State and local governments are exempt from federal petroleum tax, but not from state petroleum tax. Since they are exempt from federal petroleum tax, these governments often buy dyed fuel, which is not subject to the federal tax.

Any state or local government that buys dyed fuel and uses the fuel in taxable ways must pay the state petroleum tax because the state tax is not added at the time of purchase.

If the	Then
State or local government has a special fuel dealer's license	Report the petroleum tax on your petroleum tax return.
State or local government does not have a special fuel dealer's license and use dyed fuel in a taxable way (for example: in a licensed motor vehicle)	Your supplier must remit the petroleum tax on their monthly petroleum tax return.
Supplier is not licensed	They must send detailed sales records of dyed fuel gallons sold for taxable use and submit payment to their master jobber for reporting on their monthly petroleum tax return.

State and some local governments owe sales tax on fuel purchases unless they have paid petroleum tax and not received a refund, or unless the fuel is for an exempt use as described above.

For more information, call our Petroleum Tax Unit at 651-296-0889.

Nonprofit organizations must pay petroleum tax on all fuel as described in the Petroleum tax section – no exemptions apply.

Qualifying nonprofit organizations may buy fuel for off-highway use without paying sales tax by giving the seller a completed Form ST3, *Certificate of Exemption*.

Insurance Recovery

Modified from FAI 106.2

Recent Minnesota Department of Education (MDE) audits of school districts' financial records has discovered a conflict between the accounting instructions for insurance receipts for bus repairs and expenditure reporting for transportation aid calculations.

Financial accounting instructions require school districts to record repairs made to vehicles involved in accidents as expenditures. Revenue received from insurance companies to pay for those expenditures must be recorded as revenue and cannot be used to reduce the expenditures. However, expenditure reporting for transportation aid purposes does not allow school districts to claim transportation aid on expenditures already reimbursed by insurance.

In order to keep expenditure and revenue reporting separate, and to allow the MDE to use these numbers for transportation aid calculations, we are asking school districts to follow these steps:

- For reporting revenue receipts, record insurance receipts for bus repairs (or to replace stolen garage supplies) with a combination of Source Code 625, Insurance Recovery, and Finance Code 720, Regular To-and-From School. Insurance receipts for buses that have been totally destroyed in an accident should be recorded in Source Code 625, Insurance Recovery, and Finance Code 000, District-Wide.
- For reporting expenditures reimbursed by insurance receipts, report all expenditures in Finance Code 720, Regular To-and-From School. Do not allocate these expenditures to other transportation finance codes.

At year end when transportation data from all districts has been finalized and is ready to be transferred to the MDE aids database for calculation of the final payment, the MDE will reduce expenditures reported in Finance Code 720, Regular To-and-From School, by the revenue combination reported in Source Code 625 and Finance Code 720.

This procedure will allow school districts to report their financial data consistently with Generally Accepted Accounting Principles and will allow the Transportation Unit of the MDE to use the financial data for transportation aid calculation. If you have any questions, contact Kelly Garvey at the Minnesota Department of Education's Pupil Transportation Office at 651-582-8524 or kelly.garvey@state.mn.us.

Leasing School Buses

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Reporting > Financial Reporting, June 11, 2018

Recent changes in transportation funding have forced school districts to examine alternative ways to replace older school buses. Some school districts have started leasing school buses.

The lease expense may be included as authorized (eligible for state aid) transportation expenditures if the following conditions are met:

The lease agreement entered into by the district does not result in ownership of the school bus at the end of the lease. The school bus must be returned to the leasing company or dealership. (The district may purchase the school bus from the leasing company or dealership if the purchase was not part of the lease agreement. See paragraph below for additional information.)

During the lease, the dealership or manufacturer must be listed as the owner on the Certificate of Title. The school district cannot be listed on the Certificate of Title as that denotes ownership.

The school bus must be used for a category of transportation that is authorized for transportation funding. For example, expenditures reported in Finance Dimensions 720 and 726 (Regular and Nonpublic Nonregular) are used to calculate nonpublic transportation funding. Expenditures reported in Finance Dimension 723 (Disabled) are used to calculate special education transportation funding.

The lease expenditures must be identified by the correct Object dimension based on the lease.

If the leased school bus is used for many different categories of transportation service, the lease expense must be allocated among all of the different categories of transportation services according to Minnesota Statutes, section 123B.92. For example, if a leased school bus is used to transport students with disabilities to and from school (Finance Dimension 723) and to take students on a field trip (Finance Dimension 733), then the cost of the lease must be allocated among all finance dimensions based on the number of miles incurred for each category of transportation service.

If the school district decides to purchase the school bus from the leasing company or dealership at the end of the lease, the district must pay the fair market value of the school bus. The purchase of the school bus would be recorded in Finance Dimension 302, if purchased from Total Operating Capital account; Finance Dimension 733 or Finance Dimension 000, if purchased from general fund monies. Districts should use Object Dimension 548, Pupil Transportation Vehicles.

If the lease agreement results in ownership of the school bus (installment purchase) at the end of the lease, the lease payment would not be considered authorized and must be recorded in Finance Dimension 733, Unauthorized, and Object Dimension 535, Capital Leases.

If you have any questions about leasing school buses, contact the Minnesota Department of Education's Pupil Transportation specialist by emailing the pupil transportation coordinator.

Note: GASB 87 – Leases was effective July 1, 2021. Review the lease to determine which UFARS codes are appropriate for recording the lease transaction.

Nonpublic Students – Cost of Transporting

Pupil Transportation Vehicle Newsletter, Volume 16 Issue 1, June 2002

Cost of Transporting Nonpublic School Students To and From School: Recent audits of school districts' transportation reports have found that some districts are mistakenly coding the cost of transporting nonpublic school students to and from nonpublic schools to the incorrect Uniform Financial Accounting and Reporting Standards (UFARS) finance code. The correct UFARS code is Finance Dimension 720, Regular To-and-From School.

Some districts have used UFARS Finance Dimension 726, Nonpublic Non-regular. Finance Dimension 726 should only be used to record the expenditures of: 1) transporting non-disabled, nonpublic school students between school buildings (during day) to attend shared time classes at a public school or neutral site, 2) transporting nonpublic school students to health, guidance and counseling services, and 3) transporting nonpublic school students on late activity bus routes.

Nonpublic Transportation Aids

Condensed from School Business Bulletin No. 18, April 2001

Record nonpublic transportation aid revenue in Finance 720 with Source 300.

Expenditures for the cost of the to-and-from school transportation services is coded to Finance Dimension 720, Regular, and the cost of the nonregular transportation services is coded to Finance Dimension 726, Nonpublic Non-regular.

School districts receive funding for the transportation of nonpublic school students to and from school and for the transportation of nondisabled, nonpublic school students to shared-time classes, to health, guidance, and counseling services, and on late activity buses. The shared-time, health, guidance and counseling, and late activity transportation services are referred to as nonpublic non-regular.

School districts receive funding for the special transportation of nonpublic school students with disabilities to and from school and to shared-time special education classes through the special education formula. The cost of the special transportation services for nonpublic students with disabilities is coded to Finance Dimension 723. The description listed above only refers to the transportation of nondisabled, nonpublic school students.

Public School Enrollment Options Students

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > By Student Type, March 18, 2021

Minnesota Statutes, section 123B.92 subdivision 3, provides that "A district that enrolls nonresident pupils in programs under sections 124D.03, 124D.08, 123A.05 to 123A.08, and 124D.68, must provide authorized transportation to the pupil within the attendance area for the school that the pupil attends. The resident district need not provide or pay for transportation between the pupil's residence and the district's border."

The programs listed in this statute include:

- Minnesota Statutes, section 124D.03, Enrollment Options/Open Enrollment
- Minnesota Statutes, section 124D.08, Nonresident Student Attendance Agreement; Enrollment Choice for 11th and 12th Grade Students
- Minnesota Statutes, section 123A.05 – 123A.08, Area Learning Center
- Minnesota Statutes, section 124D.68, Graduation Incentives Program

Please be aware that all of these programs refer to public school pupils having a choice as to the **public school district or program** that they wish to attend.

Pupil's Resident District

Once a public school pupil has decided to participate in one of the Enrollment Options Programs, the pupil's resident district is relieved of **all** transportation responsibilities. In addition, the pupil's resident district cannot be billed for any transportation services from the pupil's new (enrolling) district. These provisions apply to all public school enrollment options pupils regardless of whether the pupils have any disabilities.

Pupil's Enrolling District

The enrolling district is required to provide transportation within the attendance area of the school that the pupil attends. If a school district has only one elementary or secondary school, then the attendance area and the school district boundary would be the same.

If a school district has more than one elementary or secondary school, then a school district may develop attendance areas for the schools. The district would only provide free transportation within the attendance area of the school that the pupil attends. If an open enrollment pupil chooses to attend a school on the far side of the enrolling district, the enrollment options pupil would be required to travel across part of the enrolling district in order to arrive at the attendance area boundary of the school that the pupil is attending.

If a school district has a written board policy on the maximum distance a resident pupil can travel to a bus stop, then the policy will apply to enrollment options pupils as well. The distance would be measured from the attendance area boundary to the bus stop location. If a school board does not have a policy on this matter, then an enrollment options pupil may be required to travel up to two miles to a bus stop in the attendance area. Two miles is the distance a pupil without disabilities must live from school before a district must provide transportation. Because the state has determined that more than two miles is too far for a pupil to walk to school, it would seem to contradict the intent of the law to require a pupil to travel more than two miles to a bus stop.

Enrolling District Traveling into the Enrollment Options Pupil's Resident District

Minnesota Statutes, section 123B.88, subdivision 6, provides that the enrolling district (referred to as the nonresident district in this subdivision) **may** transport the enrollment options pupil within the pupil's resident district. This section also provides that "If a nonresident district decides to transport a nonresident pupil within the pupil's resident district, the nonresident district must notify the pupil's resident district of its decision, in writing, prior to providing transportation."

The department recommends that the written notification be given on an annual basis even though the section does not specifically provide how often the notice must be given. The enrolling district is not required to travel into another district to transport enrollment options pupils and may change this level of transportation service offered from year-to-year. The resident district should be notified annually of the enrolling district's transportation plans for the upcoming school year.

In addition, even though this provision provides that a district "may" transport a pupil within the pupil's resident district, there may be instances when a district would be "required" to transport an enrollment options pupil within the pupil's resident district. If the enrollment options pupil has a disability and the pupil requires special transportation to get to and from school, then the enrolling district would be required to transport the pupil from the pupil's home to the education site. This interpretation is based on case law.

Low-Income Pupil Participating in an Open Enrollment Program
If an open enrollment pupil is from a family with an income at or below the federal poverty levels, then the family will qualify for reimbursement from the pupil's home to the district/attendance area border. The family must make application to the enrolling district. The reimbursement is limited to actual cost or 15 cents per mile - whichever is less. In addition, mileage reimbursement cannot exceed 250 miles per week.

Please be aware that the program for low-income families is only available to public school pupils enrolling in your district under the open enrollment program and the charter school program – Minnesota Statutes, section 124D.03 and Minnesota Statutes, section 124D.10. If a pupil is enrolled in your district under any of the other enrollment options programs, then they cannot participate in this reimbursement program.

Districts can access the forms for this program from the Transportation Reporting website under the Mileage Reimbursement tab look for the Open Enrollment and Charter School Enrollment Programs. There is a summary of the program, three forms and instructions.

Summary
Districts are reminded that this only applies to public school pupils participating in enrollment options programs. These provisions do not apply to pupils attending nonpublic schools in other school districts. Refer to Minnesota Statutes, section 123B.86 for more information on a school district's responsibility to transport nonpublic school pupils.

Sales Tax on Bus Purchases

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Pupil Transportation Vehicle Newsletter, Volume 28 Issue 1, June 2013

Minnesota Statutes, sections 168.013 Vehicle Registration Taxes, requires school districts to pay sales tax on the purchase of vehicles. Please make sure you include the sales tax on a district-owned transaction form. Please check your records to see if the sales tax was paid to the dealership or to a deputy registrar. If the tax has not been paid, please contact your local deputy registrar to pay the tax. Once the tax has been paid, please submit the transaction form including the tax.

School Regulations

https://www.house.leg.state.mn.us/hrd/pubs/schoolbus.pdf, July 2023

This brief developed by the MN House Research outlines various Minnesota Statutes governing school-related transportation. The brief is divided into three parts. First, two tables summarize school-related transportation regulations. One presents the types of vehicles used in school transportation, which consist primarily of traditional school buses of various size and passenger automobiles. The other table outlines some of the regulations that apply for each type of vehicle used in the transport. Second, the bulk of the brief provides a review of regulations, beginning with the general context and some definitions. Finally, an appendix provides a summary of relevant legislative activity in recent years.

Special Education and Special Transportation Differences

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Pupil Transportation Vehicle Newsletter, Volume 22 Issue 02, November 2008

There are differences between Special Education Transportation and Special Transportation. Special Education Transportation is required when adaptations or accommodations are identified by the student's IEP/IFSP/IIIP. The expenditure is eligible for inclusion in Finance Dimension 723. The student must be coded 03-Disabled in MARSS. Special Transportation is required transportation as an accommodation or adaptation of a 504 plan, or transportation to a care and treatment facility or for students who are experiencing homelessness. This expenditure is eligible for inclusion in UFARS Finance Dimension 728. The student that is provided Special Transportation must be coded 06-Special in MARSS.

If Special Education Transportation is identified in the student's IEP/IFSP/IIIP and the student becomes homeless, attends a care and treatment facility, or has a 504 Accommodation Plan, use MARSS code 03-Disabled. Special Education Transportation supersedes Special Transportation.

Expenditures reported in both Finance Dimension 723 and 728 flows the same way through the Special Education Aid Entitlement. However, only the cost of providing Special Education Transportation to nonresident special education students is included in the Tuition Billing process while the cost of Special Transportation is not.

Special Education Students Attending Charter Schools Outside of their District of Residence

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation, November 20, 2017

The Minnesota Department of Education (MDE) has been asked to review the issue of students requiring special education transportation who attend charter schools located outside the student's resident district.

For purposes of providing special education, charter schools are deemed a school district under Minnesota Statutes, section 124E.15, and therefore must comply with Minnesota statutes relating to the provision of a free appropriate public education (FAPE), including related services [Minn. Stat. § 125A.08 (a)(1)]. Transportation is deemed a "related service" as defined by Federal Regulation in 34 C.F.R. § 300.34 (c)(16), if an individual education program (IEP) team determines specialized transportation is necessary for a student to receive FAPE.

The law outlines two transportation options for charter schools. Charter schools may elect to provide their own transportation and receive 4.66 percent of the general education basic formula allowance and the sparsity per pupil revenue of the district in which the charter school is located. The charter school is not required to provide or pay for transportation beyond the borders of the district in which it is located, but may reimburse families for their transportation costs if the family's income is below the poverty level as determined by the federal government.

Charter schools also may elect to have transportation provided by the district in which the charter school is located. In these circumstances, the district is not required to transport any students who live outside its boundaries. To cover the costs of providing transportation for the charter school, the district receives an adjustment to their general education revenue for the amount the charter school would have received if they had opted to provide their own transportation.

As a result, when the charter school defers its transportation obligation to the district in which the charter school is located, this district has no statutory obligation to provide or pay for the transportation of students requiring special education-related services who reside outside its boundaries. Therefore, it is the responsibility of the charter school to provide or pay for transportation as necessary.

Under Uniform Financial Accounting and Reporting Standards (UFARS) Finance Code 723, charter schools may claim the transportation costs of transporting students who reside outside the district in which the charter school is located and have special education transportation accommodations or adaptations identified in their IEPs. The charter school would receive additional funding for providing special education transportation through the Special Education Aid Entitlement. Any additional costs not covered by the Special Education Aid Entitlement formula would be billed back to the student's resident district through the MDE Tuition Billing System.

It is important that the student's Minnesota Automated Reporting Student System (MARSS) enrollment record is reported correctly. In this case, the student's "transporting district" would be the charter school, the transportation category would be 03-Disabled and the "resident district" would be the district in which the student resides.

This interpretation does not impact transportation requirements for students who require special education-related service transportation and who exercise open enrollment options to a nonresident district.

If you have any additional questions, please contact Kelly Garvey, Division of School Finance Transportation Reporting at 651-582-8524.

Students Experiencing Homelessness

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > By Student Type, October 11, 2019

The McKinney-Vento Homeless Assistance Act (federal law) requires school districts to provide students experiencing homelessness, including unaccompanied youth, with transportation to and from their school of origin if requested by the parent, guardian, or homeless education liaison. School of origin is defined as the school the student attended before they lost their housing. This includes students that have open enrolled. The district where the students were enrolled at the time they became homeless would be considered the school of origin.

Transportation Responsibility

The district that enrolls the homeless student will be responsible for the transportation. For charter schools, the district or charter school currently providing transportation for all other students must provide transportation for the student experiencing homelessness. For students without individualized education programs (IEPs) who are enrolled in cooperative and intermediate school districts, the resident district is responsible for providing transportation. These statements are true even when the student is living at a location outside the district where the school of origin is located.

Legislation passed in the 2019 session makes the district that placed a homeless student with an IEP in a program offered by an intermediate school district, special education cooperative, service cooperative or education district responsible for transporting that student for the remainder of the school year. The amendment allows the original district and current serving district to mutually agree that the current serving district is responsible for transporting the homeless pupil.

Transportation responsibility for students experiencing homelessness can be found in Minnesota Statutes, section 120A.20, subdivision 2 (c).

Transportation could be provided by:

- Rerouting regular school bus routes past shelters, motels and other places where students live.
- Using existing routes such as those set up to serve special education programs, desegregation programs or nonpublic schools.
- Contracting with the parent or guardian of the child.
- Issuing public transit passes.
- Using a taxi service.
- Contracting with other districts.

- Collaborating with other public agencies.

Transportation Funding

The cost of transporting students experiencing homelessness will be recorded in Finance Dimension 728, Special Transportation of Selected Students, on the year-end Uniform Financial Accounting and Reporting Standards (UFARS) report. This includes students with IEPs that do not require special transportation and students without IEPs. For students that have IEPs that require special transportation accommodations, record the transportation expenditures in UFARS Finance Dimension 723, as Finance Dimension 723 prevails over 728. Costs reported in both finance dimensions are funded through the special education transportation formula which is funded in the current year. When a student is transported on a regular bus route and the regular bus route does not have any special accommodations, the cost of the service should be recorded in Finance Dimension 720, Regular, on the year-end UFARS. (Minn. Stat. § 123B.92, subd. 1 (b) (1) and (4)).

Formerly Homeless Students

School districts that elect to transport a formerly homeless student from his or her permanent home in another district to the school of origin can claim this transportation cost under Finance Dimension 728 on the year-end UFARS report. It is implied in federal law that when the student has a permanent residence the student should be transported through the end of the school year. Transporting through the end of the school year prevents forcing the student to change schools during a school year. The average homeless student attends three to four schools in one year. Statistics show that students who change schools often have lower test scores and lower overall academic performance than students who do not change schools.

Other Important Points about Transportation

- Students have the right to enroll in a school immediately, so transportation services may have to be arranged quickly. It is important that there is regular communication with the district's transportation office and/or the other district's homeless education liaison and transportation office.
- Students can stay in their school of origin the entire time that they are homeless. This may be longer than one academic school year.
- Students must receive transportation services comparable to those provided other students. For example, districts providing late activity bus service for resident (housed) students must also provide this level of service for students experiencing homelessness.
- The cost of transporting a child who does not have a school of origin to the same school attended by that child's sibling, if the siblings are homeless, may be claimed under Finance Code 728.
- Students who have been identified as homeless may have their bus ride privileges revoked. Under state law, transportation to school is not a right, but a privilege which may be revoked for violations of school bus rules (Minn. Stat. § 121A.59). This provision of state law applies to all students including students who have been identified as homeless. There are some conditions that limit a revocation of this privilege, for example if transportation is a related service in the student's IEP.
- A district should have a school board policy on the procedure when a student who is provided homeless transportation does not ride (no-loads). The policy and procedures should address further action to be taken by the bus driver. The district transportation office staff and homeless liaison should be notified of any instances where this occurs, to be able to follow up and prevent future problems.
- Students may be provided late activity or extra-curricular transportation in order for the student to participate in classes, programs or events other than general education, for example, athletics. The availability of transportation to these types of activities may help keep the child's education stable during homeless situations. The cost for late activity and extra-curricular transportation for students experiencing homelessness is eligible under UFARS Finance Code 728. Title I set-aside funds may be available for incidental expenditures, like bus passes.

Other Important Information about Student Transportation in Minnesota

It is illegal to use a vehicle with a seating capacity of more than 10 persons to transport students unless the vehicle meets school bus construction requirements (yellow in color, stop arm, flashing lights, etc.). In other words, large vans (greater than 10 persons) cannot be used to transport students to and from school or on school-related trips in Minnesota because they do not meet school bus construction requirements.

The State Patrol must inspect most vehicles before they are used to transport students. The exceptions are parents transporting their own children, taxis if used occasionally, public transit buses, and any vehicle used to transport a student in an emergency situation (sick child home from school).

Questions
If you have questions on McKinney-Vento and homelessness, contact Roberto Reyes, (roberto.reyes@state.mn.us) Office of Equity and Opportunity, 651-582-8302. If you have questions about transportation requirements email Pupil Transportation (pupiltransportation.mde@state.mn.us), School Finance.

Summary of Student Reporting – FY 2014

Modified from School Business Bulletin No. 53, June 2014

School districts must report their student transportation expenditures based on Minnesota Statutes, section 123B.92, subdivision 5. The 2013 legislation amended the law to allow a school district that contracts for transportation services to allocate certain transportation expenses based on contract rates under certain circumstances. It also permits districts to report district-owned transportation expenditures based on a cost-per-mile, cost-per-hour, cost-per-route or cost-per-student method. Please view Summary of Student Transportation Reporting for a summary of the law.

A detailed example of cost allocation for student transportation is available in Financial Accounting for Student Transportation Services.

Charter School Transportation Choice
A charter school must notify MDE and the school district in which it is located whether it will provide its own transportation services or use the district's transportation services. MDE needs this information to ensure that the transportation aid is sent to the correct district/school.

- The Charter School Transportation Survey Form is due July 1
- Charter schools and authorizers can verify submission by checking the school's General Education Revenue for Charter Schools Report on the Minnesota Funding Reports (MFR) System

Related links:

- Minn. Stat. § 124E.15, paras (b) to (d)
- Charter School Transportation Survey 2014-15 School Year
- Transportation of Charter School Students
- Minnesota Funding Reports (MFR)

Charter School Transportation 2014 Legislative Changes
One of the new laws affecting pupil transportation that was passed during the past legislative session in the 2014 Omnibus Education Policy Bill, Chapter 272, HF 2397, Article 3 is as follows: Requires charter schools to comply with all pupil transportation requirements that include transporting pupils who live two or more miles from school and prohibits a charter school from requiring parents to surrender their student's transportation rights.

If you have questions about transportation expenditure reporting requirements, contact Kelly Garvey or call 651-582-8524.

Transportation Annual Report Instructions

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Reporting > Annual (year-end) Reporting, August 1, 2022

General Information

School districts must report the regular term "to-and-from" school transportation code for each public school student on the end-of-year Minnesota Automated Reporting Student System (MARSS). Districts must report the number of eligible nonpublic school students; school bus ownership and annual miles, hours or routes for all students on the Pupil Transportation Annual Report that will now be entered in the NEW Electronic TRS web based system. Transportation expenditures and revenues are collected on the Uniform Financial Accounting and Reporting Standards (UFARS) data submission.

Whether reporting public or nonpublic school students, districts are required only to report the students who are transported "to-and-from" school during the regular school term. "To-and-from" school transportation is defined as the student's trip to school at the beginning of the school day and the trip home at the end of the school day.

Districts should report their actual miles, hours or routes driven as well as their actual transportation expenditures in UFARS.

Miles, Hours, Routes by Category

Districts must allocate transportation costs based on a cost per mile, cost per hour or cost per route. Districts must maintain daily records on miles, hours, or routes in order to properly allocate costs at year end. The miles, hours, or routes reported at year end will be cumulative total of the daily miles, hours or routes. Districts **must** select the method chosen by the district. Districts may choose only one method.

Basic Route Definition: The actual daily path of travel of a school bus from an approved bus facility, a school, or the first pick-up point through a series of pick-up stops and delivery points to a final delivery point plus the shortest reasonable path for the bus to travel back to the approved bus facility, school or first pick-up point.

Counting Miles

The starting mileage is the odometer reading when the vehicle starts its route. The ending mileage is the odometer reading when the vehicle terminates its route. The starting or ending mileage may be taken at a school or at the vehicle storage area.

Counting Hours

The starting hour is when the vehicle starts its route. The ending hour is when the vehicle terminates its route. The starting or ending hour may be taken at a school or at the vehicle storage area.

Counting Routes

A route must consist of a trip "to and from" a school, program, event, etc. Each run on a route will be counted as a route.

Districts must report the annual miles, hours or routes for each category (on district-owned, contractor owned and leases buses) to transport public and nonpublic students. Report miles to the nearest whole mile; do not report tenths of a mile. When students from different categories are riding together, districts do not have to prorate miles, hours or routes between categories. In these cases, report the total annual miles, hours or routes in only one category. In the category where no miles, hours or routes are reported, indicate where the miles, hours or routes are reported for example included with regular.

Transportation Expenditure Reporting

Minnesota Statutes, section 123B.92, subdivision 5, defines how school districts report transportation expenditures. A school district contracts for transportation services to allocate certain transportation expenses based on contract rates under certain circumstances. It also permits districts to report district-owned transportation expenditures based on a cost-per-mile, cost-per-hour, and cost-per-route or cost-per-student method.

Salary and Fringe Benefit Limitations

A school district may include only the salaries and fringe benefits of district employees as authorized transportation expenditures if:

- An employee is designated as the district transportation director,
- An employee is providing direct support to the transportation director, or
- An employee is providing direct transportation services such as a bus driver, mechanic or bus aide.

Salary and fringe benefits of district employees whose primary duties are other than transportation cannot be included in a district's transportation expenditures.

They include:

1. Central office administration (business managers, human resource employees, bookkeepers, etc.)
2. Building administrators (principals, assistant principals, principal secretaries, etc.)
3. Teachers,
4. Social workers,
5. School nurses, and
6. Instructional aides.

A district may include a portion of the superintendent's, business manager's or other district employee's salary and fringe benefits if the individual has been designated as the district's transportation director. If audited, a district must show either a contract or position description where the individual's transportation duties are outlined. Districts that have a full-time transportation manager will not be able to designate any other employee as the transportation director.

The salaries and fringe benefits of district employees who work part-time in transportation (providing direct services to the transportation director) and part-time in other areas may be included in transportation only if there is written documentation such as timesheets or time studies. Examples of these employees could be:

1. An administrative assistant who works half-day in the central office and half-day working for the transportation director.
2. A custodian who drives school bus, and
3. An instructional aide who also works as a bus aide.

Expenditures Not Included in the Allocation Method

Some expenditures will not be included in the allocation method. They include:

1. Capital outlay. The purchase of buses, equipment, etc., must be coded directly to Finance Code 733, 302 or 000.
2. Leased buses. If the leased buses are used exclusively for one category of transportation service, then the lease expense must be coded directly to that category. However, if the leased vehicles are used for every category of transportation service, the lease expense must be allocated among all the categories.
3. Student board and lodging. If the student has a disability, the board and lodging cost must be coded directly to Finance Code 723, Disabled. If the students attend a regular education program, the board and lodging cost must be coded directly to Finance Code 720, Regular.
4. Crossing guards. The salaries and fringe benefits paid to crossing guards must be coded directly to Finance Code 719, Traffic Hazards – Walkers. There may be other acceptable finance codes as well. For example, instead of busing students between school buildings during the school day because the schools are very close, a district may hire a crossing guard to assist the students. The salaries and fringe benefits of this employee would be charged directly to Finance Code 725, Between Schools – Public, or Finance Code 726, Nonpublic Non-regular, depending on the students that were being assisted.
5. Aides on buses. The salaries and fringe benefits paid to aides would be charged directly to the appropriate code. In most cases, aides are hired to assist students with disabilities. In this situation, the salaries and fringe benefits would be coded directly to Finance Code 723, Disabled. If the aides ride regular bus routes only, the salaries and fringe benefits would be coded to Finance Code 720, Regular.
6. Individual contractors. If a contractor provides only one type of service, then the expenses for the contractor must be charged directly to the appropriate code. For example, a district may contract with a parent to transport a child to a nonpublic school in another school district. (The district is responsible for

reimbursement only to the district boundary). Because this is an individual contract, the cost must be coded directly to the proper code (Finance Code 720, Regular, in this instance).

Reporting Transportation Expenditures
There are four possible methods of reporting transportation expenditures. Districts that contract for services may allocate based on contract rates or the contract-owned standard allocation method based upon a cost-per-mile, cost-per-hour, cost-per-routes or cost-per-student. Districts that use district-owned transportation services may report expenditures based on true rates or district-owned standard allocation method based on a cost-per-mile, cost-per-hour, cost-per-route or a cost-per-student. A district may use a variety of these methods to report transportation expenditures at year-end. When calculating the cost-per-mile, cost-per-hour, cost-per-routes or cost-per-student do not include the distance learning miles in calculation.

Contractor-owned Transportation Services
School districts that contract for transportation services may allocate their transportation costs based either on contracted rates or the standard cost-per-mile, cost-per-hour, cost-per-route or cost-per-student basis. Transportation services provided by contractor-owned school bus companies incorporated under different names but owned by the same individual or group of individuals must be treated as the same company for cost allocation purposes. When calculating the cost-per-mile, cost-per-hour, cost-per-routes or cost-per-student do not include the distance learning miles in calculation.

Allocation Based on Contract Rates
A school district that contracts for transportation service may allocate transportation expenses to transportation categories based upon contract rates. Districts may allocate transportation expenses to transportation categories based upon contract rates only if contract rates are reasonably consistent on a cost-per-hour, cost-per-mile, cost-per-route, or cost-per-student basis. In order to allocate transportation expenses based upon contract rates, a school district, if audited, must be able to demonstrate to the auditor that variances in the application of transportation cost basis rates are appropriate.

Contractor-owned Standard Cost-per-mile, Cost-per-hour, Cost-per-route, or Cost-per-student Basis
Districts that receive separate bills for different categories of transportation service from a specific contractor must add the bills together and reallocate the expenditures on a cost-per-mile, cost-per-hour, cost-per-route or cost-per-student basis. If further allocation is needed because students from more than one category ride on the same bus run, districts must further allocate the expenditures on a cost-per-student basis.

District-owned Transportation Services
School districts may either direct charge district-owned transportation cost or allocate the amount to the transportation categories based on a cost-per-mile, cost-per-hour, cost-per-route or a cost-per-student basis.

Direct Charge Transportation Cost
School districts may charge specific expenses, for example bus drivers' salaries, fringe benefits and other direct costs directly to the proper transportation category.

District-owned Standard Cost-per-mile, Cost-per-hour, Cost-per-route or Cost-per-student Basis
School districts may allocate the transportation expenditures among categories on a cost-per-mile, cost-per-hour, cost-per-route or cost-per-student basis.

Documentation
The Pupil Transportation Annual Report has been modified so that school districts will need to indicate which allocation method they are using and upload those papers electronically into the TRS.

Cost allocation working papers (either paper or a spreadsheet) **must be** submitted to Minnesota Department of Education (MDE) at the time of submission of the Pupil Transportation Annual Report. The working papers must show what cost allocation was used and how the cost in each of the categories was determined. Please look to the Chapter 13 – Financial Accounting and Reporting for instructions and sample cost allocation.

Depending on what allocation method is used, districts will be required to keep documentation of the number of miles, hours, routes or students in each of the categories. In the Financial Accounting for Student Transportation Services handbook, log sheets are available. Districts must be prepared to submit the log sheets.

In addition, employees who work part-time in transportation and part-time in other areas must have either a timesheet or a time study to document the time spent on transportation.

Charter Schools
By March 1 of each school year for existing charter schools, and July 1 for new charter schools, a charter school must notify the school district in which the school is located whether the charter school will provide its own transportation or whether the school district will provide the transportation (Minnesota Statutes, section 124E.15). If the charter school decides to provide its own transportation, the charter school must complete the year-end annual report. If the charter school decides to have the school district provide the transportation, the school district would include charter school transportation data on its annual report. Even though the charter school has selected the public school district to provide the transportation, the charter school staff will still be responsible to enter the appropriate MARSS Transportation Code on each student record on its MARSS report.

Website
The Data Verification Report (DVR) will still be posted to the Data Reports and Analytics (mn.gov) under School Finance, Minnesota Funding Reports (MFR). Districts can find information on reporting students on MARSS and the sample cost allocations on the MDE Transportation Reporting webpage.

Questions
If you have questions regarding coding public school students on MARSS, completing the Pupil Transportation Annual Report or how to allocate transportation email pupil transportation coordinator (pupiltransportation.mde@state.mn.us).

Transportation Routing Software – UFARS Coding

Modified from School Business Bulletin No. 61, May 2017

The Minnesota Department of Education (MDE) Division of School Finance has received many questions on how to code electronic transportation routing software expenditures. Every Local Education Agency (LEA) needs to segregate all expenditures for the various transportation categories. Transportation routing costs are initially considered general education costs because they are required whether or not you serve all general education, special education or a mix of students in a public school.

At the beginning of the year, you should code the routing software to Uniform Financial Accounting and Reporting System (UFARS) Finance Code 733. If the expenditure meets your capitalization threshold use Object Code 505 – Capitalized Non-Instructional Technology Software. If the expenditure does not meet your capitalization threshold, use Object Code 405 Non-Instructional Software Licensing Agreements.

At the end of the year, you should allocate to the appropriate finance codes (i.e. Regular To-and-From, or 723, Transportation of Pupil) based upon your allocation method. Please review Chapter 13 in the UFARS Manual regarding cost allocation standards. The UFARS chapters are posted to the MDE website under MDE > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > UFARS.

Another resource is the “Financial Accounting for Student Transportation Services.” The document is posted on the MDE website under MDE > Districts, Schools and Educators > Business and Finance > School Finance > Transportation > Reporting > Financial Reporting.

For "Transportation Routing Software – UFARS Coding" questions, please email mde.funding@state.mn.us.

Type III Driver Requirements

Modified from MDE Memo, School Buses, Licensing of Drivers and Training of Drivers and Students, April 16, 2015

When a school district employee's sole purpose is to operate a Type III school bus for the purpose of school transportation, the driver is subject to all of the provisions contained in the Type III requirements. The requirements are provided in Minnesota Statutes, section 171.02, subdivision 2b. Type III drivers are required to complete safety training, a physical examination, background checks and drug and alcohol testing. **Employees of school districts whose sole purpose of employment is not driving are exempt from the physical exam and the district's drug and alcohol testing policy. There are no additional endorsement requirements for Class D license holder through the Department of Public Safety (DPS).**

In order to become a driver of a Type A, B, C or D school bus, an individual must take both written and driving tests, have a background check, drug testing, and submit to a physical every two years (upon renewal of the school bus endorsement). There are different classes of licenses for these individuals.

The classes of licenses, found in Minnesota Statutes, section 171.02, are:

Vehicle Description	License Class	Endorsements
Single unit vehicles with a gross vehicle weight rating of less than 26,000 pounds and designed to carry less than 15 passengers including the driver.	Class D	No Endorsement
All vehicles that an individual with a Class D license can drive and school buses with a gross vehicle weight rating of less than 26,000 pounds and designed to carry 15 or more passengers including the driver.	Class C	School Bus Endorsement Passenger Endorsement
All vehicles that an individual with a Class D or Class C license can drive and school buses with a gross vehicle weight rating of less than 26,000 pounds and designed to carry more than 15 passengers.	Class B	Passenger Endorsement School Bus Endorsement
All vehicles	Class A	Passenger Endorsement School Bus Endorsement

For example, an individual with a Class A license, with proper endorsements, can drive Types A, B, C and D school buses. An individual with a Class C license, with proper endorsements, would only be able to drive Type A and some Type B school buses.

Training of School Bus Drivers

Drivers of Type A, B, C and D and Type III school buses must meet the following competency levels:

1. Safely operate the type of school bus the driver will be driving.
2. Understand student behavior, including issues relating to students with disabilities.
3. Encourage orderly conduct of students on the bus and handle incidents of misconduct appropriately.
4. Know and understand relevant laws, rules of the road, and local school bus safety policies.
5. Handle emergency situations.
6. Perform pre-trip vehicle inspection.
7. Safely load and unload students.

In addition to the items listed above, Type III drivers must know proper use of seat belts and child safety restraints, Minnesota Statutes, section 171.02, subdivision 2(b).

The employer (school district or charter school if they own school buses) shall keep the assessments for each driver available for inspection by representatives of the Commissioner of Public Safety. The school's pupil transportation safety director, the chief administrator of a nonpublic school, or a private contractor, shall verify annually to the school board or governing board of a nonpublic school that, at a minimum, each school bus driver meets the competencies listed above and the number of hours of in-service training completed by each driver. Schools or districts must check on the license of each driver annually including drivers of Type III school buses.

The complete document is located at https://education.mn.gov/MDE/dse/schfin/Trans/Safe/.

UFARS Chargeback

Condensed and Modified from MDE UFARS Manual – Chapter 13 Financial Accounting and Reporting, pages 35-52

Districts must allocate transportation expenditures among categories based on a cost-per-mile, cost-per-hour, cost-per-route or cost-per-student, regardless of whether districts own their own buses or contract for bus service. If a district contracts for transportation services, they may only allocate transportation expenditures based upon contract rates if the contract rates are reasonably consistent on a cost-per-mile, cost-per-hour, cost-per-route or cost-per-student basis.

The chargeback allocation method should be used to distribute these costs. This method allows a school district to allocate costs consisting of several object line items to programs receiving the benefit by utilizing a single chargeback object account. Object 365 – Interdepartmental Transportation (allocation) will be used. This Object code is considered a contra-expenditure account (credit amount). This means the credit entry must be equal to the corresponding set of debit entries.

Below is an example showing how expenditures are allocated at year-end for transportation using Object 365.

Transportation Category	Fd	Org	Prg	Crs	Fin	Obj	Debit	Credit
Achievement and Integration (Intradistrict)	01	005	760	000	313	365	19,750.00	
Open Enrollment Outside District	01	005	760	000	713	365	9.875.00	
Special Education (Disabled)	01	005	760	000	723	365	4,533.80	
Nonpublic Non-regular	01	005	760	000	726	365	19,750.00	
Non-authorized	01	005	760	000	733	365	22,416.25	
Ineligible	01	005	760	000	737	365	9,875.00	
Regular	01	005	760	000	720	365		86,200.05
						Total Activity	86,200.05	86,200.05

Remember, when a district uses a chargeback code, the dollar amounts debited and credited must zero out at year-end. If Object 365 does not zero out, an error will appear on the UFARS Turnaround Report.

UFARS Revenue

Transportation is a component of the General Fund.

Accounting Recommendations:

- Report Transportation expenditures with proper Finance dimensions.
- Record Transportation safety expenditures in Program 760 and Finance 718.
- Purchase buses with Restricted/Reserved for Operating Capital (BAL 424) or Unassigned Fund Balance (BAL 422).
- 2005 Legislation clarified the calculation of transportation revenue paid to charter schools. It specifies that

charter schools providing transportation will receive the transportation portion. If the district provides transportation for the charter school, the district receives this amount. Transportation Vehicle Volume No. 19, Issue 2, August 2005

Transportation Related – Checklist

Transportation – Balance Sheet

1. Due from Federal Government Received Directly (BAL 123) should include Federal Excise Tax on gasoline and diesel paid and not yet reimbursed to the district.

2. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

3. Unassigned Fund Balance (Funds 01, 08, 20, 25 and 45) (BAL 422) – Used in Fund 01 to record Unassigned Fund Balance available to meet current and future years' expenditures. These are resources in Fund 01 that are not restricted and have not been committed or assigned. The fund balance may be positive or negative.

4. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

5. Committed Fund Balance (Fund 01) (BAL 461) – Represents amounts constrained for a specific purpose by the district using the highest level of decision making authority (generally the school board). It requires action by the same group to remove or change the constraints placed on the resources. *The committed account is not allowed to go into deficit.*

6. Assigned Fund Balance (Fund 01) (BAL 462) – Represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the school board itself, or a body (budget or finance committee) or an official (finance director) to which the school board has delegated the authority to assign amounts to be used for specific purposes. The actions to remove or modify assignments are not as strict as for committed fund balances. *The assigned account is not allowed to go into deficit.*

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Transportation – Revenues

1. Proceeds from the sale of discontinued bus fleets, cars, and buses are posted to the General Fund. (M.S. 123B.79 subd. 1).

2. Student fees (fee-paying) are recorded in Finance 737 with Source 050.

3. Revenue from insurance recoveries for losses of school property is recorded with Source 625. These revenues must be recorded in the fund that incurred the loss. Districts must identify insurance receipts for the repair of school buses involved in accidents or to replace stolen garage supplies with Finance Code 720, Regular To-and-From School. School buses declared total losses should use Finance Code 000, Districtwide. This code includes FEMA (Federal Emergency Management Agency) proceeds not related to Health and Safety projects.

Transportation – Expenditures

1. Transportation reporting requires Finance dimensions on all expenditure activity. Eligible transportation, authorized and nonauthorized expenditures, are recorded with Finance 711-739.

2. Nonauthorized transportation for Finance 733 should be segregated and charged back to the applicable funds at year-end.

3. Program 760 is used for most transportation cost pool expenditure codes. Other programs are allowed with the year-end transportation allocations and for direct costs.

4. Finance 723 – Transportation of Pupils Attending Special Education Programs (Fund 01) – Include only the expenditures for providing transportation when the pupil's transportation has been identified and approved as a related service by the pupil's IEP team. Transportation as a related special education service must address a transportation need of the student that is different from the general student population and is necessary for the student to make progress towards goals established in the pupil's IEP. Also, include the cost of board and lodging for pupils with disabilities. Districts may include the cost of staff travel between a public and nonpublic school so that special education services may be provided at the nonpublic school. Beginning in FY 2012, districts may include the cost of transporting a student on a school bus equipped with a power lift to provide transportation for a curricular field trip activity when the power lift is required by a participating student's IEP.

5. Finance 728 – Special Transportation of Selected Pupils (Fund 01) – Record expenditures for the special transportation or special accommodations of pupils who do not have special education transportation identified in their IEP or do not have an IEP but require special transportation because they are homeless, attend care and treatment programs, or have a 504 Accommodation Plan where special transportation is included as an accommodation. The transportation services could be to and from school or between school buildings during the regular or summer terms. Beginning in FY 2012, districts may include the cost of transporting students in a school bus equipped with a power lift to provide transportation for a curricular field trip activity when the power lift is required by a participating student's section 504 Plan.

6. The MDE Transportation website within the By Student Type menu has a document "Transportation of Students Experiencing Homelessness". It references how to code and when to use Finance 723 or 728 for these circumstances.

7. Object 360 is used for contracted state or local expenditures and federal program contracts under $25,000.

8. Object 364 is only used for federal program contracted expenditures over $25,000.

9. Object 365 is used to complete the transportation allocations. This is required for year-end reporting. A copy of your allocation spreadsheet needs to be sent to MDE.

10. Fuel Tax – MN Department of Revenue Sales Tax Fact Sheet 116 (Petroleum Products) applies to motor fuels. Districts are exempt from Federal tax. Districts must pay state tax. **Note:** Dyed fuel (not gasoline) is intended for non-highway use.

11. When leasing transportation vehicles, use the appropriate Object code(s) based on the lease agreement.

12. When purchasing a bus, it should be expensed to either Finance 302 or 733 with Object 548, unless being purchased with Medical Assistance (MA) or federal funds.

Capital Related Accounting Checklist (Fund 01)

Bonds for Certain Capital Facilities

Modified from FAI 102.11
(Capital Facility Bonds – 15 year)

Expenditures are recorded in the Building Construction Fund per M.S. 123B.62. **Operating Capital revenue is used to pay for the debt**. The levy and bond payments are made from the Debt Service Fund. Excess Operating Capital revenue in the Debt Service Fund must comply with M.S. 475.61 subd. 4. See FAI 102.11 or contact Kateri Little (kateri.little@state.mn.us).

Note: This levy component is adjusted from General Education aid or restricted operating capital revenue and moved to Fund 07 – Debt Service to accommodate the bond payment.

Building Bonds for Calamities

MN Statute 123B.60

123B.60 BUILDING BONDS FOR CALAMITIES.
Subdivision 1. **Bonds.** When a building owned by a 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 long-term facilities maintenance program. Each year the district must pledge an attributable share of its long-term facilities maintenance revenue to the repayment of principal and interest on the bonds. The pledged revenue must be recognized in the debt redemption fund of the district. The district must submit to the department the repayment schedule for any bonds issued under this section. The district must deposit in the debt redemption fund all proceeds received for specific costs for which the bonds were issued, including but not limited to:

(1) insurance proceeds;
(2) restitution proceeds; and
(3) proceeds of litigation or settlement of a lawsuit.

Before bonds are issued, the district must submit an amended application to the commissioner for long-term facilities maintenance revenue, according to section 123B.595. The commissioner shall complete all procedures concerning the combined application within 20 days of receiving the application. The publication provisions of section 123B.71, subdivision 12, do not apply to bonds issued under this section.

Capital Expenditure Deficits

Modified from School Business Bulletin No. 13, February 2000

Operating Capital Plan Update – The following information is for districts that are in deficit in their Operating Capital Account (Balance Sheet 424) and need to file a plan with the Department of Education. The first problem most districts encounter is failure to request approval from the Commissioner of MDE to deficit spend. The statute that governs deficits for capital projects is very specific in its wording (see Minn. Stat. § 123B.78, subdivision 5). The district has a number of options to consider when eliminating a deficit in the Restricted/Reserved for Operating Capital (BAL 424). The first is to reclassify expenditures to the general fund where appropriate. The second option is to create a plan to not spend part of the Operating Capital Allowance each year so as to eliminate the deficit. The plan has a maximum three-year duration. If you need assistance in developing, please contact the MDE Financial Management Team.

Credit Enhancement Capital Notes

Modified from FAI 104.14

Five year capital equipment notes qualify for the credit enhancement program. Form is located at MDE > Districts, Schools and Educators > Business and Finance > Forms or https://education.mn.gov/MDE/dse/forms/. Look for the form name "School District Credit Enhancement Application for Program Participation".

Note: Credit Enhancement Capital Notes are general obligation notes used to finance purchases for equipment. Terms are limited to 5 years. Repayment reduces General Education aid or restricted operating capital revenue as a levy adjustment to Fund 07 – Debt Service Fund, which accommodates the note payment.

Energy Loans and Contracts

MN Statute 126C.40, subd. 5

The loans are for a simple payback of ten years or less. Energy saving capital improvements in district buildings or energy use systems such as outdoor lights may qualify. See "Nonbond Payments for Energy Loans and Lease Purchase" example below for details.

126C.40 CAPITAL LEVIES.
Subd. 5. **Energy conservation.** For loans approved after March 1, 1998, under sections 216C.37 and 298.292 to 298.298, school districts must annually transfer from the general fund to the debt redemption fund the amount sufficient to pay interest and principal on the loans.

Nonbond Payments for Energy Loans and Lease Purchase
Approved Energy and Lease purchase payments are recorded in the Debt Service Fund starting July 1, 1994. **(Energy and Lease purchase payments not approved are recorded in the General Fund as Operating Capital or as unassigned expenditures).** Payments use Program 920 for nonbond payments.

Accounting for Energy Loans and Contracts
ISD #9999 entered into a $100,000 loan on July 1, 2023. The loan will be paid in installments over 5 years with the first payment due January 1, 2024. The loan will specify replacement of an inefficient boiler system during the 2023-24 school year.

Accounting Example

Entry	Date	Account	Description	Debit	Credit
A	07-01-23	B-0X-101-000	Cash and Cash Equivalents	$100,000	
		R-0X-005-850-000-302-639	Proceeds from other State and Non-state Loans Received		$100,000
B	07-01-23	B-99-151-000	Amount to be provided from Property Taxes for Long-Term Debt Payments	$100,000	
		B-99-253-000	Energy Loans Payable		$100,000
C	07-01-23	E-0X-005-850-000-302-520	Building Acquisition or Construction	$100,000	
		B-0X-101-000	Cash and Cash Equivalents		$100,000
D	07-01-23	B-98-142-000	Buildings	$100,000	
		B-98-430-000	Investment in General Fixed Assets		$100,000
E**	01-01-24	E-07-005-920-000-000-730	Loans, Redemption of Principal	$ 20,000	
		E-07-005-920-000-000-740	Loans, Interest	$ 1,000	

		B-07-101-000	Cash and Cash Equivalents		$ 21,000
F	01-01-24	B-99-253-000	Energy Loans Payable	$ 20,000	
		B-99-151-000	Amount to be provided from Property Taxes for Long-Term Debt Payments		$ 20,000

Entries A and B – Record loan transaction.
Entries C and D – Record building improvement (An additional entry would be made on 07-01-24 to remove the original boiler system from Fund 98 if it was included in the district General Fixed Assets Account as of that date.)
Entries E and F – Record payment of loan. This entry would also be made on January 1, of each following year until the contract is paid up.

**** Note for Unapproved Energy Loans:** This example represents a state approved energy loan for Debt Service. Unapproved energy loan payments are recorded in the originating Fund instead of Fund 07. Refer to your Levy Certification and original loan documentation for more information.

Facilities Age and Square Footage Report

MDE > Districts, Schools and Educators > Business and Finance > Data Submissions > Facilities Age and Square Footage Report, October 13, 2023

Response Required by December 15, 2023.

Charter schools and cooperatives are not required to complete this report.

School districts are required to annually review the district's inventory of buildings and the vital information pertaining to each building.

The information reported to the Minnesota Department of Education (MDE) is used in calculating the Operating Capital portion of general education revenue under Minnesota Statutes, section 126C.10, in calculating Long-Term Facilities Maintenance (LTFM) revenue under Minnesota Statutes, section 123B.595, and other miscellaneous uses, such as review and comment.

The 2024 Facilities Age and Square Footage Report also plays an important role in the February state forecast, as the data provided by the district is used to establish appropriations required to fund state aid for operating capital and LTFM. For this reason, districts are requested to submit any changes or corrections to this report no later than December 15, 2023.

Currently, you can access the inventory of buildings from the MDE website by selecting **Districts, Schools and Educators > Business and Finance** > **Data Submissions** from the top navigation menu, then scrolling down to the Facilities Age and Square Footage Report, located in the left navigation menu.

You must complete your reporting on the MDE website no later than December 15, 2023. Access the system using the same four-digit district number and password as used for the Health and Safety data submissions website. Districts may adjust ages and square footage **(without commas)** as necessary, and answer questions regarding mechanical ventilation and other district specific information. **You must verify data accuracy by checking the Reviewed checkbox (checkmark should be visible) toward the top of each individual building record, whether or not there are changes.** Save by clicking the **Update**, **Return to Building List** button at the bottom of the page.

New buildings occupied as of January 1, 2024, that are not included on the inventory need to be added. Buildings no longer owned by the district need to be deleted. Buildings with change of usage need to be revised. The website does not have capacity to add or delete buildings, so you must contact Sarah Miller (Sarah.C.Miller@state.mn.us) to report current building information that is not included on the district's building inventory.

Buildings include both instructional and administrative buildings as well as other buildings owned by the school district. Other buildings include all permanent, enclosed spaces that have a roof, walls and a door. Buildings such as garages would be considered "other buildings," while structures such as dugouts would not.

Please note at the bottom of the Building Summary List is a space to input the total square footage for districtwide administration. You may update this total square footage for districtwide administration, but it is not required for the **2024** report. It is also not required to report the **Update, Show Projects** section for each individual building. This facility project list is not currently used at MDE; however, districts may use this feature for internal facilities maintenance planning.

For user names and passwords or other additional information, please contact Sarah Miller (Sarah.C.Miller@state.mn.us) at 651-582-8370.

Technical note: If you have difficulty entering years or amounts, put the cursor in the left side of the field and omit extra spacing by pressing the **Delete** key. Do not use commas with numerical entries.

Health and Safety – Other Revenue

Modified from School Business Bulletin No. 41, June 2009

Approved health and safety projects are typically funded by local levies and state aid. However, in some instances districts receive other revenue related to an approved health and safety project. Other revenue sources include, but are not limited to: insurance and legal settlements, petro-fund reimbursements and rebates for approved lighting replacement. These other revenue sources are used in determining the annual levy limit for the school district. Anytime another revenue source is received related to an approved health and safety project, the funds should be recorded using UFARS Source code 629 (Health and Safety Other Revenue).

If you have questions on this program, please contact the MDE Financial Management Team.

Note: The Health and Safety program ended in FY '16. However, districts may still be receiving other revenue from a Health and Safety project. Per an email from MDE on 10/25/16, these other revenues from a Health and Safety project should still be coded to Source code 629. The district should notify Lonn Moe at lonn.moe@state.mn.us or 651-582-8569 about the check and amount, so the levy can be reduced. Also, see the "Levy Information System Instructions" on how to report this revenue during the levy process.

Lease Levy Accounting Treatment

MDE UFARS Manual – Finance Chapter and School Business Bulletin No. 73, September 2023

Finance 348 Charter School Building Lease Aid and School District Lease Levy Authority (Fund 01) – Charter Schools must record revenue and expenditures for Charter School Building Lease Aid. When a charter school finds it economically advantageous to rent or lease a building or land for any instructional purpose and it determines that the total operating capital revenue per Minnesota Statutes, section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for Building Lease Aid per Minnesota Statutes, section 124E.22.

School district types 01, 02 or 03 can record revenue and expenditures for lease levy authority in this code for expenditures to lease a building or parcel of land for instructional purposes only. Instructional purposes means that it relates to the current academic curriculum. Curriculum may include but is not limited to sports fields/venues utilized during physical education, additional classroom space for increased student population, facilities that meet academic curriculum requirements not found in their current facilities (i.e. computer or science and technology labs). School district building lease aid should not be used for facilities or land that is outside of the current academic curriculum.

Facilities that fall under this classification are lighted sports fields or facilities used solely outside of normal operating hours, graduation venues, student and/or employee parking, etc. should be coded to any other appropriate finance codes.

This finance code must be used only with Program Code 850.

Payment Description – 01F348 BLDGLEASE AID FY

Lease levy accounting treatment for when a school district levies for a building lease on behalf of another LEA.

1. The district should code the revenue to 01-005-850-348-001-000 or 01-005-850-302-001-000 or 01-005- 850-000-xxx-000.
2. The Cooperative, intermediate or education district should invoice the District for the portion owed the cooperative, intermediate or education district.
3. The District should code the cooperative, intermediate or education district invoice to the same finance code as the revenue was reported in step one above: 01-005-850-348-570/571-000 or 01-005-850-302- 570/571-000 or 01-005-850-000-570/571-000.
4. The cooperative, intermediate or education district should code the revenue to Finance Code 000 with Source Code 021. If the cooperative, intermediate or education districts have expenditures for the building lease, they should use Finance Code 000 with the appropriate object codes.

Lease Levy Limits

Modified from School Business Bulletin No. 3, November 1997

There is a limit on the amount of levy authority the Department will approve for renting or leasing a building or land for instructional purposes. The limit is $212 times the district's adjusted pupil units. See M.S. 126C.40, subdivision 1.

Long-Term Facilities Maintenance (LTFM) – 2025 Guide

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance, June 2023

Note: The 2023 guide for FY 2025 is currently based on 2022 Minnesota Statutes. Should legislation be passed in the next several weeks that affect this program, a revised version of the guide and other documentation will be published and communicated to districts.

Minnesota Statutes, section 123B.595, establishes the Long-Term Facilities Maintenance Revenue program. It replaced three programs: Deferred Maintenance (Minn. Stat. section 123B.591), Alternative Facilities (Minn. Stat. section 123B.59), and Health and Safety (Minn. Stat. section 123B.57). The LTFM program offers a comprehensive program to fund a facility ten-year plan developed by a school district, intermediate school district, cooperative, and joint powers districts. The uses of revenue, or allowable expenditures, remain the same as under the three previous programs.

This guide provides detailed information about the LTFM program to assist school districts, intermediate school districts, school district cooperatives, and charter schools in meeting the LTFM program parameters and Minnesota Department of Education (MDE) expectations for submission of the LTFM plan documents. Information from this year's plan submission will be used to determine initial LTFM aids and levies for fiscal year (FY) 2025 and to adjust LTFM revenues for FY 2024 and FY 2025.

School districts, intermediate school districts, and school district cooperatives (including joint powers districts) are required to annually update their LTFM ten-year plan and submit the board approved plan to the commissioner for approval by July 31.

The plan submission process this year will be the same as what was used last year except that revisions to the spreadsheets, forms and instructions mean a district should download the most current documents available prior to preparing the plan submission in summer 2023. LTFM documents are located on the MDE website using the following path: MDE homepage > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance. (https://education.mn.gov/MDE/dse/schfin/fac/ltfm/).

Process and Timelines

Ten-Year Plan Overview

To qualify for LTFM revenue, school districts, cooperatives and intermediate districts (not charter schools) must have a ten-year plan adopted by the school board and approved by the commissioner. For the 2023 payable 2024 property tax levy, the plan must be approved before the proposed levy is certified in September 2023. **All ten-year plan documentation is to be approved by the school board prior to submitting to MDE for commissioner approval. Submit board-approved ten-year plans to LTFM staff** (mde.facilities@state.mn.us) **by July 31, 2023.**

The plan must include provisions for implementing a health and safety program that complies with health, safety and environmental regulations and best practices, including indoor air quality management. The plan must be updated and submitted to the commissioner annually by July 31 for approval. The plan must indicate whether the district will issue bonds to finance the plan, levy on a pay-as-you-go basis, or a combination of the two. If bonds are issued to finance the plan, the plan must include a bond schedule demonstrating that the debt service revenue required to pay the principal and interest on the bonds each year will not exceed the projected LTFM revenue for that year. All documentation required by MDE is part of the ten-year plan to be approved by the school board and submitted to the commissioner.

For what the submitted plan to MDE must include, go to MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance to get the full document.

Intermediate School Districts, Cooperative Units, and Joint Powers Districts

Upon approval through the adoption of a resolution by **each member district** school board of an intermediate district or other cooperative units under Minnesota Statutes, section 123A.24, subd. 2, including joint powers districts, and the approval of the commissioner of education, a school district may include in its authority under this section a proportionate share of the long-term maintenance costs of the intermediate district or cooperative unit. The cooperative unit may issue bonds to finance the project costs or levy for the costs, using LTFM revenue transferred from member districts to make debt service payments or pay project costs. Authority under this subdivision is in addition to the authority for individual district projects.

Under Minnesota Statutes, section 123A.24, subd. 2, the following types of cooperatives are eligible:

- An education district organized under sections 123A.15 to 123A.19
- A cooperative vocational center organized under section 123A.22
- An intermediate district organized under chapter 136D
- A service cooperative organized under section 123A.21
- A regional management information center organized under section 123A.23 or as a joint powers district according to section 471.59
- A special education cooperative organized under section 471.59

Note: Under Minnesota Statutes, section 123B.595, subd. 3(a), a joint powers district may pay the portion of lease costs attributable to the amortized costs of long-term facilities maintenance projects completed by the landlord.

Subdivision 3(b) – The joint powers districts resolution adopted under subdivision 3(a) may specify which member districts will share the project costs under this subdivision, except that debt service payments for bonds issued by a cooperative unit or joint powers district to finance long-term maintenance project costs **must be the responsibility of all member districts**.

For what the submitted plan to MDE must include, go to MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance to get the full document.

Charter Schools

Charter schools are not required to submit a ten-year plan to MDE, and LTFM revenue may be used for any purpose related to the charter school. MDE will automatically calculate the aid entitlement for all charter schools and make payments through the Integrated Department of Education Aids System (IDEAS). The aid entitlement calculation is shown on the General Education Revenue for Charter Schools report found on the Minnesota Funding Reports (MFR) webpage. The amount of revenue generated for FY 2023 and later is $132 times adjusted pupil units.

Revenue Uses and Restrictions

Allowed Uses of Revenue (Minn. Stat. section 123B.595, subd. 10)

Long-term facilities maintenance revenue may be used for the following purposes:

- Deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities
- Increasing accessibility of school facilities
- Health and Safety projects under Minnesota Statutes, section 123B.57, including health, safety and environmental management costs associated with implementing the district's health and safety program
- Remodeling or constructing a gender-neutral single-user restroom at each school site **(LTFM revenue effective for FY 2025 and later)**
- By board resolution, to transfer money from the general fund reserve for long-term facilities maintenance to the debt redemption fund to pay the amounts needed to meet, when due, principal and interest on general obligation bonds issued under Minnesota Statutes, section 123B.595, subd. 5

Note: School districts with an approved voluntary prekindergarten program under section 124D.151 are eligible to increase LTFM revenue for the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction.

A charter school may use revenue for any purpose related to the school.

For more detailed information, see the "*Long-Term Facilities Maintenance Revenue – Guide for Allowable Expenses"* document located on the Long-Term Facilities Maintenance website.

LTFM Revenue Restrictions (Minn. Stat. section 123B.595, subd. 11)

LTFM funds may **not** be used:

- For construction of new facilities, remodeling of existing facilities or the purchase of portable classrooms, **except** for the costs associated with constructing or remodeling existing facilities to include at least one gender-neutral single-user restroom authorized under subdivision 10 **(LTFM revenue effective for FY 2025 and later)**.
- To finance a lease purchase agreement, installment purchase agreement or other deferred payments agreement.
- For energy-efficiency projects under Minnesota Statutes, section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education.
- For violence prevention and facility security, ergonomics or emergency communication devices.

Ten-Year Expenditure Plan Excel Spreadsheet

The Ten-Year Expenditure Plan spreadsheet contains the school district's best estimate of project costs that will be incurred each fiscal year for 10 years. The expenditure plan reflects how the district is using available revenue to best meet the facility needs of the district. The detail level plan maintained by the district should be summarized by finance code and the numbers entered on the MDE-provided spreadsheet.

Find the LTFM Ten-Year Expenditure Plan spreadsheet on the MDE website > Districts, Schools, and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance (https://education.mn.gov/MDE/dse/schfin/fac/ltfm/). The Excel document is titled *Long-Term Facilities Maintenance Ten-Year Expenditure Plan Application*.

Updating the Health and Safety Database
MDE will continue to use the existing health and safety database (located on the MDE website under MDE > Districts, Schools and Educators > Business and Finance > Data Submissions, then select Health and Safety) as the statute requires the recalculation of old law Health and Safety revenue for the hold harmless component of the LTFM revenue formula. Districts enter summary data by finance code, consistent with the summary data for FY 2023, FY 2024 and FY 2025 included on their ten-year LTFM expenditure plan spreadsheet.

Detailed information by project will still be required for asbestos removal and encapsulation, fire safety, and indoor air quality projects costing $100,000 or more per project, per site, per year since those generate additional revenue over and above the LTFM formula allowance. Do not enter information for deferred maintenance or accessibility finance codes. The health and safety amounts provide an accurate calculation of the hold harmless revenue estimate on the levy and aid entitlement reports, and either add to revenue or show complete information for persons who seek levy information.

When comfortable with data and assumptions, a district should **enter the total health and safety cost from the expenditure spreadsheet in the hold harmless section of the revenue spreadsheet into the Health and Safety Data Submission system.**

For FY 2023 – FY 2025, MDE is asking school districts to enter **H&S totals by finance code** from the expenditure spreadsheet into the **Health and Safety Data Submission system.** Instructions on how to enter H&S data on the data submissions website may be found on the LTFM webpage (MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance), then select ***Health and Safety Website Instructions***. (These instructions may also be found in the Health and Safety Data Submission system).

MDE uses the submission system to load the old law H&S revenue amounts into the Levy Limitation and Certification system and LTFM Aid Entitlement system. Without this step, the levy shows zero in the H&S line under the old law revenue and the calculation is inaccurate. In the Health and Safety Data Submission system, enter the H&S finance totals, six in all (if all are included in the ten-year planned projects) from the expenditure spreadsheet plus separately enter each individual project (asbestos removal and encapsulation, fire safety, or indoor air quality) costing $100,000 or more per project, per site, per year for H&S. Only H&S finance codes are entered in the Health and Safety Data Submission system; **no deferred maintenance finance codes should be entered.** Districts eligible for old law alternative facilities revenue have a separate process and optional calculation worksheet to assist in determining the amount of revenue needed to finance deferred maintenance projects funded on a pay-as-you-go-basis.

Note: School Districts should continue to update H&S expenditures in the Health and Safety Data Submission system on a regular basis to accurately estimate cost decreases or increases for applicable fiscal years.

Make sure to update the system for final, audited UFARS H&S financial data (For FY 2023, reference the 2022-23 UFARS Turnaround Report titled *Expenditure by Finance Code Report* on the Minnesota Funding Reports (MFR) webpage located at Data Center > Data Reports and Analytics, locate the School Finance Reports section, select Minnesota Funding Reports (MFR). Choose your school, View: All Reports, Category: UFARS Turnaround Reports, Year: 22-23, Report: All. Click List Reports.

Ten-Year Revenue Projection Excel Spreadsheet
The Ten-Year Revenue Projection spreadsheet is used to project the funding for completing the Ten-Year Expenditure Plan. The revenue spreadsheet calculates estimated revenue available to the district for 10 years and offers an interactive method to choose among various funding scenarios. The revenue plan is used in conjunction with the expenditure plan to show when there is need for work and how the funding will be provided. **Under the LTFM per pupil formula**, options include spending the annual revenue each year, saving for a future project (in the General

Fund 01 reserve account), issuing bonds for large projects and paying principal and interest over time, or a combination of these options. A district could generate a deficit in the LTFM reserve in year one or two and cover the deficit in year three using the district's available cash until the deficit is funded with LTFM revenue.

It is important to consider future levy adjustments when acquiring new buildings or selling or demolishing old buildings. A change in average building age from over 35 years to under 35 years can cause a significant levy adjustment if not properly estimated in the initial levy year. For example, the Payable 2024 levy (FY 2025) uses the FY 2022 building age report (January 2023) plus two (2) years for levy calculations on the Levy Limitation and Certification report. A district planning to acquire a new building or demolish an existing building should contact Sarah C. Miller (Sarah.C.Miller@state.mn.us), 651-582-8370, for assistance in providing a more accurate estimate of the building age.

Revenue Projection Spreadsheet Instructions

The revenue spreadsheet emulates the levy system and the aid entitlement system calculations. Data is seeded by MDE to begin the revenue calculation process.

Find the *LTFM Ten-Year Revenue Projection* spreadsheet on the LTFM webpage (MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance).

Using the Revenue and Expenditure Spreadsheets Together

The expenditure spreadsheet alone does not provide a complete plan and the revenue spreadsheet alone does not provide a complete plan. Using the two spreadsheets together creates a bridge between projects that need to be completed and the funding needed to cover the cost. Projects can be prioritized by year and revenue manipulated to develop the best plan for the district facilities (within funding limits). A variety of revenue options mean project expenditures become more flexible from year-to-year to speed up the process and issue bonds or delay the process and save for future needs. The revenue and expenditure total amounts do not need to match each year, but they may. The two spreadsheets together should reveal categories of expense where district priorities lie for facility maintenance and that revenue is available to fund those expenses.

The expenditure spreadsheet should show how the revenue will be spent. Unfunded projects should not be on the spreadsheet. Technically, projects that cannot be funded are deferred beyond the ten-years shown. The MDE approval process is based on finance code summary amounts over a ten-year period. Revenue use should show that the district is avoiding financial difficulty. The revenue should not be overspent over time. A district can generate a deficit, but a district needs to have cash on hand from other sources to cover the cost until LTFM revenue catches up to expenditures. The plan should not show a chronic deficit. The spreadsheets should show the actual intent of the district at the time the plan is submitted. The plan can then change throughout the year with school board approval as district priorities may change. The spreadsheets, together, include revenue supporting project expenditures over time.

School Board Resolution

School Board Resolution Adopting the LTFM Ten-Year Plan

The school board resolution adopting the plan provides MDE with verification that the school board has taken responsibility for projects to be performed and for revenue to be placed on the levy. MDE no longer performs an individual project review process to grant authority to levy. It is important for the school board to have a knowledgeable understanding of the ten-year plan. The commissioner does not know project details, but relies on the school board adoption of the plan when reviewing the summary plan submitted to MDE. School board adoption of the plan attests that expenditures will be in accordance with the allowed uses of revenue in the document *Long-Term Facilities Maintenance Revenue – Guide for Allowable Expenditures* located on the LTFM website. **All ten-year plan documentation required by MDE is first approved by the school board** and then submitted to the MDE commissioner for approval.

School Board Approval Options

- Formal Resolution (available at meeting of adoption) – signed by the school board clerk

- Adopted minutes of a motion, second and vote (second meeting to adopt minutes) – signed by the school board clerk
- Notarized extract of minutes of a motion, second and vote (If there is not sufficient time for a second meeting to adopt minutes) – signed by the school board clerk

Assembling Documentation for Board Approval

The school board should approve each LTFM ten-year plan document that will be sent to MDE. The documents may be in paper form for the board meeting but not for MDE submittal (see *"Submitting Documentation to the Commissioner for Approval"* below). Four documents will be required for every school district, cooperative, and intermediate district. One or more of six additional documents may be required depending on the situation. The revenue projection is not used for cooperatives and intermediate districts and is replaced with the revenue allocation to districts sheet.

Documents Include

- Long-Term Facilities Maintenance Ten-Year Expenditure Plan ("original" Excel format, not pdf).
- Ten-Year Long-Term Facilities Maintenance Revenue Projection ("original" Excel format, not pdf).
- FY 2025 Long-Term Facilities Maintenance – Statement of Assurances (signed by the superintendent).
- School board resolution/minutes adopting the LTFM ten-year plan (three options available and signed by the clerk).

Intermediates and Cooperatives replace Ten-Year LTFM Revenue Projection with:

- Long-Term Facilities Maintenance Cooperative Allocation Worksheet.

Additional documentation as appropriate

- Narrative for H&S asbestos abatement project costing $100,000 or more
- Narrative for H&S fire safety project costing $100,000 or more
- Narrative for H&S indoor air quality project costing $100,000 or more
- Separate bond schedule amounts for H&S projects costing $100,000 or more
- Separate bond schedule amounts for projects funded with regular LTFM revenue
- Narrative for deferred maintenance project costing $2,000,000 or more
- Narrative for school districts with an approved VPK program under section 124D.151 for the cost approved by the commissioner for remodeling existing instructional space to accommodate prekindergarten instruction

Health and Safety Data Submissions System

- For FY 2023, FY 2024 and FY 2025, enter totals by finance code (347, 349, 352, 358, 363, and 366) and on a separate line enter any projects costing $100,000 or more in Finance Codes 358 – Asbestos Removal and Encapsulation, 363 – Fire Safety and 366 – Indoor Air Quality.

Submitting Documentation to the Commissioner for Approval

After the ten-year plan documents are approved by the school board, the plan is submitted to MDE, however a specific format is required by MDE. ***Do not send forms by U.S. mail.*** Send attachments by email to LTFM staff (mde.facilities@state.mn.us) by July 31, 2023. The Ten-Year Expenditure Plan, Ten-Year Revenue Projection and Cooperative Allocation Worksheet **must be in the original Excel MDE spreadsheet format**. The remaining documents may be pdf attachments.

Mid-Year Ten-Year Plan Revisions

Once a ten-year plan is approved by MDE, a district is authorized to generate LTFM revenue and make eligible LTFM expenditures. A school district's priorities may change after the fiscal year plan is approved. With school board approval, eligible projects may be rearranged or substituted in the LTFM expenditure plan. Submit the revised ten-year LTFM expenditures Excel spreadsheet ("original" format, not pdf) and approved school board minutes to LTFM staff (mde.facilities@state.mn.us). If plan revisions cause a change in LTFM revenue, a district may submit a new ten-year plan, approved by the school board, for commissioner approval.

Reasons to submit a new plan include: issuance of bonds; adding a H&S project costing $100,000 or more for asbestos, fire safety, or indoor air quality; a single project at a site costing $2,000,000 or more; and major plan changes where a district would want to insure the plan can be approved before risking making the expenditures.

MDE Contacts for Further Information

Allowed uses of revenue, process and timelines, expenditure projection spreadsheet, health and safety data submissions, health and safety FY 2023 closeout: contact Sarah C. Miller (Sarah.C.Miller@state.mn.us) at 651-582-8370.

Revenue projection spreadsheet, LTFM levy adjustments, LTFM aid entitlement and levy calculations, and LTFM required debt: contact Lonn Moe (Lonn.Moe@state.mn.us) at 651-582-8569.

LTFM UFARS account coding questions contact Sarah C. Miller (Sarah.C.Miller@state.mn.us) at 651-582-8370 or contact Deb Meier (debra.a.meier@state.mn.us) at 651-582-8656.

Note: Per a MDE presentation dated February 2, 2023, when coding LTFM for cooperative/intermediate/other relationships, the revenue received by the district should be coded to Source 001, Finance 000. The cooperative/intermediate/other should invoice the district for the portion owed. The district should code the amount paid to Object 390, Finance 000. The cooperative/intermediate/other should code the revenue to Source 021 with an LTFM Finance code and then code their expenditures to the appropriate LTFM Finance code(s).

Long-Term Facilities Maintenance (LTFM) – Fund Transfer Guidance

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance, May 26, 2023

Please reference the LTFM guidance for fund transfers to assist school districts with required UFARS coding. This guidance is posted under the current MDE webpage for Long-Term Facilities Maintenance.

Long-Term Facilities Maintenance (LTFM) – FY 2023 LTFM Revenue – Review of Approved vs. UFARS Expenditure Reconciliation Report and 22-23 Aid Entitlement Report

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology > Long-Term Facilities Maintenance, November 9, 2023

A. Introduction

Fiscal Year (FY) 2023 is the seventh year of LTFM revenue. For pay-as-you-go (Pay-go) and old law health and safety projects, LTFM revenues based on approved costs, **final revenue authority** will be calculated as the lesser of approved costs or actual expenditures as reported on Uniform Financial Accounting and Reporting Standards (UFARS). This memorandum and the spreadsheet provide information on review of the FY 2023 approved LTFM expenditures vs. UFARS expenditures for end of year reconciliation. As of November 30, 2023, LTFM UFARS expenditures are based upon audited financial data (Minn. Stat. § 123B.77). School districts will need to review this information carefully and take the steps outlined below to ensure the accuracy of final LTFM revenue in the FY 2023 reconciliation process. Included in this review process, see the following FY 2023 LTFM closeout timeline.

FY 2023 Closeout Timelines

November 9, 2023. ***First preliminary review*** – LTFM Approved vs. UFARS Cost Reconciliation Report will be issued to districts using submitted UFARS data and currently approved revenue and project costs. The LTFM 22-23 Aid Entitlement PDF Report is also available for preliminary review on the Minnesota Funding and Reporting (MFR) webpage under the “Aid Entitlement” category for 22-23.

November 30, 2023. Due date for Final, Audited UFARS Financial Data Submission (Minnesota Statutes, section 123B.77).

December 7, 2023. *Second preliminary review* – a revised 1) FY 2023 LTFM Approved-UFARS Cost Reconciliation Report and 2) 22-23 LTFM Aid Entitlement Report will be available to districts using final audited UFARS data and any updated revenue and approved project costs.

December 15, 2023.

- Last day for districts to modify approval of FY 2023 Health and Safety projects on the Health and Safety data submissions website. All projects identified after this date for work claimed in FY 2023 will not be honored and processed.
- ***Final Review notice*** sent for review and approvals of the FY 2023 LTFM Approved vs. UFARS Cost Reconciliation Report and 22-23 LTFM Aid Entitlement Report.

January 5, 2024. Last day for districts to submit additional information for FY 2023 LTFM reconciliation. By no later than January 5, 2023, complete, review and send an email to MDE Facilities (mde.facilities@state.mn.us) informing Minnesota Department of Education (MDE) of one of the following:

1) Your school district has reviewed the FY 2023 LTFM reconciliation reports and agrees with the numbers, or
2) Your school district has reviewed the FY 2023 reconciliation reports but does not agree with the numbers and wishes to appeal (attach back-up documentation for appeal by the January 5, 2023, deadline).

B. FY 2023 LTFM Approved vs. UFARS Cost Reconciliation Report and 22-23 Aid Entitlement Report

FY 2023 LTFM Approved vs. UFARS Cost Reconciliation Report

The FY 2023 LTFM Approved vs UFARS Cost Reconciliation Report is a comparison between current approved FY 2023 LTFM revenue and UFARS expenditures by fund/program/finance code.

C. Appeal Considerations

Type of Documentation Requested for MDE Review

Please provide each project's detailed report of Uniform Financial Accounting and Reporting Standards (UFARS) expenditures to include the 17-digit UFARS codes and all applicable entries (Voucher, Journal Entry (JE), Other) as categorized in the examples 1 and 2 below (Fiscal Year (FY) 2023). The following MDE approved financial system reports are recommended:

1. SMART Finance – Posted Activity Audit Report
2. Skyward – Historical Detailed Expense Report
3. Sourcewell Technology (formerly TIES) – Detailed Finance Report
4. Other MDE Approved Financial Software – Detailed Expense Report to follow example 1 and 2 formats.

Example 1 – Health and Safety Project Expenditures (projects $500,000 - $1,999,999)								
01-010-866-366-305-XXX – Purchased Services								
Type – Voucher/JE/ Other	**Date**	**Vendor Description**	**Detail Description**	**PO**	**Invoice**	**Payment Type**	**Check #**	**Amount**
123456	3/1/2023	ABC Co.	IAQ Consulting	1100	123100	Check	121111	20,000.00
123457	3/6/2023	CDE HVAC Co.	HVAC Consulting	1101	123101	Check	121112	25,000.00
Journal Entry (JE)	6/29/2023		End of Year Adjustment					(500.00)
							Total Activity	44,500.00

Example 2 – Deferred Maintenance Project Expenditures (projects $2,000,000 and over)
06-020-868-382-305-XXX – Purchased Services

Type – Voucher/JE/ Other	Date	Vendor Description	Detail Description	PO	Invoice	Payment Type	Check #	Amount
11905	5/1/2023	XYZ Engineering	Roof Consulting	1122	123123	Check	121212	50,000.00
11906	5/2/2023	ABC Engineering	HVAC Consulting	1123	123124	Check	121213	60,000.00
Journal Entry (JE)	5/30/2023		Reclassify ABC Invoice					(10,000.00)
							Total Activity	100,000.00

If your school's UFARS code dimensions were cross-walked during the UFARS financial data submission process (FY 2023), please provide the UFARS coding as required by the UFARS manual not the local codes for MDE review.

1. **Submission Timeline and Website Address**
   Please submit the requested FY 2023 additional LTFM documentation as soon as possible, but no later than January 5, 2024, to the MDE Facilities email (MDE.Facilities@state.mn.us). For questions about the FY 2023 LTFM expenditure reconciliation process, please contact Sarah C. Miller (Sarah.C.Miller@state.mn.us). For questions about the final 2022-2023 LTFM aid entitlement calculation or either of the two reconciliation reports, please contact Lonn Moe (Lonn.Moe@state.mn.us).

2. **Appeal Process**
   If after reviewing this information you find that your district's LTFM expenditures have been miscoded for FY 2023, an appeal will be considered. Any appeal you wish to make regarding UFARS LTFM financial data for FY 2023 should be submitted to the attention of Catherine A. Erickson and emailed to MDE Facilities (MDE.Facilities@state.mn.us).

   Catherine A. Erickson, Director of School Finance
   Minnesota Department of Education
   Division of School Finance
   400 NE Stinson Blvd.
   Minneapolis, Minnesota, 55413

   An appeal should include detailed documentation of the accounting error, the reason why it was not corrected within the allowable timeframe and the journal entries needed to correct the error. If the error will affect the district's fund balances, please consult with your auditor to determine the best way to handle an adjustment. If the error is considered material, a prior period adjustment to the subsequent fiscal year may be necessary to correct fund balances. If immaterial, a transfer between fund balances may be appropriate.

   Appeals should be submitted as soon as possible but no later than January 5, 2024. Questions concerning the appeal process should be directed to Sarah C. Miller (Sarah.C.Miller@state.mn.us).

If after reviewing these materials, you determine that the numbers are correct and there is no intent to appeal or submit additional information, please send an email to the MDE Facilities (MDE.Facilities@state.mn.us) email confirming that the reconciliation is accurate.

Long-Term Facilities Maintenance (LTFM) – Organization/Site Coding Update

School Business Bulletin No. 63, November 2018

School districts, intermediate districts or cooperative units *may code* LTFM expenditures to ***either district wide 005***

or a specific organization/site code in the following scenarios:

1. Day-to-day/routine projects for health and safety or,
2. Day-to-day/routine projects for deferred maintenance

School districts, intermediate districts or cooperative units ***must code*** LTFM expenditures to ***a specific organization/site code*** in the following scenarios:

1. Additional LTFM revenue for health and safety projects $100,000 or more per site, per year
2. Deferred maintenance projects $2,000,000 or more per site, per year

Health and Safety Sections of the LTFM Ten-Year Spreadsheet

DEPARTMENT OF EDUCATION

Division of School Finance
1500 Highway 36 West
Roseville, MN 55113-4266

Long-Term Facilities Maintenanc

Instructions: Enter estimated expenditures that are allowable uses of Long-Term Facilities Maintenance Revenue under Minnesota Statutes, section 123B.595, subdivision 10. Enter by Uniform Financial and Accou

District Name: **LTFM SCHOOL** District # **9999**
Date: **7/15/2018**
District Contact for Questions on this Spreadsheet: Email: Sarah.C.Miller@state.mn.us
Name: **Sarah C. Miller** Phone #: (651) 582-8370

Finance Code	Category	2018 - BASE	2019	2020	2021	2022
	Fiscal Year, Ending June 30th -->	2018 - BASE	2019	2020	2021	2022
	Estimated Expenditures:					
	Health and Safety - this section excludes project costs of $100,000 or more for which additional revenue is requested for Finance Codes 358, 363 and 366.					
347	Physical Hazards	$84,392	$85,000	$85,000		
349	Other Hazardous Materials	$31,000	$32,000	$32,000		
352	Environmental Health and Safety Management	$250,850	$160,000	$160,000		
358	Asbestos Removal and Encapsulation	$10,000	$15,000	$15,000		
363	Fire Safety	$67,636	$68,000	$68,000		
366	Indoor Air Quality	$40,650	$41,000	$41,000		
	Total Health and Safety Capital Projects	$484,528	$401,000	$401,000		

UFARS CODING: District Wide 005 or Specific Organization/Site Code

Finance Code	Category	2018 - BASE	2019	2020	2021	2022
	Health and Safety - Projects Costing $100,000 or more per Site/Year					
358	Asbestos Removal and Encapsulation	$150,000	$0			$0
363	Fire Safety	$0	$0			$0
366	Indoor Air Quality	$0	$500,000			$0
	Total Health and Safety Capital Projects $100,000 or More	$150,000	$500,000			$0

UFARS CODING: Specific Organization/Site Code ONLY

Deferred Maintenance Projects Section of the LTFM Ten-Year Spreadsheet

Division of School Finance
1500 Highway 36 West
Roseville, MN 55113-4266

Long-Term Facilities Maintenance Ten-Year Expenditure Application

ED-02478-04

...mated expenditures that are allowable uses of Long-Term Facilities Maintenance Revenue under Minnesota Statutes, section 123B.595, subdivision 10. Enter by Uniform Financial and Accounting Reporting Standards (UFARS) finance code by fiscal year in the space provided.

ABC SCHOOL District # 9999
Date: 15-Jul-18
...uestions on this Spreadsheet: Email: Sarah.C.Miller@state.mn.us
Sarah C. Miller Phone #: 651-582-8370

Category	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Estimated Expenditures:											
Accessibility											
Accessibility	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
...ferred Capital Expenditures and Maintenance Projects											
Building Envelope	$37,673	$110,000	$55,000	$20,000	$0	$0	$0	$0	$0	$0	$0
Building Hardware and Equipment	$0	$0	$200,000	$0	$0	$0	$0	$0	$0	$0	$0
Electrical	[illegible]	$150,000	$110,000	$5,283	$0	$0	$0	$0	$0	$0	$0
Interior Surfaces	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mechanical Systems	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plumbing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Professional Services and Salary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Roof Systems	[illegible]	$140,000	$267,092	$90,000	$100,066	$91,547	$10,000	$30,000	$30,000	$30,000	$100,000
Site Projects	$0	$0	$0	$0	$0	$0	$0	$32,565	$33,457	$0	$0
Total Deferred Capital Expense and Maintenance	$307,087	$1,887,740	$2,081,740	$115,283	$100,066	$111,547	$159,625	$159,624	$159,769	$154,811	$155,407
Total Annual 10 Year Plan Expenditures	$409,257	$1,948,960	$2,142,960	$207,421	$207,683	$208,103	$208,681	$209,416	$210,308	$206,108	$207,473

Deferred Maintenance

$2 Million or more project/site/year – REQUIRES SPECIFIC UFARS ORG CODE

Questions on LTFM Organization/Site Coding can be addressed to Sarah Miller (Sarah.C.Miller@state.mn.us), 651-582-8370.

Minnesota Petro Fund Payments

Revised via MDE Email, May 1, 2017

MN Petro Fund payments for fuel tank removal or cleanup are accounted for in the Long-Term Facilities Maintenance (LTFM) program with Finance dimension 349. Submit applications to recover allowable costs for clean up to the MN Petro Fund. The balance not covered by the MN Petro Fund can be funded by either LTFM or General Fund revenues. However, these costs are not eligible for additional levy funding. Record the MN Petro Fund reimbursement in a revenue account using Program 865, if under $2,000,000, Finance 349, and Source 629. (Example: R-01-XXX-865-000-349-629.)

Restricted/Reserved for Operating Capital

Restricted/Reserved for Operating Capital is a component of the General Fund.

Accounting Recommendations:

- Restricted/Reserved for Operating Capital uses UFARS Fund Balance 424.
- Restricted/Reserved for Operating Capital may not receive a residual equity or operating transfer from the Unassigned Fund Balance.
- Restricted/Reserved for Operating Capital revenue includes items specified per state statutes. Note: Operating Capital revenues do not include miscellaneous income, grants, gifts or interest income.
- Capital Expenditures may be recorded in the General Fund as unassigned expenditures, the Restricted/Reserved for Operating Capital, or reclassified from the Restricted/Reserved for Operating Capital expenditures to the General Fund. See the UFARS manual for description information about the General Fund and Finance 302 (Operating Capital).
- Refer to M.S. 126C.10, subd. 14 "Uses of total operating capital revenue" for detail.
- M.S. 126C.10, subd. 15 from the Minnesota statutes states "Uses of revenue. Except as otherwise prohibited by law, a district may spend general fund money for capital purposes".

UFARS Chart of Account Recommendations:

- Report all Operating Capital expenditures and revenues with Finance 302. Close to Balance Sheet 424.
- Report Long-Term Facilities Maintenance (LTFM) expenditures with Finance 347, 349, 352, 355, 358, 363, 366-370, or 379-384. LTFM Aid is coded to Source 317. Close to Balance Sheet 467.
- Report Health and Safety insurance and legal settlements, petro-fund reimbursements and utility rebates with Source 629. Contact Lonn Moe at lonn.moe@state.mn.us or 651-582-8569 if you receive these. Also, see the "Levy Information System Instructions" on how to report this revenue during the levy process.
- Report Disabled Accessibility expenditures and revenues with Finance 794. Close to Balance Sheet 427.
- Report Capital Projects Levy with Finance 795 (Fund 01 or 06). Close to Balance Sheet 407.

Textbooks and Workbooks – Object 460

MDE UFARS Manual – Object Chapter

Expenditures for books or electronic substitutes that a pupil uses as a text or text substitute in a particular class or program. This includes books, workbooks or manuals, as well as electronic books and other printed materials delivered electronically. Please refer to Object Codes 406, Instructional Software License Agreements; and 466, Instructional Technology Devices for additional information. Textbook includes a teacher's guide, or other materials that accompany a textbook that a pupil uses when the teacher's edition, teacher's guide, or other teacher materials are packaged physically or electronically with textbooks for student use.

These textbooks are intended for use as a principal source of study material for a given class or group of students, a copy of which is expected to be available for the individual use of each pupil. Materials prepared and/or copied at the school qualify as textbook substitutes if such materials are basic (not supplementary) to a unit of study. See Minnesota Statutes, section 123B.41, subdivision 2, for the complete definition.

To qualify for textbook aid to nonpublic pupils, these materials must include only such secular, neutral and nonideological textbooks as are available, used by, or of benefit to Minnesota public school pupils.

Includes the freight/shipping costs associated with items purchased. Excludes costs of teacher's workbooks, costs of binding, textbook repairs (Object Code 401), and dedicated hardware equipment known as eReaders or e-book devices (Object Code 466).

The rates of reimbursement for nonpublic students are based on these expenditures plus individualized instructional supply and material expenditures recorded in Object Code 433 for public school students.

This code is used in conjunction with any instructional Program Code, 200 through 699 (for use with all Programs 010 through 850 – see "Unrestricted – General Fund 01 Permitted Expenditure code Grid" – Page 3).

Capital Related – Checklist

Capital Related – Balance Sheet

1. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

2. Restricted/Reserved for Capital Projects Levy (Funds 01 and 06) (BAL 407) – Represents available resources from the capital projects levy to be used for building construction and other projects under Minnesota Statutes, section 126C.10, subdivision 14. All interest income attributable to the capital projects levy must be credited to this account. Related to Finance Code 795, Capital Projects Levy (Minn. Stat. 123B.63). *This restricted/reserved account may go into deficit to the extent of future levy authority.*

3. Restricted/Reserved for Operating Capital (Fund 01) (BAL 424) – Represents available resources in the General Fund to be used to purchase equipment and facilities. Related to Finance Code 302, Operating Capital (Minn. Stat. 126C.10, subd. 14). *This restricted/reserved account may go into deficit for a period of up to three years with prior approval of a plan submitted to the commissioner of Education* (Minn. Stat. 123B.78, subd. 5).

4. Restricted/Reserved for Disabled Accessibility (Fund 01) (BAL 427) – Represents resources restricted for disabled accessibility. Related to Finance Code 794, Disabled Accessibility (Minn. Stat. 123B.58). *This restricted/reserved account may go into deficit to the extent of future levy authority.*

5. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

6. Committed Fund Balance (Fund 01) (BAL 461) – Represents amounts constrained for a specific purpose by the district using the highest level of decision making authority (generally the school board). It requires action by the same group to remove or change the constraints placed on the resources. *The committed account is not allowed to go into deficit.*

7. Assigned Fund Balance (Fund 01) (BAL 462) – Represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. Intent is expressed by the school board itself, or a body (budget or finance committee) or an official (finance director) to which the school board has delegated

the authority to assign amounts to be used for specific purposes. The actions to remove or modify assignments are not as strict as for committed fund balances. *The assigned account is not allowed to go into deficit.*

8. Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) (Funds 01 and 06) (BAL 467) – Represents available resources to be used for LTFM projects in accordance with the Ten-Year Plan. (Minn. Stat. 123B.595, subd. 12). *This restricted/reserved account may go into deficit to the extent of future revenue authority*.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Capital Related – Revenues

1. Record Operating Capital with Finance 302. **Note: Revenues do not include miscellaneous income, grants, gifts, or interest income**.

2. Record Capital Projects Levy in Program 850 with Finance 795.

3. Record Health and Safety utility rebates, Petrofund reimbursements, and insurance and legal settlements with Source 629. Contact Lonn Moe at lonn.moe@state.mn.us or 651-582-8569 with this information along with reporting it during the levy process.

4. Record Long-Term Facilities Maintenance (LTFM) Aid in Source 317. Record LTFM levy in Source 001 with a related LTFM Finance code.

Capital Related – Expenditures

1. Operating Capital Facilities uses Program 850 with Finance 302.

2. Operating Capital equipment uses an appropriate Program code which shows "who uses" the equipment and Finance 302.

3. Disabled Accessibility use Program 850 with Finance 794.

4. Long-Term Facilities Maintenance (LTFM) uses Programs 865-868 with Finance 347, 349, 352, 355, 358, 363, 366-370, or 379-384.

5. Capital Projects Levy uses Program 850 with Finance 795.

6. When lease transactions occur, use the appropriate Object code(s) based on the lease agreement.

Manual for Activity Fund Accounting (MAFA)

MDE UFARS Manual – Student Activity Accounting Chapter

In most situations, Student Activities will be recorded in the General Fund (01) under Board control. Student Activity transactions will be coded to Finance 301 – Extracurricular Activities and close to Balance Sheet Account 401 – Restricted/Reserved for Student Activities. All transactions must be recorded in a state approved software system.

The MAFA manual has a lot of information on the requirements relating to Student Activity accounts. The manual consists of items such as:

- Student Activity Determination,
- Board Responsibilities,
- Student Activity Accounting,
- Student Activity Best Practices,
- Student Activity Forms, and
- GASB No. 84 Fiduciary Activities Questions and Answers.

Fundraising Sales for Student Groups – Law Change Memo from the Minnesota Department of Revenue

Modified from MDE > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management, July 28, 2021

During the 2021 legislative session, there was a change made to Minnesota Statute 297A.70, subdivision 13, restoring the fundraising exemption for school-associated student groups. This change may impact your sales tax obligations.

Minnesota Law

Starting July 1, 2021, fundraising sales made by school-associated student groups are exempt from sales tax, even when the money must be recorded as part of school district revenues, when the following apply:

- The sales are for fundraising purposes of the club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities.
- The school district reserves the revenue raised for extracurricular activities, as provided in Minnesota Statute 123B.49, subdivision 4(e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

Any sales tax collected on taxable sales prior to July 1, 2021 should be reported on the sales and use tax return filed by the school or school district.

Exempt Sales

Under the exemption, school-associated student groups may sell items exempt from sales tax, when the conditions listed above are met.

Some examples of common sales that schools may use to raise funds for extracurricular activities include:

- Admission to recreational areas (see Admissions and Amusement Devices Industry Guide)
- Books
- Flowers
- Garage sales
- Gift wrap
- Greeting cards
- Mattresses
- Water bottles or coffee mugs
- Wreaths

The sales tax exemption to the student fundraising organization applies only to the first $20,000 of the gross annual receipts of the student group from fundraising.

Other Fundraising Exemptions
Schools may sell the following items exempt from sales tax:

- Candy – a separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups (Minnesota Statute 297A.70, subdivision 13(a)(4))
- Clothing – such as bandanas, hats, scarves, and t-shirts are not subject to sales tax
- Coupon books – sales of coupon books, discount cards, or punch cards are not taxable
- Food items – such as bread, nuts, popcorn are not subject to sales tax as long as the food items are pre-packaged and not made by the seller

There are also exemptions specific to schools. These exemptions are for:

- Prepared food, candy, and soft drinks served at public or private elementary, middle, or secondary school (Minnesota Statute 297A.67, subdivision 5). Examples include: spaghetti feed or pancake breakfast as long as they are served on school premises.
- Tickets or admissions to regular season school games, events, and activities (Minnesota Statute 297A.70, subdivision 11)
- Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League (Minnesota Statute 297A.70, subdivision 11a)

For more information on fundraising activities, go to our website at www.revenue.state.mn.us and type **fundraising sales** into the Search box.

Email salesuse.tech@state.mn.us if you have any questions or need additional assistance with this matter, please contact the Sales and Use Tax Division at 800-657-3777 or salesuse.tech@state.mn.us.

Food Service Fund Accounting Checklist (Fund 02)

Administrative Reviews

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > General Program Areas > Sponsor On-Site Monitoring

National School Lunch Program
School Food Authorities with more than one site must complete an annual on-site review of all sites for the National School Lunch Program. The School Breakfast Program must be reviewed at 50 percent of sites each year. The purpose of the review is to assist sponsors in assessing the accuracy of meal counting and claiming system at each site. The review must be completed during a meal service and prior to February 1 of each school year. A follow-up review must be completed within 45 days if the need for corrective action is found in the initial review.

On-Site Review Form
A form that each School Food Authority with more than one site must use to conduct an on-site review, during a meal service, of each site under its jurisdiction.

Afterschool Snack Program
Schools that operate the Afterschool Snack Program (whether a single or multiple site sponsor) must complete an on-site review for all sites twice during the school year to assess compliance with program requirements. The review must be completed during a snack service time. The first review must be completed during the initial four weeks of operation; the second is determined by the sponsor. Template monitoring forms are available on the Afterschool Snack Program webpage.

Seamless Summer Program
Seamless Summer Program sponsors must monitor each site (whether a single or multiple site sponsor) during meal service within the first three weeks of operation. Template monitoring forms are available on the Seamless Summer Program webpage.

State Agency Monitoring
State Agency monitoring of school food authorities occurs once every three years through administrative reviews. Additional information about administrative reviews may be found on the State Administrative Review webpage.

Also, documents and training videos can found at MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Meal Counting, Program Applications and Reviews > State Administrative Review that can assist a school food authority in preparing for an administrative review.

Adult Meal Pricing Requirements for School Year 2023-24

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Resource Management > Meal Pricing and Non-Program Foods, August 1, 2023

Minimum Prices for Meals Served to Adults and Other Non-Program Meals
School Nutrition Programs funds may not subsidize meals served to adults or other non-program meals, such as second meals. The meal price must be set high enough so that the cost of the meal is fully paid by the customer. (Meals may be provided at no charge only to "program" adults, as defined in Prohibition on Subsidizing Meals for Non-Program Adults on the School Nutrition Programs Financial Management webpage of the Minnesota Department of Education website).

The required minimum meal prices for adults for SY2023-24 are listed below. The calculation is based on the previous year's state and federal reimbursement rates plus the national average per meal value of U.S. Department of Agriculture Foods, rounded up to the nearest five cents. Sponsors contracting with a vended meal provider or food service management company may need to adjust upwards in order to cover the full cost of the meal.

Minimum Adult Prices for School Year 2023-24
Breakfast: $2.25
Lunch: $4.95

Allowable Wage Classification

Modified from School Business Bulletin No. 71, May 2023

Per Minnesota Statutes, section 124D.111, "That portion of superintendent and fiscal manager costs that can be documented as attributable to the food service program may be charged to the food service fund provided that the school district does not employ or contract with a food service director or other individual who manages the food service program, or food service management company. If the cost of the superintendent or fiscal manager is charged to the food service fund, the charge must be at a wage rate not to exceed the statewide average for food service directors as determined by the department."

The statewide average hourly wage for food service directors based on published data by the Bureau of Labor Statistics – May 2022, is $32.27. This is the maximum rate at which the labor of a superintendent or fiscal manager performing the duties of a food service director can be charged back to the food service fund. As with any direct charge to a federal program, adequate documentation to support the number of hours attributable to food service must be available.

For assistance with the FY 2023 Maximum Allowable Wage Classification – Food Service, please submit inquiries to the MDE – Nutrition Program Services Division (mde.fns@state.mn.us).

Claim for Reimbursement Due Dates

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > CLiCS > Claiming and Reimbursement Deadlines, March 8, 2024

A payment process in the Cyber-Linked Interactive Child Nutrition System (CLiCS) is conducted every Friday at 8 p.m. Reimbursement claims submitted within that timeline will be paid on, or transferred to your financial institution, the following Friday.

Final claims must be submitted for payment within 60 calendar days after the end of the claiming month. If day 60 falls on a Saturday, Sunday or Federal holiday, the claim is due on the next business day.

Claiming Month	Last Day for Final Claim to be Submitted Online (60 days)
January	April 1 (March 31 on leap years)
February	April 29
March	May 30
April	June 29
May	July 30
June	August 29
July	September 29
August	October 30
September	November 29
October	December 30
November	January 29

December	March 1 (February 29 on leap years)

Commodities Accounting

Modified from School Business Bulletin No. 24, April 2003

Commodities – Effective for FY03 there will be only one inventory (single inventory account) in the Food Service Fund representing all food purchased including commodities. The commodity expense (Object 491) will be equal to the revenue received (Source 474).

Districts will receive a report produced by the Food and Nutrition Services Division of the Department of MDE. It will contain the value of commodities received for the current year. The report is titled "USDA Foods Received Report for the Auditor".

Districts will make the following entry to record the revenue and expenditures of the commodities received during the year. This entry would be made for all commodities received, including those that were diverted for processing to other products.

NOTE: Commodities expenditures (Object 491) must equal the value of Commodities revenue (Source 474).

Debit	E-02-XXX-770-000-70X-491 (Expenditures)	$$$$	
Credit	R-02-XXX-770-000-70X-474 (Revenue)		$$$$

The cost of processing the commodities would be coded as follows:

Debit	E-02-XXX-770-000-70X-490 (Purchased Food)	$$$$	
Credit	B-02-101-000 (Cash)		$$$$

Commodity cash rebates will be handled the same as in the past year.

Debit	B-02-101-000 (Cash)	$$$$	
Credit	E-02-XXX-770-000-70X-473 (Commodity Cash Rebate)		$$$$

All commodities and purchased food products will be inventoried as one value and the following entry will be made to record the year-end inventory.

Debit	B-02-130-000 (Purchased Inventory)	$$$$	
Credit	E-02-XXX-770-000-70X-490 (Purchased Food)		$$$$

The form is located at: https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=114

Note: Inventory amounts in B-02-130-000 are reclassified at year-end from Restricted/Reserved Fund Balance B-02-464-000 to Nonspendable Fund Balance B-02-460-000.

Community Eligibility for Meal Programs

School Business Bulletin No. 63, November 2018

Schools with a high percentage of students who are eligible for the free meal program through Direct Certification are eligible to participate in a relatively new program called Community Eligibility Provision. Schools that choose to participate in Community Eligibility Provision provide free meals to all students enrolled in the school and, for food services purposes only, do not need to collect annual *Applications for Educational Benefits*. However, for MARSS reporting, the requirement to report the economic status by individual student based on supporting documentation such as Direct Certification, *Application for Educational Benefits* or the *Alternate Application for Educational Benefits* does not change.

Application for Educational Benefits

Food and Nutrition Services (FNS) will continue to provide the *Application for Educational Benefits* for all schools that provide a food service program but are not participating in Community Eligibility Provision. The material is posted to the FNS website. The cost of processing these applications can be attributed to food service.

Alternate Application for Educational Benefits
An *Alternate Application for Educational Benefits* has been designed specifically for use by the following types of schools:

- Schools participating in Community Eligibility Provision.
- Provision 2 and 3 schools.
- Schools without a food service program.

All of these schools should use the *Household Income Guidelines and Alternate Application for Educational Benefits* which removes references to receiving a meal but provides a description of how the data will be used for determining the student's economic status. The form and related documentation are available on the MARSS-Student Accounting website. The cost of processing these applications cannot be attributed to food service and should be charged as a general education fund cost.

Direct Certification
Whether or not the school is on Community Eligibility Provision, Direct Certification can also be used to certify students as eligible for the free meal program. Direct Certification is a process by which a file of eligible children is provided to the MDE by the Department of Human Services (DHS) and is matched to MARSS enrollment records. The enrolling district needs to verify that the student on the Direct Certification list is the same student who is enrolled in the school. If they are the same student, the student can be reported on MARSS as eligible for the free meal program – Economic Status 2. Direct Certification can occur in two ways:

- Schools with a food service program have access to a Direct Certification report through FNS. This is a list of the potentially matched students.
- All public schools have a warning message on the fall MARSS edit that identifies students who are enrolled in the district who may also be matched to the DHS list.

Students directly certified do not need to have an *Application for Educational Benefits* or an *Alternate Application for Educational Benefits* on file. For audit purposes, keep a copy of all applications and Direct Certifications used to report students on MARSS as eligible for the free or reduced price meal program.

Cost of Certifying Alternate Applications for Educational Benefits
The cost of processing Applications for Educational Benefits to provide school meal benefits may be charged to the Food Service Fund (02) or the General Fund (01) according to Minnesota Statutes, section 124D.111, subdivision 3. The cost of processing the *Alternate Applications for Educational Benefits* for a Community Eligibility Provision school must be charged to the General Fund (01) because there is no meal benefit to the students; the data are used for other than food service purposes. For more information, refer to the FNS website discussion of Financial Management System Requirements.

Contact Tara Chapa (651-582-8439) if you have questions on the *Alternate Application for Educational Benefits.*

For questions on accounting for the cost of certifying the *Alternate Applications for Educational Benefits*, email the Accounting Helpdesk (mde.ufars-accounting@state.mn.us).

Elimination of a Food Service Fund Deficit

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Procurement and Contracts > Meal Service Contracts, May 17, 2017

All school food authorities (SFAs) are responsible to monitor that total food service revenues are sufficient to cover total food service expenses. Public schools are required to eliminate a deficit in the food service fund, under the conditions stated in the following state statute.

> Minnesota Statutes, section 124D.111, subdivision 3: School Food Service Fund
> *(f) If a deficit in the food service fund exists at the end of a fiscal year, and the deficit is not eliminated by revenues from food service operations in the next fiscal year, then the deficit must be eliminated by a permanent fund transfer from the general fund at the end of that second fiscal year. However, if a district contracts with a food service management company during the period in which the deficit has accrued, the deficit must be eliminated by a payment from the food service management company.*

General Rule on Elimination of Deficit (Public Schools with Self-Operating Food Service)
As stated above in Minnesota Statutes, section 124D.111: *If a deficit in the food service fund exists at the end of a fiscal year, and the deficit is not eliminated by revenues from food service operations in the next fiscal year, then the deficit must be eliminated by a permanent fund transfer from the general fund at the end of that second fiscal year.*

Elimination of Deficit by Public Schools with Food Service Management Contracts
As state above in Minnesota Statutes, section 124D.111: *If a district contracts with a food service management company during the period in which the deficit has accrued, the deficit must be eliminated by a payment from the food service management company.*

Definitions
For the purpose of this statute:
"Food Service Management Company" (FSMC) means a company that fully manages the school food service of a public school food authority. It does not include companies whose services are limited to the preparation and delivery of meals, or education services companies that may manage some administrative functions of the school food service.

"During the period in which the deficit has accrued" means that total food service expenditures exceeded total food service revenues during the contract year (usually July through June). This applies regardless of the food service fund balance at any point in time.

"Deficit" means that expenditures exceeded revenues during the contract year, and the increased expenditures or decreased revenues were due to areas that the FSMC had responsibility for under the terms of the contract.

For example, a reduction in revenue from reduced meal counts might be due to the FSMC's reduction of meal or service quality, or might be due to the school increasing meal prices. Or there could be circumstances that are outside the control of either party, for example snow days. The contract parties must determine whether the deficit is wholly or partially the responsibility of the company and the amount of payment due from the company.

Elimination of Deficit
The option to eliminate a deficit with food service revenues from the next year may be used by an FSMC only if the management contract will be renewed for the following year. If a deficit occurs in the final year of a management contract, the FSMC must make a payment to eliminate the deficit at the end of the final contract year.

Food Service Fund Management
Public SFAs with FSMC contracts must annually evaluate food service fund revenues and expenses to identify if a deficit exists at the end of the contract year and, if so, what action is required to eliminate the deficit in compliance with Minnesota Statutes, section 124D.111. This evaluation must take into consideration the terms and assumptions of the contract. Steps can be taken throughout the process of contracting with an FSMC to ensure that all parties clearly understand their contractual fiscal responsibilities. Below are suggestions for managing FSMC contracts through the procurement, contracting and monitoring phases.

Procuring an FSMC Contract: Clearly Identify Contract Terms and Conditions
In the Request for Proposal (RFP), an SFA must clearly identify the expenses that will be the responsibility of the SFA and the expenses that will be the responsibility of the FSMC. Examples of these expenses include large

equipment, small equipment, repairs, custodial services, and office supplies.

The SFA must evaluate meal pricing for paid students and adults in terms of contracted meal cost. Contract meal costs that are greater than the per-meal reimbursements or prices will contribute to a potential deficit in the food service fund.

Accurate forecasting of revenues and costs will provide a clearer picture whether revenues are expected to exceed costs. The SFA should forecast reimbursements based on current enrollment of free and reduced price students and current meal participation rates. Clearly outline expectations for FSMC use of USDA Foods, which reduces expenditures.

Establishing the Contract
Specify timelines and requirements for providing invoices and financial reports to enable monitoring of the food service fund by both parties.

Ensure that all terms and conditions related to revenues and expenses are included in the contract. Negotiate with the FSMC any areas that are unclear.

Monitoring the Contract
Identify SFA staff that will be responsible to monitor the FSMC contract on an ongoing basis, including review of FSMC invoices, food service fund revenues and expenses, and to communicate with FSMC regarding any questions and concerns.

At the end of each contract year, SFA staff must determine whether there is a deficit in the food service fund, that is expenditures exceeded revenues during the contract year. If so, SFA staff meet with the FSMC to validate the deficit, determine the cause(s) of the deficit, and develop a plan of action to eliminate the deficit.

Equipment Purchase

Modified from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Procurement and Contracts > General Procurement Guidance > Planning Procurements, April 6, 2023

Government-wide requirements require school food authorities (SFAs) to obtain the prior written approval of the Minnesota Department of Education (MDE) before incurring the cost of a capital expenditure. The Office of Management and Budget (OMB) guidance and U.S. Department of Agriculture (USDA) regulations define as "equipment" any item of non-expendable personal property with a useful life of a year or longer and an acquisition cost which equals or exceeds the federal per-unit capitalization threshold of $5,000 or a lower threshold set by state or local level regulations.

Because the requirement that state agencies approve each SFA purchase can be administratively burdensome to both the SFA and state agency, USDA extends flexibility to state agencies to implement an option that would alleviate some administrative burden. State Agency Prior Approval Process for School Food Authority Equipment Purchases.

MDE has developed a Child Nutrition Programs equipment list (see below) that will receive automatic state agency approval. Therefore, the SFA may purchase those equipment items, following proper federal, state, or local procurement procedures, as applicable, without submitting a written request to MDE for approval.

If an SFA chooses to select equipment that was not included on the MDE-approved list, it must submit a request for approval to the state agency prior to purchasing the item as required at 2 Code of Federal Regulations (CFR) Part 225 Appendix B, section 15.

An SFA may use the form on page three to request approval of equipment not included on the Child Nutrition Programs Pre-approved Equipment list.

Additional questions can be addressed to Food and Nutrition Service at 651-582-8526 or 1-800-366-8922.

Child Nutrition Programs Pre-approved Equipment List

Capital assets (equipment) typically purchased by SFAs or sponsors for use in Child Nutrition Programs that are pre-approved by MDE.

Equipment means an article of repairable, 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 SFA or sponsor for financial statement purposes, or $5,000.

State statutes: Cafeteria tables cannot be included in capital equipment requests. Computers must be used entirely in food service or the cost prorated with other funding sources.

Carts
Tray Station/Tray Truck
Tray Delivery Cart
Tray Dispenser
Trash Cart
Banquet Cart
Insulated Transport Cart
Heated Transport Cart
Refrigerated Transport Cart
Kiosks
Cold Food Tables
Cafeteria Breath Guard/Sneeze Guard
Cold Food Bar/Salad Bars
Computers/Hardware and Software
Cash Registers/Point-of-Sale Components
Software/Programs for Food Service Management
Dishwasher-Sinks and Supplies
Under-Counter Dishwasher
Conveyor Dishwashers
Door Type Dishwasher
Waste Disposal
Sinks
Water Heater Booster
Dish Tables
Floor Troughs
Food Preparation Equipment
Griddles
Hot Plates
Microwaves
Electric Food Slicers
Toasters
Induction Cookers
Food Processors
Dough Roller/Sheeter
Dough Divider/Bun Cutter
Food Blenders
Food Cutters
Refrigerated Prep Tables
Hot Water Dispenser
Countertop Mixers
Floor Mixer
Vertical Cutter Mixer
Planetary Mixer
Food Warmers
Countertop Food Warmers
Soup Kettles
Drop-In Food Warmers
Drawer Warmers
Freezers
Chest Freezers
Solid Door Reach-In Freezers
Walk-In Freezers*
Work-top Freezers
Under-Counter Freezers
Refrigerator Freezer Dual Temp
Holding and Proofing Cabinets
Holding Cabinets - Stationary and/or Mobile
Proofing Cabinets
Low Temperature Holding Cabinet
Hot Food Storage Cabinets
Ranges and Ovens
Cooktops and Ranges
Combi Ovens
Convection Ovens
Cook and Hold Ovens
Tilting Skillet
Tilting Kettle
Refrigerators
Pass (Walk) Thru Refrigerators
Drop-In Refrigerators
Solid/Glass Door Reach-In Refrigerators
Sandwich/Salad Prep Tables
Milk Coolers
Walk-In Coolers*
Open Reach-In Refrigerators
Refrigerated Display Cases
Under-Counter Refrigerators
Worktop Refrigerators
Refrigerator Freezer Dual Temp
Shelving for Storerooms, Refrigerators, Freezers
Storage Racks/Dunnage
Steam Tables/Equipment
Steamers/Convection Steamer
Electric or Gas Steam Tables
Steam Table Serving Shelf
Cafeteria Breath Guard/Sneeze Guard
Serving Line
Hot Food Bar
Serving tables/Line
Tray Cart
Work Tables
Enclosed Base Work Table
Poly Top Work Table
Stainless Steel work Tables with Under Shelf

*Capital improvement or remodeling is not allowed

Financial Management System Requirements

Modified from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Resource Management > Non-profit Food Service Account, March 25, 2021

This is a summary of major requirements from federal and state law for a financial management system and related requirements for the operation of the nonprofit school food service that apply to school food authorities (SFA) participating in School Nutrition Programs (SNP).

SFAs must maintain a financial management system as required by the Minnesota Department of Education (MDE) to document the revenues and expenses of the nonprofit school food service. For school districts, the financial management system is the Uniform Financial Accounting and Reporting Standards (UFARS).

In the agreement to participate in SNP, an SFA agrees to:

- Maintain a **nonprofit school food service**, which is defined as "all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services."
- Maintain a **financial management system that documents the revenues and expenses** of the school food service, in accordance with U.S. Department of Agriculture and MDE requirements.
- **Limit net cash resources** in the school food service account to an amount that does not exceed three months average expenditures for the school food service.

Applicable sections of the federal regulations for the National School Lunch Program, 7 Code of Federal Regulations (CFR), section 210 are:

- 7 CFR § 210.2: Definitions – *net cash resources, nonprofit school food service, nonprofit school food service account*, and *revenue*.
- 7 CFR § 210.9(b): Agreement provisions regarding financial management.
- 7 CFR § 210.14: Resource management.
- 7 CFR § 210.19(a): Additional responsibilities.

An SFA must make its accounting system, including complete documentation of school food service revenues and expenses, available at the time of program administrative reviews and at any time upon request.

Documentation of Revenues and Expenses

Public schools meet financial management standards for documentation of revenues and expenses by their required reporting in **UFARS, Fund 02**.

Nonpublic schools and residential child care institutions may need to implement procedures so that their financial management system meets program standards.

- The financial management system of a nonpublic school or an institution may already meet program standards. For example, a financial management system can meet program standards by maintaining a **separate checking account** for the school food service account or a **ledger** showing the revenues and expenses that are specific to the school food service.
- Otherwise, a nonpublic school or an institution must use the Financial Report Form for Nonpublic Schools provided on the MDE website to track school food service revenues and expenses each month.

Net Cash Resources / Use of Excess Funds

SFAs must **limit net cash resources** in the nonprofit school food service account to **no more than the SFA's average expenditures for three months**.

At the end of each fiscal year, an SFA must **compare its net cash resources to its average food service expenditures** to determine whether it has any excess funds, that is, whether SFA's net cash resources exceed three months average expenditures for the SFA. If using the Financial Report Form for Nonpublic Schools, this comparison of net cash resources to average expenditures is shown in the Net Cash Resources section of the form.

An **SFA with excess funds** in the school food service account must **notify** MDE-Food and Nutrition Service of the **amount of excess funds** and the **plan to reduce excess funds. Allowable expenses** that excess funds may be used for include:

- Increased **food** purchases.
- Purchase of needed food service equipment.
- **Reduction to student meal payments**. The price for reduced-price lunches may be reduced by any amount and those meals may be provided at no charge. Paid lunch prices may be reduced only to the extent that the SFA's average paid lunch price exceeds the SFA's minimum average paid lunch price as calculated by annual Paid Lunch Equity requirements.

Note: Per MDE guidance, the three month's operating expense is calculated by taking the total operating expense for the year, less the value of USDA Foods and dividing by 3. If that value is greater than the restricted fund balance (total fund balance less any nonspendable items), the amount above the restricted fund balance is the excess.

Note2: Effective July 1, 2022, MDE is increasing the net cash resource limitation to six months average operating expenditures.

Sufficient Revenues from Non-Program Funds
SFAs are required to annually **compare program and non-program funds to ensure that non-program foods generate sufficient revenues** so that prices for non-program foods are not subsidized by revenues from program meals. For details, refer to the USDA 2015 memorandum on Nonprofit School Food Service Account Nonprogram Food Revenue Requirements.

State Law Requirements for Public Schools
State law requires public schools to attribute food service revenues and expenditures to a **school Food Service Fund**. Public schools are required to adopt the **UFARS system** for financial management and reporting. Minnesota Statutes, section 123B.77 – Accounting, Budgeting and Reporting Requirement.

UFARS requires expenses to be **allocated by program**, i.e., by lunch, breakfast, milk, a la carte, and any other federal nutrition program that the SFA participates in such as Summer Food Service Program and Child and Adult Care Food Program. Refer to the UFARS Manual.

Costs Charged to Food Service Fund or General Fund
Costs that may be charged *either to the Food Service Fund or the General Fund*:
- Processing Applications for Educational Benefits to provide school meal benefits.
- Accounting for meals.
- Preparing and serving food.
- Providing kitchen custodial services.
- Other expenses involving the preparing of meals or the kitchen section of the lunchroom.

Costs that must be charged *to the General Fund*:
- Lunchroom supervision.
- Lunchroom custodial services.
- Lunchroom utilities.
- In limited situations, if the Food Service Fund has a surplus for three successive years, lunchroom costs charged to the General Fund may be recoded to the Food Service Fund.
- An SFA that participates in the Community Eligibility Provision (the SFA does not need to process Applications for Educational Benefits for the purpose of providing school meal benefits) and continues to process Applications for Educational Benefits must charge those costs to the General Fund.

Refer to Minnesota Statutes, section 124D.111 – Lunch Aid; Food Service Accounting.

Capital Expenditures
Capital expenditures means expenditures to acquire *capital assets*, which are assets used in operations having a useful life of more than one year which are capitalized in accordance with Generally Accepted Accounting Principles (GAAP). (7 CFR 200.12 and 200.13). MDE, as the "pass-through" agency for federal funds, is required to approve the capital expenditures of program operators. 2 CFR 200.439).

Pre-approved Capital Expenditures: MDE provides a list of the types of commonly used food service equipment that are pre-approved as capital expenditures. SFAs may purchase the types of equipment that are on the list without contacting MDE. Applicable federal, state and local procurement procedures must be followed when purchasing equipment.
- Refer to School Food Authority Equipment Approval Process (see the attachment – *Child Nutrition Programs Pre-approved Equipment List*).

Other Capital Expenditures: For the purchase of any type of capital equipment that is not on the pre-approved list, an SFA must send a *Capital Equipment Expenditures Request for Approval* to MDE. For more details and the form to complete about the capital expenditure, refer to School Food Authority Equipment Approval Process.

Deficits
If a school district has a **deficit in the Food Service Fund on June 30 and the deficit is not eliminated during the following year, the deficit must be eliminated** (by June 30 of the second year) by a **permanent fund transfer from the General Fund**, unless a plan as described in the next paragraph has been approved by MDE-Food and Nutrition Service.*

An SFA may incur a deficit in the Food Service Fund for up to three years, without any permanent transfer, if:

1. The SFA submits to MDE, by January 1 of the second fiscal year, a **plan for elimination of the deficit** by the end of the third fiscal year, and
2. The plan is **approved** by MDE.

* Exception: If a school district with a food service deficit contracted with a food service management company during the period in which the deficit accrued, the deficit must be eliminated by a payment from the company in the year that the deficit occurred.

Allocation of Superintendent/Fiscal Manager Costs
A school district with superintendent or fiscal manager costs that are attributable to the food service may charge those costs to the Food Service Fund up to the maximum amount defined below, unless the SFA has a food service director or food service management company.

That portion of superintendent or fiscal manager costs attributable to the food service may be charged to the Food Service Fund at a rate that does not exceed the **average food service director wage in Minnesota** as documented by Minnesota wage information available on the federal Bureau of Labor Statistics (BLS) website. View Minnesota wages by occupation code, scroll down to the row for *Occupation Code 11-9051 – Food Service Managers, and find the mean hourly wage.*

Food Service Accounting

Modified from School Business Bulletin No. 43, April 2010

All revenues and expenditures recorded in the Food Service Fund (02) must use a valid 4XX or 7XX Finance code. The UFARS submissions will error if the Finance code 000 or any other invalid Finance codes are used in conjunction with fund 02.

Capital expenditures from the Food Service Fund may only be made if there is sufficient prior year fund balance to make the purchase. MDE, as the "pass-through" agency for federal funds, is required to approve the capital expenditures of program operators. (2 CFR 200.439). MDE provides a list of the types of commonly used food service equipment that are pre-approved as capital expenditures. SFAs may purchase the types of equipment that are on the list without contacting MDE. Applicable federal, state and local procurement procedures must be followed when purchasing equipment. For the purchase of any type of capital equipment that is not on the pre-approved list, an SFA must send a Capital Equipment Expenditures Request for Approval to MDE. Only capital expenditures related to the production, serving and storage of food are allowable. Cafeteria capital items are not allowed.

Food service deficits must be eliminated by a fund transfer from the General Fund in the following year, unless a plan to eliminate the deficit by the end of the third year is filed with the commissioner by January 1 of the second fiscal year. Food service deficits in entities with Food Service Management Companies must be eliminated by a payment from the Food Service Management Company.

Food Service net cash resources are limited to no more than three months' worth of operating expenditure (1/3 of annual expenditures).

For questions or information on Food Service Accounting, please contact mde.ufars-accounting@state.mn.us.

Food Service Management Company (FSMC) and Vended Meal Contracts

School Business Bulletin No. 71, May 2023

The practice of advancing funds to FSMCs and Vended Meal Contractors is not an allowable cost to the Nonprofit School Food Service Account (Fund 02). Food service may only be charged for goods and services as they are received or accrued and as specified in the contract between the school and the company.

The current contract templates do not provide for advanced payment to the contractor. No addendum to the contract for this purpose will be approved by MDE.

In addition, the Minnesota Public Purpose Doctrine (derived from Minnesota State Constitution, Art. X 1) states that all expenditures of public funds must

(1) Serve a public purpose
(2) Have specific or implied authorization in state statute.

Public purpose has been defined by the Minnesota Supreme Court as "[such] an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government."

Advancing funds to a private for-profit company does not serve a public purpose.

Free and Reduced-price Calculator (ICAVES Web)

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Free and Reduced-Price Process > Student Meal Applications

This web-based tool assists School Food Authorities in determining whether free and reduced-price applications based on income meet eligibility criteria. Income guidelines are updated annually.

The calculator is located at https://reports.educateiowa.gov/ICAVES/Home/Calculator.

Free School Meals for Kids (MN-FSM)

Free School Meals Bill – Bulletin for April 6, 2023

Free School Meals Signed into Law

Governor Walz signed the Minnesota Free School Meals for Kids (MN-FSM) bill on Friday, March 17, 2023. The Minnesota Department of Education (MDE) is excited to implement this program for Minnesota students. This legislation provides reimbursement of a free breakfast and lunch to students who receive meals through their school's participation in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP).

Key takeaways for current sponsors and interested schools:

- Schools need to operate *both* the National School Lunch Program (NSLP) *and* the School Breakfast Program (SBP) *and* follow all federal regulations that apply to these programs in order to participate in the MN-FSM Program.
- Schools that have never participated in NSLP *and* prior sponsors who have not participated *for more than one year* who wish to participate in the MN-FSM Program must apply as *new sponsors*. Systematic instructions for becoming a new sponsor are found in the document Application Process for the School Nutrition Program.

This process can take six to nine months to complete. We urge schools in this position to start this process now!

- MDE understands that current and potential new sponsors have many questions and concerns. We are working to provide answers quickly. Be sure to review the Frequently Asked Questions (FAQs) on the Minnesota Free School Meals Program webpage. This is where MDE posts MN-FSM Program guidance and training opportunities. Questions and answers in the FAQs are updated every 1-2 weeks. If your question is not answered yet in the current FAQs, please be patient. Continue to check the website regularly for an updated version of the FAQs.
- Training opportunities and program updates are posted in our School Nutrition Program bulletin. Upcoming webinars for potential new sponsors, current sponsors and sponsors who have operated the NSLP but not the SBP are coming in April and May of 2023. Subscribe to our bulletin here. If you already receive our bulletin, you will also receive this Special Bulletin Series.
- MDE is directing parents to consult their child's school with questions about the MN-FSM Program. To ensure communication provided to parents is *accurate* and up-to-date, we urge sponsors and schools to reference MDE's MN-FSM Program webpage when providing information to families.

Additional questions on the MN-FSM program should be directed to mde.fns@state.mn.us.

Free School Meals for Kids (MN-FSM) – Guidance and Training Resources

Free School Meals Bill – Bulletin for April 20, 2023

The Minnesota Free School Meals (MN-FSM) Program begins July 1, 2023. **This is a permanently funded program written into state law.** This legislation provides reimbursement for one free breakfast and lunch to students who previously had to pay for their meals. This funding complements federal meal reimbursements that schools currently receive through participation in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP).

Frequently Asked Questions (FAQ) were updated this week. Please visit the MN-FSM webpage for MN-FSM Program guidance and training opportunities.

Key Takeaways for Current Sponsors and Interested Schools:

- Schools need to operate *both* the NSLP *and* the SBP in order to participate in the MN-FSM Program.
- Schools that have never participated in NSLP *and* prior sponsors who have not participated *for more than one year* who wish to participate in the MN-FSM Program must apply as a *new sponsor*. Instructions for becoming a new sponsor are found in the Application Process for the School Nutrition Program. **This process can take six to nine months to complete. Start now!**
- Approved school sponsors can operate the NSLP and SBP at *Academic* summer school programs that offer classes providing credits and extended school year (ESY) programs.
- Summer camps, summer enrichment and summer day care programs may not participate in the NSLP and SBP.
- Applications for MN-FSM are not yet open in the Cyber-Linked Interactive Child Nutrition System (CLiCS). Sponsors will be notified once they are available.
- Financial oversight requirements of foodservice funds when operating MN-FSM have not changed:
    - *Complete second* student breakfasts or lunches *must* be charged at the adult meal price. Schools should price *individual second entrées* and other *single a la carte items* following requirements in USDA Memo SP 20-2016.
    - Schools contracting with caterers or Food Services Management Companies (FSMCs) cannot claim ordered meals that are not taken.
    - Uniform Financial Accounting and Reporting Standards (UFARS) changes are not required to operate MN-FSM. Revenue associated with MN-FSM is state funded and covered with Source Code 300.
    - MN-FSM does not affect Title 1 Funds. Elementary and Secondary Education Act (ESEA) Title funds and services are not dependent on free or reduced-price meal eligibility status.

- Households are still responsible for money owed on student meal accounts until debt is considered uncollectible and classified as bad debt.
- MN-FSM Program reimbursement rates begin July 1, 2023. Federal reimbursement rates for School Year (SY) 2023-24 are not yet available but will be posted in the summer. Sponsors should ensure accurate meal claiming in federal eligibility categories when operating the MN-FSM Program to receive accurate federal and state reimbursements.

Direct questions on the MN-FSM program to mde.fns@state.mn.us.

Healthy, Hunger–Free Kids (.06-Cent Menu Certification)

School Business Bulletin No. 50, May 2013

Food Service – Healthy, Hunger-Free Kids Act of 2010
Overview
The Healthy, Hunger-Free Kids Act (HHFKA) of 2010 made significant changes to the National School Lunch Act (NSLA). These changes included updates to meal patterns and nutrition standards for the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). On January 26, 2012, the Department of Agriculture amended the NSLA to provide an additional 6 cents reimbursement per lunch to school districts certified by the state agency to be in compliance with the updated meal patterns and nutritional standards.

UFARS
MDE Food and Nutrition Services are tracking the additional 6 cents per lunch served because of the USDA requirements. No additional tracking is required. The 6 cents per lunch is an increase in the school lunch reimbursement and should be coded using UFARS Finance Code 701 (National School Lunch Program) and Source Code 471 (School Lunch Program).

For questions or information regarding the Healthy, Hunger-Free Kids Act of 2010, contact Food and Nutrition Service at 651-582-8526 or 800-366-8922 (MN Toll-free) or mde.fns@state.mn.us.

How to Review Your Food and Nutrition Payments

Modified from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > Summer Food Service > Claims and Reimbursement > Claims, March 8, 2024

The Minnesota Department of Management and Budget (MMB) maintains a website of all payments made by the state of Minnesota to food program sponsors and vendors. As a food program sponsor, you can access the payment information for your review.

You must request access to the MMB vendor website. You can view instructions on requesting access on the MMB website. Your Federal Tax ID number (TIN) will be needed (located on the Program Agreement). Once you have completed the sign-up, the MMB will send you a six digit personal identification number (PIN) number via e-mail.

1. Click on the link Vendor Payments located in the top left corner of the page. Please bookmark the Welcome Page in your favorites. Important messages from the MMB will be displayed on this page.
2. Click on the link Vendor Payment Login Page in the middle of the page.
3. Enter the TIN which is your Social Security number or nine digit Federal Tax ID that was used when you signed up for access. Enter this number without spaces or hyphens.
4. Enter your PIN. If you do not remember your PIN, select the Forgot PIN link and follow the instructions.
    a. The first time you login you will be required to register. You will be able to view your payments when the registration is complete.
    b. Click on the links, vendor number and payment number to drill down to the payment detail.
    c. If the detail provided is not sufficient, please contact the paying agency at the contact phone number provided in the payment detail.

The advantages of using this website include:
1. Ability to check your payments including dates and amount deposited into your bank accounts.
2. More detail on the payments by Minnesota Department of Education, including the budget codes listed below:

Federal Payments

10553	School Breakfast
10555.002	School Regular Lunch
10555.004	School Free and Reduced Lunch Supplement
10555.006	School 6¢ Healthy, Hunger Free Kids Act Lunch Supplement
10555.SNA	After School Snack
10556	Special Milk
10558.016	CACFP – Cash in lieu of Commodities
10558.021	CACFP – Meals
10558.022	CACFP – Administration
10558.SNA	CACFP – After School Snack
10559.023	SFSP – Operating
10559.024	SFSP – Administration
10582.001	Fresh Fruit & Vegetable, Jul-Sep
10582.002	Fresh Fruit & Vegetable, Oct-Jun

State Payments

S6201	State Lunch
S6202	Kindergarten Milk
S6208	State Summer Food Replacement Aid
S6209	Commodity Rebates
S6210	State Breakfast

For questions, please contact the Electronic Funds Transfer (EFT) Helpdesk at 651-201-8106.

Informal Procurement (Micro and Small Purchasing) Methods

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Procurement and Contracts > Purchase Methods > Informal Purchase Methods, October 16, 2018

Informal procurement methods are used when the total purchase amount does not exceed the small purchase threshold of $250,000 or $175,000 for public schools. Child Nutrition (CN) Program sponsors are expected to use reasonable practices to obtain the best product or service at the best price and terms.

There are two types of informal procurement methods, micro-purchase and small purchase method. This document will provide the steps necessary to conduct these methods of procurement.

Micro-Purchase Method

This method may be utilized for the purchase of products or services when the aggregate dollar amount for a single transaction does not exceed $10,000. Aggregate dollar amount is the total amount of purchases of similar items that can be reasonably combined in order to conduct an efficient procurement action. When using the micro-purchase method, sponsors do not need to solicit competitive quotes, however the following steps need to be taken:
1. Products and services will only be obtained if prices are considered reasonable.
2. To the extent practicable, purchases will be distributed equitably among qualified sources.
3. The aggregate dollar amount of the individual purchase will be under $10,000.
4. Sponsors will collect and maintain invoices or receipts to document the purchases.

Small Purchase Method

This method may be utilized for the purchase of products or services when the total purchase amount is less than $250,000 or $175,000 for public schools. With this method the following steps need to be taken:

1. Solicitation documents are prepared and contain sufficient information to permit a vendor to respond. At a minimum, this must include:
    a. Clear and accurate specifications or descriptions of the products or services needed including quantity requirements. For example, a sponsor may specify four cases of bananas, fresh petite green tip 150 count per case. Sponsors cannot prohibit competition by specifying a "brand name" product without allowing "an equal" product to be offered instead.
    b. The date by which the products or services must be provided; and
    c. If factors other than price will be considered, these factors need to be included in the solicitation. Factors might include quality, geographic preference, delivery schedule, licensing requirements, etc.
2. Price quotes are obtained from multiple (preferably three or more) qualified sources and remain confidential before the award. Qualified means respondents must be eligible, able, responsive and willing to provide the product or service.
    a. Price quotes obtained orally should be confirmed in writing, identifying the pertinent details of the transaction including:
        - Name of the vendors solicited
        - Date the information was provided
        - Products or services to be purchased, including quantities
        - The duration of the price or rate quotation
        - Factors other than price that were discussed such as delivery schedules
        - Name of the individual soliciting the information
    b. A new solicitation must be conducted for purchases that will be made after the current quotation expires.
3. Quotes will be evaluated based on price and any other factors that were identified in the solicitation. Negotiation of price and terms is allowable but all potential vendors should be treated fairly and given the same opportunity to match a better price or terms.
4. The purchases will be awarded to the most responsive and responsible vendor based solely on price or on other specified factors identified in the original solicitation. Responsive means the vendor submits a bid that conforms to all specifications and terms of the solicitation. Responsible means the vendor is capable of performing successfully under the terms of the solicitation.
5. There will be a contract administration system to ensure vendors perform in accordance with the terms of their contracts or purchase orders. For example, meal substitutions for participants with disabilities must be provided, price adjustments must not exceed the Consumer Price Index (CPI) specified on the renewal vended meal contract, etc.
6. All information used in the procurement process must be maintained for a period of three years plus the current fiscal year and available upon request for review. This information includes:
    a. Solicitation and written specifications
    b. Names of vendors that were evaluated
    c. Price quotes (emails, letters, phone calls, in person, etc.)
    d. Evaluation criteria
    e. Selection of vendor
    f. Invoices or receipts

Net Cash Resource Limitation – Temporary Flexibility

Nutrition Program Bulletin – Week of September 26, 2022

The United States Department of Agriculture (USDA) recently provided guidance that State Agencies (SAs) have the discretion to approve a net cash resource more than three months average expenditures per 7 CFR 210.14(b) and 210.19(a)(1). While School Food Authorities (SFAs) should be attempting to utilize available funds in a timely manner in order to provide quality nutritious meals to students, USDA understands that many external factors are leading SFAs to have additional funds and therefore an approval of more than three months may be necessary.

Effective July 1, 2022, **Minnesota Department of Education (MDE) is increasing the net cash resource limitation to six months average operating expenditures.** This should provide some financial peace of mind and allow time for a thoughtful spending plan should the nonprofit school food service account continue to exceed limitations.

MDE assesses compliance with the net cash resource limitation in January for the previous school year. For SY2022, the limitation will be reviewed on a case-by-case basis. The allowed limitation will be reviewed annually and an eventual return to standard regulation will take place.

Nonprogram Food Revenue Requirement

Modified from School Business Bulletin No. 62, May 2018

Regulation
Section 206 of the Healthy, Hunger-Free Kids Act of 2010 requires that the ratio of nonprogram revenue to total revenue must be greater than the ratio of nonprogram food to total food. The calculation to assess compliance with this requirement is below.

$$\frac{\text{Nonprogram food revenue}}{\text{Total Revenue}} \geq \frac{\text{Cost of nonprogram food}}{\text{Total food cost}}$$

Equation Component Definitions:
Nonprogram Food Revenue – refers to all funds accumulated to the school food service account associated with the sale of nonprogram foods in the above definition which includes food costs associated with adult meals.

Total Revenue – refers to all funds accumulated to the school food service account.

Cost of Nonprogram Food – refers to the amount paid for food sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account of the school. This is a broad definition and includes beverages, a la carte foods, and any extra reimbursable foods that are sold such as an extra slice of pizza or carton of milk.

Total Food Cost – refers to the total amount paid for food for both reimbursable meals and nonprogram food purchased with the school food service account.

Reporting
The uniform allocation of costs is vital to providing comparable programmatic financial data on a statewide basis. In Minnesota, the Uniform Financial Accounting and Reporting Standards (UFARS) contains the multi-dimensional account code structure that guides consistent reporting of revenues and expenditures.

Food Service Fund Food Costs
Accurate accounting and effective program management requires that costs of food, labor and fringe benefits, and other direct costs be allocated to each of the food programs. Each food program is identified in UFARS by a specific finance code:

701	702	703	705	706	707	709	710	469
National School Lunch Program (NSLP)	After School Snack Program	Special Milk Program and Minnesota Kindergarten Milk	School Breakfast Program (SBP)	Fresh Fruit/Veg Grant Program (FFVP)	A La Carte And Other Nonprogram	Summer Food Service Program (SFSP)	Supply Chain Assistance Funding	Child and Adult Care Food

		Program						Program (CACFP)

Once the program has been identified, each revenue is further defined with a Source Code and each expense is further defined with an Object Code.

Assessing Compliance Through Reporting
If revenue and expense are coded as described below, an accurate calculation can be made to assess compliance with the Nonprogram Food Revenue requirement.

Nonprogram Food Revenue
The UFARS Source Codes that may be used to identify sales within a program are:
- 601 Student Sales – sales to students can be either program or nonprogram.
- 606 Adult Sales – all adult sales are considered nonprogram.
- 608 Special Function Food Sales – all special function (catering) sales are considered nonprogram.

In the event of student sales, it is the Finance Code that identifies whether or not the sale is program or nonprogram. If the student sale is a reimbursable meal, it is considered a program sale and must be recorded in either Finance 701 or Finance 705. If the student sale is not a reimbursable meal, it is considered a nonprogram sale and must be recorded in Finance 707.

Cost of Nonprogram Food
The UFARS Object Codes that may be used to identify food costs within a program are:
- 490 Food – all food costs associated with all programs.
- 495 Milk – all milk costs associated with all programs.

UFARS does not allow for a dedicated Object Code to identify the cost of nonprogram foods, so in order to accurately allocate these costs, the Finance Code 707 must be used for all food that is associated with nonprogram sales.

Example: Adult Lunch Meal Sales and associated food costs
(FD-ORG-PRO-FIN-SRC/OBJ-CRS)
- Revenue 02-XXX-770-707-606-XXX
- Expense 02-XXX-770-707-490-XXX

<u>Online Fees in the School Meal Programs</u>
USDA Memo, October 8, 2014

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA 22302-1500

DATE: October 8, 2014

MEMO CODE: SP 02-2015

SUBJECT: Online Fees in the School Meal Programs

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

The Food and Nutrition Service (FNS) considers access to a healthy school meal a critical function of Child Nutrition Programs. FNS Instruction 782-6 established the longstanding policy that children participating in the school meal programs not be charged any additional fees for services provided in conjunction with the delivery of these programs. Charging fees in addition to the regular reduced price or paid meal charge limits access to the programs and imposes an additional criterion for participation. This memorandum addresses recent questions regarding how this policy applies to fees associated with online services in school meal programs.

Many school food authorities (SFAs) offer online services to parents, including providing online options for parents to add money to their children's meal account. SFAs can charge a fee for these types of services but only if the SFA also offers a method for the household to add money to the account that does not add any additional fees for these services. Examples of methods SFAs can use for parents to add money to their children's meal account without incurring a fee include accepting money at the school food service office or accepting cash payments at the point of service.

As an alternative to charging parents a fee for these services, SFAs may use school food service account funds to cover the cost of providing online services to parents. If the school food service account does not have the funds to cover these costs, SFAs can seek outside sources to cover the costs associated with providing this service. Outside funding for these purposes may include monies donated from the general fund or outside organizations.

State agencies are asked to distribute this Memorandum to program operators immediately. SFAs should contact their State agency for additional information. State agencies may direct any questions concerning this guidance to the appropriate Food and Nutrition Service Regional Office.

Original Signed

Cynthia Long
Deputy Administrator
Child Nutrition Programs

Programs > Procurement and Contracts > Purchase Methods > Purchase Methods Overview, December 23, 2019

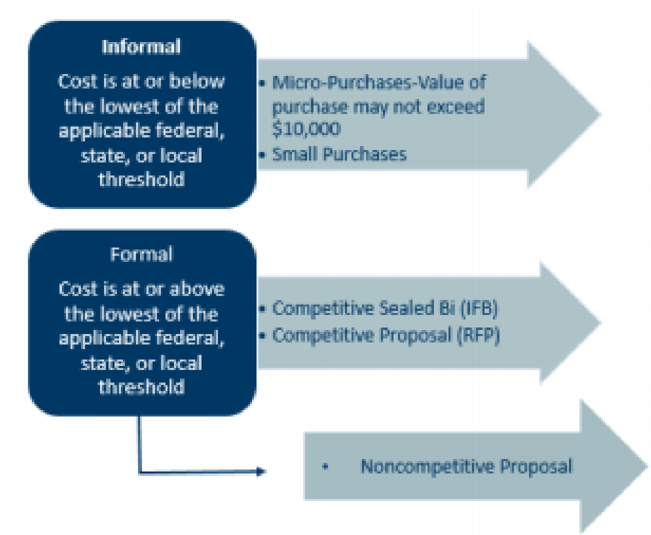
Purchasing Thresholds
Under federal regulations, the small purchase threshold determines whether procurements must be conducted informally or formally. The appropriate procurement method is determined by the anticipated contract amount. The federal small purchase threshold is $250,000 while the Minnesota small purchase threshold for public schools is a more restrictive $175,000.

Minnesota public schools must use the state small purchase threshold of $175,000 or a more restrictive threshold if less than $175,000. Minnesota nonpublic schools must use the federal threshold of $250,000 or a more restrictive threshold if less than $250,000.

View School Board Contracts law – Minnesota Statutes, section 123B.52.

View Uniform Municipal Contracting law – Minnesota Statutes, section 471.345.

Procurement Methods
In general, different processes and procedures are used when purchases are made at different cost levels. An "Informal" procurement process can be used when the cost of goods or services is at or below the lowest of the applicable federal, state, or local small purchase threshold. A "formal" procurement process must be used when the cost of the goods or services exceeds the lowest of the applicable federal, state, or local small purchase threshold.



Informal
There are two procurement processes that can be used when the cost of goods or services is at or below the lowest of the applicable federal, state, or local small purchase threshold:

Micro-Purchases
The micro-purchase option is for purchases where the aggregate value in a single transaction is under $10,000. This enables schools to purchase supplies or services without soliciting competitive quotes, if the school considers the price reasonable. Schools should use the same process to determine whether a micro-purchase falls under the micro-purchase threshold, as they would determine if a purchase falls under the small-purchase threshold. Purchases must not be arbitrarily split. Schools must distribute micro-purchases equitably among qualified suppliers. The micro-purchase threshold is subject to periodic adjustments due to inflation.

Small Purchases
School Food Authorities may use the informal procurement process (small purchase) when the estimated one-year

amount of the contract falls at or below the applicable small-purchase threshold. Although it is not necessary to publish a written solicitation when using the informal procurement method, it is important to keep documentation on hand to ensure that each vendor contacted receives identical information.

Formal

SFAs must use the formal method of procurement when the estimated one-year value of the contract is at or above the applicable small-purchase threshold amount.

Competitive Sealed Bid

Sealed bids are publicly solicited through an Invitation for Bid (IFB) process resulting in the award of a fixed-price contract to the most responsible and responsive respondent. Competitive bidding process via IFB is used when:

- Complete specifications or descriptions of the product or service are available.
- Two or more responsive bidders are willing and able to compete for the award.
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

Competitive Proposal

Proposals are publicly solicited through Request for Proposal (RFP) process resulting in the award of a fixed-price or cost-reimbursable contract to the most responsible and responsive respondent. Competitive bidding process via RFP is used when:

- The procurement cannot be adequately described or the scope of services cannot be clearly defined.
- Other factors such as technical expertise, past experience, and quality of proposed staffing are considered in addition to price; however, price still carries the most weight in evaluation of proposals.

Noncompetitive Proposal

A noncompetitive proposal is used when competition is deemed inadequate or impossible, or the public need is urgent or an emergency. Negotiations must include both price and terms using the same procedures that would be followed for competitive proposals. Documentation must include an explanation of why this method was necessary based on criteria set by 2 CFR 200.320(d).

Prohibition on Subsidizing Meals for Non-Program Adults

Modified from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Resource Management > Meal Pricing and Non-Program Foods, July 3, 2019

Program Adults

The nonprofit school food service may not provide meals at no charge to adults unless the adult qualifies as a “program adult” as defined here. A teacher, administrator, custodian, other staff member or food service volunteer is considered to be a program adult only if both of the following conditions are met, on a case-by-case basis:

1. The adult is directly involved with School Nutrition Programs. For example: cooking, serving, taking meal counts, claims, billing, processing applications for free/reduced-price meals, cleaning the kitchen area.
2. The tasks performed by the adult for School Nutrition Programs must constitute at least 50 percent of the employee or volunteer’s time working at the school.

If both of the above conditions are met, the school food authority may, at its discretion, provide meals at no charge to the program adult and this is an allowable cost to the school food service account. The school food authority must take into consideration whether the food service fund balance is sufficient to subsidize meals for program adults.

Non-Program Adults

An adult that does not meet the conditions above for a “program adult” is considered to be a “non-program” adult. The cost of meals provided to non-program adults is not an allowable cost to the school food service account. Meals may not be provided at no charge (for example, as a benefit) to a non-program adult unless the school:

1. Reimburses the school food service account for the costs of the adult meals (see paragraph below about minimum adult prices) from another nonfederal funding source outside the food service, for example, the general fund. *
2. Maintains documentation of the payments to the school food service account.

*The general fund may pay for meals served to a non-program adult only if the meals are documented to be part of the employment contract of the adult receiving the meals.

Meals served to non-program adults must be priced at least at the minimum adult lunch and breakfast prices that the Minnesota Department of Education (MDE) announces each year. Refer to the *Adult Meal Pricing Requirements* document, available on the School Nutrition Programs page of the MDE-Food and Nutrition Service (FNS) website.

Reference: U.S. Department of Agriculture FNS Instruction 782-5, Rev. 1, *Pricing of Adult Meals in the National School Lunch and Breakfast Programs*.

Reconciliation of Credits for United States Department of Agriculture (USDA) Foods

Condensed from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > School Nutrition Programs > Procurement and Contracts > Meal Service Contracts > Renewing Meal Service Contracts, October 7, 2022

Requirement: Federal regulations (7 CFR 250.51) require a food service management company to provide full credits to the school food authority (SFA) for the value of USDA Foods received at the warehouse or processor during the contract year. This form is completed by the SFA to ensure that the SFA has fully received credits. Crediting is required whether or not the Company has taken or used the USDA Foods.

Instructions: Complete this form as soon as the SFA's USDA Foods Received Report for the Auditor is available on the Minnesota Department of Education (MDE) website in March of the contract year and before contract renewal is requested. Maintain this record for three years from the final month of the final renewal year of the contract.

Note: Instructions to complete the form and the form can be located at https://education.mn.gov/MDE/dse/FNS/SNP/proccontr/fsm/.

School Food Service Account Revenue from the Sale of Non–Program Foods

USDA Memo, December 12, 2013

USDA

DATE:	December 12, 2013
MEMO CODE:	SP 13 -2014
SUBJECT:	School Food Service Account Revenue from the Sale of Non-Program Foods
TO:	Regional Directors, Special Nutrition Programs – All Regions State Directors, Child Nutrition Programs – All States

School Program regulations at 7 CFR 210.14 (f) require all revenue from the sale of non-program foods to accrue to the nonprofit school food service account. *Non-program food* is defined as food sold in a school at any time or location on the school campus (other than reimbursable meals) purchased using funds from the non-profit school food service account. Please note that this is different from *competitive food* which is defined as all food (other than reimbursable meals) sold to students during the school day. This memorandum provides clarification on the requirements for the accrual of revenue from the sale of non-program food.

Previously, regulations allowed the sale of non-program foods in the food service area if the revenue from these sales accrued to the benefit of the nonprofit school food service account *or* school *or* a student organization approved by the school. Now, due to the changes required by Section 206 of the Healthy, Hunger-Free Kids Act, all revenue from the sale of non-program foods sold in schools at any time or location on the school campus must accrue only to the school food service account and is no longer allowed to benefit student organizations or school programs.

Though "revenue sharing" is no longer allowed, there are ways that school food service can continue to partner with school programs and student organizations. It is still possible for the school food service to purchase goods for other entities officially sanctioned by the school through existing food service contracts, as long as the purchase cost is paid in full by the other entity, including any labor costs associated with purchasing these goods. If the school food service is used to provide goods and/or services for entities officially sanctioned by the school, the school food service must be fully reimbursed for any and all costs due to these arrangements. The additional purchase also must not create a material change in the school food authority's (SFA) contracts.

In arrangements where the school food service labor is used to prepare goods for an outside entity (e.g., catering), the school food service must ensure that all costs, including labor and any other costs incurred, are covered by the entity which is being served by the school food service operations. Since estimating these costs may be difficult, school food service should be cautious that food service funds are not lost when entering into these types of arrangements.

When entering into arrangements with outside entities, the school food service is best served having an agreement in place regarding costs and all other terms and conditions, including a stipulation that all risk relating to revenue losses must be covered by the outside entity and not the school food service.

A common example of how school approved organizations can still work with school food service includes a sports team wishing to hold a fundraiser during a sporting event. The sports team could pay the school food service for the full cost of food purchased through an existing food service contract and any labor it incurs in ordering the extra food (and any other role the school food service may play, e.g., preparing food). The sports team can then sell the food at the sporting event and keep any revenue from those sales.

State agencies are reminded to distribute this memorandum to program operators immediately. SFAs should contact their State agencies for additional information. State agencies may direct any questions concerning this guidance to the appropriate Food and Nutrition Service Regional Office.

Cynthia Long
Deputy Administrator Child Nutrition Programs

School Nutrition Programs and Cost Allocation – Chargeback or Indirect Cost Rate?

School Business Bulletin No. 63, November 2018

School nutrition programs are federal grant assisted meal programs administered by the state agency. Most federal grants are funded by a reimbursement of costs, one of them being indirect costs. Reimbursement for school nutrition programs is driven by a meals-times-rate formula rather than by the reimbursement of actual costs so when the district seeks to recover costs associated with school nutrition programs, it must do so either by assigning costs directly or by using the indirect cost rate. To clarify, a chargeback is simply a direct cost that is allocated at a point in time – usually at the end of the year. If a cost does not meet the documentation requirement, it can be recovered only by the general fund using the indirect cost rate.

Adequate Documentation

What is adequate documentation?

Adequate documentation varies among different types of costs but in all cases, it must substantiate the benefit received by the program.

Utilities
A true direct charge to program 770 for utilities can only be achieved by a separate meter to each kitchen facility, in which the costs associated with that meter would be the direct cost. Since most buildings do not have this configuration, some flexibility is available. The method most used is to calculate the ratio of square footage of the kitchen to the square footage of the building and then applying the resulting percentage to the actual utility cost of the building. This method is often misused by applying the percentage to the utility cost for the entire district.

Refuse Disposal
Refuse disposal is another area that is difficult to determine a true direct charge to program 770. Many districts use an estimate provided by custodial staff or justify the cost with a hunch that foodservice generates a certain percentage of waste in the district. Neither of these constitutes as adequate documentation. What would be acceptable as documentation of a direct charge for refuse disposal to program 770 would be an invoice with a line item charge corresponding to the receptacle used exclusively for foodservice. If this type of documentation is not available, then the cost can only be recovered using the indirect cost rate.

Labor
Labor costs that are routinely charged directly to program 770 are for custodial services, administrative services, warehouse and delivery services and lunchroom supervision. Most likely, all these costs involve multiple cost objectives and would require the kind of documentation described in the *Uniform Guidance: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*).

New guidance on labor costs can be found at 2 Code of Federal Regulations (CFR) 200 specifically, 2 CFR 200.430. There is now an emphasis on strong internal controls rather than a prescriptive personnel activity report; however, 2 CFR 200.430(i) still requires non-federal entities to maintain records that “accurately reflect the work performed.” These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100 percent of compensated activities;
- Encompass both federally assisted and all other activities compensated by the non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-federal entity's written policy;
- Comply with the established accounting policies and practices of the non-federal entity; and
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Indirect Cost Rates
What is an indirect cost rate?
An indirect cost rate is a means to establish, in an approved manner, the percentage of allowable general management costs that each federal grant should bear. There are two types of indirect cost rates; unrestricted and restricted.

Where can I find the rates?
MDE website Data Center. The spreadsheets available there show the calculation of annual approved indirect cost rates used by local educational agencies (LEAs) in Minnesota to recover any indirect costs for the administration of federal or state grants.

Which rate can I use?
School nutrition program guidelines allow for the unrestricted rate when allocating indirect costs to Fund 02. There is no regulation that requires the district to recover indirect costs from school nutrition programs so some districts opt to

support the food service by absorbing indirect costs in the general fund. Other districts choose to bill foodservice at the lower restricted rate or some rate between the restricted and unrestricted rate. Keep in mind that if anything above the restricted rate percentage is used, there cannot be a direct charge to foodservice for anything in the unrestricted indirect cost pool.

How are the rates calculated?
In general, the rates are calculated by dividing the total indirect costs by the total direct costs. For the purposes of this calculation, all costs are classified as either indirect, direct, disallowed or excluded. The data used for the current year's rate is the district's submitted UFARS data from the second preceding year. The difference between the restricted and unrestricted rates is what is considered as the total indirect costs in each calculation.

To determine the restricted rate, certain costs are removed from the unrestricted indirect cost pool and reclassified as direct costs. By excluding otherwise allowable costs from the indirect cost pool and adding them to the direct cost base, the result is a smaller numerator and larger denominator. The resulting calculation generates the lower, restricted rate. The following is an example of the relationship:

	Unrestricted		Restricted
Indirect Costs	$ 17,951,921.45	$ (14,898,453.46)	$ 3,053,467.99
Direct Costs	$ 180,567,492.18	$ 14,898,453.46	$ 195,465,945.64
Indirect Cost Rate	9.94%		1.56%

As indirect costs decrease, the direct cost base increases by the same amount.

What is included in the Indirect Cost Pool?
Chapter 13 of the UFARS Manual offers a detailed guide outlining the Fund, Program and Object codes used in each data point of the calculation for both the restricted and unrestricted rates. The following charts show the Fund and Program codes considered as indirect costs in each type of rate.

Restricted Rate

Funds 01, 02, 04	
Program 105	General Administrative Support
Program 108	Administrative Technology Services
Program 110	Business Support Services

Unrestricted Rate

Funds 01, 02, 04	
Program 010	Board of Education
Program 020	Office of the Superintendent
Program 105	General Administrative Support
Program 107	Other Administrative Support
Program 108	Administrative Technology Services
Program 110	Business Support Services
Program 805	Equipment Repair Services for Other Clients
Program 810	Operations and Maintenance

How do I apply the rate to determine the maximum allowable cost recovery from Fund 02?
To determine the maximum amount of indirect costs that may be recovered from a federal program, the indirect cost rate is applied to the modified direct cost base. There cannot be a direct charge for any cost that is included in the indirect cost pool if this method is used.

What is the modified direct cost base?
The modified direct cost base consists of program costs less distorting items. Distorting items are excluded because they do not generate or benefit from the administrative overhead in the same manner as wages and salaries. U.S. Department of Agriculture (USDA) determines distorting items for school nutrition programs as:

- Food and milk costs in the school food service
- Value of USDA foods
- Equipment purchases and other capital expenditures
- Payments to contractors beyond the first $25,000

Calculation example:

Indirect Cost Rate Method		
a	Total Program 770 Direct Costs (cannot include indirect cost pool program costs)	$5,000,000
b	Food/Milk Costs	$2,000,000
c	Capital Outlay	$ 50,000
d	USDA Foods Value	$ 300,000
e	Contracts>$25,000	$ 80,000
f	Modified Direct Cost Base (a-b-c-d-e=f)	$2,570,000
g	Approved Unrestricted Indirect Cost Rate	10%
h	Maximum Indirect Costs to be recovered by Fund 01 (f*g=h)	$ 257,000

Consistency
Costs may be charged as either direct costs or indirect costs, depending on their identifiable benefit to a particular project or program, but all costs must be treated consistently for all work of the district under similar circumstances, regardless of the source of funding.

For example, if the district recovers costs from special education programs using the restricted indirect cost rate, those same costs cannot be charged directly to foodservice. Since the indirect cost pool for the restricted rate includes Program 110 (payroll/purchasing/finance) and Program 105 (human resources (HR)/benefits), those same costs cannot be recovered directly for foodservice.

For assistance with Nutrition, Health and Youth Development please contact: Kala Constant, (kala.constant@state.mn.us).

Summer Food Service – Adult Meal Pricing Guidance

MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > Summer Food Service

The primary purpose of the Summer Food Service Program (SFSP) is to provide nutritious meals and snacks to children from needy areas during the summer months when school is not in session. Sponsors of the SFSP have the option to serve meals to anyone, including adults. However, only meals served to children may be claimed for reimbursement, and if the number of meals available at a site is limited, children must always be served before adults.

If a sponsor chooses to serve meals to adults (other than those provided for in 7 CFR 225.2), the adult meals must be recorded differently than those served to children, depending on the classification of the adult served, as either a non-program or a program adult.

2024 Minimum Meal Prices for Non-Program Adults
Breakfast $3.00
Lunch $5.25

Snack $1.25

Non-Program Adults

- Do not work in any direct way with the meal service at the site. For example:
  - Parents or adults from the community that accompany their children to the site and wish to purchase a meal.
  - Sponsor/site staff that do not work with the summer meal program, for example, summer school teachers.
  - Adult visitors to a camp.

If Meals are Served to Non-Program Adults

- Sponsors may charge non-program adults for meals or they may provide meals at no charge.
  - If the sponsor charges for meals, the minimum meal prices, indicated above, must be charged.
  - If the sponsor does not charge for meals, the sponsor must have non-program funds (for example, grant funds or private donations) available to cover the cost of the meals. The cost of the meals includes the cost of food, supplies, labor and other costs incurred by the sponsor. The minimum adult meal prices, above, should be used as the minimum meal cost unless actual costs are greater.
- Meals may not be claimed for reimbursement.
- If the non-program adults pay for meals or non-program funds (for example, grant funds or private donations) are available to cover the full cost of the meals, then the cost of the meals may be considered an allowable SFSP cost.
  - Payments received from non-program adults, or non-program funds (for example, grant funds or private donations) used to cover the cost of the non-program adult meals must be reported as income to the SFSP.

Program Adults

- Work directly with the meal service at the site as either volunteers or paid employees. For example:
  - Cook(s). Persons preparing and serving the meals.
  - Person(s) recording meal counts at the point of service.
  - Person(s) involved with site security related to the meal service. Some sites (such as a school) may need to have persons standing beside doors that may lead to other parts of a building to ensure the participants remain in the eating area only.
  - Person(s) involved with program integrity or meal service. This might involve watching the meal service to ensure that all meal components are taken to ensure reimbursable meals, or that food is not taken off site. It may also involve assisting some of the smaller children with carrying their food to their tables.
  - Janitor. Person involved with the clean-up of the site.
  - Bus or van driver. If the sponsor is operating a mobile SFSP where food is being taken to a number of feeding sites or children are being transported to the feeding site. The driver might also be assigned to help with the distribution or counting of the meals at that site.
- Each sponsoring authority operates a unique program with different types of sites. Different types of sites may require different types or numbers of program adults.

If Meals are Served to Program Adults

- Sponsors may provide meals at no charge to program adults.
- Meals may not be claimed for reimbursement.
- The cost of meals served to program adults is an allowable SFSP cost.

Recording Non-Program and Program Adult Meals

Meals served to adults (other than those provided for in 7 CFR 225.2) must be recorded differently than those served to children. Meal count forms contain specific sections for recording non-program and program adult meals. These meals must be documented separately; a total count of all adult meals served is not acceptable. Income collected from non-program adults must also be recorded.

Summer Food Service – Reimbursement for Health Inspection Funds

Modified from MDE > Districts, Schools and Educators > School-Community Connections > Food and Nutrition > Summer Food Service > Claims and Reimbursement > Reimbursement, May 6, 2022

USDA provides funds to Schools that participate in the Summer Food Service Program (SFSP) to cover the cost of the second health inspection. All school food authorities that participate in SFSP are eligible for these funds as long as the request for reimbursement is submitted by September 1. Reimbursement will only be provided to schools that are approved to participate in SFSP during the current year. *SFSP Health Inspection Funds DO NOT cover the cost of licenses or certification training.*

Steps for Requesting Funds

1. **Complete the sponsor information found at the website above.** School staff who handle state program payments will know the Statewide Integrated Financial Tools (SWIFT) Supplier Number.
2. **Attach documentation of the fee paid for the second (or summer) health inspection for each school site currently approved to participate in SFSP.** This fee must be itemized in order to receive reimbursement.
3. **Submit all information by September 1.** Email to Health.Inspections.Invoice.MDE@state.mn.us, or fax to 651-582-8501; or mail to Nutrition Program Services, Minnesota Department of Education, 400 NE Stinson Blvd., Minneapolis, MN 55413, Attention: Summer Food.

Questions? Call (651) 582-8526, (800) 366-8922 or email mde.fns@state.mn.us.

*Note: the maximum fee for a second health inspection fee is usually $360 per site.

Unpaid Meal Charges, Delinquent and Uncollectable Debt

Modified from School Business Bulletin No. 68, June 2021

Classification

Unpaid meal charges are classified as either delinquent or uncollectable. It is this classification that determines the course of action when recording associated transactions.

Unpaid meal charges are considered "delinquent debt" when payment is overdue as defined by local policies. The debt is classified as delinquent as long as it is considered collectable and efforts are being made to collect it. A debt owed (an account receivable) to the Nonprofit School Food Service Account (NSFSA) is an asset. As such, the debt remains on the accounting records of Fund 02 until it is either collected or is determined to be uncollectable and written off.

When local officials determine delinquent debt is uncollectable, the debt must be reclassified as "bad debt." Debts are initially considered assets because they represent money due to the NSFSA. However, once a delinquent debt is reclassified as a bad debt, it is no longer considered an asset because it is, by definition uncollectable. Therefore, bad debts must be written off as operating losses. Expenditures from the NSFSA must meet the standards for allowable costs set out in the federal cost principles at 2 Code of Federal Regulations (C.F.R.) Part 200, Subpart E, so it is actually the resulting operating loss that is unallowable.

> 2 C.F.R. Part 200, Subpart E – Cost Principles § 200.426 Bad debts. *Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable.*

Local Educational Agency (LEA) Meal Charge Policy

As of July 1, 2017, the U.S. Department of Agriculture (USDA) required all LEAs to have a written and clearly communicated meal charge policy or procedure. The policy/procedure should outline how students will be charged for meals, as well as offering alternate meals, limits on meal charges, or allowing neither meal charges nor alternate meals when a student's account has insufficient funds. Per USDA guidance, the specific policy/procedure is at the discretion of each LEA and must include information about how unpaid meal debt will be collected.

Recordkeeping Requirements for Bad Debts

Once delinquent debts are converted to bad debts, records relating to those charges must be maintained in accordance with the record retention requirements outlined in [7 C.F.R. 210.9(b)(17)] and [7 C.F.R. 210.15(b)]. The following records should be maintained to document the appropriate establishment and handling of bad debt:

- Evidence of efforts to collect unpaid meal charges in accordance with the local unpaid meal charge policy;
- Evidence the collection efforts fell within the timeframe and methods established by the local meal charge policy;
- Financial documentation showing when the unpaid meal charge(s) became an operating loss; and
- Evidence any funds written off as bad debt were restored to the NSFSA using non-Federal sources.

Accounting for Food Service Delinquent and Uncollectable Meal Accounts

Accounting for Uncollectable Service Accounts

John's parents pay $100 to food service prior to the start of school.

Account	Description	Debit	Credit
B-02-101-000	Cash	$100.00	
B-02-230-000	Unearned Revenue		$100.00

John eats lunch and a la carte items throughout the next two months.

Month 1:

Account	Description	Debit	Credit
B-02-230-000	Unearned Revenue	$60.00	
R-02-XXX-770-701-601-000	Lunch Sales to Pupils		$40.00
R-02-XXX-770-707-601-000	A La Carte Sales to Pupils		$20.00

Month 2:

Account	Description	Debit	Credit
B-02-230-000	Unearned Revenue	$40.00	
B-02-115-000	Accounts Receivable	$30.00	
R-02-XXX-770-701-601-000	Lunch Sales to Pupils		$50.00
R-02-XXX-770-707-601-000	A La Carte Sales to Pupils		$20.00

Scenario 1

Month 3: John's parents pay $100.00 to food service.

Account	Description	Debit	Credit
B-02-101-000	Cash	$100.00	
B-02-230-000	Unearned Revenue		$70.00
B-02-115-000	Accounts Receivable		$30.00

John eats school lunch and a la carte items during the month. The entries in Month 1 and 2 will be repeated each month, but dollar amounts will change based upon actual food purchases.

Scenario 2

Month 3: John leaves the school district. The $30.00 owed is not recovered by the school district prior to John's departure. The district determines John is never coming back – the family moved out of the state. Therefore, the district categorizes this as bad debt expense (uncollectable).

Account	Description	Debit	Credit
E-01-XXX-**770**-000-**899**-000	Miscellaneous Expense (Bad debt expense i.e. uncollectable)	$30.00	

B-02-115-000	Accounts Receivable		$30.00
B-02-101-000	Cash	$30.00	
B-01-101-000	Cash		$30.00

Note: It is important to use **Fund 01** and **Program Code 770** when recording the write off of uncollectible student account balances for food service sales.

Accounting for Donations for Food Service
The district has received miscellaneous donations for **delinquent** food service account balances.

Account	Description	Debit	Credit
B-01-101-000	Cash	$800.00	
R-01-XXX-**770**-000-096-000	Donations to Food Service (for bad debt)		$800.00

Move donations from Fund 01 to Fund 02 to cover the accounts receivable in arrears.

Account	Description	Debit	Credit
E-01-XXX-770-000-899-000	Miscellaneous Expense (Bad debt expense, i.e. Delinquent)	$800.00	
B-02-115-000	Accounts Receivable		$800.00
B-02-101-000	Cash	$800.00	
B-01-101-000	Cash		$800.00

This entry is for the food service general ledger and not individual student accounts. The individual student account will need to be adjusted in the point of sale system (i.e., Pay Pams) by food service.

The school board needs to implement a policy that clarifies how donations are distributed to the student food service accounts in arrears. Donations that are designated to a specific student would be recorded directly into Fund 02 and would not be a tax deductible contribution.

Collections
Prior to sending uncollectible food service accounts to collections, the district has determined based on school board policy which accounts should be written off as uncollectible. See Scenario 2 for the journal entry to write off uncollectible accounts.

Districts that receive funds from collections, should consult their auditors on the accounting treatment to record the recovered funds.

See Minnesota Statutes, section 124D.111, Lunch Aid; Food Service Accounting regarding Fund Balance deficits in Food Service.

For assistance with compliance and regulation contact Minnesota Department of Education-Food and Nutrition Service (mde.fns@state.mn.us). For assistance with accounting, contact the UFARS Accounting Helpdesk (mde.ufars-accounting@state.mn.us).

Food Service Related – Checklist

Food Service – Balance Sheet

1. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

2. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be

spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

Note: Adjust the Inventory and Prepaid Expenditures and Deposits amounts to the Nonspendable Fund Balance before making Food Service Fund operating transfers.

3. Restricted Fund Balance (Funds 01, 02, 04, 06, 07, 18 and 47) (BAL 464) – Represents the balance of activity in Fund 02 programs that are not a deficit. (Capital Expenditures may be made from the Food Service Fund only, if the year-end fund balance is greater than the cost of the equipment purchase.) If this account is deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end.

   Note: Unassigned Fund Balance (Funds 02, 04, 06, 07 and 47) (BAL 463) – Deficits not eliminated by the following year operations must be eliminated with a permanent transfer from the General Fund. Districts may have up to three years to eliminate a deficit, if a plan is submitted and approved by the commissioner.

   Note 2: UFARS Edit – Test for first prior year's Fund 02 balance needs to evaluate the sum of Balance Sheet accounts 460, 463, and 464.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Food Service – Revenues

1. Revenues use Program 770 with an appropriate Finance code (701-709). There are some allowable federal grant codes.
2. Commodity Distribution Program Source 474 should be equal to Commodities Object 491.
3. Commodity Cash Rebate Program is recorded in Source 473.
4. State School Lunch is recorded in Finance 701 with Source 300.
5. Healthy, Hunger-Free Kids (.06 Cent Menu Certification) is recorded in Finance 701 with Source 471.
6. Federal After-School Snack Program is recorded in Finance 702 with Source 471.
7. Federal Special Milk Program is recorded in Finance 703 with Source 475.
8. Minnesota Kindergarten Milk Program is recorded in Finance 703 with Source 300.
9. Federal School Breakfast Program is recorded in Finance 705 with Source 476.
10. State School Breakfast Program is recorded in Finance 705 with Source 300.
11. Fresh Fruit and Vegetable Grant Program is recorded in Finance 706 with Source 471.
12. A La Carte and Other Nonprogram Revenues and Expenditures (Finance 707) records sales from food items other than regular meals, extra milk, as well as interest income and transfers.
13. Federal Summer Food Service Program for Children is recorded in Finance 709 with Source 479.
14. State Summer Food Service Program for Children is recorded in Finance 709 with Source 300.

15. Supply Chain Assistance Funding is recorded in Finance 710 with Source 471.

16. Interest income is recorded in Finance 707 with Source 092.

17. Operating Transfers In are recorded in Finance 707 with Source 649.

18. Food Service does not need Source 099 – Miscellaneous Revenue from Local Sources.

Food Service – Expenditures

1. Expenditures use Program 770 with an appropriate Finance code (701-710). There are some allowable federal grant codes.

2. Commodities Object 491 should be equal to Commodity Distribution Program Source 474. Additional Commodity processing costs are expensed to Food Object 490.

3. National School Lunch Program (NSLP) is recorded in Finance 701.

4. After-School Snack Program is recorded in Finance 702.

5. Special Milk Program is recorded in Finance 703. See FAI 71.10.

6. Minnesota Kindergarten Milk Program (MKMP) is recorded in Finance 703 with Object 495.

7. School Breakfast Program – SBP is recorded in Finance 705.

8. Fresh Fruit and Vegetable Grant Program is recorded in Finance 706.

9. A La Carte and Other Nonprogram Revenues and Expenditures are recorded in Finance 707 and are the cost of food items other than regular meals, extra milk as well as interest expense and fund transfers.

10. Summer Food Service Program for Children is recorded in Finance 709.

11. Supply Chain Assistance Funding expenditures are recorded in Finance 710 with Object codes 490 or 495.

12. Capital Expenditures are only made from Fund 02, if enough local revenue is generated. In most cases, they should be paid from Restricted/Reserved for Operating Capital Finance 302 or General Fund Finance 000. If justifiable in Fund 02 (Food Service), use with Finance 707.

13. Food rebates and recall rebates are coded as receipts to Food Object 490.

Community Service Fund Accounting Checklist (Fund 04)

Accounting for Community Service Costs

School Business Bulletin No. 10, April 1999

The UFARS system considers the business office and data processing, including information systems costs, to be among the district costs that should not be charged to Community Education on an INDIRECT basis. The costs of services provided in these areas can be charged to Community Education, but on the basis of a DIRECT charge. That means that the actual time spent on Community Education activities can be charged to Community Education. For example, based on a position description or contract with an employee, it may be determined that 30% of his/her work is assigned to Community Education, or records kept of time spent on various tasks may be used. The determination may not be based on the percent of the total school budget that is Community Education, as this has no proven relationship with the additional work, which is done because of Community Education's existence. As far as the practice of charging rent to Community Education, the rental rate per square foot must be based on the cost of maintaining the building allocated by square footage and amount of time Community Education uses the space. Community Education Services at the Department will be glad to work with districts to come up with a formula for your district. Also, the expense of printing and mailing the District Calendar and Newsletters should be General Fund expenses. These procedures should be followed if the policy of your district is to charge Community Education for the costs that result from its operation.

Charging Building Operations to Fund 04

School Business Bulletin No. 35, June 2007

School building operating costs may not be allocated to the Community Service Fund, except when a facility is used exclusively by Community Education. Any costs the district would continue to incur if the Community Education program did not occupy the building must be charged to the General Fund. **Only additional costs may be charged to Fund 04**, for example, extra custodial time documented by job timesheet entries, or additional electrical and heating costs to maintain classrooms ready for ECFE or Community Education classes. Additional utility costs should be allocated by both the amount of space and the percentage of time used. See Chapter 13 of the UFARS Manual, Cost Allocation Standards, for further information.

Fund 04 Fund Balances and Coding

General Community Education
Restricted/Reserved for Community Education (Fund 04) (BAL 431) – Represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, non-credit summer programs, youth development and youth service programming, early childhood family education, and extended day programs. Includes aids, levies, fees, grants, and all other revenues received by the school district for community education programs. Activities associated with Finance Code 321 Community Education must be restricted in this code (Minn. Stat. § 124D.20). *This restricted/reserved account may go into deficit. However, if future revenues cannot eliminate the deficit, a transfer from the general fund should be made to eliminate the deficit*.

Programs:

- Drivers Education Classroom
- Drivers Education Lab
- General Community Education
- Adults with Disabilities
- Summer School
- Recreation, Sports, and Athletics

- Extended Day (K-6 Child Care)
- Early Childhood and Family Education (ECFE) (Funded with Community Ed) *
- Youth Development and Youth Services
- Other Community Education
- Taconite $25 Reserve (ECFE Only)

Finance 321 is required for all Community Education expenditures unless Finance codes 311, 326, 332, 362, 364, 371, 377, 499, 514, 599, 699, 702, 717, 733, 792, 793, 796, 797, 798, or 799 apply.

* ECFE activity may be funded with Community Education levy and aid revenue only, but this is rare. See ECFE funding below.

Adult Basic Education

Restricted/Reserved for Adult Basic Education (Fund 04) (BAL 447) – This account will represent the balance of carryover monies for all activity involving Adult Basic Education. This would include all state aid and any grants or local funding used in support of ABE. The activity in this code will come from Finance Codes (FIN) 322, 324, 438/638, 801/901 and 803/903 plus any local funding (FIN 000) received by the district (refer to Minn. Stat. § 124D.52). *This restricted/reserved account is not allowed to go into deficit.*

Program 520 Adult Basic and Continuing Education – K-12 level basic skills learning opportunities for functionally illiterate people 16 years of age or older who are not enrolled in elementary or secondary school. Enables participants, according to their individual needs, to: identify, plan for, and achieve their individual goals; master basic academic problem solving; learn interpersonal skills needed to function in society; find and use community resources that address their needs; and continue education to the level of high school completion, further education or training that will make them more employable and productive citizens.

Finance 322, 324, 335, 364, 438/638, 499, 599, 699, 801/901 and 803/903 are required for all Adult Basic Education expenditures.

Note: Current year expenditures may use Course 000. Carryover expenditures must use the appropriate Course (001–010) to identify the fiscal year for UFARS reporting. Federal funds must use the appropriate Course (011-015) to identify the prior year federal award.

Early Childhood and Family Education

Restricted/Reserved for Early Childhood and Family Education (Fund 04) (BAL 432) – Represents the resources available to provide for services for early childhood family education programming. Related to Finance Code 325, Early Childhood and Family Education and Finance Code 328, Home Visiting (Minn. Stat § 124D.135). Includes aids, levies, fees, grants and all other revenues received by the school district for early childhood education programs. *This restricted/reserved account is allowed to go into deficit*.

Program 580 Early Childhood and Family Education – Record revenue and expenditures for activities, classes and events in schools, community centers and homes for children, aged birth to kindergarten, their parents and other relatives, and for expectant parents. This code includes programs that educate parents (and other relatives) so they may understand and enhance a child's learning and development. Other services include providing resource materials, parenthood education in secondary schools, and outreach work. The state-funded Community Education Early Childhood and Family Education (ECFE) program is included in this category. The district must use Program Code 580 for all revenues when Finance Code 325 is not used. It may also use the program code with Finance Code 325 if the district wishes. Program Code 580 must be used for all ECFE expenditures.

Note: The use of the Program dimension is required for both revenue and expenditure codes. Other sources of revenue need to retain their Finance code identity plus be counted in the ECFE program as part of the total resources.

Finance 325 is required for all revenues and expenditures unless Finance codes 311, 328, 335, 364, 371, 469, 499, 518, 599, 699, 702, 717, 733, 792, 793, 796, 797 or 799 apply.

School Readiness
Restricted/Reserved for School Readiness (Fund 04) (BAL 444) – Represents the resources available to provide for services for school readiness programs. This includes aids, fees, grants and all other revenues received by the school district. Related to Finance Code 344 – School Readiness (Minn. Stat. § 124D.16). If Finance Codes 337 – Pathway II and Finance Code 338 – Pathway I are used in conjunction with the School Readiness Program, these accounts would close to Fund Balance Account 444. *This restricted/reserved account is allowed to go into deficit*.

Programs:
- 582 School Readiness
- 582 with Pathway I and II for Early Learning Scholarships running in the School Readiness program.
    - Pathway revenue is coded with the appropriate Finance and Source 040.

Only use Program 582 with the School Readiness expenditure and revenue accounts.

Finance 344 is required for all revenues and expenditures unless Finance codes 317, 335, 337, 338, 364, 371, 469, 499, 599 or 699 apply.

Other Community Service Programs
Restricted Fund Balance (Funds 01, 02, 04, 06, 07, 18 and 47) (BAL 464) – Represents the balance of activity in Fund 04 for programs that are not related to Community Education, Adult Basic Education, ECFE, or School Readiness. Revenues and expenditures for Other Community Programs including Finance 337 – Early Learning Scholarships Program – Pathway II and Finance 338 – Early Learning Scholarships Program – Pathway I offered as Community Service are closed into BAL 464. *The restricted account is not allowed to go into deficit.* If deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end.

Programs:
- Activities paid with federal grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Activities paid with federal grant funds from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, 2021
- Activities paid with federal grant funds from the American Rescue Plan (ARP) Act
- Agriculture Farm Management
- Job Skills
- Other Community Programs
- Aid to Nonpublic Pupils – Health Services; Textbooks, Tests and Technology; and Guidance and Counseling
- Guidance/Counseling (Preferred Option)
- Health Service (Preferred Option)
- Child Care (Birth to Kindergarten)
- Early Childhood Screening (Aid) (Program 583 required for revenues and expenditures.)
- Pathway I and II for Early Learning Scholarships (Program 581 or 590)
    - Pathway revenue is coded with the appropriate Finance and Source 040

Finance codes 000, 151, 152, 153, 155, 156, 157, 160, 161, 165, 166, 167, 168, 169, 171, 173, 174, 337, 338, 350, 351, 353, 354, 364, 401/601, 424/624, 499, 599, 699, 717, 733, 792, 793, 796, 797 or 799 may apply.

Adult Basic Education (State) – Finance 322

Modified from School Business Bulletin No. 35, June 2007

Finance Code 322 – State Adult Basic Education – The recommendation on the use of course codes in the Adult Basic Education (ABE) program with the finance code 322 has changed for FY07 and thereafter. Prior to this year it was recommended to use year number course codes with all finance 322 expenditures. These course codes were to separate the previous year's expenditures from the current year. Now you will only need to use the previous year course code on codes representing up to 20% carryover that districts can spend in the first three months of the current fiscal year. You can use course code 000 for the current year expenditures.

Collaboration Accounting Codes

Modified from School Business Bulletin No. 8, October 1998

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 services 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: 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.

For further information, please contact the MDE Financial Management Team.

Early Childhood and Family Education and School Readiness Programs – Budget and Accounting Restrictions

Modified from School Business Bulletin No. 43, April 2010

A reminder to districts when closing budgets for the current Fiscal Year and planning budgets for the next Fiscal Year that revenue for Early Childhood and Family Education (ECFE) may only be spent for ECFE programs, and School Readiness revenue may only be spent to provide a School Readiness program. Each program's revenue must be reserved in a separate account in the Community Services Fund (Fund 04). Districts may not make a transfer out of either the ECFE or the School Readiness reserve account, not even to another account within the Community Service Fund.

The ECFE and School Readiness programs are also subject to expenditure limits. Limit each program's administration expenditures (UFARS Object 110) to five percent of annual program revenue. In addition, statutes limit expenditures for capital equipment used for ECFE programs to 10 percent of annual ECFE program revenue. A district anticipating an unusual circumstance requiring its ECFE capital expenditures to exceed the 10 percent limitation must have prior written approval from the commissioner. View Minnesota Statutes Sections 124D.135, subdivision 5 and 124D.16, subdivision 3.

Application forms for approval to exceed the ECFE capital expenditure limit, and a spreadsheet document summarizing districts' compliance with ECFE and School Readiness expenditure limits, are posted on the MDE Website at: https://education.mn.gov/MDE/dse/schfin/comm/.

For questions concerning Community Service Fund programs, contact Jan Carlson at 651-582-8342 or janice.carlson@state.mn.us. Additional assistance is available at the MDE Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Early Childhood (EC) Pre-Screening (PS)

MARSS Memo, March 19, 2021

Assigning MARSS PS for EC Screening from Previous Year after the Year Has Closed
Districts may find copies of screenings from a previous year after the October deadline, and still need to assign a State Student Identification Number (SSID) for state reporting purposes.

No state aid is given for screenings submitted to MARSS after October of a previous screening year. MDE has determined a MARSS PS record can still be assigned using the registration form by marking State Aid Category (SAC) 44 (private provider) and using a start date from the current year. For example, if a record dated April 10, 2020 was not submitted by October 2020, then it may be submitted by assigning a start date of July 1, 2021. The submission will only pass the MARSS edit system if the child is under 7 years of age at the time of submission. The state aid category 44, or private provider would be used in order for the screening to be assigned a MARSS PS record and no state aid will be awarded.

See the first paragraph of Page 3 of MARSS Manual Procedure 26 for related examples of assigning codes for a previous year. The paper or electronic chart in the district would have the correct information regarding the actual date of screening and the actual provider.

Assigning MARSS PS for EC Screening from another Provider
When parents or guardian submit a copy of a screening form completed by a public or private health care provider (Head Start, Child and Teen Checkups or Clinics who provide observational developmental screening), districts and charter schools that provide screening assign MARSS PS records.

The MARSS PS record is reported by using the registration form. State Aid Categories are assigned based on the program that completed the screening. MARSS Procedure 26 outlines the process for assigning the MARSS PS records.

If you have questions, contact Margaret Chresand (margaret.chresand@state.mn.us).

Early Childhood Screening Transfer UFARS Coding

Modified from 2021 Region Conference MDE's UFARS Update Session, March 24, 2021

When MDE reports to the legislature, it is apparent that Early Childhood Screening is underfunded. There has not been an increase in the funding formula since 2008.

Therefore, MDE is hoping you can help them by coding the transfer from the General Fund or other Community Education funds to Early Childhood Screening. An example of the UFARS entry from the General Fund to Early Childhood Screening would be:

Debit	E-01-005-xxx-000-xxx-910	$10,000.00	
Credit	R-04-005-583-000-354-649		$10,000.00

For questions, please contact Margaret Chresand (margaret.chresand@state.mn.us).

Early Childhood Special Education Placements in a Community Education Program Setting Reporting Revenue and Expenditures

Modified from School Business Bulletin No. 42, August 2009

It is becoming more common for Special Education IEP/IIIP/IFSP evaluation teams to place toddlers and preschool children with disabilities in the district's own Community Education preschool or prekindergarten program for socialization, peer interaction skills, behavior modeling and other special needs and services. Unlike the other young children alongside whom they participate in a School Readiness or Early Childhood Family Education program, young children with disabilities are reported on MARSS and generate state general education aid just as K-12 students do.

The accounting treatment used to record the costs of an early childhood special education placement in a Community Education program varies, depending upon the placement model used. The following examples illustrate accounting treatments for the three most common models of intra-district early childhood placement in Minnesota school districts. Each model requires a different accounting treatment to properly account for general and special education revenue and expenditures, which are reported in the General Fund (Fund 01), and early childhood, preschool and prekindergarten program activity, which is reported in the Community Service Fund (Fund 04).

Model 1: Special Education pays Community Education the amount of the per-child sliding fee the Community Education program would otherwise charge the child's family. This ensures that the total fee revenue generated by Community Education for the class is not reduced by serving children with disabilities, who, if placed in the program by the child's written IEP/IIIP/IFSP, may not be charged a fee.

Under Model 1, the scholarship expenditure to place the child in Community Education is reported in Fund 01 and coded to Object 898 – Scholarships. The Community Education program in which the child is placed—ECFE, School Readiness, preschool, or prekindergarten—reports fee revenue in Fund 04 equal to the amount of the payment from special education, and expenditures of a like amount, coded to the appropriate Object, Program, and Finance codes.

Sometimes a district may choose to contract with the Community Education program for a certain number of openings for the school year. At the end of the fiscal year, unfilled placement costs should be pro-rated among the costs of the students who were in attendance.

Example, Model 1: Special Education places a preschool child with disabilities in the district's Community Education School Readiness Program. Special Education pays tuition for the child to attend School Readiness. Membership hours related to the placement generate general education revenue.

Fund 01	
Revenue	01-xxx-000-000-211-xxx
Special Education Program, Fund 01	
Expenditure	01-xxx-400/412-000-303/390/393-xxx
School Readiness Program, Fund 04	
Revenue	04-xxx-582-344-050-xxx
Expenditure	04-xxx-582-344-140-xxx

Model 2: The Special Education program does not pay a fee to Community Education but instead provides a licensed professional staff to team teach alongside the community education program staff. The family may not pay a fee when the placement is required by the child's written IEP/IIIP/IFSP, so fee revenue to the Community Education program is reduced. However, the additional professional staff paid by the Special Education program

allows the Community Education program to serve additional children without incurring additional personnel expense.

Under Model 2, the salary and benefits of the Special Education program's licensed professional staff for time spent teaching in the Community Education program are reported in the General Fund (Fund 01). The Community Service Fund (Fund 04) does not report revenue or expenditures related to the children with disabilities in the Community Education program.

Example, Model 2: Special Education places three preschool children with autism spectrum disorders in the Community Education School Readiness program. Membership hours related to the placements generate general education revenue. Special Education assigns and pays 100% of the personnel costs for a licensed teacher to team teach the School Readiness class.

Fund 01

Revenue	01-xxx-000-000-211-xxx

Special Education Program, Fund 01

Expenditure	01-xxx-412-740-140-xxx

School Readiness Program, Fund 04 – No activity reported.

Model 3: Special Education pays fees to Community Education program AND provides a licensed professional to team teach alongside the Community Education program's staff. Districts that adopt this blended model would use both Model 1 and Model 2 accounting treatments.

Example, Model 3: Special Education assigns a certified paraprofessional to assist a preschool child with autism spectrum disorder who has been placed in the Community Education's School Readiness Program. The placement generates both general education revenue and special education revenue. Special Education pays the child's fee to attend School Readiness, as well as the salary of the paraprofessional aide.

Fund 01

Revenue	01-xxx-000-000-211-xxx

Special Education Program, Fund 01

Revenue	01-xxx-000-000-360-xxx
Expenditure	01-xxx-412-740-161-xxx
Expenditure	01-xxx-400/412-000-305/390/393-xxx

School Readiness Program, Fund 04

Revenue	04-xxx-582-344-050-xxx
Expenditure	04-xxx-582-344-141-xxx

Typically, the cost of an early childhood special education placement in a Community Education program does not exceed the amount of general education revenue the child generates through membership hours reported on MARSS. (*Note 1*)

Note 1: A prekindergarten pupil with a disability who is enrolled in a program approved by the commissioner and has an individualized education program is counted as the ratio of the number of hours of assessment and education service to 825 times 1.0 with a minimum average daily membership of 0.28, but not more than 1.0 pupil unit. (Minnesota Statutes section 126C.05, subdivision 1, paragraph a).

Complete instructions for reporting MARSS student records for early childhood disabled students are found in the MARSS Manual, Procedure 6. The MARSS Manual is posted on the MDE Web site at https://education.mn.gov/MDE/dse/schfin/MARSS/inst/.

For further information, contact Janice Carlson at 651-582-8342 or janice.carlson@state.mn.us.

Extended Day Accounting

Modified from School Business Bulletin No. 1, August 1997

The 1997 Family and Early Childhood Omnibus Bill contained a requirement that any district with an extended day program must maintain a separate account within the Community Services Fund to record all transactions related to that program. UFARS has the following existing codes to comply with this law within the Community Service Fund (04).

Revenues: All fees, any state aid/levy associated with costs for children with disabilities in extended day or school age child care programs, or other sources of revenue, must be coded with Program Dimension Code 570. In addition, state aid/levy for children with disabilities must be coded with Finance Dimension Code 798. State aid should use Source Dimension Code 300 – State Aids, and levy, Source Dimension Code 001 – Property Tax Levies.

Expenditures: All expenditures must use Program Dimension Code 570 – Extended Day. In addition, costs for including children with disabilities must use Finance Dimension Code 798.

Balance Sheet: All revenues and expenditures must be associated with Balance Sheet Account (BAL 431) – Restricted/Reserved for Community Education.

Nonpublic Pupil Aid Funds – Software and Other Educational Technology

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Nonpublic, November 18, 2022

In the 2012 legislative session Minnesota Statutes, section 123B.41 was amended to expand the list of items eligible under the categories of textbook, individualized instructional materials, and cooperative learning materials. At that time, Minnesota Department of Education (MDE) reviewed the new statutory language and offered guidance on its review. Recently, MDE has received additional questions about this particular statute, however, the underlying statutory language has not changed, and there is no basis to change the guidance issued after the passage of the 2012 amendment. MDE's interpretation remains unchanged and said guidance is included below.

Nonpublic pupil aid funds may be used to purchase "software or other educational technology, including "software, programs, applications, hardware, and any other electronic education technology." All items must be secular, neutral and nonideological material used by, or of benefit to Minnesota public school pupils. Eligible materials must be designed primarily for individual pupil use or use by pupils in a cooperative learning group in a particular class or program.

The intent of the Nonpublic Pupil Aid program as outlined in Minnesota Statutes, section 123B.40, is for every school pupil in the state to share equitably in education benefits. The funding and eligibility for participation in the aid program is on a per pupil basis. Eligible products must be purchased in quantities that ensure each student or each cooperative learning group has their own copy. Site licenses do not meet this requirement as they do not guarantee that each student or cooperative learning group is treated equitably.

Minnesota Statutes, section 123B.42, Subdivision 2, requires that the title to textbooks, individualized instructional/cooperative learning materials, and standardized testing materials must remain in the servicing district. Possession or custody may be granted or charged to administrators of the nonpublic school attended by the nonpublic school pupil or pupils to whom the eligible items are loaned.

Due to the variety of licensing and ownership restrictions attached to electronic educational technology, servicing districts will be required to register as the owner/user of the products loaned to participating nonpublic pupils. Questions concerning this legislation should be directed to Greg Sogaard, Education Finance Specialist, School Finance Division, at (651) 582-8858, or greg.sogaard@state.mn.us.

Nonpublic Pupil Aids – 5% Administrative Cost Accounting for Nonpublic Aid

Assumption: Nonpublic program costs are $100,000. Administrative costs may be calculated at a maximum of 5% or $5,000. **Setup for 5% Administrative Expenditure Reclassification (this is not a reversing entry).**

	Debit	Credit
E-04-xxx-590-xxx-35x-895	$5,000.00	
E-01-xxx-xxx-000-000-895		$5,000.00
B-01-101-000	5,000.00	
B-04-101-000		5,000.00

Note: When coding the indirect cost to Fund 4, Finance codes 350, 351, and/or 353 should be used.

Nonpublic Pupil Aids – Promulgation of Fiscal Year 2025 Program Rates of Entitlement and Pupil Reporting Procedure

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Nonpublic, March 21, 2024

Reference: (a) Minnesota Rules, chapter 3540.
(b) Minnesota Statutes, sections 123B.40-123B.48, as amended by Laws of Minnesota 2019, First Special Session, chapter 11, article 1, sections 2 and 3.

1. Information: In accordance with the procedures set forth in reference (a), public school districts are reimbursed for expenditures incurred in providing pupils the instructional materials and pupil support services required by reference (b), when those pupils are attending a nonpublic school (includes home schools), which are established and operating within the district's boundaries. Please note that the 2019 E-12 Education Law expands the definition of “ textbook” to include teacher's edition, teacher's guide, or other materials that accompany a textbook that a pupil uses when the teacher's edition, teacher's guide, or other teacher materials are packaged physically or electronically with textbooks for student use, and also expands the definition of “individualized instructional or cooperative learning materials” to include teacher materials that accompany materials that a pupil uses.
2. Purpose: The purpose of this letter is to communicate the fiscal year 2025 rates of entitlement.
3. Authorized Rates of Entitlement:
   a. The authorized rates of entitlement per eligible pupil to be used in computing district allotments for nonpublic pupil aids for school year 2023-24 are as follows:

Textbooks, Standardized Tests, and Individualized Instructional Materials	$120.97
Pupil Health Services	$81.07
Secondary Pupil Guidance and Counseling Services	$339.53

   b. Rates may be readjusted on or about October 15 when the actual appropriation and program participation figures are known.

4. Pupil Reporting Procedure: The following procedure applies to all nonpublic pupils, including those attending "home schools.”
   a. Pupil Requests: The Pupil Request Forms should be duplicated and forwarded to the nonpublic school administrator for distribution to the students at the beginning of the school year. These Request Forms

must be completed and filed on behalf of the student sometime after school starts in the fall but no later than September 15, 2024.

b. Student Report (ED-01650-36): Pupil Requests, signed on or before the September 15 deadline, must be summarized by the nonpublic school (or home school) officials on the Student Report Form ED-01650-36 and submitted to the public school district by October 1, 2024.

c. District Report: The district shall forward the Program Report for Nonpublic Aids with a copy of the Student Report (ED-01650-36) received from each of the nonpublic schools (or home schools) attached, to the department by October 15, 2024.

5. Deadlines: The importance of the timely submission of program data cannot be overemphasized.
   a. A parent's request for services or materials made after the September 15 deadline is not eligible for reimbursement. However, the late administrative reporting of an eligible request, properly executed, may be accommodated under extenuating circumstances if approved by the department.
   b. Accurate and complete reporting on the dates specified is essential to the effective administration of this program. Advance payments for district reports received by October 15, 2024, will be made on November 30, 2024.

Organization Sites – New for ECFE, School Readiness and Home Visiting

School Business Bulletin No. 56, May 2015

UFARS Update for New Organization Sites – Early Childhood and Family Education (ECFE), School Readiness (SR) and Home Visiting

In November 2014, MDE surveyed schools to understand where ECFE and SR services were being planned within the district. As a result, multiple "new" organization sites were established to track these services ***locally*** for implementation in FY 2015 and FY 2016. These sites were assigned classifications of 84 and 85 and are associated with Finance Code 325 – Early Childhood and Family Education, Finance Code 328 – Home Visiting, and Finance Code 344 – School Readiness. It is important to note that districts may use these newly created site classifications 84 and 85 ***at the local level only.*** When submitting UFARS reporting for Finance Codes 325, 328 and 344, ensure that you are "cross walking" those site classifications 84 and 85 to Organization Code 005 – Districtwide. Use of new sites classifications 84 and 85 will initiate an ***"error statement"*** on the UFARS Turnaround Reports. Unresolved "error" messages will result in non-qualification for the School Finance Award.

Pathway I and II Programs – Review of Accounting Treatment

Modified from School Business Bulletin No. 53, June 2014

The following accounting treatment for Pathway I (Finance Code 338) and Pathway II (Finance Code 337) Programs was published in School Business Bulletin #52 (Accounting Treatment Guidance for Approved Pathway I and II Programs). The Source Code 040 description has been provided below. In the description, please reference the "Note" section in regards to coding for the Early Learning Scholarships Program revenue. Revenue received from **third party administrators** for federal and state scholarship payments should be coded to Source Code 040.

Accounting Treatment for Approved Early Learning Scholarships Pathway I (Finance Code 338) and Pathway II (Finance Code 337):

	Fund	Organization	Program	Finance	Source/Object	Course
Revenue	04	001-999	581, 582, 590	337, 338	040	XXX
Expenditure	04	001-999	581, 582, 590	337, 338	Chapter 10 Grid	XXX

- Program Code 581 – Prekindergarten (Closes to Balance Sheet 464)
- Program Code 582 – School Readiness (Closes to Balance Sheet 444)
- Program Code 590 – Other Community Programs (Closes to Balance Sheet 464)

- Source Code 040 – Tuition from Patrons

UFARS Source 040 Tuition from Patrons (Funds 01 and 04) – Record revenue from students, parents, or guardians received for tuition for instructional programs. Revenue must be coded to the fund and program for which the tuition was charged. For example, Fund 01 for tuition from foreign exchange students or Fund 04 for community education programs, including driver's education.

Note: For the Early Learning and Development (ELD) Programs, record revenue from federal and state scholarship payments received through third party administrators.

UFARS Finance 337 Early Learning Scholarships Program – Pathway II (Fund 04) – Record revenues and expenditures for the Early Learning Scholarship Program Pathway II established in Minnesota Statutes, section 124D.165. Early Learning Scholarships are awarded to children through a Four-Star Parent Aware rated early childhood program that has been designated as a Pathway II site in communities with the highest need. The Four-Star Parent Aware rated early childhood program families may choose from school district prekindergarten and preschool programs, Head Start, child care centers, and licensed family child care providers.

If the scholarships are used in conjunction with the school readiness program, Finance Codes 337 would close to Fund Balance Account 444 – Restricted/Reserved for School Readiness. If the scholarships are not used in conjunction with the school readiness program, Finance Code 337 would close to Fund Balance Account 464 – Restricted Fund Balance.

UFARS Finance 338 Early Learning Scholarships Program – Pathway I (Fund 04) – Record revenues and expenditures for the Early Learning Scholarship Program Pathway I established in Minnesota Statutes, section 124D.165. Early Learning Scholarships are awarded directly to eligible children through regional Early Learning Scholarships Administrator Offices. These scholarships are paid to the early childhood program the family chooses. The early childhood program must be participating in Parent Aware, Minnesota's quality rating and improvement system and may include school district prekindergarten and preschool programs, Head Start, child care centers, and licensed family child care providers.

If the scholarships are used in conjunction with the school readiness program, Finance Codes 338 would close to Fund Balance Account 444 – Restricted/Reserved for School Readiness. If the scholarships are not used in conjunction with the school readiness program, Finance Code 338 would close to Fund Balance Account 464 – Restricted Fund Balance.

Note: Per the UFARS Hot Topics session handouts for the 2017 MASBO Annual Conference, revenues and expenditures should net to $0 at the end of the year.

For further information on Early Learning Scholarship Programs, please reference the MDE website at MDE > Districts, Schools and Educators > Teaching and Learning > Early Learning > Early Learning Programs > Early Learning Scholarships. Contact mde.els@state.mn.us or Sandy Myers at 651-582-8301. UFARS coding questions may be sent to mde.ufars-accounting@state.mn.us.

Prekindergarten Programs – Accounting

Modified from School Business Bulletin No. 36, April 2008

As of FY 2008, a school district or charter school "may spend general education revenue on extended time kindergarten and prekindergarten programs." (Minnesota Statutes, section 126C.126). This article summarizes accounting procedures for cases when districts reallocate general education revenue for prekindergarten programs, which are reported in the Community Service Fund (Fund 04).

Statutes define prekindergarten as any program "…designed for pupils younger than five years of age on September 1 of the calendar year in which the school year commences that prepares pupils to enter kindergarten the following school year….” (Minnesota Statutes, section 120A.05, subdivision 10 (a)) Children enrolled in prekindergarten programs, which may include School Readiness, are not reported on MARSS and do not generate general education revenue. Prekindergarten programs are supported by participant fees. School districts (not charter schools) with an approved School Readiness Plan also receive state aid and may charge fees.

A school district or charter school board that has chosen to reallocate a portion of its general education revenue for a prekindergarten program must make the following entries:

- Debit Fund 01, Source 211; and Credit Fund 04, Program 581, Source 211. This entry closes to Balance Sheet Account 431 (Fund 04).

If general education revenue is reallocated to pay for costs related to four-year-olds participating in a school district’s School Readiness Program, then the following accounting treatment is used:

- Debit Fund 01, Source 211; and Credit Fund 04, Program 581, Finance 344, Source 211. This entry closes to Balance Sheet Account 444 (Fund 04).

This procedure may not be appropriate in cases where a school district’s prekindergarten instructional program is not administered by Community Education and does not charge tuition or fees, but is supported entirely by referendum revenue, or other General Fund resources. A district with a prekindergarten program that matches this description should contact the MDE Division of Program Finance to discuss reporting options.

Note: Transition for Prekindergarten revenue was rolled into Transition Revenue and discontinued starting with FY 2015.

For more information, contact Janice Carlson at 651-582-8342 or janice.carlson@state.mn.us.

School Age Care Programs

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Community Education, ECFE and School Readiness, October 2022

Minnesota Statutes, section 124D.19, subdivision 11, authorizes school districts to operate adult-supervised programs for children from kindergarten through grade six during times when school is not in session. Programs are typically offered before and after the school day; some districts offer programs during the summer; and a growing number of districts offer school-age care programs that run opposite a half-day kindergarten program. This statute also permits a school board, if it chooses not to offer a school-age care program, to “allow an appropriate insured community group, for profit entity or nonprofit organization to use available school facilities for the purpose of offering a school-age care program.” [Minn. Stat. 124D.19].

General community education revenue (Fund 04) may be used to fund school-age care programs. Statutes also allow districts to charge a sliding fee based upon family income and to receive money from other public and private sources for school-age care.

In recognition of the *additional* costs associated with providing school-age care services to children with disabilities, Minnesota Statutes, section 124D.22, authorizes districts to levy for these additional costs. This levy is equalized; presently, no districts qualify for state aid under the current equalization rate of $2,318. Minnesota Statutes, section 124D.22, revenue may also be used for the additional costs of providing services to “children experiencing family or related problems of a temporary nature who participate in the school-age care program.” A district’s school-age care levy authority and aid entitlement, if any, are adjusted when actual additional costs reported in Uniform Financial Accounting and Reporting Standards (UFARS) differ from the district’s estimate of additional costs, which is used to calculate its initial school-age care revenue and levy limit. [Minn. Stat. 124D.22]

All school-age care revenue and expenditures must be coded to UFARS Program 570. In addition, Minnesota Statutes, section 124D.22, school-age care revenue and associated expenditures only must be coded to UFARS Finance 798.

Guidelines for Minnesota Statutes, Section 124D.22 School-Age Care Revenue
In determining whether school-age care program costs for a fiscal year may be charged to revenue authorized under Minnesota Statutes, section 124D.22, each of the following statements must be true:

- The district operated a school-age care program – or allowed an appropriate insured community group, for profit entity or nonprofit organization to operate a school-age care program at a district facility – for students from kindergarten through grade six during the fiscal year.
- The school-age care program met the requirements of Minnesota Statutes, section 124D.19, subdivision 11.
- The school-age care program incurred additional costs in order to provide school-age care services to a student with a diagnosed disability which substantially limits a major life function or a student with a documented temporary family problem.
- The school-age care program would not otherwise have incurred these additional costs in providing school-age care services to this student, but for the student's disability or temporary family or related problem.

A more detailed discussion is provided in the following Q & A.

Q: Can a district levy for school-age care if it does not currently operate a school-age care program?
A: A district must have a school-age care program, or plan to open a new program in the fiscal year for which the levy is payable, and expect to incur additional costs of providing school-age care services to children kindergarten through grade six who have disabilities or are experiencing a temporary family or related problem. If the school-age care program is operated at a school district facility by an independent party, a district may also levy for any additional costs *the district* incurs to provide school age care services to students enrolled in the program who have disabilities or who are experiencing a temporary family or related problem.

The district must be able to fully document the additional costs, and the students for which the additional costs are incurred, whether the district pays the costs directly or is billed for them by the independent party operating the school-age care program at a district facility.

A district's school-age care revenue is based initially upon an estimate of the additional costs of serving children with a disability or temporary family or related problem. If eligible students do not enroll in the school-age care program or if the program does not incur additional costs as a result of serving such students, then the district will report no expenditures under Fund 04 Finance 798; the district would have a school-age care levy adjustment in the third following levy cycle. For example, adjustments for FY 2012 (pay-2011 levy) would be certified in the pay-2014 levy cycle.

Q: Which children qualify as "children with disabilities or children experiencing family or related problems of a temporary nature?"
A: First, the students for whom additional costs are reported must be enrolled in kindergarten through the sixth grade. Any additional costs of providing school-age care services to children with disabilities or children experiencing a temporary family or related problem who are preparing to enter kindergarten or who have completed the sixth grade may not be charged to Finance 798.

"Children with disabilities" includes all children who have been identified by the local school district as a child with a disability as specified in Minnesota Statutes, section 125A.02. "Children with disabilities" also includes children who have a diagnosed disability that substantially limits a major life function.

There is no explicit definition in statute of "children experiencing family or related problems of a temporary nature;" however, the key word is temporary: long-term poverty or structural family circumstances are not problems of a temporary nature.

Finally, districts are advised to document the number of children for whom the additional program costs reported under Finance 798 are incurred, including the child's disability and/or temporary family or related problem(s) and why the problem or disability requires additional expenditures for services that are not otherwise provided by the regular school-age care program.

Q: What costs can be paid from school-age care revenue? Can administration and other general overhead costs be charged to Finance 798?
A: School-age care revenue may only be used for the *additional* costs the district incurs in order to include a child with a disability or experiencing a temporary family or related problem in the school-age care program. A general rule of thumb is that school-age care revenue may not be used for costs the program would otherwise incur absent the enrollment of a child or children with a disability or a temporary family or related problem. For example, the compensation costs for the superintendent, community education director, or school-age care program director should not be charged to Finance 798, unless these positions would be employed on a part-time basis but for the additional responsibilities associated with providing school-age care services to children with a disability or temporary family problem.

The district must be able to document that the additional expenditures reported under Finance 798 are directly related to the enrollment of particular children with a disability or experiencing a temporary family or related problem. **A district may not cost allocate school-age care program expenditures by the percentage of children enrolled who have disabilities or who are experiencing a temporary family or related problem.**

Below are some examples of allowable additional costs:
- Compensation for additional program staff hired to work with children with disabilities or a temporary family problem, to allow the children to participate in the school-age care program.
- Compensation for special needs coordinators/managers that organize and manage support services for children with special needs. Special needs coordinators are typically involved in hiring and supervising the additional program staff who work with children with disabilities, as well as developing individual program plans for specific students, and providing related staff training and mentoring.
- Equipment and supplies specific to special needs (e.g., sensory materials and equipment, adaptive chairs, picture communication materials and systems).
- Extra transportation costs required to allow a child with special needs to participate in school-age care program events such as field trips (e.g. extra costs for lift buses).
- Training directly related to providing school-age care services to children with disabilities (e.g. training on health-related procedures such as tube feedings).
- Sign language interpreters.

Q: Can Minnesota Statutes, section 124D.22 revenue be used to pay for special education or special services?
A: No. School-age care revenue (Minn. Stat. 124D.22) may not be used for special education or special services required by a child's IEP or IFSP.

School Readiness Aid Used for Scholarships

If a district uses School Readiness aid for scholarships to pay tuition costs of a School Readiness-eligible child to attend a Community Education preschool that is operated separately from School Readiness, the district should report an expenditure using Object 398 – Interdepartmental Services (Chargeback): 04-xxx-582-000-344-398. Likewise, the Community Education preschool program should report a contra-expenditure amount that reduces the expenditures of the preschool program by a like amount: 04-xxx-590-000-321-398. The chargeback amount should be based upon a fair allocation of the total costs of the preschool program, either on a per-child or per-instructional-unit basis, whichever is appropriate.

General Community Education, ABE, ECFE, School Readiness, and Other Community Programs Related – Checklist

Community Education, ABE, ECFE, School Readiness, and Other Community Programs – Balance Sheet

1. Delinquent Property Taxes Receivable (BAL 111) normally equals Deferred Inflows of Resources – Unavailable Revenue – Delinquent Taxes (BAL 231). See FAI 64.3.

2. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

3. Restricted/Reserved for Community Education (Fund 04) (BAL 431) – Represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, non-credit summer programs, youth development and youth service programming, early childhood family education, and extended day programs. Includes aids, levies, fees, grants, and all other revenues received by the school district for community education programs. Activities associated with Finance Code 321 Community Education must be restricted in this code (Minn. Stat. § 124D.20). *This restricted/reserved account may go into deficit. However, if future revenues cannot eliminate the deficit, a transfer from the general fund should be made to eliminate the deficit*.

4. Restricted/Reserved for Early Childhood and Family Education (Fund 04) (BAL 432) – Represents the resources available to provide for services for early childhood family education programming. Related to Finance Code 325, Early Childhood and Family Education and Finance Code 328, Home Visiting (Minn. Stat. § 124D.135). Includes aids, levies, fees, grants and all other revenues received by the school district for early childhood education programs. *This restricted/reserved account is allowed to go into deficit*.

5. Restricted/Reserved for School Readiness (Fund 04) (BAL 444) – Represents the resources available to provide for services for school readiness programs. This includes aids, fees, grants and all other revenues received by the school district. Related to Finance Code 344 – School Readiness (Minn. Stat. § 124D.16). If Finance Codes 337 – Pathway II and Finance Code 338 – Pathway I are used in conjunction with the School Readiness Program, these accounts would close to Fund Balance Account 444. *This restricted/reserved account is allowed to go into deficit.*

6. Restricted/Reserved for Adult Basic Education (Fund 04) (BAL 447) – This account will represent the balance of carryover monies for all activity involving Adult Basic Education. This would include all state aid and any grants or local funding used in support of ABE. The activity in this code will come from Finance Codes (FIN) 322, 324, 438/638, 801/901, and 803/903 plus any local funding (FIN 000) received by the district (refer to Minn. Stat. § 124D.52). *This restricted/reserved account is not allowed to go into deficit.*

7. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent due to form such as inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

8. Restricted Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 464) – Represents the balance of activity in Fund 04 for programs that are not related to Community Education, Adult Basic Education, ECFE, or School Readiness. Revenue and expenditures for Other Community Programs including Finance 337 – Early Learning Scholarships Program – Pathway II and Finance 338 – Early Learning Scholarships Program – Pathway I offered as Community Service are closed into BAL 464. *This restricted account is not allowed to go into deficit.* If deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end.

   Note: Close Federally Supported Sources (Finance 151-174) to Balance Sheet Account 464.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

General Community Education – Revenues

1. Record Community Education in Finance 321 or appropriate Finance code.

2. TRA/FICA Source 649 is an optional transfer from Fund 01 per M.S. 123B.79, subd. 3

3. Record Disparity Reduction Aid in Source 229. M.S. 273.1398, subd. 3

4. Record Agricultural Market Value Credit in Source 234. M.S. 273.1384

5. Record After School Enrichment Program in Finance 332.

6. Record Youth Development/Youth Service in Finance 362.

7. Record Children with Disabilities in School Age Care levy in Program 570, Finance 798, and Source 001.

Early Childhood and Family Education (ECFE) – Revenue

1. Record ECFE Levy in Finance 325 with Source 001.

2. Record ECFE Aid in Finance 325 with Source 300.

3. Record Home Visiting Levy in Finance 328 with Source 001.

4. Record Home Visiting Aid in Finance 328 with Source 300.

School Readiness – Revenue

1. Record School Readiness Aid in Program 582, Finance 344, and Source 300.

2. Record Pathway I or Pathway II Early Learning Scholarships in Program 582, Finance 338 or 337, and Source 040.

Adult Basic Education (ABE) – Revenue

1. Record State Adult Basic Education (ABE) Aid in Finance 322 with Source 300.

2. Record GED Testing and Adult Basic Education Supplemental Services in Finance 324 with Source 300.

3. Record the Federal Adult Basic Education Formula Revenue in Finance 438/638 with Source 400/405.

Other Community Programs – Revenue

1. Record Nonpublic Aid in Source 301. Revenue must be coded to Finance code 350, 351, and/or 353.

2. Record Early Childhood Screening Program in Program 583, Finance 354, and Source 300.

3. Record Pathway I or Pathway II Early Learning Scholarships in Program 581 or 590, Finance 338 or 337, and Source 040.

General Community Education – Expenditures

1. Expenditures use Organization 005.

2. Record Community Education in Finance 321 or another appropriate Finance code.

3. Record After School Enrichment Program in Finance 332.

4. Record Youth Development/Youth Service in Finance 362.

5. Capital Expenditures for equipment are limited to 10 percent of the total Community Education revenue.

6. Record Children with Disabilities in School Age Care levy in Program 570 and Finance 798.

7. Districts making Federal pass-through sub-awards and sub-contracts with Finance series 4xx/6xx accounts must use Objects 303 (1st $25,000) or 304 (>$25,000).

8. Federal funds must use the appropriate Course (011-015) to identify the prior year federal award.

Early Childhood and Family Education (ECFE) – Expenditures

1. Record ECFE in Program 580 and Finance 325.

2. Record Home Visiting in Program 580 and Finance 328.

3. Capital Expenditures for equipment are limited to 10 percent of the total ECFE revenue.

4. Districts making Federal pass-through sub-awards and sub-contracts with Finance series 4xx/6xx accounts must use Objects 303 (1st $25,000) or 304 (>$25,000).

5. Federal funds must use the appropriate Course (011-015) to identify the prior year federal award.

School Readiness – Expenditures

1. Record School Readiness in Program 582 and Finance 344.

2. Record Pathway I or Pathway II Early Learning Scholarships in School Readiness in Program 582 and Finance 338 or 337.

3. Capital Expenditures for equipment are limited to 10 percent of the total School Readiness revenue.

Adult Basic Education (ABE) – Expenditures

1. Record State Adult Basic Education in Program 520 and Finance 322.

2. Record GED Testing and Adult Basic Education Supplemental Services in Program 520 and Finance 324.

3. Record the Federal Adult Basic Education Formula Revenue in Finance 438/638.

4. Districts making Federal pass-through sub-awards and sub-contracts with Finance series 4xx/6xx accounts must use Objects 303 (1st $25,000) or 304 (>$25,000).

5. Federal funds must use the appropriate Course (011-015) to identify the prior year federal award.

Other Community Programs – Expenditures

1. Record Early Childhood Screening Program in Program 583 and Finance 354.

2. Record Nonpublic in the Budgeted Learning Sites with Finance 350, 351, and 353 for the specific program activity or Program 590.

3. Record Home School Sites in Organization 799.

4. Record Pathway I or Pathway II Early Learning Scholarships in Other Community Programs in Program 581 or 590 and Finance 338 or 337.

5. Districts making Federal pass-through sub-awards and sub-contracts with Finance series 4xx/6xx accounts must use Objects 303 (1st $25,000) or 304 (>$25,000).

6. Federal funds must use the appropriate Course (011-015) to identify the prior year federal award.

Building Construction Fund Accounting Checklist (Fund 06)

Building Construction Fund

MDE UFARS Manual – Fund Chapter

The Building Construction Fund is used to record all operations of a district's building construction program that are funded by the sale of bonds, capital loans, or major capital projects costing $2,000,000 or more.

Construction for buildings and additions may be comprised of the following: expenditures for general construction; advertisement for contracts; payments on contracts of construction; installations of plumbing, heating, lighting, ventilating and electrical systems; expenditures for lockers, elevators, and other equipment; architectural and engineering services; travel expenses; paint and decorating expenses, technology and technology updates; and any other related costs. Include the costs of floating the bond issue in this fund by reclassification from the General Fund. Note: This is a partial list of items.

All revenues and expenditures for projects being funded under the Capital Loan Program, must be reported in this fund. If levy dollars are received for capital loan projects by the "pay-as-you-go" method, instead of bonds, then a transfer must be made from the General Fund to the Building Construction Fund for the amount of the levy received in the General Fund.

Certificates of Participation (C.O.P.) issued for construction must be recorded here.

Long-Term Facilities Maintenance (LTFM) Program (Minn. Stat. § 123B.595) expenditures that are funded by bonds or major capital projects costing $2,000,000 or more must be recorded in the Building Construction Fund.

Where a balance from a bond issue remains in the Building Construction Fund after the project has been completed and all claims against the Building Construction Fund have been paid, the balance must be permanently transferred (residual equity transfer) by official board resolution to the Debt Service Fund and used to pay the bonded indebtedness incurred in the project (Minn. Stat. § 475.65). There can be no borrowing from the Building Construction Fund. Any cash balance or investment in a Building Construction Fund is held in trust for authorized building projects for which the bonds were sold and must not be used to support cash deficits in other funds (Minn. Stat. § 123B.78, subd. 4).

Bond Sale Example

CLOSING MEMORANDUM

TO:	School Superintendent
FROM:	Bond Counsel
Date:	April 25, 2024
Subject:	Independent School District No. 9999 (District Name), Minnesota $33,335,000 General Obligation School Building Bonds, Series 2024A Date of Bonds: April 1, 2024

Closing Date: April 21, 2024

Wire Instructions

In connection with the above closing, proceeds will be wired by the purchaser, Bonding Company as follows:

	Wire Instructions	Amount Wired
1)	Minneapolis National Bank, Minneapolis, MN, ABA #0000-00000, for credit District Name ISD 9999 2024 Bonds, Account #9999999999, care of ______	$33,893,091.50
2)	U.S. Trust Company, Somewhere, MN, ABA No. 1111-11111, for credit Bond Advisor Escrow Account, Account No. 010-010-1, for credit Independent School District No. 9999 (District Name), Minnesota [1]	57,367.50
	Total Proceeds	$33,950,459.00

[1] U.S. Trust Company, will issue checks to pay the issuance costs listed on the following page.

Closing Memorandum for Independent School District No. 9999 (District Name), Minnesota
$33,335,000 General Obligation School Building Bonds, Series 2024A

Bond Sale Example – continued

CALCULATION OF NET PROCEEDS

Net Proceeds

Par Amount of the Bonds			$33,335,000.00
Plus:	Underwriter Premium		538,619.62
Plus:	Accrued Interest (April 1, 2024, the date of the Bonds, to April 25, 2024 the closing date of the Bonds)		76,839.38
Subtotal			33,950,459.00
Less:	Costs of Issuance [1]		
	Bond Advisor (Financial Advisor)	49,160.00	
	Bond Counsel [2]	27,500.00	
	Standard & Poor's (Rating Agency)	7,500.00	
	Bond Trust Service Corporation (Paying Agent)	687.50	
	County Auditor's Certificate	20.00	
	Total Costs of Issuance		84,867.50
	Net Proceeds		$33,865,591.50

Distribution of Net Proceeds

Deposit to Construction Fund for Project Costs			$32,584,935.25
Deposit to Debt Service Account [3]			
	Accrued Interest	$76,839.38	
	Unused Underwriter Discount	333,350.00	
	Underwriter Premium	538,619.62	
	Capitalized Interest	331,847.25	
	Total Deposit to Debt Service Account		1,280,656.25
	Distribution of Net Proceeds		33,865,591.50

[1] U.S. Trust Company, will pay the costs of issuance from the proceeds wired to them as noted on Page 1.

[2] Bond Counsel will invoice the District for bond counsel fees in the amount of $27,500.00. There may also be an additional expense for disbursements. This invoice should be paid from bond proceeds received for this issue.

[3] The amount deposited to the Debt Service Account is available to pay the interest payment due February 1, 2025.

Closing Memorandum for Independent School District No. 9999 (District Name), Minnesota
$33,335,000 General Obligation School Building Bonds, Series 2024A

Note: This example has an unused Underwriter Discount, which is not shown separately. Discuss the bond sale information with your auditor. They may prefer to show the Underwriter Discount as a Cost of Issuance.

Note2: If there is capitalized interest with the Bond, the related fund balance is the Restricted Fund Balance 464. This entry will affect the Debt Excess calculation. Therefore, the district will need to send a request to Lonn Moe (Lonn.Moe@state.mn.us) to retain the debt excess for the interest payment.

Bond Coding Information

Accounting for Bond Issuance

The receipt of cash as bond proceeds takes place in the Construction Fund where the expenditure activity uses the bond proceeds.

		Debit	Credit
REVENUE:			
Cash	06-101-000	33,950,459.00	
Sale of Bonds PAR	06-005-000-000-000-631		33,335,000.00
Sale of Bonds Underwriter Premium	06-005-000-000-000-631		538,619.62
Interest	06-005-000-000-000-092		76,839.38
EXPENDITURES:			
Fees for Service – Financial Advisor	06-005-870-000-000-305	49,160.00	
Fees for Service – Bond Counsel	06-005-870-000-000-305	27,500.00	
Fees for Service – Rating Agency	06-005-870-000-000-305	7,500.00	
Fees for Service – Paying Agent	06-005-870-000-000-305	687.50	
Fees for Service – County Auditor	06-005-870-000-000-305	20.00	
Cash	06-101-000		84,867.50
DISTRIBUTION OF NET PROCEEDS*			
Transfer – Accrued Interest	06-005-870-000-000-910	76,839.38	
Transfer – Unused Underwriter Disc	06-005-870-000-000-910	333,350.00	
Transfer – Underwriter Premium	06-005-870-000-000-910	538,619.62	
Transfer – Capitalized Interest	06-005-870-000-000-910	331,847.25	
Cash	06-101-000		1,280,656.25
Cash	07-101-000	1,280,656.25	
Transfer	07-005-000-000-000-649		1,280,656.25

*The distribution of net proceeds could be recorded as a transfer between funds, the entry would be:

Transfer	06-464-000	1,280,656.25	
Transfer	07-101-000	1,280,656.25	
Transfer	07-464-000		1,280,656.25
Transfer	06-101-000		1,280,656.25

Note: This example has an unused Underwriter Discount, which is not shown separately. Discuss the bond sale information with your auditor. They may prefer to show the Underwriter Discount as a Cost of Issuance.

Note2: Per an MDE email dated October 20, 2016, if a district plans to use Long-Term Facilities Maintenance (LTFM) bond proceeds to pay the issuance costs and/or underwriter's discount amounts, those expenditures should be coded to Program 865-868, Finance 000, and Object 790. The reasoning for this item is the LTFM bonds provided the funds to cover issuance costs. It isn't necessary to identify the issuance costs by project (Finance code) because these items are not LTFM projects.

Note3: If there is capitalized interest with the Bond, the related fund balance is the Restricted Fund Balance 464. This entry will affect the Debt Excess calculation. Therefore, the district will need to send a request to Lonn Moe (Lonn.Moe@state.mn.us) to retain the debt excess for the interest payment.

Bond Notification

Modified from School Business Bulletin No. 30, January 2005

Notification requirements for school district elections were changed in the 2013 Legislative session. The notification statute, M.S. 205A.07 subdivision 3, was expanded to include the Commissioner of the Minnesota Department of Education (MDE). The new subdivision requires that school districts provide notification to MDE "at least 74 days prior to" an election.

The change to M.S. 205A.07, subdivision 3, also requires districts to provide MDE with the "certified vote totals for each ballot question" subsequent to an election. Correspondence sent to MDE to fulfill these requirements should be directed to Sarah Miller or Chris Kubesh in Program Finance.

Districts that are issuing new bonds or bonds to refund existing bonds should ensure that MDE has been both notified and provided with an amortization schedule for any new issue. Though some financial advisors, as a matter of course, notify and provide documentation to MDE, it is ultimately the school district's responsibility to provide the notification and documentation. Do not assume that your financial advisor has automatically performed this task.

For further information, please contact the MDE Financial Management Team.

Bond Proceed Notes

Use the financial advisor's Closing Memorandum to record the correct entries for the bond sale.

Unused Underwriter Discounts:
Minn. Stat. § 475.56 authorizes the sale of additional bonds provided the stated amount does not exceed by more than 2% of the voter approved authorized amount. These funds are used for the underwriter's fee. Unused underwriter discount (fee) is the difference between the actual underwriter's cost and the amount of bonds collected to pay those fees. The difference should be transferred to the Debt Service Fund (07) as an equity transfer. These amounts are used to retire bonds through the Debt Service Fund.

- Record the Underwriter Discount fee as a Cost of Issuance in the Building Construction Fund.
- **Note:** The Underwriter Discount is not related to Bond Discount.

Premium:
A premium is associated with bonds purchased by an underwriter for more than par value. The premium, if any, is the result of a higher interest rate on the underwriter's bid and is an equity transfer to the Debt Service Fund. The excess funds are used to retire bonds through the Debt Service Fund.

- **Note:** The financial advisor might use a different process to account for the premium.

Discount:
A discount is associated with bonds purchased by an underwriter for less than par value. The discount, if any, is the result of lower interest rates on the underwriter's bid and results in less sale proceeds.

- **Note:** The Bond discount is not related to Underwriter Discount.

Accrued Interest:
Interest earned between the bond available date and the sale date is known as accrued interest. Total accrued interest is transferred to the Debt Service Fund as an equity transfer.

Capitalized Interest:
Represents a portion of the proceeds identified to go into the Debt Service Fund to help pay the first interest payment when due, prior to the date of collection of taxes to be levied for the payments. The related fund balance is in the Restricted Fund Balance 464. This entry will affect the Debt Excess calculation. Therefore, the district will need to send a request to Lonn Moe (Lonn.Moe@state.mn.us) to retain the debt excess for the interest payment.

Cost of Issuance:
The cost of issuing construction bonds must be charged to the Building Construction Fund.

Interest:
Proceeds from bond sales may be invested (Minn. Stat § 475.65). Interest income may go to either the Building Construction Fund (06) or Debt Service Fund (07). Interest income from the investment of bond proceeds should be allocated to the Debt Service Fund in an amount sufficient to prevent a deficit. The Debt Service Fund **must** not go into deficit. Minn. Stat. § 123B.79, subd. 5.

Note: One day bond sales are recorded in Fund 06. Building Construction Fund 06 is used to record the project expenditures. Fund 07 Debt Service uses an excess fund balance to pay the one day bond. Refunding bonds replace existing bonds. That information is shown in Fund 07 Debt Service.

Economic Development Abatement Bond Proceeds – Guidance for Allowable Uses

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology, March 13, 2018

Under Minnesota Statutes, section 469.1813–1815, school districts may issue economic development abatement bonds. Without voter approval, the use of the bond proceeds is limited to the construction, resurfacing, replacement or repair of school parking lots.

This may include added features such as islands for traffic control, drainage, or safety purposes (rather than aesthetic landscaping), or retention ponds required to contain rainwater runoff from the associated paved surface. Parking lot lighting for safety purposes would also be included as an allowable purpose.

Any additional features would need to be considered necessary for the parking project and not ancillary to the project, or an improvement made simply to improve the aesthetics of the area. The following are some examples.

A water retention system or holding pond would be considered part of the project if it was necessary specifically for the drainage associated with the paved parking space. For example, if city code required a certain amount of drainage per square foot of paved space on the school grounds then the drainage work needed for the additional paved area could be considered part of the parking project. Drainage work associated with other paved areas could be piggy-backed onto the parking project but only if another source of funding was used for the portion of the drainage not associated with the parking lot.

Islands and bump-outs could be considered part of the parking project if necessary for traffic control/safety for vehicles and pedestrians. An unpaved island needed for water filtration or drainage could also qualify, but landscaping for beautification would need to be funded by another source.

Fencing would be an example of an improvement that would not be necessary for traffic control, safety or drainage and would need to be funded by another source.

If project costs exceed $2 million per site, the district must submit a project proposal to the commissioner of the Department of Education for Review and Comment under Minnesota Statutes, section 123B.71.

For questions about the allowable use of abatement bond proceeds, contact Lonn Moe. For questions concerning the Review and Comment process, contact Chris Kubesh at 651-582-8779.

Note: Per an MDE email dated April 8, 2019, the Economic Development Abatement Bond proceeds and expenditures are coded to the Building Construction Fund (Fund 6).

Office of the State Auditor (OSA) – Avoiding Pitfalls: Contractors' Performance and Payment Bonds

Office of the State Auditor (OSA) Avoiding Pitfalls, May 6, 2022

When public entities enter into contracts greater than $175,000, they must obtain a performance bond and a payment bond from the contractor. This requirement, with a few exceptions, applies to contracts for "the doing of any public work."

The performance bond helps ensure that the work will be completed according to the terms of the contract. The payment bond helps ensure that subcontractors, and people who provide labor and materials, are paid.

The bonds must be equal to or greater than the contract price. If the contract price increases after the bonds are provided, the public entity should consider obtaining additional bonds.

The statutes requiring these bonds are contained in the Public Contractors' Performance and Payment Bond Act found in Minnesota Statutes sections 574.26 to 574.32. For additional information on contractors' bonds, see our Statement of Position, Contract Change-Orders and Contractor's Bonds, found here.

Note: These requirements are also in place for Funds other than the Building Construction Fund.

Qualified School Construction Bond (QSCB)

Minnesota Department of Education

FOR IMMEDIATE RELEASE:
Aug. 28, 2009

Contact: Christine Dufour
(651) 582.8720

Minnesota Department of Education Allocates $75.85 Million in No or Low Interest Bonds

Bond proceeds to fund projects such as boiler replacement, classroom upgrades

Roseville – The Minnesota Department of Education has allocated $75.85 million of no interest, or low interest, Qualified School Construction Bond (QSCB) authority available to school districts from the American Recovery and Reinvestment Act of 2009. School districts receiving allocations must issue these bonds by December 31, 2009, and use the proceeds for construction, repair or renovation of public school facilities. In addition to this amount, the federal government allocated bonding authority separately to the Minneapolis School District, and St. Paul School District in the amounts of $21.7 million and $16.1 million, respectively.

Twenty-six school districts and charter schools submitted applications totaling $253 million for the $75.85 million in bonding authority. Bonding authority is allocated on a preliminary basis to twelve school districts listed below based on criteria that includes a preference for deferred maintenance over new construction, geographic location, project readiness, and district resource levels.

These districts will use proceeds of the bonds for a variety of projects including boiler replacement, roof replacement, lighting replacement, heating and ventilation, and classroom upgrades. In order to ensure the entire 2009 allocation is utilized, each district selected to receive bonding authority has been placed in a pool of districts eligible for a 2009 QSCB allocation and will document to the department that all requirements are met, prior to final allocation.

108	Norwood/Young America	10,200,000
200	Hastings	16,754,000
309	Park Rapids	4,669,880
394	Montgomery-Lonsdale	10,775,000
482	Little Falls	7,111,704
701	Hibbing	7,500,000
738	Holdingford	2,375,000
740	Melrose	7,800,000
768	Hancock	305,256
2164	Dilworth-Glyndon-Felton	4,505,000
2358	Tri-County	2,000,000
2889	Lake Park Audubon	1,854,160
		75,850,000

It is expected that Minnesota will receive a similar amount of bonding authority for allocation in 2010 for QSCB. Districts with qualifying projects that applied in 2009, but did not receive bonding authority, will receive priority for 2010.

Note: Districts issuing QSCB bonds may have a sinking fund depending on the type of bonds issued. These are not recorded the same as serial bonds. Make sure to discuss with your financial advisor.

Record the bond sale in Fund 06. Sinking funds have an escrow account (Balance Sheet Account 103) and use Restricted/Reserved for QZAB and QSCB Payments Fund Balance 451 in Fund 07. In addition, there are federal arbitrage requirements related to the sinking fund investment earnings and the timing and use of bond proceeds.

Building Construction Related – Checklist

Building Construction – Balance Sheet

1. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

2. Record Construction Contracts Payable in BAL 220.

3. Restricted/Reserved for Capital Projects Levy (Funds 01 and 06) (BAL 407) – Represents available resources from the capital projects levy to be used for building construction and other projects under [Minnesota Statutes, section 126C.10, subdivision 14](). All interest income attributable to the capital projects levy must be credited to this account. Related to Finance Code 795, Capital Projects Levy ([Minn. Stat. § 123B.63]()). *This restricted/reserved account may go into deficit to the extent of future levy authority.*

4. Restricted/Reserved for Building Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority (Fund 06) (BAL 413) – This account represents the June 30 balance in the building construction fund (Fund 06) for projects funded by certificates of participation/financed

purchase agreement with related lease levy authority under Minnesota Statutes, section 126C.40. It is related to Finance Code 791, Projects Funded by Certificates of Participation/Financed Purchase Agreement with Related Lease Levy Authority. *This restricted/reserved account is not allowed to go into deficit.*

5. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

6. Use Restricted Fund Balance (BAL 464) to record available resources from building construction bond sales. If deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end.

7. Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) (Funds 01 and 06) (BAL 467) – Represents available resources to be used for LTFM projects in accordance with the Ten-Year Plan. (Minn. Stat. § 123B.595, subd. 12). *This restricted/reserved account may go into deficit to the extent of future revenue authority.*

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Building Construction – Revenues

1. Record the bond sale in Source 631.

2. Record interest income in Source 092.

3. Record Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority in Finance 791.

4. Record Capital Projects Levy in Finance 795.

5. Record Long-Term Facilities Maintenance (LTFM) Aid in Source 317.

6. Record Long-Term Facilities Maintenance (LTFM) Levy in Source 001.

Building Construction – Expenditures

1. Record General Non-LTFM Building Construction in Program 870.

2. Record General Non-LTFM bond closing costs in Object 305.

3. Record LTFM bond closing costs in Object 790.

4. Record Projects Funded by Certificates of Participation/Financed Purchase (COP/FP) Agreement with Related Lease Levy Authority in Finance 791.

5. Record Capital Projects Levy in Finance 795.

6. Record Long-Term Facilities Maintenance (LTFM) in Programs 867 or 868 with Finance codes 347, 349, 352, 355, 358, 363, 366-370, or 379-384.

Debt Service Fund Accounting Checklist (Fund 07)

Advance Bond Refunding Example

Refunding bonds replace existing bond debt. Record the proceeds with Source 631 in Fund 07. Refunding bond issuance costs are charged to the Debt Service Fund 07. Calculations of Net Proceeds:

Sources		
Par Amount of the Bonds		$3,975,000.00
Plus: Interest Earned on SLGs		8,296.64
Less Costs of Issuance:		
Financial Advisor	$ 20,000.00	
Rating Agency	3,400.00	
Paying Agent	512.51	
County Auditors Certificate	50.00	
Total Costs of Issuance		(23,962.51)
Less: Underwriter Discount (Cost to Issue Bonds)		(23,109.07)
Net Proceed		$3,936,225.06

Distribution of Net Proceeds		
Par Amount of Bonds to be called for Prior Redemption:		
Purchase of SLGS	$3,921,703.00	
Initial Deposit to Escrow Fund	.36	
Interest Earned on SLGS	8,296.64	
Total Par Amount of Bonds to be Called for Prior Redemption		$3,930,000.00
Deposit to Debt Redemption Fund		
Excess Bond Proceeds		6,225.06
Distribution of Net Proceeds		$3,936,225.06

Entry to record proceeds

REVENUE:			
Cash	B-07-101-000	$3,983,296.64	
Sale of Bonds	R-07-005-000-000-000-631		$3,975,000.00
Interest on SLGS	R-07-005-000-000-000-092		8,296.64
EXPENDITURES:			
Underwriter Discount	E-07-005-000-000-000-790	$ 23,109.07	
Fees	E-07-005-910-000-000-790	23,962.51	
Refunding Bonds	E-07-005-910-000-000-**920***	3,930,000.00	
Cash	B-07-101-000		3,977,071.58

***** When bonds are not immediately callable, the amount available for refunding is placed in escrow. If the Fund 07 expenditure and revenue accounts close to Fund Balance 464, adjust with the following entry:

Cash with Fiscal Agent	B-07-103-000	$3,930,000.00	
Restricted Fund Balance	B-07-464-000	3,930,000.00	
Restricted/Reserved for Bond Refunding	B-07-425-000		$3,930,000.00

Note: The refunding escrow Fund Balance must be reported in BAL 425.

Note2: The Federal Tax Cuts and Jobs Act passed in December 2017 eliminated the state and local government's ability to execute tax-exempt advance refunding bonds. Issuance of tax-exempt advance refunding bonds to refinance tax-exempt bonds are prohibited after December 31, 2017. Discuss with your financial advisor the available options.

Note3: If there is capitalized interest with the Bond, the related fund balance is the Restricted Fund Balance 464. This entry will affect the Debt Excess calculation. Therefore, the district will need to send a request to Lonn Moe (Lonn.Moe@state.mn.us) to retain the debt excess for the interest payment.

Accounting for Advance Refunding

Modified from Financial Accounting Instruction (FAI) #105, May 1996

In an advance refunding transaction, new debt is issued to provide revenue to 1) pay principal and interest on outstanding debt as it becomes due, or 2) to pay the principal on the old debt with an earlier call date. An advance refunding occurs before the maturity date of the old debt. The proceeds of the new debt are invested until the maturity or call date of the old debt.

A governmental unit may advance refund its debt for a variety of reasons. Some of the many reasons debt is refunded may be to take advantage of better interest rates, alter the method of debt service payments (shortening or lengthening the payment periods), or replacing unfavorable bond covenants. Advance refunding is accounted for differently within the Balance Sheet and the General Long-Term Debt Account Group (GLTDAG) depending on whether the refunding results in defeasance.

DEFEASANCE

For financial reporting purposes, defeasance is the removal of debt and related assets from the balance sheet prior to the actual redemption of the debt. There are two types of defeasements: legal and in-substance.

In the case of legal defeasance, a government ceases legally to be the primary obligor for the indebtedness, although it still remains contingently liable for its repayment.

In-substance defeasance exists when the government legally remains the primary obligor for the debt, but for all practical purposes, the government is only contingently liable for the debt. The following GASB's Codification, Section D20.103, sets the criteria that all must be met if refunded debt is to be considered to be defeased in-substance:

1) Assets must be placed in irrevocable escrow to be used solely for the purpose of making principal and interest payments on only the defeased debt.
2) The chance of the government being required to make any additional future payments must be remote.
3) The assets in the escrow account must be essentially risk-free as to amount, timing, and collection of interest and principal (i.e., U.S. government securities, securities guaranteed by the U.S. government, or U.S. government-backed securities).
4) The timing of collections must approximately coincide in timing and amount with scheduled interest and principal payments.

Under the provision of this section, D20.108, the source of the assets placed into an advance refunding escrow account determines how the payment to the escrow agent is reported in the operating statement when defeasance occurs. Escrow resources provided from the proceeds of refunding bonds are reported as an "other financing use-payment to refunded bond escrow agent." Escrow resources provided out of other sources such as sinking funds are reported as debt service expenditures.

Example 1:
A district intends to advance refund $4,800 of outstanding general long term debt that is callable in three years. In order to accomplish refunding, the district will need to place an investment amount (for example, $5,000) with terms sufficient to pay principal and interest into an irrevocable escrow account. Currently, $500 is already available in the Debt Service Fund and will be used for the refunding. The remaining amount needed to accomplish refunding will be obtained from the proceeds of issuing $4,500 of the refunding bonds. The proceeds of the refunding issue will be

placed directly into the escrow account with a trustee.

		DR	CR
Other Financing Use – Payment to Escrow Agent	E-07-005-910-000-000-920	$4,500	
Advance Refunding Escrow	E-07-005-910-000-000-790	500	
Other Financing Source – Proc of Refund Bonds	R-07-005-000-000-000-631		$4,500
Cash with Fiscal Agent – Refunding Escrow	B-07-103-000		500

The refunded debt is removed from the General Long-Term Debt Account Group (GLTDAG) and replaced by the refunding bonds.

ADVANCE REFUNDING FAILING REQUIREMENTS FOR DEFEASANCE

Advance refunding failing to meet one of the requirements for an in-substance defeasance, as defined by the GASB's Codification Section D20.103, may or may not end in defeasance. A refunding that "cross-over" at some point in time eventually meet defeasance requirements and are accounted for differently than those that are originally in defeasance.

Crossover refunding does not result in the defeasance of debt prior to the crossover date. This is because they do not meet the requirements described earlier that state assets must be placed in an irrevocable escrow “to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt.” A defeasance may occur later, however, at a crossover date if all criteria of the GASB's Codification Section D20.103 are satisfied at that time.

The escrow account in a crossover refunding transaction is not initially dedicated to debt service principal and interest payments on the refunded debt. Instead, the resources in the escrow account are used temporarily to meet debt service requirements on the refunding bonds themselves. Only at a later date, known as the "crossover date," are the resources in the escrow account dedicated exclusively to the payment of principal and interest on the refunded debt.

Example 2:

A district intends to advance refund $4,800 of outstanding general long term debt that is callable in three years. In order to accomplish refunding, the district will need to place an investment amount (for example, $5,000) with terms sufficient to pay principal and interest into an irrevocable escrow account. Currently, $500 is already available in the Debt Service Fund and will be used for the refunding. The remaining amount needed to accomplish refunding will be obtained from the proceeds of issuing $4,500 of the refunding bonds. The proceeds of the refunding issue will be placed directly into the escrow account with the trustee.

		DR	CR
Cash with Fiscal Agent – Refunding Escrow	B-07-103-000	$5,000	
Other Financing Source – Proc of Refund Bonds	R-07-005-000-000-000-631		$4,500
Cash and Cash Equivalents	B-07-101-000		500

An escrow account is established to report refunded debt within the district’s financial records. During the life of the escrow, the district needs to record on the district’s books escrow activities. These activities include the reporting of interest revenue, principal and interest expenditures, and other related fees. The escrow account balance is reserved in the Restricted/Reserved for Bond Refunding (425), until the crossover date and, ultimately, defeasance.

Both the refunding bonds and the refunded debt are reported in the GLTDAG pending the crossover date.

Note: The Federal Tax Cuts and Jobs Act passed in December 2017 eliminated the state and local government’s ability to execute tax-exempt advance refunding bonds. Issuance of tax-exempt advance refunding bonds to refinance tax-exempt bonds are prohibited after December 31, 2017. Discuss with your financial advisor the available options.

Bonds – Tax Exempt Bond FAQs Regarding Record Retention Requirements

Condensed from IRS – https://www.irs.gov/tax-exempt-bonds/tax-exempt-bond-faqs-regarding-record-retention-

requirements,
Last Reviewed or Updated July 24, 2023

During the course of an examination, IRS Tax Exempt Bonds (TEB) agents will request all material records and information necessary to support a municipal bond issue's compliance with section 103 of the Internal Revenue Code. The following information is intended solely to answer frequently asked questions concerning how the broad record retention requirements under section 6001 of the Code apply to tax-exempt bond transactions. Although this document provides information with respect to many of the concerns raised by members of the municipal finance industry about record retention, it is not to be cited as an authoritative source on these requirements. TEB recommends that issuers and other parties to tax-exempt bond transactions review section 6001 of the Code and the corresponding Income Tax Regulations in consultation with their counsel.

The frequently asked questions can be found at the web address above.

Bonds Post-Issuance Compliance

IRS – https://www.irs.gov/tax-exempt-bonds/teb-post-issuance-compliance-some-basic-concepts,
Last Reviewed or Updated March 27, 2024

TEB Post-Issuance Compliance: Some Basic Concepts

Tax Exempt Bonds (TEB) focuses on providing participants in the municipal bond industry with quality service to assist issuers and conduit borrowers in understanding their tax responsibilities. As part of that service, TEB provides the following basic information for issuers of tax-advantaged bonds with respect to their post-issuance compliance requirements. Issuers may use this information to establish practices to monitor tax compliance throughout the period that their bonds are outstanding. However, issuers may not cite this information as an authoritative source. TEB recommends that issuers review this information in consultation with their counsel.

Generally

Tax-advantaged bonds (tax-exempt, tax credit and direct pay) are bonds that receive preferential tax treatment. These bonds, issued by or on behalf of state and local governments, are subject to federal tax requirements both at the time of issuance and for so long as the bonds remain outstanding. An issuer or other party's failure to comply with any federal tax requirement with respect to tax-advantaged bonds jeopardizes the preferential tax status of those bonds.

Compliance with certain federal tax requirements normally occurs at the closing of the bond transaction, while other federal tax requirements apply after the issuance of the bonds. Issuance related requirements include filing a Form 8038 series information return (8038 (PDF), 8038-G (PDF), or 8038-GC (PDF)) and the issuer having reasonable expectations of on-going post-issuance compliance. Additional issuance related requirements might include volume cap allocation limits and public approval of the bond issue.

Post-issuance federal tax requirements generally fall into two categories:

1. Qualified use of proceeds and financed property, and
2. Arbitrage yield restriction and rebate

Qualified use requirements apply to the direct and indirect uses of bond-financed property over the life of the bonds. Arbitrage requirements apply over the life of the bonds to limit the yield on investments acquired with bond proceeds and require the issuer to file Form 8038-T (PDF) to pay a yield reduction payment and rebate payment in certain circumstances.

Some federal tax requirements that are generally issuance related might require some level of post-issuance due diligence monitoring. For example, adjustments to the determination of issue price for federal tax purposes can affect compliance with volume cap allocation, arbitrage yield restriction and other federal tax requirements. Similarly, some level of post-issuance monitoring may be required to determine compliance with the issuance costs limitations that apply to qualified private activity bonds.

Importance of Post-Issuance Compliance
Appropriate monitoring of compliance throughout the entire period their bonds remain outstanding improves the issuer's ability to identify noncompliance and prevent violations from occurring, to timely correct identified violations (when prevention is not possible) and to ensure the continued tax-advantaged status of the bonds.

Written Procedures for Monitoring Compliance
Some issuers may choose to adopt written procedures for post-issuance compliance monitoring that address the issuer's particular characteristics and requirements. Among other provisions, these written procedures can include provision for:

- Due diligence review at regular intervals,
- Identifying the official or employee responsible for review,
- Training of the responsible official/employee,
- Retention of adequate records to substantiate compliance (such as, records relating to expenditure of proceeds),
- Procedures reasonably expected to timely identify noncompliance, and
- Procedures ensuring that the issuer will take steps to timely correct noncompliance.

Following these procedures can help to identify and resolve noncompliance timely to preserve the preferential status of tax-advantaged bonds.

How Does the IRS Promote Post-Issuance Compliance?
TEB administers a Voluntary Closing Agreement Program (TEB VCAP) to assist issuers in resolving federal tax violations related to their bonds as described in Notice 2008-31 and IRM section 7.2.3.

Generally, an issuer will receive more favorable resolution terms under TEB VCAP than for the same tax violation discovered during an examination of the bonds.

Issuers of tax-advantaged bonds are required to file a Form 8038 series information return. Form 8038 and Form 8038-G information returns include questions on whether the issuer has established written procedures to timely identify and correct violations and to ensure compliance with the arbitrage yield restriction and rebate requirements.

The Advisory Committee on Tax Exempt and Government Entities (ACT) issued several reports related to post-issuance compliance. Specific ACT recommendations on post-issuance compliance procedures are included in an exhibit to its June 2007 report (PDF).

Build American Bonds (BABs) – Accounting

School Business Bulletin No. 41, June 2009

The American Recovery and Reinvestment Act (ARRA) authorized school districts to issue taxable, instead of tax-exempt bonds, through Build America Bonds (BABs) to fund capital projects. School districts must follow all applicable state requirements for capital projects. Districts issuing these bonds will receive a federal interest subsidy payment from the U.S. Treasury Department to cover a portion of interest costs associated with the bonds. The amount of the annual payment is normally 35 percent of the total coupon interest on the bonds.

Since the bonds are taxable, the interest costs are normally higher than tax-exempt bonds. However, the interest cost subsidy may make BABs more attractive than tax-exempt bonds. The interest cost savings with BABs are greatest on long-term bonds.

Districts seeking voter approval for large construction projects or those issuing long-term alternative facilities bonds may find BABs offer lower interest costs. Though these bonds must be issued in calendar year 2009 or 2010, the repayment term and interest subsidy will extend years into the future.

For districts issuing BABs, interest subsidy payments received from the U.S. Treasury Department should be recorded in the UFARS fund 07 (Debt Redemption Fund) with a UFARS finance code 599 (Miscellaneous Direct Federal Revenue Finance) and UFARS source code 500 (Federal Aid Received Direct from Federal Sources for which a Finance Code is Specified).

For further information, please contact the MDE Financial Management Team.

Debt Service Bond Refunding – UFARS Coding

School Business Bulletin No. 61, May 2017

If your district has a bond refunding during the fiscal year, please make sure you code to the appropriate Balance Sheet Account 425 – Restricted/Reserved for Bond Refunding. *Coding the bond refunding to incorrect balance sheet accounts will cause inaccurate debt excess calculations which will reduce the allowable debt levy amount.*

For questions about "Debt Service Bond Refunding – UFARS Coding", please contact the UFARS Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Debt Service Fund Excess Accumulations

School Business Bulletin No. 10, April 1999

Minn. Stat. § 475.61 (1998) explains the procedures for districts to follow when they need to levy for dollars in the Debt Service Fund. It further explains what must be done on a yearly basis when excess monies accumulate in this fund. Subd. 4 of this statute explain what happens when a surplus is left after all obligations of the fund have been paid. Please refer to this statute when you are involved in debt service levies and long term bond payments. A district must levy 105% of the amount needed to pay yearly obligations of principal and interest bond payments. The 5% extra covers delinquent taxes and cash flow problems that may occur within the fund.

Maximum Effort Loan Aid

MDE UFARS Manual – Finance Chapter and Balance Sheet Accounts Chapter

Finance 333 Maximum Effort Loan Aid (Fund 07) – Record revenues and expenditures for the Maximum Effort Loan Aid Program established in Minnesota Statutes, section 477A.09. Aid payments under this section must be used to reduce current year property taxes levied on net tax capacity within the district or to reduce future years' tax levies by:

1. Retaining payments made under this section in the district's debt redemption fund for up to 20 years, notwithstanding the two-year limit under section 475.61, subdivision 3; or
2. Financing a defeasance of any future payments on outstanding bonded debt.

The activity in this code applies to Balance Sheet Code 433, Restricted for Maximum Effort Loan Aid. There are only 10 districts that should use this finance code.

Balance Sheet Account 433 Restricted/Reserved for Maximum Effort Loan Aid (Fund 07) – Represents the resources available to reduce current year property taxes levied on net tax capacity within the district or to reduce future years' tax levies by either:

1. Retaining payments made under this section in the district's debt redemption fund for up to 20 years, notwithstanding the two-year limit under section 475.61, subdivision 3.
2. Financing a defeasance of any future payments on outstanding bonded debt.

Related to Finance Code 333, Maximum Effort Loan Aid. There are only 10 districts that should use this finance code. *This restricted/reserved account is not allowed to go into deficit.*

Note: Revenue should be coded to R-07-005-XXX-000-333-300.

Nonbond Payments for Energy Loans and Lease Purchase

State-Approved Energy and Lease purchase payments are recorded in the Debt Service Fund starting July 1, 1994. Payments use Program 920 for nonbond payments. Districts may use unique Programs cross-walked to Program 920 to identify different activities.

Energy and Lease purchase payments not approved by the State are recorded in the General Fund as Operating Capital or as unassigned expenditures. Refer to the packet section for Capital Related Accounting Checklist (Fund 01) and the example for Nonbond Payments for Energy Loans and Lease Purchase.

Restricted/Reserved for QZAB and QSCB Payments – Balance Sheet Code 451

Modified from School Business Bulletin No. 37, June 2008

Qualified Zone Academy Bonds (QZABs) are a financing instrument that can be used to carry out school renovations and repairs. The federal government covers a portion of the interest, thus enabling schools to save on interest expenses. The interest payment is actually a tax credit, in lieu of cash, provided to the financial institution that holds the QZAB bond or note. The State of Minnesota has received an annual allocation of approximately $3 million for this program. For a district to qualify a school site, the site must serve a population that has 35% or greater of students eligible for free or reduced priced meals under the federal school lunch program.

Since QZABs are a federal initiative, they do not fit into a single method of state-authorized financing. Some districts have issued facility bonds, some have received voter approval and issued bonds, and others have entered into a lease purchase agreement with a lender. Some of these districts have entered into investment agreements that obligate the district to make an annual contribution for the future retirement of the QZAB debt. In certain instances, annual payments are made to the lender and the lender holds the balance of the annual contributions until maturity. In other instances, the district holds the balance of the annual contributions until maturity.

A district that holds the balance of the annual contributions for a QZAB lease purchase agreement should transfer operating capital funds to the Restricted/Reserved for QZAB Payments, Balance Sheet 451 in the general fund (01). A district that holds the balance of the annual contributions for facility or general obligation bonds should transfer debt service funds to the Restricted/Reserved for QZAB Payments, Balance Sheet 451 in the debt service fund (07). In both instances, the balance in Balance Sheet 451 should be equal to the June 30, 2008, cumulative balance of the required annual contributions per the investment agreement.

Note: MDE modified this UFARS balance sheet account to include Qualified School Construction Bonds (QSCB) in FY 2010.

School Building Bond Agricultural Credit, 2019 Update

MDE > Districts, Schools and Educators > Business and Finance > School Finance > Facilities and Technology, June 13, 2019

The 2019 Legislature modified the School Building Bond Agricultural Credit (Minn. Stat. § 273.1387) based on school building bond levies. (Laws 2019 First Special Session, chapter 6, article 5, section 2.) The reimbursement percentages have been increased from 40 percent in taxes payable 2018 and 2019, to 50 percent for pay 2020, 55 percent for pay 2021, 60 percent for pay 2022, and 70 percent thereafter.

First enacted in 2017 for taxes payable 2018, the school building bond agricultural credit applies to farmland excluding the house, garage and one acre, and managed forestland. The credit equaled 40 percent of the qualifying property's net tax capacity multiplied by the school debt tax rate. The school debt tax rate is the sum of all Fund 7 debt service levies divided by the taxable net tax capacity of all property in the school district. (The debt service levies include all certified levies and adjustments subtotaled on Lines 5016 and 5017 of the Levy Limitation and Certification Report, on Page 31 for payable 2018. The debt service levies include debt service equalization (Minn. Stat. § 123B.53), disaster debt service equalization (Minn. Stat. § 123B.535), and all other debt levies (Minn. Stat. § 123B.55), including long-term facilities maintenance (Minn. Stat. § 123B.595), after abatements (Minn. Stat. § 126C.46) and adjustments (Minn. Stat. § 126C.48) and after debt excess levy reductions (Minn. Stat. § 475.61). Other postemployment benefits bonds (Minn. Stat. § 475.52, subd. 6) in Fund 47 are excluded.

Similar to other property tax credits, county auditors will determine the tax reductions after levy certifications, and send them to the Minnesota Department of Revenue. Revenue will review the credit as part of the abstract of tax lists and certify the tax reductions to the commissioner of education for payment of the reimbursement to school districts. The annual appropriation will be open. When budgeting for fiscal year 2021 and later, please keep in mind that the property tax revenue in Fund 7 will be less than the certified levy by the amount of the school building bond agricultural credit and other state paid credits.

For further information on the school bond debt service levy estimates, contact Lonn Moe.

For further information on value estimates, credit estimates and credit administration, contact the Minnesota Department of Revenue Property Tax Division.

Debt Service Related – Checklist

Debt Service – Balance Sheet

1. Delinquent Property Taxes Receivable (BAL 111) normally equals Deferred Inflows of Resources – Unavailable Revenue – Delinquent Taxes (BAL 231).

2. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

3. Restricted/Reserved for Bond Refunding (Funds 07 and 47) (BAL 425) – Represents resources set aside from the proceeds of refunded obligations that have not met the criteria of defeasance (crossover bonds). These resources will be used to pay off future bonded obligations. *This restricted/reserved account is not allowed to go into deficit.*

4. Restricted/Reserved for Maximum Effort Loan Aid (Fund 07) (BAL 433) – Represents the resources available to reduce current year property taxes levied on net tax capacity within the district or to reduce future years' tax levies by either:
    1. Retaining payments made under this section in the district's debt redemption fund for up to 20 years, notwithstanding the two-year limit under section 475.61, subdivision 3.
    2. Financing a defeasance of any future payments on outstanding bonded debt.

    Related to Finance Code 333, Maximum Effort Loan Aid. There are only 10 districts that should use this finance code. *This restricted/reserved account is not allowed to go into deficit.*

5. Restricted/Reserved for QZAB and QSCB Payments (Funds 01 and 07) (BAL 451) – Represents resources required by agreement to be segregated for future payments of Qualified Zone Academy Bond (QZAB) or Qualified School Construction Bonds (QSCB) debt instruments. These resources are held by the district and will pay off the debt at maturity. Districts segregate operating capital funds for lease purchase instruments (Fund 01).

Districts segregate levy proceeds for bond instruments (Fund 07). *This restricted/reserved account is not allowed to go into deficit.*

6. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

7. Use Restricted Fund Balance (BAL 464). If deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end. **Note:** Account balance is reflected in Fund 99 (BAL 150).

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Note2: Debt relating to Other Post-Employment Benefits (OPEB) are recorded in Fund 47. See the section named "Other Post-Employment Benefits (OPEB) Debt Service Accounting Checklist (Fund 47)" for these debt items.

Caution: Account for debt service activity accurately to prevent levy certification adjustments for excess Fund Balance.

Debt Service – Revenues

1. Record Debt Service Equalization Aid in Source 309.
2. Record Disparity Reduction Aid in Source 229. M.S. 273.1398, subd. 3
3. Record Agricultural Market Value Credit in Source 234. M.S. 273.1384
4. Record Long-Term Facilities Maintenance (LTFM) State Aid in Source 317.
5. Record Long-Term Facilities Maintenance (LTFM) Levy in Source 001.
6. Record refunding bond amounts only in Source 631.
7. Record required debt amounts from Fund 06 with Source 649. This transfer normally represents unexpended underwriter bond discount, accrued interest, bond premium, and unexpended bond proceeds.

Debt Service – Expenditures

1. Record all bond payment activity in Program 910. Use Objects 710 for principal and 720 for interest.
2. Record financial advisor post issuance compliance expenditures in Program 910 with Object 790.
3. Record Bond Refunding payments in Program 910 with Object 920.
4. Record all payments of interest and principal for current nonbonded obligations in Program 920.

Trust Fund Accounting Checklist (Fund 08)

MDE UFARS Manual – Fund Chapter

The Trust Fund is used to record the revenues and expenditures for trust agreements where the school board has accepted the responsibility to serve as trustee. Per GASB Statement No. 84, Fiduciary Activities, a trust is defined as a trust agreement or equivalent arrangement. The property in the trust agreement typically comes to the district by gift. For example, a community member may create a scholarship trust to be awarded to an outstanding student every year or the local parent group may establish a trust to purchase computer equipment.

***Note:** GASB Statement No. 84 defines an equivalent arrangement as "one that, although not a trust by name, has the same characteristics required of a trust: (a) assets are dedicated to providing benefits to recipients in accordance with the benefit terms and (b) assets are legally protected from the creditors of the government that is acting as a fiduciary, as stated in paragraph 11c."

Trust Funds GASB #34

Condensed from MDE UFARS Manual – Chapter 13

GASB Statement 34 requires dropping the concept of expendable and non-expendable trust funds. Funds previously reported as non-expendable, whose resources are used to support school district operations, are now reported in a new governmental fund type called "permanent funds." Funds previously reported as non-expendable, whose resources are not used to support school district operations, will continue to be reported as a fiduciary fund. Funds previously reported as expendable trust funds, and whose resources are used to support school district operations, are now reported as a special revenue fund. Previous expendable trust funds whose resources are not used for school district operations are reported in a fiduciary fund.

Currently UFARS requires the use of Fund 08 to account for trust funds. The committee recommends districts establish separate funds, as applicable, to account for the activities as noted above. These separate funds would then be cross walked to Fund 08 for UFARS reporting.

Trust Activity – Note (Modified from School Business Bulletin No. 34, July 2006)
The activity in these funds is defined in statute and explained in the UFARS Manual Fund Chapter. If you have activity in a fund that does not fit the definition of that fund, please move the activity to the correct fund. An activity should be removed from the district's books if there is no fund to properly record the activity.

Trust Related – Checklist

Trust Fund – Balance Sheet

1. Check asset and liability accounts for reasonableness.

2. Restricted/Reserved for Student Activities (Funds 01, 08 and 18) (BAL 401) – Represents the resources available for the extracurricular activity funds raised by students. Activities associated with Finance Code 301 Extracurricular Activities must be restricted in this code (Minn. Stat. § 123B.49). *This restricted/reserved account is not allowed to go into deficit.*

3. Restricted/Reserved for Scholarships (Funds 01, 08 and 18) (BAL 402) – Represents the resources available for the scholarship funds. Activities associated with Finance Code 340 Scholarships must be restricted in this code. *This restricted/reserved account is not allowed to go into deficit.*

4. Unassigned Fund Balance (Funds 01, 08, 20, 25 and 45) (BAL 422) – Balance Sheet Account 422 is also used to record net assets in Fund 08 where GASB 54 is not applicable.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Trust Fund – Revenues

1. Check revenue accounts for reasonableness.

2. Use Source 092 for interest income on investments.

3. Use Source 096 for gifts and bequests.

Trust Fund – Expenditures

1. Check expenditure accounts for reasonableness.

2. Use with Program 960 Other Nonrecurring Items and Object 898 Scholarships.

Custodial Fund Accounting Checklist (Fund 18)

MDE UFARS Manual – Fund Chapter

Custodial funds are used to report fiduciary activities that are *not* required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust fund. Custodial funds represent a flow through mechanism in which the LEA receives funds and distributes these funds to an organization, with no financial benefit to the LEA.

The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

Custodial Fund Q&A

Condensed from MDE UFARS Manual – Student Activity Accounting Chapter

Included in the Student Activity Accounting chapter of the MDE UFARS Manual are several questions about Custodial Funds. Below are some of those questions.

What are some examples of activities that will be required to use Custodial Funds?
For UFARS Custodial Fund 18, GASB 84 section B28 states, "Fiduciary activities that are not required to be reported in pension (and other employee benefits) trust funds, investment trust funds, or private-purpose trust funds should be reported in custodial funds."

An LEA could use Custodial Funds for the following examples if the entity has no administrative or direct financial involvement, or the activity is not administered through a qualifying trust:

- The entity is a fiscal host of a grant or flow-through funds
- Scholarships without a legally binding trust agreement
- Assets of the employees (i.e., Deferred Compensation/457)

This list is not meant to be an all-inclusive list of Custodial Fund activities. Please consult with your auditor for questions regarding financial activities that may need to be recorded in the Custodial Fund.

How does an LEA know if they have administrative involvement?
A government has administrative involvement with the assets if, for example, it: (a) monitors compliance with the

requirements of the activity that are established by the government that does not receive the direct benefits of the activity, (b) determines eligible expenditures that are established by the government that does not receive the direct benefit of the activity, or (c) has the ability to exercise discretion over how assets are allocated.

How does GASB 84 affect the way scholarships are recorded?
To account for scholarships, MDE added Finance Code (FIN) 340, Scholarships, and Balance Sheet Account Code 402, Restricted/Reserved for Scholarships. When there is administrative involvement and no formal trust agreement, use General Fund 01 with Finance Code 340 and Balance Sheet Account Code 402. When there is a legal trust agreement associated with the scholarship, use Trust Fund 08 with Finance Code 340 and Balance Sheet Account Code 402. When the requirements of a fiduciary activity are met, use Custodial Fund 18 with Finance Code 340 and Balance Sheet Account Code 402. These codes are effective July 1, 2019.

For further information, please review GASB 84 and consult with your auditor.

Custodial Related – Checklist

Custodial Fund – Balance Sheet

1. Check asset and liability accounts for reasonableness.

2. Restricted/Reserved for Student Activities (Funds 01, 08 and 18) (BAL 401) – Represents the resources available for the extracurricular activity funds raised by students. Activities associated with Finance Code 301 Extracurricular Activities must be restricted in this code (Minn. Stat. § 123B.49). *This restricted/reserved account is not allowed to go into deficit.*

3. Restricted/Reserved for Scholarships (Funds 01, 08 and 18) (BAL 402) – Represents the resources available for the scholarship funds. Activities associated with Finance Code 340 Scholarships must be restricted in this code. *This restricted/reserved account is not allowed to go into deficit.*

4. Restricted/Reserved for Achievement and Integration Revenue (Funds 01 and 18) (BAL 448) – The unspent resources available from the Achievement and Integration program must be restricted in this account for use within the fiscal year (no carryover is allowed). All activity in this account must be related to Finance Code 313 and 318 (Minn. Stat. § 124D.862) and spent on the students that generated the revenue in the current year. *This restricted/reserved account is not allowed to go into deficit.*

5. Restricted Fund Balance (Funds 01, 02, 04, 06, 07, 18 and 47) (BAL 464) – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Constraints are placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. *The restricted account is not allowed to go into deficit.*

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Custodial Fund – Revenues

1. Check revenue accounts for reasonableness.

2. Record Student Activity fundraising activity revenue in Source 099. Any fundraising activity in Fund 18 must be offset by equal expenditures to the recipient. No other costs are allowed.

Custodial Fund – Expenditures

1. Record Student Activity fundraising expenditures in Finance 301 with Object 899. The fundraising expenditures must be directly offset by the revenue collected.

2. For Scholarship expenditures where the district has no administrative or direct financial involvement, or the expenditures are not administered through a qualifying trust, record those expenditures in Program 960, Finance 340, and Object 898.

Internal Service Fund Accounting Checklist (Fund 20)

MDE UFARS Manual – Fund Chapter

An internal service fund is used to account for the financing of goods or services provided by one department to another within the school district or to other governmental units on a cost-reimbursement basis. School districts are not required to use internal service funds. The most common use of an internal service fund by school districts is for self-insurance programs.

An internal service fund is designed to provide cost-reimbursement; thus, the fund must not maintain a material surplus or deficit. The definition of "cost" includes depreciation expense on equipment purchased; therefore, the fund uses the full accrual method of accounting. This concept of full-cost reimbursement requires that the Internal Service Fund only be used when the school district intends to recover the full cost of providing the service (including depreciation expense) through user charges. If the fund has a material deficit or surplus without demonstrable intent and ability to eliminate the balance through user fees over a reasonable period of time, the amount of deficit or surplus must be charged back to the participating funds.

Internal service funds may charge for asset use in excess of historical cost depreciation to ensure that adequate funds (historical cost plus inflation) are available for replacement of assets. This method of providing for replacement cost is allowed because the surpluses in the fund are only temporary. Districts should be aware of potential overcharges from internal service funds and their impact on federal grants and fund balances. If the Internal Service Fund retained earnings are excessive by federal standards, some costs may be disallowed on federal grants.

The use of an internal service fund does result in duplication of expenses within the school district. The expense is first reported in the Internal Service Fund to recognize the cost of providing goods and services. This same expense is then duplicated in the form of user charges to other funds. The advantage in using the Internal Service Fund is the isolation of expenses in the fund where the character of the transactions is clearer to the users of financial statements.

If a school district uses an internal service fund for self-insurance purposes, the expenses or claims are charged as expenditures in the other funds and recognized as revenue in the Internal Service Fund. Also, any excess of premiums over actual losses must represent a reasonable provision for anticipated catastrophic losses or be the result of a systematic funding method designed to match revenues and expenses over a reasonable period of time.

Internal Service Related – Checklist

Internal Service – Balance Sheet

1. Check asset and liability accounts for reasonableness.

2. Unassigned Fund Balance (Funds 01, 08, 20, 25 and 45) (BAL 422) – Balance Sheet Account 422 is also used to record net assets in Fund 20 where GASB 54 is not applicable.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Internal Service – Revenues

1. Check revenue accounts for reasonableness.

2. Record OPEB retiree contributions in Program 935 with Source 616.

Internal Service – Expenditures

1. Check expenditure accounts for reasonableness.

2. Record OPEB expenditures in Program 935 with Objects 220, 230, 235, or 251.

Other Post-Employment Benefits (OPEB) Trust Fund Accounting Checklist (Funds 25 and 45)

Modified from MDE UFARS Manual – Fund Chapter and Financial Accounting and Reporting Chapter

Fund 25 – Post-Employment Benefits Revocable Trust Fund – This trust fund is used for reporting resources set aside and held in a revocable trust arrangement for post-employment benefits. District contributions to this fund must be expensed to an operating fund.

Fund 45 – Post-Employment Benefits Irrevocable Trust Fund – This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for post-employment benefits. District contributions to this fund must be expensed to an operating fund.

UFARS Manual Chapter 13 Section 4 – GASB Statement 45

Note: This is a partial listing of the "Requirements for Establishing a Trust".

This document provides current requirements concerning establishment of a benefit trust by school districts for postemployment benefits. Financial information in a school district annual report to the Minnesota Department of Education (MDE) must be based on the accounting system prescribed in the Uniform Financial Accounting and Reporting Standards (UFARS) Manual.

These requirements apply to all postemployment benefit plans where the district is providing for such benefits by contributions to a legally established revocable or irrevocable trust. Reference Minnesota Statutes, section 471.6175, subdivision 7, (Minnesota Laws 2008, chapter 154, article 10, section 18) for the restrictions on the withdrawal of funds and termination of account for revocable and irrevocable trusts.

Unless a school district has established a trust, postemployment benefits are reported as a cost when payment for the benefit is made. This is a pay-as-you-go method, in contrast to recording cost when earned, which is recording a cost as employees are providing services to the district. If pay-as-you-go payments are made out of the operating funds of the district, those payments are considered contributions in relationship to the ARC. This does not prohibit districts from establishing trusts for select groups of employees, while using pay-as-you-go for other groups.

The Minnesota Department of Education recognizes that postemployment benefits may represent a significant liability that districts may want to fund. The Minnesota Department of Education also acknowledges that it is fiscally appropriate to have the cost and funding recognized and provided for such benefits as they are earned.

- UFARS has a separate reserve account, Reserve for OPEB Liabilities Not Held in a Trust (Balance Sheet 452), for reporting bond proceeds set aside and restricted/reserved for postemployment benefits.
- UFARS has a separate internal service fund, Postemployment Benefits Revocable Trust (Fund 25), for reporting resources set aside and held in a revocable trust arrangement for postemployment benefits.
- UFARS has a separate accounting fund, Postemployment Benefits Irrevocable Trust Fund (Fund 45), for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

The following are conditions and considerations in the use of a revocable or irrevocable Postemployment Benefits Trust Fund:

- The postemployment benefits accounted for in the fund must result from a written or implied contractual agreement as compensation for employee services. The district's obligation to pay for the benefits must accumulate during employment although the actual benefits are provided and payment for the provided benefits does not occur until after employment.
- The school board must agree in a formal, legally constituted trust agreement to establish a trust to hold and disburse resources set aside for the postemployment benefits. Employees eligible for benefits paid through the trust shall be notified that they may obtain a copy of the trust agreement upon request.
- For an irrevocable trust, physical segregation of trust assets must be made; the trust fund may not be merely an accounting shell consisting of a fund on the district's accounting records. Trust fund assets cannot be used for purposes other than those necessary to provide benefits for which the irrevocable trust was established.
- The department, in establishing accounting and reporting requirements for postemployment benefits, is not making a legal determination as to the authority of the school district to provide a particular benefit, nor is it making a limitation on benefits that the district has authority to provide. Any trust fund established must be in accordance with Minnesota Statutes.
    a. Minnesota Statutes, section 471.6175, (Minnesota Laws 2008, chapter 154, article 10, section 18, signed into law on March 7, 2008) gives school districts the authority to establish a trust for postemployment benefits (OPEB) under GASB 45.
    b. Minnesota Laws 2008, chapter 154, article 10, section 27, validates trusts created prior to June 6, 2006.
    c. For terms of withdrawals from and termination of the trust account, reference Minnesota Statutes, section 471.6175, subdivision 7.

OPEB Fund 25 and 45 Accounting Notes
Used to record trust activity. Investments should be accounted for separately from cash. Investment income, market value gains or losses and advisor fees are recorded in the respective accounts. Implicit rate amounts may be expended within the funds.

Districts may reimburse from the trust as needed after incurring expenditures. The amount must be based on allowed activity per the actuarial valuation. ***Districts must not use the trust to prefund expenditures*.**

Note: Investments with capitalized interest for making a bond payment must be removed from the trust to a district account and recorded in Fund 47.

Accounting information:

- X5-101-000 OPEB/District cash pool. Negative amount is normal. Balance may be the amount to reimburse for expenditure activity. A zero amount is the most this account should show.
- Positive balances may reflect an accounting error when the implicit rate adjustment was recorded or benefits were prefunded.
- X5-104-000 OPEB investment account. This is specific to the trust. Record monthly income or expenses. Year-end entries include market value gains or losses. Receipt this account for district reimbursement transfers.
- X5-005-935-000-000-220 Retiree Health Insurance. Primary account used for current year OPEB expenditures. Book implicit rate amounts to this account also.
- Objects 230 (Life Insurance), 235 (Dental), and 251 (TSA) may be used as current year OPEB, if part of the retirement package and listed in the actuarial report.
    - **Note:** Termination benefits not derived from unused sick leave or vacation pay may qualify.
- X5-005-935-000-000-305 Investment account expenses and advisor fees.
- X5-005-935-000-000-092 Investment income, prepaid interest and market value adjustments.
- X5-005-935-000-000-616 Retiree contributions.

Caution: Health Benefits qualify as OPEB activity. Districts with the Health Benefits levy must record with Finance 796 in the General Fund (01). If all activity is recorded in the Trust Fund and adjusted later, it is possible to create an overfunding situation with the trust reimbursement.

Implicit Rate Adjustment:
Use a journal entry to reclassify current operating fund(s) expenditures to the Trust Fund. Amount is based on the actuarial valuation.

Reduces operating expenditure accounts (Object 220) with a credit and debits the trust fund health insurance expense account (Object 220). Adjust cash to balance the entry. Do not include operating accounts with a Finance segment in this reclassification.

OPEB Trust Related – Checklist

OPEB – Balance Sheet

1. Cash and Cash Equivalents (BAL 101) balance is reasonable. Normal balance is negative or zero.
    - Positive cash may indicate OPEB prefunding.
    - Trust reimbursement before expenditures is incurred creates compliance issues with the district's OPEB trust agreement.

2. Investments (BAL 104) balance should agree with the trust account statement. It will include adjustments for market value changes.

3. Unassigned Fund Balance (Funds 01, 08, 20, 25 and 45) (BAL 422) – Balance Sheet Account 422 is also used to record net assets in Fund 25 (Postemployment Benefits Revocable Trust Fund – Proprietary Fund) and Fund 45 (Postemployment Benefits Irrevocable Trust Fund – Fiduciary Fund) where GASB 54 is not applicable.

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

OPEB – Revenues

1. Record investment income, prepaid interest, and market value adjustments in Program 935 with Source 092.

2. Record employer contributions in Program 935 with Source 614. **Note:** Only use when recording additional district funding into the trust.

3. Record retiree contributions in Program 935 with Source 616.

OPEB – Expenditures

1. Record retiree benefit expenditures in Program 935 with Objects 220, 230, 235, or 251 per the actuarial valuation for the respective fiscal year.

2. Record investment account expenditures and advisor fees in Object 305.

3. Record the implicit rate adjustment per the actuarial valuation for the respective fiscal year.

Other Post-Employment Benefits (OPEB) Debt Service Accounting Checklist (Fund 47)

MDE UFARS Manual – Fund Chapter

Fund 47 – Post-Employment Benefits Debt Service Fund – Activity to record levy proceeds and the repayment of the Other Postemployment Benefits (OPEB) bonds will be accounted for in this fund.

Note: Most districts had capitalized interest included with the bond. Those funds were intended for servicing debt and accidentally included with the trust investment. Remove from the trust investment account and adjust the due to and due from between the funds, if applicable.

Debt Service Fund External Financial Reporting

School Business Bulletin No. 42, August 2009

The 2008 Omnibus Tax Bill, 2008 Minnesota Laws, Chapter 154, Article 10, provided authority for school district boards to issue bonds for funding actuarial liabilities to pay other post-employment benefits (OPEB), as defined by the Governmental Accounting Standards Board (GASB) Statement No. 45. In FY 2009, an additional debt service fund (Fund 47) was created in the Uniform Financial Accounting and Reporting Standards (UFARS) to account for activity related to the OPEB bonds. The separate debt service fund was required in order to maintain the integrity of capital bonded debt and the associated debt equalization aid.

A debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The question has been asked by school auditors whether or not the two debt service funds (Fund 07 and 47) must be reported separately or whether they can be combined on the financial statements.

The 2005 Governmental Accounting, Auditing and Financial Reporting (Blue Book) states:

> "Care should be taken in applying the number of funds principle to debt service funds. Sound financial management requires that a government account for each debt issue separately in its accounting system. General-purpose external financial reports, however, need not necessarily provide information at this level of detail. Thus, a single debt service fund often may be sufficient for purposes of general-purpose external financial reporting, provided that detailed information on balances related to individual debt issues is properly maintained in the government's accounting system." (Page 20, paragraph 3)

Therefore, the two debt service funds may be combined in the general-purpose external financial reports as long as the reporting entity accounts for each debt issue separately in UFARS. In addition, the debt service funds must be reported separately on the compliance table in the audit document and are consistent with the amounts reported in the financial statement.

For further information, please contact the MDE Financial Management Team.

Guidance on Fund 47 – Other Post-Employment Benefits (OPEB) Debt Service Fund

School Business Bulletin No. 57, September 2015

The Omnibus Tax Bill (2008 Minn. Laws, Chapter 154, Article 10) contained a provision that provided authority for school district boards to issue bonds without voter approval for funding actuarial liabilities to pay other postemployment benefits (OPEB), as defined by Governmental Accounting Standards Board (GASB) Statement No. 45. A district may annually make a debt service levy in the newly created OPEB Debt Service Fund (Fund 47) to service the payment of principal and interest on those bonds. During the 2009 Legislative Session, Minnesota Statutes, section 475.58 was amended to require school districts to obtain voter approval for OPEB bonding.

Fund 47 was developed to maintain the record keeping for OPEB bonds; however, it is a component of a district's overall debt which is reported in Fund 07 Debt Service Fund[1].

After bond obligations and interest have been satisfied in Fund 47, surplus fund balances must be addressed according to Minnesota Statutes, section 475.61, subdivision 4 – Surplus Funds:

(a) All such taxes shall be collected and remitted to the municipality[2] by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of which levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality. However, for obligations authorized before July 1, 2005, the amount of any surplus remaining in the debt service fund of a school district when the obligations and interest thereon are paid shall be used to reduce the general fund levies authorized pursuant to chapters 122A, 123A, 123B, 124D, and 126C and the state aids authorized pursuant to chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A. ***For obligations authorized on July 1, 2005, or thereafter, the amount of any surplus remaining in the debt service fund of a school district when the obligations and interest thereon are paid in full may be appropriated to any other general purpose by the school district without any reduction in state aid or levies*** or may be used to reduce the general fund levies authorized under chapters 122A, 123A, 123B, 124D, and 126C, and the state aids authorized under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A.

(b) If the district qualified for second tier debt service equalization aid in the last year that it qualified for debt service equalization aid, the reduction to state aids equals the lesser of (1) the amount of the surplus times the ratio of the district's second tier debt service equalization aid to the district's second tier debt service equalization revenue for the last year that the district qualified for debt service equalization aid; or (2) the district's cumulative amount of debt service equalization aid.

(c) If the district did not qualify for second tier debt service equalization aid in the last year that it qualified for debt service equalization aid, the reduction to state aids equals the lesser of (1) the amount of the surplus times the ratio of the district's debt service equalization aid to the district's debt service equalization revenue for the last year that the district qualified for debt service equalization aid; or (2) the district's cumulative amount of debt service equalization aid.

(d) The reduction to the general fund levies equals the total amount of the surplus minus the reduction to state aids.

Based upon this statutory language, the district must proceed as follows:

- Leave Fund 47 balance intact until such time the district has paid off its OPEB bonded debt. On the June 30 following the final payment on the OPEB bonds, Fund 47 must be closed to Fund 7 balances.
- After all other obligations and interest in Fund 07 have been satisfied, any remaining funds may be appropriated to any other general purpose by the school district without any reduction in state aid or levies or may be used to reduce the general fund levies authorized under chapters 122A, 123A, 123B, 124D, and 126C, and the state aids authorized under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A."

[1] Minnesota Statutes, section 475.51, subdivision 6, states, "Debt service fund" means any money and investments in the treasury of a municipality appropriated to pay the principal, interest, or premiums for the redemption of any of its obligations…"

[2] Minnesota Statutes, section 475.51, subdivision 2, states, "Municipality" means a city of any class, county, town, or school district.

If you have questions on *Guidance on Fund 47 – Other Post-Employment Benefits (OPEB) Debt Service Fund*, contact the Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

OPEB Debt Related – Checklist

OPEB Debt Service – Balance Sheet

1. Delinquent Property Taxes Receivable (BAL 111) normally equals Deferred Inflows of Resources – Unavailable Revenue – Delinquent Taxes (BAL 231).

2. Inventory (BAL 130) and Prepaid Expenditures and Deposits (BAL 131) must be reclassified into Nonspendable Fund Balance (BAL 460) at year-end.

3. Restricted/Reserved for Bond Refunding (Funds 07 and 47) (BAL 425) – Represents resources set aside from the proceeds of refunded obligations that have not met the criteria of defeasance (crossover bonds). These resources will be used to pay off future bonded obligations. *This restricted/reserved account is not allowed to go into deficit.*

4. Nonspendable Fund Balance (Funds 01, 02, 04, 06, 07 and 47) (BAL 460) – Represents amounts that cannot be spent **due to form such as inventories and prepaid amounts**. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned. This also includes amounts that must be maintained intact legally or contractually (corpus or principal of a permanent fund). *The nonspendable account is not allowed to go into deficit.*

5. Use Restricted Fund Balance (BAL 464). If deficit, reclassify to Unassigned Fund Balance (BAL 463) at year-end. **Note:** Account balance is reflected in Fund 99 (BAL 150).

Note: Refer to the UFARS Manual Balance Sheet Accounts chapter for details about Fund Balance accounts.

Caution: Account for debt service activity accurately to prevent levy certification adjustments for excess Fund Balance.

OPEB Debt Service – Revenues

1. Record Disparity Reduction Aid in Source 229. M.S. 273.1398, subd. 3

2. Record Agricultural Market Value Credit in Source 234. M.S. 273.1384

3. Record refunding bond amounts in Source 631.

OPEB Debt Service – Expenditures

1. Record all bond payment activity in Program 910. Use Objects 710 for principal and 720 for interest.

2. Record financial advisor post issuance compliance expenditures in Program 910 with Object 790.

3. Record bond refunding payments in Program 910 with Object 920.

General Fixed Assets Group and General Long-Term Debt Group Accounting Checklist

General Fixed Assets Group (Fund 98) and General Long-Term Debt Group (Fund 99)

School Business Bulletin No. 35, June 2007

Districts must have reportable activity in the Fixed Assets and Long-Term Debt account groups each year. Make sure that the activity is being reported to the Department of Education with your UFARS files. Some districts have not been reporting the proper updates to these accounts over the past few years.

Two different account groups are defined in the UFARS manual. Account group classifications are established to account for the district's general fixed assets and general long-term indebtedness. An account group is not a fund, but rather comprises a self-balancing group of accounts. The account groups are numbered as follows:

98 General Fixed Assets Group – The General Fixed Assets account group is comprised of the accounts (Balance Sheet Accounts 140-149 and 171-174) maintained for a district's investment in land, buildings, equipment and construction work in progress. These assets are recorded in this account group at historical cost, including all costs to ready the asset for its intended use. However, where the items have been received as gifts, the fixed asset should be recorded at the appraised value at the date of receipt.

99 General Long-Term Debt Group – The General Long-Term Debt account group is comprised of the accounts (Balance Sheet Accounts 150-162) maintained for outstanding bonds, state loans payable, separation pay, and severance payables.

General Fixed Assets Account Group – Checklist

General Fixed Assets Account Group – Asset Accounts (BAL 140-149)

1. Update the General Fixed Assets group of accounts for current year activity. Use BAL 140-149 for the respective property type.

2. Land (BAL 140) – Represents the cost of land owned by the district. This account includes the purchase price and costs such as legal fees, filling and excavation costs or any other costs that put the land in condition for its intended use. This account also includes land acquired by gift. Use the appraised value of the donated property at time of acquisition.

   Please refer to Balance Sheet Code 148, Lease Asset, to record land acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 140.

3. Land Improvements (BAL 141) – Represents the cost of permanent improvements, other than buildings, which add value to land. This account includes improvements as landscaping, fences, retaining walls, parking lots, sidewalks and pavements. It also includes special assessment charges for permanent improvements.

4. Buildings (BAL 142) – Represents the cost of permanent structures used to house staff, students and property that is owned by the district. This account includes the purchase or contract price of all permanent buildings and fixtures forming a permanent part of such buildings. It also includes the appraised value of buildings acquired by gift. This account also includes the cost of heating systems and related fuel storage tanks, air conditioning, ventilation, electrical, plumbing, fire protection, and other building service systems, built in equipment, carpeting and draperies.

   Please refer to Balance Sheet Code 148, Lease Asset and Subscription-Based Information Technology Arrangements (SBITAs), to record buildings acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 142.

5. Equipment (BAL 143) – Represents the cost of tangible property of a durable nature other than land, land improvements and buildings. Equipment includes machinery, tools, fully depreciated or noneligible pupil transportation vehicles, trucks, cars, furniture and fixtures. A distinction should be made between supplies and equipment in accordance with GAAP. Supplies are defined as those items that have a lesser value and are expendable or are consumed in use. Equipment items are tangible units of a nonexpendable character; are not consumed in use; have an extended useful life; and are of material value.

   Please refer to Balance Sheet Code 148, Lease Asset, to record equipment acquired through a long-term lease that is not considered a financed purchase. Do not record these assets in Balance Sheet Code 143.

6. Lease Asset and Subscription-Based Information Technology Arrangements (SBITAs) (BAL 148) – Represents land, buildings, equipment or Subscription-Based Information Technology Arrangements (SBITAs) acquired through a long-term lease that is not considered a financed purchase.

   For more detailed information on the accounting requirement for leases, refer to GASB Statement No. 87, Leases and GASB Statements No. 96 Subscription-Based Information Technology Arrangements.

7. Construction Work In Progress (BAL 149) – Represents the cost of construction work undertaken but not yet completed.

   Note: The activity in this account should not be recorded in the fixed asset system or depreciated until the project is completed.

General Fixed Assets Account Group – Depreciation Accounts (BAL 171-174) – Note: These are optional accounts for UFARS and GASB reporting.

1. Accumulated Depreciation on Land Improvements (Contra Asset) (BAL 171) – Represents the amount of accumulated depreciation to date on land improvements included in Balance Sheet Account Code 141, Land Improvements.

2. Accumulated Depreciation on Buildings (Contra Asset) (BAL 172) – Represents the amount of accumulated depreciation to date on buildings included in Balance Sheet Account Code 142, Buildings.

3. Accumulated Depreciation on Equipment (Contra Asset) (BAL 173) – Represents the amount of accumulated depreciation to date on equipment in use included in Balance Sheet Account Code 143, Equipment.

4. Accumulated Amortization on Property and Equipment under Leases (Contra Asset) (BAL 174) – Represents the amount of accumulated depreciation to date on leased assets included in Balance Sheet Account Code 148, Lease Asset and Subscription-Based Information Technology Arrangements (SBITAs).

General Fixed Assets Account Group – Investment in General Fixed Assets

1. Investment in General Fixed Assets (General Fixed Assets Account Group 98 Only) (BAL 430) – Represents the district’s equity in the general fixed asset accounts. Equals the sum of all assets minus their accumulated depreciation.

General Long-Term Debt Account Group – Checklist

General Long-Term Debt Account Group – Budgeting Account (BAL 150-162)

1. Amount Available for Retirement of Bonds and State Loans (BAL 150) – Represents the fund balance that is available in the Debt Service Fund 07 and the Other Postemployment Benefits (OPEB) Debt Service Fund 47 to retire bonds and state loans.

2. Amount to be provided from Property Taxes for Long-Term Debt Payments (BAL 151) – Represents the amounts needed from property taxes in the future to retire the principal of all long-term debt other than severance pay and compensated absences. It equals the sum of Long-Term Liabilities less amounts in Balance Sheet Account Codes 150, 152, 160, 161 and 162. Charter schools are to use this balance sheet code for long-term bank loans.

3. Amount to be provided for Long-Term Leases and Subscription-Based Information Technology Arrangements (SBITAs) (BAL 152) – Record amount to be provided for the long-term lease payable and Subscription-Based Information Technology Arrangements (SBITAs), if the maximum potential term of the lease exceeds 12 months.

4. Amount Available for Separation/Retirement Benefits (BAL 160) – Represents the Restricted/Reserved Fund Balances in the operating funds for Balance Sheet Account Code 452, Restricted/Reserved for OPEB Bond Proceeds not held in a Trust, Balance Sheet Account Code 453, Restricted/Reserved for Unfunded Severance and Retirement Levy, and the Committed Fund Balance in the operating funds for Balance Sheet Account Code 418, designated for Separation/Retirement Benefits.

5. Amount to be provided for Separation/Retirement Benefits (BAL 161) – Represents the amounts needed to meet future separation and severance pay commitments. The balance of this account equals the amount shown in Balance Sheet Account Code 260, Separation/Retirement Benefits Payable, less the amount recorded in Balance Sheet Account Code 160, Amount Available for Separation/Retirement Benefits.

   Note: This account may have a negative balance if there is a balance in Balance Sheet Account Code 452, Restricted/Reserved for OPEB Bond Proceeds not held in a trust.

6. Amount to be provided – Compensated Absences (BAL 162) – Represents the amount needed to meet future commitments for compensated absences as recorded in Balance Sheet Account Code 262, Compensated Absences Payable.

General Long-Term Debt Account Group – Long-Term Liabilities (BAL 250-262)

1. Bonds Payable (BAL 250) – Represents the face value of general obligation bonds issued and unpaid.

2. Equipment Notes Payable (BAL 251) – Represents the capital notes and long-term certificates of indebtedness for equipment purchases. The principal and interest from notes payable will be repaid from the Debt Service Fund (Minn. Stat. § 123B.61).

3. Capital Improvement Loans Payable (BAL 252) – Represents the amount equal to the outstanding principal on loans received for the purpose of financing capital improvement.

4. Energy Loans Payable (BAL 253) – Represents the outstanding principal of loans received from the Minnesota Department of Energy and Economic Development for the purpose of energy conservation investment (Minn. Stat. § 126C.40, subd. 5).

5. Long-Term Leases Payable and Subscription-Based Information Technology Arrangements (SBITAs) (BAL 254) – Represents the principal of long-term leases and Subscription-Based Information Technology Arrangements (SBITAs) that are outstanding and unpaid. Represents leases that are longer than twelve months.

6. Capital Loans Payable (BAL 255) – Represents the principal of capital loans that are outstanding and unpaid. Capital loans shall be used only for sites for school buildings and for acquiring, bettering, furnishing or equipping school buildings under contract to be entered into within 12 months from and after the date on which each loan is granted (Minn. Stat. § 126C.69).

   Note: According to Minnesota Statutes, section 126C.69, subdivision. 2, "beginning July 1, 1999, a district is not eligible for a capital loan unless the district's estimated net debt tax rate as computed by the commissioner after debt service equalization aid would be more than 41.98% of adjusted net tax capacity. The estimate must assume a 20-year maturity schedule for new debt." Only the following schools may report activity in Balance Sheet Account 255: Red Lake, Independent School District (ISD) 38; Foley, ISD 51; Ogilvie, ISD 333; Nett Lake, ISD 707.

7. Debt Service Loans Payable (BAL 256) – Represents the principal of debt service loans that are outstanding and unpaid. The proceeds of the loan are to be used only for the payment of principal and interest on outstanding bonds (Minn. Stat. § 126C.68). Loans are only available in years that Minnesota legislature has appropriated funds. Charter schools are to use this balance sheet code for long-term bank loans.

   Note: Only Foley, ISD 51, may report activity in Balance Sheet Account 256.

8. Emergency Economic Injury Disaster Loans (EIDL) and PPP (Paycheck Protection Program) Loans Payable (99) (BAL 258) – Represents the principal of EIDL and PPP loans that are outstanding and unpaid. These loans are part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act that Congress passed on March 27, 2020 to assist small businesses and non-profit entities. The loans were available through the Small Business Administration (SBA).

   This code should only be used in the General Long-Term Debt Group.

9. Separation/Retirement Benefits Payable (BAL 260) – Represents the total liability related to separation and severance pay commitments to employees who are vested, including the cumulative annual unfunded/overfunded pensions and other-postemployment benefits. The amount recorded in this account equals the total of Balance Sheet Account Code 160, Amount Available for Separation/Retirement Benefits, and 161, Amount to be provided for Separation/Retirement Benefits.

10. Special Assessments and Compensated Absences (BAL 261) – Represents long-term debt for special assessment charges and compensated absences [see Governmental Accounting Standards Board (GASB) 6].

11. Compensated Absences Payable (BAL 262) – Represents the liability related to future vacation, sick leave and other leave benefits, excluding severance pay that is recorded in Balance Sheet Account Code 260, Separation and Severance Payable.

Other Items Accounting Checklist

1099-MISC and 1099-NEC Reporting

Information is condensed and modified from the General Instructions for Certain Information Returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G) and Instructions for Forms 1099-MISC and 1099-NEC.

1099 Reporting

The amount of the penalty is based on when you file the correct information return. The penalty is as follows:

- $50 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty $571,000 per year ($199,500 for small businesses).
- $110 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty $1,713,000 per year ($571,000 for small businesses).
- $280 per information return if you file after August 1 or you do not file required information returns; maximum penalty $3,426,000 per year ($1,142,000 for small businesses).
- Intentional disregard of filing requirements to file a correct information return or requirement, the penalty is at least $570 per information return with no maximum penalty.
- Intentional disregard of payee statement requirements may incur a penalty of at least $570 per payee statement with no maximum penalty.

Form 1099-MISC, Miscellaneous Information must be filed by February 28 via paper or March 31 electronically for $10 or more in royalties or $600.00 or more in payments to each person that is not a corporation. Qualifying items include payments for rents, prizes and awards, medical and health care payments, and individuals that had backup federal income tax withheld. You must report payments made in the course of your trade or business, which includes federal, state, local government and nonprofit organizations.

Form 1099-NEC, Nonemployee Compensation must be filed by January 31 for each person in the course of your business where you have paid $600 or more for services provided by someone who is not your employee (including parts and materials) or payments to an attorney. Also, you must file for each person from whom federal income tax was withheld. Federal, state, local government and nonprofit organizations must report.

Backup Withholding

IRS backup withholding is 24% of the payment for vendors without a proper Taxpayer Identification Number (TIN). **MN backup withholding is 9.85%** of the payment for vendors without a proper (TIN). Make sure that all vendors with payments of $600.00 or more have a proper TIN for 1099 reporting. IRS Form W-9 "Request for Taxpayer Identification Number and Certification" is available to get proper vendor information.

Payments to Attorneys

Attorneys' fees of $600 or more paid in the course of your trade or business are reportable in box 1 of Form 1099-NEC.

However, report in box 10 of Form 1099-MISC payments that are made to an attorney in the course of your trade or business in connection with legal services, but not for the attorney's services, for example, as in a settlement agreement of $600 or more and not reportable by you in box 1 of Form 1099-NEC, the total amount paid to the gross proceeds paid to the attorney must be reported in box 10 of Form 1099-MISC. You must obtain the attorney's taxpayer identification number (TIN).

Payments to Corporations for Legal Services

The exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, you must report attorneys' fees in box 1 of Form 1099-NEC or gross proceeds in box 10 of Form 1099-MISC to corporations that provide legal services.

Perfect Match Requirement

IRS is comparing the taxpayer identification number (TIN) and the name with the Social Security Administration (SSA) records. Your vendor name must be the same as the SSA records for that TIN because you do not want the administrative headache of doing backup withholding. For example, your vendor is:

WXYZ Garbage Service
4745 Third Avenue South
Anytown, MN 55999

This vendor has a social security number of 499-99-1997 and a printable 1099 for the calendar year. The 1099 social security number or (TIN) is compared to the SSA on file for that number. Since the name on file with the SSA is John James Doe, a mismatch notice will be generated by the IRS and mailed to your district for corrective action. To prevent the mismatch notices, change your vendor file information to:

John James Doe
D.B.A. WXYZ Garbage Service
4745 Third Avenue South
Anytown, MN 55999

Abatement Reports

MDE > Districts, Schools and Educators > Business and Finance > Forms

Schools receive two school tax abatement reports. The first six month report is (Form ED-02124-xx). It is used to speed up the collection of taxes in the first six months of the calendar year. Report two is the calendar year report (Form ED-02009-xx). This form shows abatements also reported on the first form. Do not use the sum of both reports to lower revenue projections. Use the annual report for the revenue reductions.

Abbreviations and Terms Glossary for Charter Schools

MDE > Districts, Schools and Educators > Teaching and Learning > Charter Schools > Charter School Resources, Updated May 2022

The MDE website has a list of abbreviations and terms for Charter Schools. This list may be useful for all educational entities in identifying what something means in general. It can be located at https://education.mn.gov/MDE/dse/chart/scres/.

Annual Mandated Notifications

Modified from Minnesota School Boards Association (MSBA) – The Leader Newsletter, August 21, 2019
Reprinted with permission from MSBA.

Chart of mandated annual notifications available on MSBA website

By Maria Lonis, MSBA Associate Director of Management Services

Federal and state statutes require that school districts disseminate notifications on a range of subjects to parents, guardians, students, and the public each school year.

Keeping track of the continually evolving list of requirements may be difficult. To help ease this burden, MSBA compiled a chart of mandated annual notifications.

This chart provides a brief description of the mandate as well as when, to whom, and the method by which each notification is to be sent. In addition to the statutorily-required notifications, individual school districts may have policies, procedures, and/or programs with additional notification requirements.

The chart can be accessed at Resource Library – Minnesota School Boards Association (under District Operations and General Information, log-in required).

Background Check

Condensed from MN Statute 123B.03

Subdivision 1. **Background check required.** (a) A school hiring authority shall request a criminal history background check from the superintendent of the Bureau of Criminal Apprehension on all individuals who are offered employment in a school and on all individuals, except enrolled student volunteers, who are offered the opportunity to provide athletic coaching services or other extracurricular academic coaching services to a school, regardless of whether any compensation is paid. In order for an individual to be eligible for employment or to provide the services, the individual must provide an executed criminal history consent form and a money order or check payable to either the Bureau of Criminal Apprehension or the school hiring authority, at the discretion of the school hiring authority, in an amount equal to the actual cost to the Bureau of Criminal Apprehension and the school district of conducting the criminal history background check. A school hiring authority deciding to receive payment may, at its discretion, accept payment in the form of a negotiable instrument other than a money order or check and shall pay the superintendent of the Bureau of Criminal Apprehension directly to conduct the background check. The superintendent of the Bureau of Criminal Apprehension shall conduct the background check by retrieving criminal history data as defined in section 13.87. A school hiring authority, at its discretion, may decide not to request a criminal history background check on an individual who holds an initial entrance license issued by the Professional Educator Licensing and Standards Board or the commissioner of education within the 12 months preceding an offer of employment.

(b) A school hiring authority may use the results of a criminal background check conducted at the request of another school hiring authority if:

(1) the results of the criminal background check are on file with the other school hiring authority or otherwise accessible;
(2) the other school hiring authority conducted a criminal background check within the previous 12 months;
(3) the individual who is the subject of the criminal background check executes a written consent form giving as school hiring authority access to the results of the check; and
(4) there is no reason to believe that the individual has committed an act subsequent to the check that would disqualify the individual for employment.

(c) A school hiring authority may, at its discretion, request a criminal history background check from the superintendent of the Bureau of Criminal Apprehension on any individual who seeks to enter a school or its grounds for the purpose of serving as a school volunteer or working as an independent contractor or student employee. In order for an individual to enter a school or its grounds under this paragraph when the school hiring authority decides to request a criminal history background check on the individual, the individual first must provide an executed criminal history consent form and a money order, check, or other negotiable instrument payable to the school district in an amount equal to the actual cost to the Bureau of Criminal Apprehension and the school district of conducting the criminal history background check. Notwithstanding section 299C.62, subdivision 1, the cost of the criminal history background check under this paragraph is the responsibility of the individual unless a school hiring authority decides to pay the costs of conducting a background check under this paragraph. If the school hiring authority pays the costs, the individual who is the subject of the background check need not pay for it.

Subd. 4. **Third-party contractors; responsibility for criminal history record information.** (a) For purposes of this section, a school hiring authority may contract with an eligible third party to conduct the criminal history background check required under subdivision 1. Before entering into the contract, the school hiring authority must:

(1) provide the state compact officer with the name of the proposed third-party contractor and a copy of the proposed contract;

(2) determine from the state compact officer whether the proposed contractor has committed a security violation; and
(3) request and receive permission from the state compact officer to enter into the contract with the proposed contractor.

Refer to the statute for complete details.

Note: 2009 legislation changed the Background Check statute to allow districts the option to pay for the service when used for a school volunteer, independent contractor, or student employee. Employees must pay for the background check or reimburse the district for the cost.

Business Managers Security Role Created

Modified from MDE Memo, December 15, 2017

The Minnesota Department of Education has established a new security role called Business Managers that is intended to allow staff in the business office access to select secure reports that impact the finances of the district. Although various other staff in the district currently have access to these reports, staff in the business office may currently rely on others to obtain a copy. The reports included are posted to the Data Center under Secure Reports and are listed below. A person with the Business Manager role will have access to all of the relevant reports for the approved district. Note that not all districts and charter schools will have all of these reports.

- Online Learning Student Aid Report
- Online Learning Student Data Report
- Postsecondary Concurrent Enrollment Aid Calculation
- MARSS 31 Residents Served Elsewhere
- MARSS 32 EL Eligibility
- MARSS 46 MARSS-OLL Error Report
- MARSS 56 PSEO Comparison Report
- MARSS 64 Desegregation Open Enrolled Students
- MARSS 65 Metro Open Enrolled Students

To request access to these reports your district's Identified Official with Authority (IOwA) will give you access. This process is described on the Data Submissions webpage for the Education Identity and Access Management (EDIAM) Security System. Once you have been authorized, select any of the reports listed above that are relevant to your district and follow the prompts. If you have a secure account, log in with that user name and password. If you do not have a secure account, you will be prompted to create one.

Questions can be addressed to Jeanne Krile or mde.funding@state.mn.us.

Check the CPV for Purchases over $25,000

Office of the State Auditor (OSA) Avoiding Pitfalls, June 24, 2022

Many municipalities purchase supplies, materials, or equipment through the State of Minnesota's Cooperative Purchasing Venture (CPV). Minnesota law requires municipalities to consider the CPV for contracts estimated to exceed $25,000. For these contracts, a municipality must "consider the availability, price and quantity of supplies, materials, or equipment available through the state's cooperative purchasing venture before purchasing through another source." Minn. Stat. § 471.345, subd. 15.

The Minnesota Department of Administration (MDA) oversees the CPV. More information on the CPV can be found on the MDA website at: http://www.mmd.admin.state.mn.us/cpv2.htm.

Contract Approval

MN Statute 123B.02 and MN Statute 123B.52

MN Statute 123B.02 General Powers of Independent School Districts.
Subdivision 1. **Board authority.** The board must have the general charge of the business of the district, the school houses, and of the interests of the schools thereof. The board's authority to govern, manage, and control the district; to carry out its duties and responsibilities; and to conduct the business of the district includes implied powers in addition to any specific powers granted by the legislature.

MN Statute 123B.52 Contracts.
Subd. 2. **Contract within budgeted amounts.** The board may authorize its superintendent or business manager to lease, purchase, and contract for goods and services within the budget as approved by the board. Any transaction in an amount exceeding the minimum amount for which bids are required must first be specifically authorized by the board and must fulfill all other applicable requirements in subdivision 1.

Contracting – Bid Laws

Modified from 2023 Minnesota Legal Compliance Audit Guide for School Districts – Office of the State Auditor, April 2024

Introduction
A school district entering into an agreement for the sale or purchase of supplies, materials, equipment or the rental thereof, or the construction, alteration, repair or maintenance of real or personal property must abide by the statutes relating to contracting and bidding.

Minn. Stat. § 471.345, the Uniform Municipal Contracting Law, was established to provide dollar limits for all municipalities upon contracts which shall or may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. Vendors may now submit bids, quotations, and proposals electronically in a form and manner required by the municipality. Minn. Stat. § 471.345, subd. 18. Generally, the following thresholds apply:

1. For contracts over $175,000 – sealed bids, solicited by public notice and subject to the particular requirements of the governmental subdivision.
2. For contracts from $25,000 to $175,000 – sealed bids or direct negotiation, with two quotations whenever possible.
3. For contracts of $25,000 or less – open market or quotations (with at least two contract quotations, if practicable).

In addition, Minn. Stat. § 471.345, subds. 16 and 17, allow school districts to purchase supplies, materials, and equipment using an electronic reverse auction process; and to sell supplies, materials, and equipment which is surplus, obsolete, or unused using an electronic selling process.

Best value procurement is a process based on competitive proposals (as an alternative to bids) that awards the contract to "the vendor or contractor offering the best value, taking into account the specifications of the request for proposals, the price and performance criteria as set forth in Minn. Stat. § 16C.28, subd. 1b, and described in the solicitation document." Minn. Stat. § 16C.28, subd. 1(a)(2). Before administering best value procurement procedures, personnel must be trained in the best value RFP process. *See* Minn. Stat. § 16C.28, subd. 1d.

Note: Refer to the 2023 MN Legal Compliance Audit Guide for School Districts for a full Contracting/Bid Law checklist.

Note2: School Districts must consider the State of Minnesota's Cooperative Purchasing Venture (CPV) for purchases over $25,000.

Credit Card Fee Charges

School Business Bulletin No. 61, May 2017

If your school is considering initiating credit card fees, please reference the following Minnesota Statute 123B.38 for guidance on how to proceed:

123B.38 HEARING.
Before the initiation of any fee not authorized or prohibited by sections 123B.36 and 123B.37, the local board must hold a public hearing within the district upon three weeks published notice in the district's official newspaper, or such notice as is otherwise required for a regular board meeting given three weeks before the hearing on the proposed adoption of the policy.

As indicated in the statute, this applies to the initiation of any fee. For further questions, please contact the UFARS Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Credit Enhancement Program

Modified from School Business Bulletin No. 56, May 2015

The Credit Enhancement Program (CEP) was established to allow Minnesota school districts (with levy authority) to borrow funds at a lower interest rate than the current rate of an individual district by extending the state's credit rating to districts. This program was authorized in Minnesota Statutes, sections 126C.50 to 126C.56. A school district must covenant and obligate itself to be bound by this statute prior to the issuance of debt obligations in order to ensure participation in this program.

The state promises to pay from available cash balances on any obligation (both short- and long-term) of the debt service when a district is unable to pay. Payments may be available from the state for debt issued prior to the beginning of the program or otherwise not included in the program. The availability of payments for debt not included in the program will be dependent on the determined effect on the state's credit rating.

School District Credit Enhancement Application for Program Participation Process and *Revised* Form ED-02110-xx

General steps to complete a "School District Credit Enhancement Application for Program Participation" are found in the FY 2023 UFARS Manual in Chapter 12 – Authorized Borrowing for School Districts (Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > UFARS, select Chapter 12). An updated application form (ED-02110-xx) has been posted on the MDE website under Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > Credit Enhancement Program.

The **Notification of Potential School District Default (ED-02111-xx)** is the form used to notify MDE of potential default on a debt obligation. This form is available from MDE and may be found on the website under: Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > Credit Enhancement Program. The form is also available from the financial advisor of record. This form may be submitted to request payment in the event of a default, whether or not the issue is included in the program. Essential steps and conditions of the notification process are found in the FY 2023 UFARS Manual in Chapter 12 – Authorized Borrowing for School Districts (Districts, Schools and Educators > Business and Finance > School Finance > Financial Management > UFARS, select Chapter 12).

A separate and detailed set of instructions is available for use by MDE, Minnesota Management and Budget and financial advisors in the potential or actual event of default. Those instructions and the default form can be obtained by contacting the financial advisor or emailing mde.ufars-accounting@state.mn.us.

If you have questions on the "Credit Enhancement Program", please contact Molly Koppes at Molly.Koppes@state.mn.us or 651-582-8249 or submit inquiries to the UFARS Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Data Request Policy

Modified from Minnesota School Boards Association (MSBA) – Management Services Newsletter, April 16, 2015
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Develop a policy for data requests

By Cathy Miller, Director of Legal and Policy Services

Each school district's responsible authority needs to develop a policy or procedure describing how the public and data subjects can access government data. The statutory requirement is found in **M.S. 13.025, subd. 2.**

MSBA's Model Policy 515 includes some procedures for parents and students to access educational data (see Part XIV of the policy). The Minnesota Department of Administration also has model access policies and procedures. **Access model policies and procedures at** https://mn.gov/admin/data-practices/data/rules/policies/.

Data Requests: Factors to Consider

Modified from Minnesota School Boards Association (MSBA) – Management Services Newsletter, January 29, 2015
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Data Requests: Factors to Consider

By Bob Lowe, MSBA Director of Management Services

MSBA was recently notified of a data request from Education Minnesota to MSBA members pursuant to the Minnesota Government Data Practices Act, **M.S. 13.01**, et seq. The request asks for various items related to student numbers, staffing, class size, and teacher employment separations.

While school districts are required to provide copies of government data upon request unless that data is classified by statute, federal or temporary classification as confidential, private, nonpublic or protected nonpublic, the following factors should be considered when reviewing any request for data.

- Is the request a request for data or a question concerning data? Government data are identified as all "data collected, created, received, maintained, or disseminated by any government entity regardless of its physical form, storage media, or condition of use." The Government Data Practices Act does not require school districts to answer questions that are not requests for data.

- Does the school district have the data being requested? If the school district does not have the requested data, notify the requester as soon as reasonably possible. School districts are not required to create or collect new data in response to a data request if they do not already have the data or to provide data in a specific form or arrangement if the data is not maintained or retained in that form or arrangement.

- Is the requested data public data? If the requested data is not public data the school district should inform the requester in writing as soon as possible.

- Did the request clearly identify the information being requested? If the request is unclear, the school district should contact the requester in writing and ask for a clarification.

- Can the school district meet the timelines included within the request? **M.S. 13.04, subd. 3.**, states in pertinent part that school districts "shall comply immediately" with requests made by an individual who is the subject of stored data if possible, "or within ten days of the date of the request, excluding Saturdays, Sundays and legal holidays, if immediate compliance is not possible." Requests for data not on individuals who are the subject of the data should be responded to in an appropriate and prompt manner within a reasonable amount of time. School districts should inform requesters in writing if they are unable to respond to requests in a timely manner.

- Can a school district charge a fee for requested data? School districts cannot charge for the inspection of data on site, but may charge reasonable fees for providing copies of government data or education records. If the request is for 100 or fewer pages of black and white, letter or legal sized paper copies, the maximum allowable charge is 25 cents for each page copied, or 50 cents for a two-sided copy. This charge is a flat rate; entities cannot add on any additional charges, such as the cost of mailing or paper. If a request is for more than 100 pages, the school district may charge its actual, reasonable cost to provide copies. School districts that plan to charge for copies should contact requesters. For additional information on charging for data please refer to the "Law Bulletin I" on the MSBA website under Resource Library > School Law.

Finally, additional information on the Minnesota Government Data Practices Act and Section 1232g of the federal Family Educational Rights and Privacy Act of 1974 can be found in the "Law Bulletin I" on the MSBA website under Resource Library > School Law.

Deferred Compensation and Tax Sheltered Annuity (TSA) Contributions

Condensed from MN Statute 356.24

Note: Deferred compensation and TSA board contributions are limited to one-half of the IRS elective deferral permitted per year per employee.

356.24 Supplemental Pension or Deferred Compensation Plans, Restrictions Upon Government Units.
Subdivision 1. **Restriction; exceptions.** It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for or to contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;
(2) to a plan that provides solely for group health, hospital, disability, or death benefits;
(3) to the individual retirement account plan established by chapter 354B;
(4) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;
(5) to a deferred compensation plan defined in subdivision 3;

Subd. 3. **Deferred compensation plan.**
(a) As used in this section:

(1) "deferred compensation plan" means a plan that satisfies the requirements of this subdivision.
(2) "plan administrator" means the individual or entity defined as the plan administrator in the plan document for the Minnesota deferred compensation plan under section 352.965 or a deferred compensation plan under 457(b) of the Internal Revenue Code; and
(3) "vendor" means the provider of an annuity contract, custodial contract, or retirement account under a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code.

(b) The plan is:

(1) the Minnesota deferred compensation plan under section 352.965;
(2) a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code; or
(3) a deferred compensation plan under section 457(b) of the Internal Revenue Code.

(c) For each investment fund available to participants under the plan, other than in a self-directed brokerage account, the plan administrator or vendor discloses at least annually to participants a statement that sets forth (1) all fees, including administrative, maintenance, and investment fees, that impact the rate of return on each investment fund available under the plan, and (2) the rates of return for the prior one-, three-, five-, and ten-year periods or for the life of the fund, if shorter, in an easily understandable document. The plan administrator or vendor must file a copy of this statement with the executive director of the Legislative Commission on Pensions and Retirement within 30 days of the end of each fiscal year of the plan.

(d) Enrollment in the plan is provided for in:
  (1) a personnel policy of the public employer;
  (2) a collective bargaining agreement between the public employer and the exclusive representative of public employees in an appropriate unit; or

(e) The plan covers employees of a school district, state agency, or other governmental subdivision.

(f) Except as permitted under paragraph (g), public funds are contributed to the plan only in an amount that matches employee contributions on a dollar for dollar basis, but not to exceed the lesser of (1) the maximum authorized under the policy defined in paragraph (d) that provides for enrollment in the plan or program, or (2) one-half of the annual limit on elective deferrals under section 402(g) of the Internal Revenue Code.

(g) Contributions to the plan may include contributions deducted from an employee's sick leave, accumulated vacation leave, or accumulated severance pay, whether characterized as employee contributions or nonelective employer contributions, up to applicable limits under the Internal Revenue Code. Such contributions are not subject to the match requirement and limit in paragraph (f).

Refer to the statute for complete details.

Disclosure of Breach in Security; Notification and Investigation Report Required for Government Agencies

School Business Bulletin No. 53, June 2014

Effective August 1, 2014, the 2014 Laws of Minnesota, Chapter 284, amends Minnesota Statutes, section 13.055, ***to apply to all government entities in Minnesota, not just state agencies.*** Beginning August 1, this data practices statute will apply to school districts and charter schools.

The statute requires government entities to notify individual data subjects when nonpublic data about them has been subject to a breach of security of the data, and to conduct investigations into breaches of security. A breach of the security of the data means unauthorized acquisition of data maintained by a government entity by an unauthorized person, including "any person who accesses government data without a work assignment that reasonably requires access or regardless of the person's work assignment, for a purpose not related to the person's work assignment."

For more information, please reference the new language in the law online or consult with your district legal counsel.

Disposal of Computers – School District Contract and Bidding Procedures

Modified from Minnesota School Boards Association (MSBA) – Management Services Newsletter, February 24, 2015
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School district contract and bidding procedures – disposal of computers

By Denise Drill, MSBA Director of Financial/MSBAIT Services

School districts must use the competitive bidding process to dispose of computers and related equipment unless **M.S. 123B.52, subd. 6**., is used. According to **M.S. 123B.52, subd. 6**., a school district may dispose of surplus school computers and related equipment if the property and title is conveyed to:

- another school district;
- the state Department of Corrections;
- the Board of Trustees of the Minnesota State Colleges and Universities;

- the family of a student residing in the district whose total family income meets the federal definition of poverty; or
- a charitable organization under section 501(c)(3) of the Internal Revenue Code that is registered with the attorney general's office for educational use.

In addition, **M.S. 15.054** states property or materials owned by a school district and not needed for public purposes may be sold to an employee after reasonable public notice at a public auction or by sealed response, if the employee is not directly involved in the auction or process pertaining to the administration and collection of sealed responses.

District Number and District Types

School Business Bulletin No. 52, April 2014

This is a reminder to districts, cooperatives and charter schools that the number assigned by the commissioner is the legal identification of the organization. See Subdivision 3 in Minnesota Statutes, section 123A.56 below. The department is seeing increasing communications from public education entities that does not include a district number, particularly with district letterhead and e-mails. Difficulty is also encountered in identifying SWIFT vendor numbers for entities where the assigned number is not part of the vendor name.

123A.56 ASSIGNMENT OF IDENTIFICATION NUMBERS.
Subdivision 1. **Assignment.** The commissioner shall, by order, assign an identification number to each district. The assignment shall be made so that each classified district has an exclusive identification number.

Subd. 2. **Notification.** Upon making the assignment of an identification number, the commissioner shall notify the clerk of the district and the county auditors of the counties in which any part of the district lies of the identification number assigned. A certified copy of the order may be recorded in the office of the county recorder to show the new legal name of the district.

Subd. 3. **Legal identification.** The legal identification of the district shall become the assigned identification number. All records, correspondence, reports and references to the district must thereafter refer to the district by its proper title as assigned.

Subd. 4. **Use of numbers.** A number assigned to a district under section 123A.55 or under any prior law, must not be used again to identify any district in the same classification. As the need arises, and as required by law, as new districts are formed, the commissioner shall assign unused numbers as identification. When numbered districts are dissolved, the numbers assigned to them will not be reassigned to any other district.

As a related issue, the district type used in combination with the district number has meaning on MDE financial systems. A partial list of codes and organizations assigned those codes is below.

District Type	Assigned To
1	Independent Districts
2	Common Districts
3	Special Districts
6	Intermediate Districts
7	Charter Schools
50	Miscellaneous Cooperatives
51	Vocational Cooperatives
52	Special Education Cooperatives

53	Vocational and Special Education Cooperatives
61	Education Districts
62	Secondary Facilities Cooperatives
82	Regional Management Information Center RMIC (ESV)
83	Service Cooperative (ECSU Region)

Election Workers: Reporting and Withholding

Modified from the Public Employees Retirement Association of Minnesota (PERA)'s The PERAphrase, Fall 2022, and Various IRS Links

Minnesota has a statewide Section 218 Agreement with the Social Security Administration for election workers, and the same rules apply for each governmental unit in MN.

Who is an election worker?
Election workers are individuals hired by government entities to perform services at polling places in connection with national, state and local elections. Alternate position titles include poll worker, ballot clerk, or voting official. Election workers are often paid a set fee per day or a stipend for the election period, which includes attendance at training or meetings both before and after the election.

PERA Participation
PERA statutes exclude election workers from PERA membership, regardless of the amount of pay they receive.

Social Security and Medicare
In Minnesota, election workers whose pay in a calendar year is less than $2,000 are not subject to Social Security and Medicare (FICA) coverage. However, if an election worker is paid more than $2,000, FICA taxes apply from the first dollar paid.

More information about Election Workers is available on the Election Workers page of the Internal Revenue Service website and PERA's Social Security page. PERA's website has Election Workers FAQs.

This touches only the basics on federal tax withholding for election workers. More details about tax withholding and reporting are available in an updated article released by the Federal, State and Local Government office of the IRS.

For additional guidance on election worker treatment, see:

- General Instructions for Forms W-2 and W-3
- Publication 963, *Federal-State Reference Guide*
- Publication 15, *(Circular E), Employer's Tax Guide*
- Publication 15-B, *Employer's Tax Guide to Fringe Benefits*
- Publication 5137, *Fringe Benefit Guide*, Office of Federal, State and Local Governments
- Revenue Ruling 2000-6

More information on the treatment of election workers is available on the SSA election worker page.

Elections – Combined Polling Places Resolution

Minnesota School Boards Association (MSBA) – Leader Newsletter, December 2023
Reprinted with permission from MSBA.

Combined polling place resolution needs to be approved by December 31

If your district is planning a bond referendum, capital project levy, or might have a board vacancy that requires a special election in 2024 outside of the August or November primary and General Election dates, remember that the combined polling place resolution must be approved by December 31, 2023.

Districts that do not approve the combined polling place resolution can face double or triple the cost of running elections in February, April, or May of 2024 because without the resolution, ALL polling places in your school district must be open and run by at least three election judges per polling place. That can take an average cost of $10,000 for your special election and turn it into an election that costs $60,000.

Visit **https://mnmsba.org/resource-library/#elections** and access the resolution for combined polling places under the "Forms and Resolutions" drop-down menu. For 2024, the special election dates are February 13, April 9, and May 14, along with the August 13 primary election date and the November 5 general election date. If you have questions about referendums, contact MSBA's Greg Abbott (507-420-1881 or **gabbott@mnmsba.org**) or Maria Shinabarger (**mshinabarger@mnmsba.org**).

Employee Recognition

MN Statute 123B.02, subdivision 14a

Subd. 14a. **Employee recognition.** A school board may establish and operate an employee recognition program for district employees, including teachers, and may expend funds as necessary to achieve the objectives of the program. The employee recognition program shall not include monetary awards.

Note: This provision is limited and should take into consideration the Minnesota Office of State Auditor document titled Statement of Position – Employee Recognition Programs and Events and the MDE School Business Bulletin No. 18 Item #7 Money for Gifts.

Gifts by Interested Persons Prohibited – 2014 Legislative Amendment (Minn. Stat. § 471.895)

School Business Bulletin No. 56, May 2015

Certain Gifts by Interested Persons Prohibited – 2014 Legislative Amendment (Minn. Stat. § 471.895)
Under Minnesota Statutes, section 10A.071, subdivision 2, it is prohibited for an "official" to receive a gift from a lobbyist or principal.

Local Official

Past legislation defined "local official" to mean an elected or appointed official of a county or city or of an agency, authority, or instrumentality of a county or city (Minn. Stat. § 471.895, subd. 1(d)). 2014 Legislation amended Minnesota Statutes, section 471.895, subdivision 1(d) to include the following:

> "…and an elected or appointed member of a school board, a school superintendent, a school principal or a district school officer of any independent school district."

Gift Definition

> "...money, real or personal property, a service, a loan, a forbearance or forgiveness of indebtedness, or a promise of future employment, that is given and received without the giver receiving consideration of equal or greater value in return" (Minn. Stat. § 10A.071, subd. 1).

Exceptions to the prohibition may be found under subdivision 3 and include:

(a) The prohibitions in this section do not apply if the gift is:

- (1) a contribution as defined in section 10A.01, subdivision 11;
- (2) services to assist an official in the performance of official duties, including but not limited to providing advice, consultation, information, and communication in connection with legislation, and services to constituents;

(3) services of insignificant monetary value;
(4) a plaque with a resale value of $5 or less;
(5) a trinket or memento costing $5 or less;
(6) informational material with a resale value of $5 or less; or
(7) food or a beverage given at a reception, meal, or meeting if:
(i) the reception, meal, or meeting is held away from the recipient's place of work by an organization before whom the recipient appears to make a speech or answer questions as part of a program; or
(ii) the recipient is a member or employee of the legislature and an invitation to attend the reception, meal, or meeting was provided to all members of the legislature at least five days prior to the date of the event.

(b) The prohibitions in this section do not apply if the gift is given:
(1) because of the recipient's membership in a group, a majority of whose members are not officials, and an equivalent gift is given to the other members of the group; or
(2) by a lobbyist or principal who is a member of the family of the recipient, unless the gift is given on behalf of someone who is not a member of that family.

For questions regarding "Minnesota Statutes, section 471.895 – Certain Gifts by Interested Persons Prohibited", contact the UFARS Accounting Helpdesk at mde.ufars-accounting@state.mn.us.

Identified Official with Authority (IOwA) Setup and Education Identity and Access Management (EDIAM) Security System

MDE > Districts, Schools and Educators > Business and Finance > Data Submissions

Only the IOwA (e.g., superintendent, executive director, director, or board chair) is allowed to authorize access to MDE secure website systems on behalf of their organization. By designating an IOwA for your organization, you are asserting that person is the identified official with legal authority to authorize persons to access MDE secure websites for the state or local educational agency that you represent.

The EDIAM Security system manages user accounts and authorization to secure website systems for the Minnesota Department of Education (MDE), Professional Educator Licensing and Standards Board (PELSB), and P20W (SLEDS and ECLDS).

Guidance is located at MDE > Districts, Schools and Educators > Business and Finance > Data Submissions (https://education.mn.gov/MDE/dse/datasub/).

Independent Contractor or Employee

Modified from IRS Publication 1779 at www.irs.gov/pub/irs-pdf/p1779.pdf, March 2023

Which are you?

For federal tax purposes, this is an important distinction. Worker classification affects how you pay your federal income tax, social security and Medicare taxes, and how you file your tax return. Classification affects your eligibility for social security and Medicare benefits, employer provided benefits and your tax responsibilities. If you aren't sure of your work status, you should find out now. This brochure can help you.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories: behavioral control; financial control; and relationship of the parties. In each case, it is very important to consider all the facts – no single fact provides the answer. Carefully review the following definitions.

Behavioral Control

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done – as long as the employer has the right to direct and control the work. For example:

- **Instructions** – if you receive extensive instructions on how work is to be done, this suggests that you are an employee. Instructions can cover a wide range of topics, for example:
  - how, when, or where to do the work
  - what tools or equipment to use
  - what assistants to hire to help with the work
  - where to purchase supplies and services

If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.

- **Training** – if the business provides you with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that you may be an employee.

Financial Control

These facts show whether there is a right to direct or control the business part of the work. For example:

- **Significant Investment** – if you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor**.**
- **Expenses** – if you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.
- **Opportunity for Profit or Loss** – if you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

Relationship of the Parties

These are facts that illustrate how the business and the worker perceive their relationship. For example:

- **Employee Benefits** – if you receive benefits, such as insurance, pension, or paid leave, this is an indication that you may be an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.
- **Written Contracts** – a written contract may show what both you and the business intend. This may be very significant if it is difficult, if not impossible, to determine status based on other facts.

When You Are an Employee…

- Your employer must withhold income tax and your portion of social security and Medicare taxes. Also, your employer is responsible for paying social security, Medicare, and unemployment (FUTA) taxes on your wages. Your employer must give you a Form W-2, Wage and Tax Statement, showing the amount of taxes withheld from your pay.

When You Are an Independent Contractor…

- The business may be required to give you Form 1099-MISC, Miscellaneous Income or Form 1099-NEC, Nonemployee Compensation, to report what it has paid to you.
- You are responsible for paying your own income tax and self-employment tax (Self-Employment Contributions Act – SECA). The business does not withhold taxes from your pay. You may need to make estimated tax payments during the year to cover your tax liabilities.
- You may deduct business expenses on Schedule C of your income tax return.

Additional information on this subject is available at:

- IRS at https://www.irs.gov/government-entities/federal-state-local-governments/employer-and-pay-related-issues.
- IRS at https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee.

- On the MN Department of Revenue website, select Fact Sheet #8.

Independent Contractors – New Hire Reporting

https://newhire-reporting.com/MN-Newhire/default.aspx

This law went into effect July 1, 1996. Minnesota New Hire Reporting Center is located at https://newhire-reporting.com/MN-Newhire/default.aspx.

Do Independent Contractors (1099's) have to be reported? The New Hire Reporting Center welcomes Independent Contractor reports, however, employers are not required by law to submit them. The IRS provides strict guidelines on whether an individual is an Independent Contractor or an employee and questions regarding this guideline can be answered by contacting the IRS.

MS 256.998, subd. 9. **Independent contractors.** The state and all political subdivisions of the state, when acting in the capacity of an employer, shall report the hiring of any person as an independent contractor to the centralized work reporting system in the same manner as the hiring of an employee is reported.

Other payors may report independent contractors to whom they make payments that require the filing of a 1099-NEC report. Payors reporting independent contractors shall report by use of the same means and provide the same information required under subdivisions 4 and 5. The commissioner of human services shall establish procedures for payors reporting under this section.

Why is reporting required?
In 1996, Congress enacted a law called the "Personal Responsibility and Work Opportunity Reconciliation Act," or PRWORA, as part of Welfare Reform. This legislation created the requirement for employers in all 50 states to report their new hires and re-hires to a state directory.

New hire reporting speeds up the child support income withholding order process, expedites collection of child support from parents who change jobs frequently, and quickly locates non-custodial parents to help in establishing paternity and child support orders. New hire reporting helps children receive the support they deserve. Employers serve as key partners in ensuring financial stability for many children and families and should take pride in their role.

Who is required to report?
Employers and/or labor organizations conducting business in the State of Minnesota are required to report the following employees:

- **New employees:** Employers must report all employees who reside or work in the State of Minnesota to whom the employer anticipates paying earnings. Employees should be reported even if they work only one day and are terminated (prior to the employer fulfilling the new hire reporting requirement).
- **Re-hires or Re-called employees:** Employers must report re-hires, or employees who return to work after being laid off, furloughed, separated, granted a leave without pay, or terminated from employment after 60 days.
- **Temporary employees:** Temporary agencies are responsible for reporting any employee who they hire to report for an assignment. Employees need to be reported only once; they do not need to be re-reported each time they report to a new client. They do need to be reported as a re-hire if the worker has a break in service or gap in wages from your company.

For more information on this law, please visit the Frequently Asked Questions.

IRS Audits

Condensed and Modified from MASBO Presentations – February 2009 and November 2015

How did this happen?

- They were selected for this audit because a few employees received a W-2 as well as a 1099. Also, the amount of withholding taken didn't appear correct.
- They were contacted by the Department of the Treasury/IRS via a letter or telephone call that they would like to make an examination of their employment tax returns for a particular calendar year.

Types of Examinations

- Desk Audit – The examination is done off-site.
- Field Audit – The examination is done both on-site and off-site.

Importance of W-9's

- Provides the correct taxpayer identification number.
- Identifies the vendor as an individual, sole proprietor, corporation, partnership, or LLC.
- Not required to obtain a W-9 for a corporation if the invoice indicates incorporation "inc".
- Must have a W-9 for all others. We do not do a purchase order or check without one on file. **Note:** W-9 is required for all 1099 vendors.

1099's – The following must be issued a 1099 if the total of all payments from all district funds (including student activities) exceed $600:

- Sole-Proprietorships.
- Partnerships.
- Legal and medical service providers even if incorporation.
- Maybe LLC's (Limited Liability Company).
- Could be a limited liability corporation or limited liability partnership.
- If vendor does not specify corporation or partnership on W-9, must contact them.
- LLC corporations not required to be issued a 1099. LLC partners must be issued a 1099 if over $600.

Payments to Employees – If a payment was made to an employee and not reported on a W-2:

- Must pay federal backup withholding tax of 24%.
- Must pay Social Security and Medicare tax of 15.3%.
- Must issue W-2c and W-3c (corrected forms).

District Provided Vehicle

- Reviewed the policy on personal use of district vehicles.
- Required a listing of all district owned vehicles, primary users, and where they are stored during non-working hours.
- Personal use of vehicles is a fringe benefit and must be included on W-2.
- We calculate the round-trip mileage from the employee's home and their work location and multiply it by the appropriate IRS mileage reimbursement rate and add the taxable amount to their paychecks each pay period.

Auto Allowance

- The superintendent received an auto allowance. This monthly amount was run through accounts payable and not taxed. The contract language was changed and added to his salary.

Mileage Reimbursement

- One employee was paid a monthly mileage stipend and run through accounts payable and not taxed. This amount is now added to their contract and paid through payroll.
- Verified that our mileage reimbursement rate was according to IRS guidelines.

Taxable Prizes and Awards

- An employee receiving a gift card as an incentive for participating in one of the district wellness programs, should be taxed for the amount of the award. We were not penalized for failing to put the $5, $10 or $25 amounts on our employees W-2's. You are able to award small gifts with a low fair market value (De

Minimis Benefit).

Employee Award Programs
- Make sure you have how the Employee Award Program works for your district in writing.

Clothing/Uniform Payments
- Documentation was requested regarding our reimbursements for clothing for our clerical, custodial, and food service employees. Custodial and food service uniforms are not taxable as there is not an expectation that they will be worn outside the work place. Reimbursements for custodial shoes, food service clothes (not uniforms) and coats and boots for our clerical outdoor clothing allowance were found to be taxable items.

Student Teacher Stipends
- Student Teacher Stipends from colleges and universities were paid to our employees through accounts payable and not taxed or reported on their W-2's or 1099's. We have now requested that our employees be paid directly from the institution that they are assisting.

Reimbursement for Licensure
- Additional information was requested regarding payments to teachers that were being reimbursed for getting their middle school licensure. These reimbursements were run through accounts payable. The IRS determined that this was not a taxable item.

218 Agreements
- Review all 218 Agreements to be sure it is being followed.
- See if you have a 218 Agreement with PERA.

Resources
- IRS Taxable Fringe Benefit Guide – Provides detailed listing of taxable fringe benefits and how to report them. http://www.irs.gov/pub/irs-pdf/p5137.pdf
- Form 14581 – Federal, State and Local Governments (FSLG) Compliance Self-Assessment (On the IRS website, search on Form 14581 as there are multiple forms available.)

IRS – De Minimis Fringe Benefits

www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits,
Last Reviewed or Updated March 6, 2024

In general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. De minimis benefits are excluded under Internal Revenue Code section 132(a)(4) and include items which are not specifically excluded under other sections of the Code. These include such items as:
- Controlled, occasional employee use of photocopier
- Occasional snacks, coffee, doughnuts, etc.
- Occasional tickets for entertainment events
- Holiday gifts
- Occasional meal money or transportation expense for working overtime
- Group-term life insurance for employee spouse or dependent with face value not more than $2,000
- Flowers, fruit, books, etc., provided under special circumstances
- Personal use of a cell phone provided by an employer primarily for business purposes

In determining whether a benefit is de minimis, you should always consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount. The IRS has ruled previously in a particular case that items with a value exceeding $100 could not be considered de minimis, even under unusual circumstances.

Cash Benefits
Cash is generally intended as a wage, and usually provides no administrative burden to account for. Cash therefore cannot be a de minimis fringe benefit. An exception is provided for occasional meal or transportation money to enable an employee to work overtime. The benefit must be provided so that employee can work an unusual, extended schedule. The benefit is not excludable for any regular scheduled hours, even if they include overtime. The employee must actually work the overtime.

Meal money calculated on the basis of number of hours worked is not de minimis and is taxable wages.

Gift certificates
Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.

Achievement awards
Special rules apply to allow exclusion from employee wages of certain employee achievement awards of tangible personal property given for length of service or safety. These awards

- Cannot be disguised wages
- Must be awarded as part of a meaningful presentation
- Cannot be cash, cash equivalent, vacation, meals, lodging, theater or sports tickets, or securities.

In addition, there are other requirements specific to achievement and safety awards and there are dollar limitations that must be met. See Publication 5137, Fringe Benefit Guide (PDF) or Publication 535 (PDF) for more information.

How are de minimis fringe benefits reported?
If the benefits qualify for exclusion, no reporting is necessary. If they are taxable, they should be included in wages on Form W-2 and subject to income tax withholding. If the employees are covered for Social Security and Medicare, the value of the benefits are also subject to withholding for these taxes. You may optionally report any information in box 14 of Form W-2.

IRS – Employee Business Expense

www.irs.gov/pub/irs-pdf/p463.pdf, January 29, 2024

Districts must comply with IRS Publication #463 for reporting employee business expenses.

It includes guidance for travel, meals and entertainment, gifts, and transportation. Also, guidance for recordkeeping and reporting is included.

IRS – Mileage Reimbursement Limit

IRS – Standard Mileage Rate, December 14, 2023

The IRS standard business mileage rate changed to 67.0¢ per mile for 2024.

IRS – Patient Centered Outcomes Research Institute (PCORI) – ACA PCORI Fee

Summarized and Modified from Federal, State and Local Government (FSLG) Newsletter, July 2014

The Affordable Care Act provides for the establishment of a private, nonprofit corporation, the Patient-Centered Outcomes Research Institute (PCORI). The Institute was created to assist patients, clinicians, purchasers and policy makers in making informed health decisions by advancing the quality and relevance of evidence concerning the manner in which diseases, disorders, and other health conditions can effectively and appropriately be prevented, diagnosed, treated, monitored and managed. The Institute is funded in part by a fee, imposed under Code sections 4375 and 4376, that is paid by issuers of specified health insurance policies and sponsors of applicable self-insured health plans.

The fee applies to policy or plan years ending after September 30, 2012, and before October 1, 2019. The fee is equal to $1 multiplied by the average number of lives covered under the policy or plan year ending after September 30, 2012, and before October 1, 2013. For policy and plan years ending after September 30, 2013, and before October 1, 2014, the fee is equal to $2 multiplied by the average number of lives covered under the policy or plan year. Finally, for policy and plan years ending after September 30, 2014, and before October 1, 2019, the fee will be adjusted based on national health expenditures.

Issuers and plan sponsors report and pay the fee annually on the second quarter Form 720, Quarterly Federal Excise Tax Return. This return is due on July 31 of the calendar year following the last day of the policy or plan year. Thus, if you sponsored a self-insured health plan with a plan year ending on September 30, 2013, your Form 720 would be due July 31, 2014, to report and pay the fee for that plan year.

If you think you may be responsible for the PCORI fee, please visit the PCORI webpage at www.irs.gov/newsroom/patient-centered-outcomes-research-institute-fee.

Other Provisions
This article was designed to highlight a few key provisions of the ACA that may affect government employers. Please visit the ACA website at www.irs.gov/affordable-care-act/employers to learn more about other provisions that may affect government employers.

Note: The chart located at www.irs.gov/affordable-care-act/patient-centered-outreach-research-institute-filing-due-dates-and-applicable-rates identifies the filing due dates and applicable rate.

Note2: PCORI fees were reinstated in 2019. As a result, these fees will continue through 2029.

IRS – Publication 963, Federal-State Reference Guide

Modified from Federal, State and Local Government (FSLG) Newsletter, January 2015

Publication 963 has been produced since 1996 as a joint effort of the IRS with the Social Security Administration (SSA) and the National Conference of State Social Security Administrators (NCSSSA). It is intended to focus on Federal tax issues facing governmental entities, especially social security coverage and voluntary Section 218 Agreements. However, it also includes information addressing employment taxes, information returns, fringe benefits, retirement systems, the legal status of government entities, and other issues. You can also find contact information for the IRS, SSA, and state governments.

You can download or view Publication 963 from the “Forms & Instructions” page at www.irs.gov.

IRS – Severance Pay and FICA

Federal, State and Local Government (FSLG) Newsletter, July 2013

SEVERANCE PAY AND FICA

Government entities faced with reduction of their employment force sometimes make payments to employees who are terminated. Government entities refer to these payments by a variety of terms, including severance pay, dismissal pay, separation pay, or some other term. In this article, we will refer to all of these payments as severance pay.

Under Internal Revenue Code (IRC) section 61, severance pay is included in the gross income of the recipient, and the income tax withholding rules apply. In addition, severance pay is generally wages for purposes of FICA taxes (OASDI/social security and HI/Medicare). Some employers question the FICA tax liability in an audit or in a claim for refund on Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund.

The Service's position that severance pay is generally wages for purposes of FICA taxes is based on the Code, revenue rulings, and court cases. Section 3121(a) defines "wages" for FICA purposes as all remuneration for employment, with certain limited exceptions. The Code does not provide an exception for severance pay. Revenue Ruling 90-72 provides a limited administrative exception for certain payments that supplement state unemployment compensation, sometimes referred to as sub-pay. The revenue ruling provides for an exception for a stream of payments coordinated with the receipt of unemployment compensation. It specifically points out that a lump-sum payment would not qualify for the exception.

Recent Legal Developments

The Court of Appeals for the Federal Circuit held that various kinds of severance payments CSX made to its employees and former employees were wages subject to FICA tax. *CSX Corp. v. United States*, 518 F.3d 1328 (Fed. Cir. 2008). The Court of Appeals for the Sixth Circuit subsequently held that severance payments Quality Stores made to former employees who were terminated in a downsizing were not wages subject to FICA tax. *United States v. Quality Stores, Inc. (In re Quality Stores, Inc.)*, 693 F.3d 605 (6th Cir. 2012). The Sixth Circuit's holding directly conflicts with the Federal Circuit's holding, thus creating a split in the circuits.

On May 3, 2013, the Solicitor General of the United States filed a petition for writ of certiorari with the United States Supreme Court in *Quality Stores*. If the Supreme Court grants the government's petition, it could still take a year or more before there is a decision that settles the question for the whole United States.

Until the issue is resolved, the Service is suspending claims for refund of FICA taxes from taxpayers within the Sixth Circuit (Michigan, Ohio, Kentucky, and Tennessee). The Service is disallowing claims for refund of FICA taxes from all other taxpayers.

If a taxpayer files a claim for refund and the Service disallows the claim, the taxpayer has two years to file a refund suit in a United States district court or the Court of Federal Claims. If the Service does not disallow the claim, the taxpayer can file a refund suit after waiting six months. The Service may agree to extend the two-year period to file suit using Form 907, Agreement to Extend Time to Bring Suit. If the Service disallows the claim, the taxpayer may file a protest to Appeals, but that will not extend the two-year period to file a refund suit.

If you have questions about severance pay, you may contact your local FSLG Specialist. A directory is provided at the end of this newsletter.

Note: See the next item for an update from the IRS regarding this topic.

IRS – Severance Pay and FICA Update

Federal, State and Local Government (FSLG) Newsletter, July 2014

SUPREME COURT RULES ON SEVERANCE PAY

In a March 25, 2014, decision (*United States v. Quality Stores*, 134 S.Ct. 1395), the United States Supreme Court held that severance payments made to involuntarily terminated employees were wages subject to social security and Medicare (FICA) taxes.

As a result of the decision, the Service will disallow all claims for refund of FICA taxes on severance pay.

In our July 2013 issue, we discussed the tax treatment of severance payments made by government entities to terminated employees. In the article, we noted that under Internal Revenue Code (IRC) section 61, severance pay is included in the gross income of the recipient, and normal income tax withholding rules apply. In addition, the Service's position has been that severance pay is generally wages for purposes of FICA taxes. This position is based on the IRC, revenue rulings, and court decisions. Our article reviewed conflicting court decisions on this subject, and indicated that protective claims that had been filed based on legal developments would continue to be disallowed pending the outcome of the case before the Supreme Court.

Revenue Ruling 90-72 provides a limited administrative exception for certain payments that supplement state unemployment compensation, sometimes referred to as SUB-pay. The revenue ruling provides for an exception for a stream of payments coordinated with the receipt of unemployment compensation. It specifically points out that a lump-sum payment would not qualify for the exception.

The Supreme Court decision did not address the provisions of Revenue Ruling 90-72. Therefore, payments that meet the requirements stated in that ruling continue to be excluded from wages for FICA purposes. If you have questions about severance pay, you may contact an FSLG Specialist. A directory is provided at the end of this newsletter.

IRS – Sick Leave Payments to Retiring Employees

Federal, State and Local Government (FSLG) Newsletter, January 2014

PAYMENTS FOR ACCUMULATED LEAVE TO RETIRING EMPLOYEES

Employees of local governments often have substantial accumulations of sick and vacation pay at the time they retire. In many cases, contractual agreements between the employer and employee call for a lump-sum payment of all accumulated sick and vacation pay, as of the date of retirement. The payments often leave local governments and employees with large, unexpected tax liabilities. Many times, local governments and employees negotiate a payment plan to lessen the tax burden for both parties. Generally, the agreements are executed to defer the tax liability into other years. However, under the constructive receipt rules, the full amount is generally taxable when the employee has the option to receive the full amount. An employee cannot decide when the tax will be paid.

As we discussed in an article in our previous newsletter, the constructive receipt rules under Internal Revenue Code section 451 require that individuals recognize income as soon as they have effective control over it; that is, when the funds are made available without substantial limitations. When an employee has an option to receive the income without restriction, it is recognized as income, regardless of whether the employee actually receives it at that time.

Example: City Government A owes Employee Z $150,000 in accumulated sick and vacation pay as of the day of retirement. A month before Employee Z's retirement date, City A reaches an agreement to pay Employee Z $50,000 a year for 3 years. City A intends to treat each of the 3 payments as wages and subject the payment to Federal Income tax withholding, social security, and Medicare taxes in each year. This arrangement does not defer the tax due. City A may choose to make the payments over the 3 years, but because the entire $150,000 is available at retirement, it will be included in income, subject to income tax withholding and social security and Medicare taxes, as of the date the employee is entitled to the funds.

There are two key considerations to remember when considering payments of accumulated sick and vacation pay. First, does the worker have a right to receive the money? The worker does not have to exercise that right; the simple existence of the right to receive the money is sufficient to establish that a taxable event has occurred. Second, has the employee been given an option as to when to receive the funds? If the employee has an option, then the employee has constructively received the money. The right to receive the money or the option to receive the money determines whether the money has been constructively received. Once the money is deemed to have been constructively received, it is taxable at that point.

The tax treatment of distributions from various retirement plans varies, depending on the Internal Revenue Code sections applicable. For information about the types of plans and the rules applicable to them, see the IRS Employee Plans Types of Retirement Plans web page.

IRS – Tax Reform Changes Qualified Moving Expense Reimbursements

Condensed and Modified from https://www.irs.gov/newsroom/employer-update
Last Reviewed or Updated June 8, 2023

Under the Tax Cuts and Jobs Act, employers must include moving expense reimbursements in employees' taxable wages.

Employers may exclude any 2018 reimbursements or payments on behalf of employees for a move that took place before January 1, 2018 and would have been deductible had they been paid before that date.

Note: Effective January 1, 2018 – December 31, 2025.

IRS – Tax Treatment of Employer Provided Meals

Modified from Federal, State and Local Government (FSLG) Newsletter, January 2015

In some instances, government employers provide meals (or meal reimbursements) at the main place of business. Many questions arise about the treatment of meals (or meal reimbursements) provided by the employer in these situations.

Meals Provided for the "Convenience of the Employer"
Internal Revenue Code (IRC) §119 provides an exclusion from income for the value of meals provided by the employer under certain circumstances. Cash, or a cash equivalent, provided for the purchase of meals is not excludable under this Code section. In addition, if an employee has an option to receive additional wages in place of actual meals, then the meals are taxable.

Federal law takes precedence over a state statute, or an employment or union contract, in determining the Federal tax liability for furnished meals. The actual facts and circumstances and the requirements of IRC §119 determine the liability for Federal income taxes, as well as social security (if covered employment), and Medicare taxes.

Employer-provided meals are excludable from the wages of the employee if they are provided:
- On the employer's business premises; and
- For the employer's convenience

For meals to be excludable, both the "business premises" and "convenience of employer" tests must be met.

Business Premises
"On the employer's business premises" means the meals must be provided either at:
- A place where the employee performs a significant portion of his or her duties; or
- The premises where the employer conducts a significant portion of its business

Example: Meals are provided at no cost to employees on a state ferry. The employee performs a significant portion of duties on the ferry; therefore the ferry qualifies as the employer's premises. If the meals are furnished for the convenience of the employer (for example, because the employer cannot stop the ferry to allow the employees to go to lunch) the meals are not taxable.

Convenience of the Employer
Meals are provided for the convenience of the employer if they are provided for a substantial noncompensatory (not intended as compensation) business reason. Whether or not a meal is provided for the convenience of the employer depends on the facts and circumstances of the case.

Meals are regarded as furnished for substantial noncompensatory business reasons in situations such as:
- Where meals are furnished during working hours so that the employee is available for emergency calls during the meal (as long as there is evidence to show that emergencies occur);
- When the nature of the business (not merely a preference) requires short meal periods and employees could not be expected to obtain meals elsewhere in such a short period;
- Where employees cannot otherwise obtain a meal within a reasonable meal period, such as when there are insufficient eating facilities available in the surrounding area of the business premises; and
- When meals are furnished to restaurant employees, before, during or after work hours.

Meals provided to improve general morale or as goodwill, or to attract prospective employees, are not provided for a substantial noncompensatory business reason and are taxable.

Meals provided before or after working hours are not for the convenience of employer, unless:
- They are provided for a restaurant or cafeteria employee; or
- Duties prevent the employee from taking a meal until immediately after working hours.

If meals are furnished for the convenience of the employer to more than half of the employees on the business premises, then all the meals served on the business premises will be considered furnished for the convenience of the employer.

Examples of meals furnished for the convenience of the employer include:
- Meals furnished to firefighters on duty at the firehouse
- Meals furnished to employees at a remote logging camp with no other eating facilities in the area
- Meals furnished to bank employees by a bank that experiences its highest customer demand during the lunch hour and establishes a short meal period so that employees are available to meet this demand

Meals Furnished With a Charge
If an employer charges an employee a fixed amount for a meal provided on the business premises, regardless of whether the employee takes the meal, the employee's regular taxable wages are reduced by the amount of the charge.

However, if the meals are not provided for the convenience of the employer, then the FMV of the meal is added to wages. Generally, the FMV of the meal will be assumed to equal the amount charged for the meal, unless there is evidence showing otherwise.

If an employer provides a meal that an employee may, but does not have to purchase, the meal is not considered to be provided for the convenience of the employer. For employees who choose to purchase such a meal, the FMV of the meal, less any amount charged by the employer, is included in the employee's wages.

De Minimis Meals
Infrequent meals of minimal value may be excludable as a de minimis fringe benefit under IRC §132, regardless of the tests above. See the discussion of de minimis fringe benefits in section 4 of Publication 5137, FSLG Fringe Benefit Guide.

Meals While Traveling

In order for meals reimbursed as a travel expense to be excludable from wages, employees must be traveling away from their tax home on their employer's business. As with other travel-related expenses, the general area of work, not the employees' residence, determines the tax home. Reimbursements or allowances must meet accountable plan rules in order to be excludable.

Traveling "away from home" means:

- The employee must be traveling away from the general area of the tax home substantially longer than an ordinary day's work, and
- The employee needs to obtain substantial sleep or rest to meet the demands of the work while away from home.

Example: An employee is required to travel out of town to work for the day. The employer agrees to pay for the employee's meals while away. The employee leaves home at 7:00 a.m. and returns home at 9:00 p.m. Before the employee returns in the evening, the employee takes a nap in his car for an hour. Although the employee is away from his tax home for substantially longer than a normal work day and even stops for rest, the rest is not considered to be substantial. The employee is not traveling away from home and any meal money that the employee receives is taxable as wages.

Meals reimbursed as a travel expense are discussed in detail in the Publication 5137, FSLG Fringe Benefit Guide, and in Publication 463, Travel, Gift, and Car Expenses.

IRS – Tax Withholding for Government Workers

Condensed and Modified from https://www.irs.gov/government-entities/federal-state-local-governments/tax-withholding-for-government-workers, Last Reviewed or Updated on March 13, 2024

In most cases, individuals who serve as public officials are government employees. Therefore, the government entity is responsible for withholding and paying Federal income tax, social security and Medicare taxes. They must also issue a Form W-2, Wage and Tax Statement, to a public official. These facts and relevant examples are discussed in detail in Publication 15-A, and on the Independent Contractor (Self-Employed) or Employee? page.

Public Officials, Elected Officials and Public Officers

Internal Revenue Code section 3401(c) indicates that an "officer, employee, or elected official" of government is an employee for income tax withholding purposes. However, in some special cases the law or a Section 218 Agreement may specify otherwise.

The courts generally define "public official" and "public officer" to mean anyone who exercises significant authority pursuant to public laws. This includes any official who administers or enforces public laws whether the public elected the individual or an office appointed them.

Regulations for section 1402, addressing the applicability of self-employment tax, indicate that performance of the functions of a public office does not constitute a trade or business. Therefore, holders of "public office" are not subject to self-employment tax. An exception applies for certain public officials paid solely on a fee basis. All other holders of public office, paid on a salary basis, are excepted from self-employment tax and are presumed to be employees receiving wages.

Definition of "Public Office"

The following facts indicate that an office is a "public office":

- The constitution, legislation, or a municipality or other body with authority conferred by the legislature created the office
- The office was delegated a portion of the powers of a government body
- Legislative authority or law defined, either directly or indirectly, the powers conferred and the duties to be discharged by the office

Section 218 Agreement Common-law rules

- Government Worker Classification
- The office performs its duties independently and without control of a superior power other than the law
- The office has some permanency and continuity
- The officer takes an official oath

Examples of public officers include:

- President and the vice president
- Governor or mayor
- Secretary of state
- A member of a legislative body such as a state legislature, county commission, city council, school board, utility or hospital district
- A judge, a justice of the peace, a county or city attorney, a marshal, a sheriff, a constable and a registrar of deeds
- Tax collectors and assessors
- Members of advisory boards and committees like boards of education, water boards and other boards and commissions

If there is not any authority in a public law to hire or elect an individual to fill a position, a determination must be made about the employment status of that position under the general common-law rules.

Fee-Basis Officials
A fee-basis public official receives and retains remuneration directly from the public. This work is considered self-employment under IRC 1402(c)(2)(E) and these individuals are not employees with respect to this work. An official who receives salary, even if it's called "fees," is a common-law employee and is subject to social security and Medicare withholding. Fee-basis public officials are subject to self-employment tax.

A position compensated by salary and fees is considered a fee-basis position if the fees are the principal source of compensation, unless a state law provides that a position for which any salary is paid is not a fee-basis position. A Section 218 Agreement may provide an exclusion from social security tax for individuals.

Emergency Workers
Individuals hired on a temporary basis in case of fire, storm, snow, earthquake, flood or other emergencies are excluded from social security and Medicare under IRC 3121(b)(7)(F)(iii). This does not include permanent employees, both full time and part time, who work regularly in response to emergencies; these individuals are subject to social security and Medicare if they are common-law employees.

Election Workers
Election workers are common-law employees; however, under IRC 3121b)(7)(F)(iv) an exception from FICA is provided for election officials and workers who earn less than a specified amount for a calendar year ($2,200 for 2023. See Election Workers: Reporting and Withholding for details and relevant examples.

Refer to Publication 963, Federal State Reference Guide (PDF) for details on Section 218 Agreements and all classes of workers mentioned above.

IRS – Taxpayer Identification Matching (TIN) Tools

www.irs.gov/government-entities/federal-state-local-governments/taxpayer-identification-matching-tin-tools,
Last Reviewed or Updated June 5, 2023

There are two tools available to taxpayers that will help perfect their payee data before filing Form(s) 1099 with the Internal Revenue Service (IRS) and Form(s) W-2 with the Social Security Administration (SSA). The Taxpayer

Identification Number (TIN) Matching Program is offered by the IRS, and The Social Security Number Verification Service (SSNVS) is offered by the SSA.

On-Line Taxpayer Identification Number (TIN) Matching Program
The On-Line Taxpayer Identification Number (TIN) Matching Program is a free web-based tool offered by the IRS through e-services and was established for payers of reportable payments subject to the backup withholding provisions of section 3406 of the Internal Revenue Code. This program allows a participant to check the TIN furnished by the payee against the name/TIN combination contained in the IRS database prior to filing an information return.

There are two TIN matching options offered through e-services:

a. Interactive TIN Matching – verify up to 25 name/TIN combinations and results will be received immediately. The user can input name/TIN combinations in groups of 25; there is a limit of 999 requests during a 24 hour period.
b. Bulk TIN Matching – verify up to 100,000 name/TIN combinations and results will be received within 24 hours.

Prior to completing an application to TIN Match, all prospective users must complete an on-line e-services registration by going to the e-services registration home page.

The Social Security Number Verification Service (SSNVS)
The Social Security Number Verification Service (SSNVS) is a service offered by SSA's Business Services Online (BSO). It allows registered users (employers and certain third-party submitters) to verify the names and Social Security Numbers (SSNs) of employees against SSA records before preparing and filing Forms W-2. By verifying that the names and SSNs on the Forms W-2 match SSA's records, an employer may avoid additional processing costs, reduce the number of Forms W-2c that need to be filed, and help ensure proper credit to employees' earnings records.

There are two Internet verification options to verify that employee names and SSNs match SSA records:

a. Verify up to 10 names and SSNs online and receive immediate results. This option is ideal to verify new hires.
b. Upload files of up to 250,000 names and SSNs and usually receive results the next business day. This option is ideal for employers that want to verify an entire payroll database or to verify a large number of new hires at one time.

SSNVS is to be used solely to ensure records of current employees (person who has received and accepted a job offer) or former employees are correct for the purpose of completing Form W-2.

Resources

- Pub 2108A – On-Line Taxpayer Identification Number (TIN) Matching Program (PDF)
- Pub 3112 – IRS e-file Application and Participation (PDF)
- E-services Registration home page
- The Social Security Number Verification Service home page

Issue Indicators or Audit Tips
Determine whether the taxpayer has ever received a CP2100/CP2100A Notice.

Determine how the taxpayer verifies TIN's for both Form 1099's and Form W-2's.

If the taxpayer has received a CP2100/CP2100A Notice request documentation from the taxpayer:

a. Request records or files that reflect their procedures followed in response to the notices
b. Request the certified/validated responses they received in response to any 1st or 2nd B Notice for tax year(s)
c. Request how they identify 1st vs 2nd B Notice Letters to issue

d. Request whether they issued notices to all payees listed on the CP2100/CP2100A Notice they received. If not, have them provide an explanation as to the reasons they did not issue a 1st or 2nd B Notice Letter
e. Request a statement from the taxpayer regarding the process they have in place to begin backup withholding with respect to payees who failed to respond to their request for verification of the payees' TINs

IRS – Transitional Reinsurance Program FAQs – ACA Reinsurance Fee

www.irs.gov/uac/newsroom/aca-section-1341-transitional-reinsurance-program-faqs,
Last Reviewed or Updated January 30, 2024

Section 1341 of the Affordable Care Act establishes a transitional Reinsurance Program to help stabilize premiums for coverage in the individual market during the years 2014 through 2016. The statute requires all health insurance issuers and third-party administrators on behalf of self-insured group health plans to make contributions under this program to support payments to individual market issuers that cover high-cost individuals (payment-eligible issuers). Regulations proposed by the Department of Health and Human Services to implement the Reinsurance Program specify that self-insured group health plans are liable for the contributions, although a plan may utilize a third-party administrator or administrative-services-only contractor for transfer of the contributions.

The Department of Labor has advised that paying required contributions under the Reinsurance Program would constitute a permissible expense of the plan for purposes of Title I of the Employee Retirement Security Act (ERISA) because the payment is required by the plan under the Affordable Care Act as interpreted in the proposed rule issued by the Department of Health and Human Services.

Taxpayers generally may deduct ordinary and necessary business expenses, including most fees and taxes paid to the government. However, under the rules of the Internal Revenue Code, deductions for ordinary and necessary business expenses may be disallowed, limited, or deferred in some circumstances. For example, taxpayers that use inventories may be required to include these expenses in their inventory costs, while deductions for taxpayers that are insurance companies may be affected by rules under Subchapter L.

The following questions and answers provide information on the treatment of contributions made under the Reinsurance Program.

Q1: How may a health insurance issuer treat the contributions under the Reinsurance Program?
A1: Health insurance issuers will be able to treat contributions under the Reinsurance Program as ordinary and necessary expenses paid or incurred in carrying on a trade or business, subject to any applicable disallowances or limitations, or as a reduction to taxable income as provided under Subchapter L.

Q2: May a sponsor of a self-insured group health plan treat contributions under the Reinsurance Program as ordinary and necessary business expenses?
A2: Yes. A sponsor of a self-insured group health plan that pays Reinsurance Program contributions may treat the contributions as ordinary and necessary business expenses, subject to any applicable disallowances or limitations under the Code. This treatment applies whether the contributions are made directly or through a third-party administrator or administrative-services-only contractor. If a plan pays Reinsurance Program contributions directly or through a third-party administrator, as may happen, for example, in the case of a multiemployer plan or a plan funded through a voluntary employees' beneficiary association, the employer or employers contributing to the plan would be permitted to deduct their contributions to the plan, subject to any generally applicable disallowances or limitations.

Lead in School District Drinking Water Guidance

Condensed and Modified from MN Department of Health website

Drinking Water in Schools for Educators and School Professionals

How the Minnesota Department of Health is involved:
- Protecting drinking water quality in schools.
- Educating teachers, parents, and students about drinking water.

For School Professionals Managing School Water
Reducing Lead in School Drinking Water

In 2017, legislation was passed requiring public school districts and charter schools to test for the presence of lead in water. The legislation went into effect on July 1, 2018. For guidance, please reference:
- Minnesota Statutes, 121A.335 Lead in School Drinking Water.

This statute is in addition to any other authorized testing requirements for public school districts and charter schools. It requires schools to adopt a plan to accurately and efficiently test for lead in public school buildings serving students from prekindergarten through grade 12.

By July 1, 2018 public school districts and charter schools must:
- Adopt the model plan developed by MDH and the Minnesota Department of Education (MDE) or develop and adopt an alternative plan.
- Include a testing schedule for all buildings serving prekindergarten students and students in kindergarten through grade 12. Each drinking water tap or water source used in food preparation must be tested at minimum once every five years. Testing must begin by July 1, 2018, and complete testing of all buildings that serve students must be within five years.
- Make the test results available to the public to review and notify the parents of the availability of the information.

The **model plan** is intended for use by all public school districts and charter schools in Minnesota.
- Reducing Lead in Drinking Water (PDF)

The **toolkit** provides resources available to those who are educating and communicating about lead in drinking water.
- Education and Communication Toolkit (PDF)

Resources for Meeting State Drinking Water Standards and Requirements
Guidance for managing water in facilities that serve at least 25 of the same people over six months of the year.
- Schools, Offices, Factories and Child Care (Nontransient)

Minnesota Education Grant System (MEGS)

MDE > Districts, Schools and Educators > Business and Finance > Data Submissions > Minnesota Education Grant System (MEGS)

The Minnesota Education Grant System (MEGS) is a web-based system that supports grant business needs. The system supports application submissions, amendments, and approval as well as grant award notifications. The system also supports the processing of payments against grant awards through reimbursement requests. SERVS will continue to function as-is until all grants transition to MEGS.

> **Enter the Minnesota Education Grant System (MEGS)**

The Identified Official with Authority (IOwA) for each organization must designate the staff members able to access this password-protected system through Education Identity & Access Management (EDIAM).

Visit the Grants page for additional information about competitive and formula grants and to search grant opportunities.

For technical questions regarding MEGS, please contact MEGS.MDE@state.mm.us. For program questions, please contact program staff.

Nonresident Entertainer Tax

Condensed and Modified from https://www.revenue.state.mn.us/nonresident-entertainer-tax, Last Updated January 2, 2024

Regular Minnesota income tax does not apply to entertainers who are residents of other states and perform in Minnesota. Instead, their earnings are subject to Minnesota's Nonresident Entertainer Tax.

Who is considered an entertainer?
Entertainers are individuals who perform acts in Minnesota that amuse, entertain, or inform. Entertainers include – but are not limited to – musicians, singers, dancers, comedians, actors, athletes, and public speakers.

This definition also applies to "entertainment entities," which includes:

- An independent contractor paid for providing entertainment
- A partnership paid for entertainment
- A corporation (including subchapter S) paid for entertainment provided by entertainers who are shareholders

Promoters Who Pay Nonresident Entertainers
If you (a promoter) hire a nonresident entertainer, you must withhold 2% from gross compensation paid for performances in Minnesota and remit to the Minnesota Department of Revenue.

Do not withhold this tax if:

- You paid less than $2,000 to a nonresident public speaker
- You paid less than $600 to a nonresident entertainer or entertainment entity
- You received a completed Form MWR, Reciprocity Exemption/Affidavit of Residency, from a Michigan or North Dakota entertainer or entertainment entity

Districts are required to deduct a two percent tax on payments made to nonresident entertainers, except for speakers performing in a classroom setting. See FAI 83.2 or for further information contact Minnesota Revenue.

For more information, see Withholding Fact Sheet 11 – Nonresident Entertainer Tax.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Acceptance of Gifts to an Entity

Office of the State Auditor (OSA) Avoiding Pitfalls, May 20, 2022

Minn. Stat. § 465.03 allows the governing body of any city, county, school district or town to accept gifts for the benefit of its citizens in accordance with terms prescribed by the donor. However, the statute requires that each gift be accepted by a resolution approved by a two-thirds majority of the governing body. Any conditions placed on the use of the gift should be fully described in the resolution.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Examine Bank Statements Promptly to Preserve Potential Claims

Office of the State Auditor (OSA) Avoiding Pitfalls, March 22, 2024

Under Minnesota law, it is important that local governments preserve their legal rights against banks regarding unauthorized payments made from local government accounts. Under Minn. Stat. § 336.4-406, once a bank (defined to include savings banks, credit unions, etc. "engaged in the business of banking") sends an account statement to a customer, the customer has a duty to "exercise reasonable promptness" in examining the statement for unauthorized payments. If the statement discloses an unauthorized payment, it is the customer's duty to "promptly notify the bank." A customer that fails to fulfill this duty "is precluded from asserting" claims against the bank.

The number of days that constitute "reasonable promptness" often is specified in the depository agreement with the bank, and it may be less than 30 days. For example, in one case decided by the Minnesota Supreme Court, an account holder was barred from recovering from his bank $22,000 that the bank paid on forged checks, because the account holder did not notify the bank within the 20-day notification period provided in the agreement with the bank. See Stowell v. Cloquet Co-Op Credit Union, 557 N.W.2d 567 (Minn. 1997).

To preserve possible legal claims, know the time-period specified in the agreement with your bank and review bank statements accordingly.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Fight Payroll Direct Deposit Fraud

Office of the State Auditor (OSA) Avoiding Pitfalls, March 8, 2024

Fraudsters may attempt to re-route electronic payroll deposits to themselves through fraudulent requests to change the destination account. This could occur in an email purporting to be from an employee, or in a fraudulent direct depository change request form.

It is important to be aware of this threat and protect your payroll system with internal controls. Here are some specific controls to consider:

- Verify each request by contacting the employee directly – in person, or using a phone number you can rely on.
- Require the employee to provide an original signed ACH form; not an electronic form.
- Take ACH forms off the internet, and only provide them to an internal or external address on file.
- On an ACH form, require the employee to provide the previous bank routing and account number for verification.
- Require multiple approvals.

For additional information, see the League of Minnesota Cities Electronic Funds Transfer Fraud. See also, GFOA publication Bank Account Fraud Prevention.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Payroll-Related Tax Issues

Office of the State Auditor (OSA) Avoiding Pitfalls, January 27, 2023

Government entities face multiple payroll-related tax issues, such as:

- Is an individual an independent contractor or employee?
- Are severance payments, if permitted, taxed?
- Do we need to issue W-2 forms for elected officials?
- Is an employee's clothing allowance taxable income?

The Office of Federal, State and Local Governments of the IRS ("FSLG") provides information and guidance to government entities on federal tax issues. If a government entity is audited by the IRS and found to be in noncompliance, fines and penalties are possible, and the government entity or its employees could be subject to back taxes.

The FSLG has prepared a quick reference guide for local government employers that can be found here: https://www.irs.gov/government-entities/federal-state-local-governments.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Phantom Vendors

Office of the State Auditor (OSA) Avoiding Pitfalls, January 19, 2024

One method of fraud involves payments to fictitious companies for goods never delivered or services never provided. To protect against this, public entities need procedures in place to determine whether new vendors that are added to their accounts payable system are legitimate.

The ability to set up new vendors on the accounts payable system should be limited to those individuals with a logical need for this function. When new vendors are added to the system, the vendors should be reviewed by someone outside the accounts payable system. The outside reviewer should verify that the new vendor is legitimate. Finally, the vendor list should be reviewed periodically, and unused vendors should be removed from the system.

This fraud is more likely to occur when a public entity has a large number of vendors. Warning signs of a potential "phantom vendor" include:

- Sequentially-numbered invoices from the vendor;
- Invoice amounts just below the amount needing additional approval for payment; and
- Companies with only P.O. Box addresses, companies lacking taxpayer identification numbers, or vendor identification numbers that match an employee's social security number.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Ticket Sales

Office of the State Auditor (OSA) Avoiding Pitfalls, August 25, 2023

When cash is involved, public entities need to take extra precautions to prevent fraud. One situation where cash is prevalent is when tickets are sold, for example, at a school event or for a public swimming pool. Ticket sales present an opportunity for "skimming", the taking of cash before it is recorded on the entity's books.

Using pre-numbered tickets is one method to guard against skimming. When the sale of tickets is reported, the person responsible for the ticket sales should turn in the corresponding amount of cash and the correct number of unsold tickets, and obtain a receipt for what they've turned in.

To properly document ticket sales, entities should develop a form that records the starting and ending numbers on the tickets sold at an event and the total amount of money collected. The number of tickets sold multiplied by the ticket price should equal the amount of money collected.

The form that records this information should be signed by the ticket seller(s) and maintained by the entity as supporting documentation. Someone other than the ticket seller(s) should confirm that the number on the first ticket used for the next event begins where the numbers on the tickets for the prior event ended. Following these precautions can reduce an entity's risk of an employee skimming from ticket sales.

Office of the State Auditor (OSA) – Avoiding Pitfalls: Use of Gift Cards by Local Government Entities

Office of the State Auditor (OSA) Avoiding Pitfalls, February 24, 2023

The increasing popularity of gift card use by local government entities raises both legal and internal control issues.

Legal issues include the lack of authority to use gift cards as a method of distributing public funds, and the analysis by the Minnesota Attorney General that because "gifts" lack consideration they violate the State Constitution which requires a public purpose for all public expenditures.

Internal control issues arise because the cash equivalent nature of gift cards can make their handling, dissemination and use difficult to trace increasing the opportunity for theft and misuse.

The Office of the State Auditor has prepared the Use of Gift Cards Statement of Position discussing these and other issues related to gift cards use by local governments.

We urge local units of government considering the use of gift cards to consult with their legal counsel as well as their internal or external auditor.

Outside Organizations Supporting School Districts

Modified from Minnesota School Boards Association (MSBA) – The Leader Newsletter, October 3, 2017
Reprinted with permission from MSBA.

Document provides recommendations for working with outside organizations

By Gary Lee, Deputy Executive Director

In the July-August 2017 edition of the MSBA Journal magazine, MSBA announced that it would make available a document titled, "Outside Organizations Supporting School Districts." This document provides recommendations and guidance for school districts when they work with a booster club, a PTO, a foundation, or other outside organizations that provide support for a school district.

The Minnesota State High School League collaborated with MSBA in the development of this document and distributed copies at their regional meetings in September. MSBA also wants to thank the Farmington Area School District administration and school board for their work in establishing some of the framework to get this process rolling.

You can find these guidelines at the following link on the MSBA website at Resource Library – Minnesota School Boards Association (under District Operations and Finance, log-in required). Also, the guidelines are found below.

It is important to remember that this document is only a recommendation and it is not a mandate. School districts can use it as is or make some modifications for their local needs.

OUTSIDE ORGANIZATIONS SUPPORTING SCHOOL DISTRICTS

The following Model Guidelines were created to provide a recommended foundation for interactions between a school district and outside organizations that support school district programs. The guidelines are meant to be a tool used to better relationships, clarify procedures and rules, and set the stage for a successful school year.

PURPOSE AND FUNCTION OF ORGANIZATIONS THAT SUPPORT PUBLIC SCHOOLS

School districts have found a great financial and supportive resource in outside organizations for the programs within the school district. Examples of these outside organizations (groups) are education foundations, booster clubs, and parent-teacher organizations. Groups do not include individuals or organizations providing one-time gifts. Each of these groups are formed to support the efforts of the school district as a whole or support the efforts of a specific activity within the school district. The groups are created and managed by concerned community members. Minnesota law prohibits school districts from creating a nonprofit corporation, unless explicitly authorized to do so by law.[1]

Examples of activities these groups may engage in are the following: raising money for specific needs of a program; providing scholarships to students; recognition programs for students and/or staff; and volunteering time and other resources to be used by a school district program.

These groups should be formed as nonprofit charitable organizations with articles of incorporation. Additional filing requirements and registrations are needed and some of these requirements are provided in the Minnesota Office of the State Auditor Statement of Position – Outside Organizations Supporting Schools. This document encourages individuals to consult with an attorney knowledgeable in this area.

Each group should be established with a specific purpose, and the school district's Athletics and Activities Office and the administration are responsible to apply due diligence in all dealings with each of these groups, which may include the determination that a group is operating within its defined parameters.

The school district should encourage groups with similar purposes (athletics, fine arts, academics, etc.) to band together under one umbrella organization. Doing so will reduce the amount of administrative overhead required to manage multiple groups. Individual focuses, such as volleyball, football, etc., can still be delineated within the overall group and, at the same time, reduce duplicate and sometimes conflicting actions of individual groups.

GOOD STANDING

The school board is required by law to control the business of the school district.[2] This includes the approval of the overall budget, all expenditures for the programs of the school district, hiring and firing of staff, and the acceptance of all gifts from outside entities. The school district will only accept gifts from groups that are determined to be in good standing with the school district. Good standing does not apply to individuals and one-time gifts. The requirements to be in good standing are found in the Model Guidelines below.

GUIDELINES FOR OUTSIDE ORGANIZATIONS SUPPORTING THE [SCHOOL DISTRICT]

These guidelines are designed to create a foundation for interactions between the [School District] and outside organizations (group) that support school district programs. This document is meant to be a tool used to better relationships, clarify procedures and rules, and set the stage for a successful school year.

GOOD STANDING

A school board is required by law to control the business of the school district.[3] This includes the approval of the overall budget, all expenditures for the programs of the school district, hiring and firing of staff, and the acceptance of all gifts from groups. The [School District]'s school board requires a group to be in good standing with the school district before the school district will accept gifts from the group. The following items must be in place for a group to be in good standing:

a) Proof of valid non-profit status with both federal and state agencies via a Federal Taxpayer ID number, a State Employer's ID number, registration as a charity with the Minnesota Attorney General, if appropriate, and a State Seller's Sales Tax Permit Number, if appropriate.
b) Demonstrate compliance with applicable laws pertaining to reporting of revenue and expenditures as a for-profit corporation, partnership, or individual to the school district if applicable.
c) Has elected or appointed officers. (President, a Treasurer, and a Secretary) and provides the school district office with contact names and contact information for each officer.
d) Follow a set agenda each meeting (Welcome/Minutes from past meeting/Treasurer Report/Old Business/New Business).
e) Provide the school district business official with annual financial statements – Balance Sheet and Statement of Profit/Losses and a copy of the appropriate annual tax/reporting returns filed with the appropriate federal and state agencies. The school district reserves the right to request additional information as it deems necessary.
f) Adhere to appropriate internal controls, specifically in the handling of cash and the issuance of checks.
g) Control the group's funds. School district staff or board members are not authorized to disburse funds for the group.

DONATIONS

To donate funds or real property to the school district, the group will bring the gift to the [designated school district office] with a written statement describing any restrictions on the use of the gift. The gift will be held pending school board acceptance of the gift and any accompanying restriction(s). When accepted, the gift becomes the sole property of the school district. The school board may decide to not accept the gift and it will then be returned to the group.

The school district controls the entire employment process: authorizing a position; hiring; employment; and termination. If a group offers a gift of funding for a specific school district staff position, the position must be approved by the school district and the funds deposited with the school district prior to the start of the hiring process. The group will not participate or influence any portion of employment process.

A gift and subsequent hiring of the position for the school year does not imply an ongoing authorization of employment for future school years. The school board can decide at any time to discontinue the position.

Groups are reminded that school districts must comply with the requirements of Title IX of the Education Amendments of 1972. School districts must maintain a mechanism relative to funding and gifts to ensure compliance with Title IX. This mechanism includes the denial of any gift.

PURCHASING
Groups wishing to purchase equipment and other supplies for the school district must gain prior written approval from the appropriate [School District] staff member and/or administrator. The preferred process for this transaction, after gaining the appropriate approval, is to donate the funds for the purchase to the school district with the specification of the item to be purchased. The school district will comply with the Uniform Municipal Contracting Law (M.S. 471.345) when ordering the item and have it delivered to the school district.

If the group purchases the item without approval, the school board may not accept the item and the group will be responsible for the return or disposition of said item.

VOLUNTEERS
All volunteers must be officially approved by school board action. This approval includes all volunteer coaches for extracurricular activities controlled by the school board.[4]

Groups will not be allowed to hire a person who then "volunteers" his/her time to the school district. All paid positions will be employees of the school district and the process described above will be followed.

Each volunteer will pay for the mandatory background check upon the approval by the school board as required by statute.[5] Nothing in statute prohibits a group from paying for the volunteer's background check.

BILLING TO BOOSTER CLUBS
The school district will not bill groups that, either verbally or in writing, agree to pay for a purchase the school district makes. The funds to pay for a purchase must be donated prior to the purchase if the purchase is outside of the approved budget of the school district. The group may reimburse the school district for a budgeted expenditure with a gift after the fact. The school board will vote whether to approve the offered gift for the specified purpose.

ADVERTISING
- The school district [office] must approve all advertisements in printed programs for school district events. Please provide the school district [office] a copy of suggested ads for approval prior to printing. Any advertising that has not been approved may be pulled.
- The school district [office] reserves the right to deny approval of any advertising that is not consistent with district values.

FUNDRAISERS
- Fundraisers must comply with state and local laws.
- New fundraising activities must have initial approval from the school district, subsequent initiation of the same fundraising activity can proceed without additional approval.
- Membership on a team and/or playing time is not affected in any way by the amount of money raised by a participant and/or participant's parents.

ACTIONS GROUPS SHOULD DO:
- Volunteer time and raise money.
- Print promotional items, such as team schedules, programs, and yearbooks subject to approval by the appropriate program's staff member and acceptance of the items as gifts by the school board.
- Financially support the program by providing additional funding.

- Organize school district-approved participant events, such as meals for all participants.
- Listen to and work closely with school district staff.
- Discuss as official business any item that aligns with the function of the group.
- Create and maintain a web page for the group. The school district may put a link to this website on the school district website but will identify the link as belonging to a separate entity.
- Create and utilize their own logo separate from the school district logo.
- Provide the school district with a Certificate of Insurance.
- Provide background checks for its officers.
- Maintain and control a financial account separate from the school district.

ACTIONS GROUPS SHOULD NOT DO:

- Discuss or conduct a performance review of the school program staff. Employee evaluations are solely the responsibility of the school district.
- Discuss participation time issues of individual students.
- Withhold funding of the program to control the hiring or firing of the school district program employees.
- Offer a petition by the group to hire/fire a school district program employee.
- Plan, organize, or attempt to implement an off-season training program without direction or consent from the school district's program employee(s).
- Discuss as official business any item that does not align with the function of the group.

THANK YOU

Fundraising and volunteers are necessary parts of public school district programming. The [School District] and the student body are very grateful to groups, parents, and community members for the financial and moral support of school district programming. These positive contributions make an invaluable difference to the students of [School District].

[1] M.S. 465.717, subd. 1.
[2] M.S. 123B.01, subd. 1.
[3] M.S. 123B.02, subd. 1.
[4] M.S. 123B.49, subd. 4.
[5] M.S. 123B.03, subd. 1.

Prompt Payment of Local Government Bills

Modified from MN Statute 471.425

Prompt payment of obligations by districts is required within 35 days from receipt of the invoice. Joint powers organizations have up to 45 days. See FAI 62.6 or MN Statute 471.425 for details.

471.425 Prompt Payment of Local Government Bills.

Subdivision 1. **Definitions.** For the purposes of this section, the following terms have the meanings here given them.

(a) "Contract" means any written legal document or documents signed by both parties in which the terms and conditions of any interest or other penalty for late payments are clearly stated.

(b) "Date of receipt" means the completed delivery of the goods or services or the satisfactory installation, assembly or specified portion thereof, or the receipt of the invoice for the delivery of the goods or services, whichever is later.

(c) "Governing board" means the elected or appointed board of the municipality and includes, but is not limited to, city councils, town boards and county boards.

(d) "Municipality" means any home rule charter or statutory city, county, town, school district, political subdivision or agency of local government. "Municipality" means the Metropolitan Council or any board or agency created under chapter 473.

Subd. 2. **Payment required.** A municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as follows:

(a) For municipalities who have governing boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.
(b) For municipalities whose governing boards do not regularly meet at least once a month, the standard payment period is defined as 45 days after receipt of the goods or services or the invoice for the goods or services, whichever is later.
(c) For joint powers organizations organized under section 471.59, the standard payment period is within 45 days of the date of receipt.

Subd. 3. **Invoice errors.** If an invoice is incorrect, defective or otherwise improper, the municipality must notify the vendor within ten days of the date of receipt. Upon receiving a corrected invoice from the vendor, the municipality must pay the obligation within the standard payment period defined in subdivision 2.

Subd. 4. **Payment of interest on late payments required.** (a) Except otherwise provided in this section, a municipality shall calculate and pay interest to a vendor if the municipality has not paid the obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period as defined in subdivision 2. The standard payment period for a negotiated contract or agreement between a vendor and a municipality which requires an audit by the municipality before acceptance and payment of the vendor's invoice shall not be begun until the completion of the audit by the municipality.

(b) The rate of interest calculated and paid by the municipality on the outstanding balance of the obligation not paid according to the terms of the contract or during the standard payment period shall be 1-1/2 percent per month or part of a month.
(c) No interest penalties may accrue against a purchaser who delays payment of a vendor obligation due to a good faith dispute with the vendor regarding the fitness of the product or service, contract compliance, or any defect, error or omission related thereto. If such delay undertaken by the municipality is not in good faith, the vendor may recover costs and attorney's fees.
(d) The minimum monthly interest penalty payment that a municipality shall calculate and pay a vendor for the unpaid balance for any one overdue bill of $100 or more is $10. For unpaid balances of less than $100, the municipality shall calculate and pay the actual interest penalty due the vendor.

Subd. 4a. **Prompt payment to subcontractors.** Each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality for undisputed services provided by the subcontractor. The contract must require the prime contractor to pay interest of 1-1/2 percent per month or any part of a month to the subcontractor on any undisputed amount not paid on time to the subcontractor. The minimum monthly interest penalty payment for an unpaid balance of $100 or more is $10. For an unpaid balance of less than $100, the prime contractor shall pay the actual penalty due to the subcontractor. A subcontractor who prevails in a civil action to collect interest penalties from a prime contractor must be awarded its costs and disbursements, including attorney's fees, incurred in bringing the action.

Subd. 5. **Applicability.** This section applies to all goods, leases and rents, and contracts for services, construction, repair and remodeling. Purchases from or contracts for service with a public utility as defined in section 216B.02 or a telephone company as defined in section 237.01 that has on file with the public utilities commission an approved practice regarding late fees are not subject to this section.

Public School Fee Laws

Modified from MDE Memo, April 29, 2021

Q&A: Minnesota Public School Fee Law

The Minnesota Department of Education (MDE), Division of Compliance and Assistance, has developed this document to address questions raised by parents, public school districts, and charter schools regarding Minnesota's public school fee laws. The purpose of this document is to provide helpful, general information to the public. It does not constitute legal advice nor is it a substitute for consulting with a licensed attorney. The information below should not be relied upon as a comprehensive or definitive response to your specific legal question.

Question 1: What laws apply when a public school district charges fees to its students?
Answer: The Minnesota Public School Fee Law explains what types of fees a public school district or charter school may and may not charge. Here is an overview of the legal citations:

- Minnesota Statutes, section 123B.35, lays out the general state policy regarding student fees.
- Minnesota Statutes, section 123B.36, lists authorized fees.
- Minnesota Statutes, section 123B.37, establishes a list of prohibited fees.
- Minnesota Statutes, section 123B.38, establishes the process for schools to set fees that are neither authorized nor prohibited.

Authority: Minn. Stat. § 123B.35-123B.39

Question 2: Does the Minnesota Public School Fee Law apply to charter schools?
Answer: Yes. A charter school must follow the Minnesota Public School Fee Law.

Authority: Minn. Stat. § 124E.03, subd. 2

Question 3: What is the purpose of the Minnesota Public School Fee Law?
Answer: State policy balances the rights of all public school district students and charter school students to equal access to public education with the rights of districts. School boards have the right to accept voluntary contributions, to make certain charges, and to establish fees in areas considered extra-curricular, non-curricular or supplementary to the requirements for the successful completion of a class or educational program. No school board may require, except as authorized by Minnesota Statutes, sections 123B.36 and 123B.38, the payment of fees.

Authority: Minn. Stat. § 123B.35; Minn. Stat. § 123B.36; Minn. Stat. § 123B.38

Question 4: What is the definition of curricular?
Answer: Curricular means those portions of a school program for which credit is granted. This definition applies equally to required or elective curricular programs.

Authority: Minn. R. 3500.1050, subp. 2

Question 5: What is the definition of non-curricular, extracurricular or supplementary?
Answer: Non-curricular activities means those activities that include all direct and personal services for public school students and charter school students for their enjoyment that are managed and generally operated under the guidance of an adult or a district staff member. Extracurricular and supplementary have the same meaning as non-curricular. Non-curricular activities have all of the following characteristics:

- They are not offered for credit or required for graduation.
- They are conducted for the most part during other than school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities.
- The content of the activities is determined primarily by the interests of the student participants and their parents with the guidance of the district staff member or other adult.
- Except for direct salary costs and indirect costs for the use of school facilities, the activity is self-sustaining as all other expenses are met by dues, admissions, or other student fundraising events.

Authority: Minn. R. 3500.1050, subps. 4-6

Question 6: What types of school fees are authorized under the Minnesota Pupil School Fee Law?
Answer: Public school districts and charter schools may charge fees in the following areas:

- In any program where the resultant product, in excess of minimum requirements and at the pupil's option, becomes the personal property of the student.

- Admission fees or charges for extracurricular activities, where attendance is optional and where the admission fees or charges a student must pay to attend or participate is the same for all students, regardless of whether the student is enrolled in a public, charter, or a home school.
- A security deposit for the return of materials, supplies, or equipment.
- Personal physical education and athletic equipment and apparel, although any student may personally provide it if it meets reasonable requirements and standards relating to health and safety established by the board.
- Items of personal use or products that a student has an option to purchase such as student publications, class rings, annuals, and graduation announcements.
- Fees specifically permitted by other statutes (e.g. driver's education courses; field trips considered supplementary to a district educational program).
- Any authorized voluntary student health and accident benefit plan; reasonable rental fee for musical instruments rented or owned by the district.
- Transportation to and from extracurricular activities where attendance is optional.
- Motorcycle classroom education courses conducted outside of regular school hours (limited to actual cost).
- Transportation to and from post-secondary education option (PSEO) institutions (see Minn. Stat. § 123B.36, subd. 1(b)(13) for more details).

Authority: Minn. Stat. § 123B.36, subd. 1(b)

Question 7: May a public school district or charter school charge a fee if it is not specifically authorized or prohibited under state law?
Answer: Public school districts and charter schools have the choice to seek school board action to collect student fees for items that are not specifically authorized or prohibited under state law. Before charging such a fee, the school board must post a notice for three weeks of the proposed fee adoption and then hold a school board meeting to discuss and vote on adoption of the fee.

Authority: Minn. Stat. § 123B.38

Question 8: What types of school fees does the law prohibit public school districts and charter schools from charging?
Answer: Public school districts and charter schools are prohibited from charging students for:

- Textbooks, workbooks, art materials, laboratory supplies, towels.
- Supplies necessary for participation in any instructional course except as authorized in sections 123B.36 (See Question 6) and 123B.38 (See Question 7).
- Field trips that are required as a part of a basic education program or course.
- Graduation caps and gowns, and specific form of dress necessary for any educational program, and diplomas.
- Instructional costs for necessary school personnel employed in any course or educational program required for graduation.
- Library books required to be utilized for any educational course or program.
- Admission fees, dues, or fees for any activity the pupil is required to attend.
- Any admission or examination cost for any required educational course or program locker rentals.
- Transportation to and from school of students living two miles or more from school.

Authority: Minn. Stat. § 123B.37

Question 9: May a public school district or charter school charge a fee for materials a student will use during an industrial technology class?
Answer: It depends. To be an authorized fee, the public school district or charter school must determine if the student will make an end product that the student is able to keep, which goes beyond the minimum requirements for the class. If the fees do not result in such an end product, the school board must post a notice for three weeks of the proposed fee adoption and then hold a school board meeting to discuss and vote on adoption of the fee. Until that vote occurs, the public school district or charter school may not charge such a fee.

Authority: Minn. Stat. § 123B.36, subd. 1(b)(1); Minn. Stat. § 123B.38

Question 10: May a public school district or charter school charge students an activity fee for field trips, class activities or an end of year celebration?
Answer: Public school districts and charter schools may charge student fees for field trips that are considered supplementary to the school's educational program. Fees for team activities and celebrations that a student is required to attend are not allowed. If the team activities and celebrations are optional, then the public school district or charter school must obtain approval for such a fee through the school board process described the response to Question 9 above.

Authority: Minn. Stat. § 123B.36, subd. 1(b)(2)(7); Minn. Stat. § 123B.38.

Question 11: May a public school district or charter school charge a fee for a school planner?
Answer: If student planners are considered necessary supplies for participation in instructional courses at school, then the fees are prohibited unless the public school district or charter school obtains approval for such a fee through the school board process described the response to Question 9.

Authority: Minn. Stat. § 123B.37, subd. 1(a)(1)

Question 12: May a public school district or charter school charge students a technology fee for the use of computers?
Answer: A public school district or charter school must ensure that it is not charging a fee that fits under the prohibition of textbooks, workbooks, art materials, laboratory supplies or towels, or supplies necessary to participation in an instructional course, except as authorized under Minnesota Statutes, sections 123B.36 and 123B.38.

If the fee is not prohibited and fits under the authorized fee statute or the school board has followed the appropriate procedures to adopt such a fee, the school district must also ensure that students not paying the fee still have access to a computer during curricular computer classes (offered for credit) by the public school district or charter school. If students who have paid the technology fee have access to the computer during study hall, and the study hall is considered curricular (offered for credit) then again the student must have access to educational books and supplies (hard copy or electronic copy) necessary to participate in that curricular class.

Authority: Minn. Stat. § 123B.35; Minn. Stat. § 123B.36; Minn. Stat. § 123B.37, subd. 1(a)(1)(2); Minn. R. 3500.1050, subp. 2

Question 13: May a public school district or charter school charge fees related to official transcripts?
Answer: An official transcript does not fit under any of the provisions for an authorized or prohibited fee. Before charging such a fee, the school board must post a notice for three weeks of the proposed fee adoption and then hold a school board meeting to discuss and vote on adoption of the fee.

Authority: Minn. Stat. § 123B.36-123B.38

Question 14: May a public school district or charter school charge fees related to schedule changes?
Answer: The public school district or charter school must review the Minnesota Public School Fee Law to determine if the fee is supplementary to the requirements for the successful completion of a class or educational program, and whether it is authorized or prohibited by statute. If the public school district or charter school determines it is not a prohibited fee, then before charging such a fee, the school board must post a notice for three weeks of the proposed fee adoption and then hold a school board meeting to discuss and vote on adoption of the fee.

Authority: Minn. Stat. § 123B.35; Minn. Stat. § 123B.36; Minn. Stat. § 123B.37, subd. 1(a); Minn. Stat. § 123B.38

Question 15: May a public school district or charter school charge fees related to graduation ceremonies?

Answer: Public school districts and charter schools are specifically prohibited from charging fees for caps, gowns and diplomas. However, public school districts or charter schools are authorized to charge fees for any program where the resultant product, in excess of minimum requirements and at the student's option, becomes the personal property of the student. Public school districts or charter schools may also charge a fee for items of personal use or products that a student has an option to purchase. Fees may be authorized if the student is given the option to purchase the items. If the public school district or charter school clearly informs students prior to graduation that they are not required to purchase the cap, gown, tassel, or the diploma cover, but they may purchase those items to keep at their option, then those fees may be authorized. In those situations, the student could then return the diploma cover and the cap and gown, without charge, at the end of the ceremony.

Authority: Minn. Stat. § 123B.37, subd. 1(4); Minn. Stat. § 123B.36, subd. 1(b)(1) and (5).

Question 16: What is the best way for a public school district or charter school to handle fees related to high school graduation?
Answer: Because there is some ambiguity between the authorized and prohibited fee statutes related to the purchase of graduation items, if a school district or charter school wishes to add that fee, it should provide notice to parents and hold a hearing to address the proposed fee. Before charging such a fee, the school board must post a notice for three weeks of the proposed fee adoption and then hold a school board meeting to discuss and vote on adoption of the fee. As part of the school board hearing process, a school district should also set up procedures to allow for a waiver of the fee for students who cannot afford to pay it to ensure that all eligible students are afforded the privilege to participate in their graduation ceremony.

Authority: Minn. Stat. § 123B.35-123B.38

Question 17: What if a student's parent or guardian is unable to pay a school fee that is allowable under the law?
Answer: Public school districts and charter schools may waive a school fee based upon a student's inability to pay. Information about a student's eligibility for waiver of a fee is private and steps must be taken to ensure that information is not shared with other students through the method for payment for the class fee. Public school districts and charter schools must ensure that it is in compliance with the Family Education Rights to Privacy Act (FERPA) and the Minnesota Data Practices Act.

Authority: Minn. Stat. § 123B.36, subd. 6; 34 C.F.R. 99; Minn. Stat., Chapter 13

Question 18: May a public school district or charter school charge a fee for lost or damaged textbooks, workbooks, or library books?
Answer: Yes. The school board and charter school must annually notify parents or guardians and students about its policy to charge a fee for lost or destroyed school books.

Authority: Minn. Stat. § 123B.37, subd. 1(b)

Question 19: May a public school district or charter school withhold a student's grade, transcript or diploma for nonpayment of student fees?
Answer: No. Public school districts and charter schools are prohibited from withholding grades or diplomas for nonpayment of student fees. Note that this provision does not prohibit a public school district or charter school from maintaining any action provided by law for the collection of fees authorized by Minnesota Statutes, sections 123B.36 and 123B.38.

Authority: Minn. Stat. § 123B.35; Minn. Stat. § 123B.37, subd. 2

Question 20: May a public school district or charter school charge a nonrefundable registration-processing fee to parents seeking to register their child in a language immersion program?

Answer: A public school district or charter school may not charge an admission fee for any required instructional program. If a parent is required to pay the nonrefundable registration fee in order to have their child considered for admission into the language immersion program, it is MDE's position that it is a prohibited fee. The purpose of the Minnesota Public School Fee Law is to ensure that all students have an equal opportunity to access public education, which includes immersion programs offered by a public school or charter school.

Authority: Minn. Stat. § 123B.35; Minn. Stat. § 123B.37; Minn. Stat. § 124E.03, subd. 2; Minn. Stat. § 120A.20, subd. 1(a).

Public School Fee Laws

Minnesota School Boards Association (MSBA) – The Leader Newsletter, September 11, 2019
Reprinted with permission from MSBA.

School boards in Minnesota have the authority to charge fees. According to M.S. 123B.37, boards shall not charge fees in the following areas:

1. Textbooks, workbooks, art materials, laboratory supplies, towels;
2. Supplies necessary for participation in any instructional course except as authorized in section 123B.36 and 123B.38;
3. Field trips that are required as a part of a basic education program or course;
4. Graduation caps, gown, any specific form of dress necessary for any educational program, and diplomas;
5. Instructional costs for necessary school personnel employed in any course or educational program required for graduation;
6. Library books required to be utilized for any educational course or program;
7. Admission fees, dues, or fees for any activity the pupil is required to attend;
8. Any admission or examination cost for any required educational course or program;
9. Locker rentals;
10. Transportation to and from school of pupils living two miles or more from school.

A school board may charge fees for textbooks, workbooks, and library books, lost or destroyed by students. The board must annually notify parents or guardians and students about its policy to charge a fee.

Boards shall not withhold grades or diplomas for nonpayment of student fees. No pupil's rights or privileges, including the receipt of grades or diplomas may be denied or abridged for nonpayment of fees; but this provision does not prohibit a district from maintaining any action provided by law for the collection of fees authorized by sections 123B.36 and 123B.38.

Contact the MSBA staff with additional questions and comments.

Public School Fee Laws

MN House Research, July 2019

State policy is that public K-12 education must be free to all students

Minnesota's Public School Fee Law, Minnesota Statutes, sections 123B.34 to 123B.39, regulates the fees that public schools may and may not charge to students. The law declares that it is the policy of the state of Minnesota that public school education must be free, and no student may be denied an education based on inability to furnish books or other educational supplies needed to complete high school graduation or other related educational requirements. The law applies to both school districts and charter schools.

Public school fee law defines prohibited and authorized fees

The Minnesota Public School Fee Law authorizes certain fees and prohibits certain fees. Public schools must hold a hearing before imposing fees that are neither authorized nor prohibited. Schools may not suspend or exclude students or withhold students' grades or diplomas for failing to pay school fees.

Schools may accept voluntary contributions and may charge fees for extracurricular and noncurricular activities, or activities that supplement a class or educational program. The commissioner of education has adopted rules defining curricular, cocurricular, noncurricular, extracurricular, and supplementary activities for purposes of the public school fee law (Minnesota Rules, part 3500.1050); "extracurricular," "noncurricular," and "supplementary" activities have the same meaning. Extracurricular activities are:

- not for credit or required for graduation;
- conducted for the most part during other than school hours, or if partly during school hours, at times agreed by the participants, and approved by school authorities;
- determined primarily by the interests of the student participants and their parents with only the guidance of the staff member or other adult; and
- self-sustaining through dues, admissions, or other pupil fund raising events, except for salaries or indirect costs of the use of school facilities.

Schools are prohibited from charging fees for necessary goods and services
Minnesota's guarantee of a free public school education for all eligible students means schools are prohibited from charging fees for necessary goods and services. State law defines necessary goods and services to include instructional materials and supplies, required library books, required school activities, lockers, graduation caps and gowns, diplomas, and bus fees for students who live more than two miles from school. However, schools may charge bus fees to students who live within two miles of school and wish to ride the school bus.

Schools may not withhold the grades or diplomas of students who fail to pay fees, but may seek court action to collect unpaid fees. It is unclear whether remedial instruction that is not required by the school, conducted outside of the school day, and in a program separate from an extended time program constitutes supplemental education, where a fee is permitted, or core curricula, where a fee is prohibited.

Schools may charge students for certain school-related costs
Schools may require students to pay for certain school-related costs including fees for school uniforms, extracurricular activities, security deposits, personal athletic equipment, supplementary field trips, voluntary student insurance, musical instruments, student publications, graduation announcements, class rings, community education programs (other than adult basic education programs), and personal stationery supplies.

A school may charge fees for lost or destroyed textbooks, workbooks, and library books if the school annually informs parents and students about its fee policy regarding lost and destroyed books. Schools may waive fees for students from low-income families, and for students whose parents serve in or recently served in active military service.

School nutrition programs are subject to the public school fee law
Schools may charge a student for meals, unless the student qualifies for a free meal based on family income. School nutrition programs receive substantial state and federal funding, and state law requires schools that participate in the school lunch program to provide lunch at no cost to all students that qualify for free or reduced-price lunch.

A 2019 opinion by the attorney general states that a charge for a meal by a public school is a "fee" subject to the Public School Fee Law, and that schools cannot restrict participation in graduation ceremonies based on outstanding school meal balances. The opinion also found that denying students the opportunity to participate in school graduation due to nonpayment of meals would demean or stigmatize students, in violation of state lunch aid laws. (Op. Att'y Gen. 169j, May 14, 2019)

Records Retention – Office of the State Auditor

Office of State Auditor (OSA) Avoiding Pitfalls, September 29, 2023

Government records must be preserved according to state law. In Minnesota, local governments may only destroy government records pursuant to:

- An "Application for Authority to Dispose of Records" submitted to and approved by the State Records Disposition Panel; or
- A records retention schedule adopted by the governing board and approved by the State Records Disposition Panel.

If the governmental entity adopts one of these general records retention schedules and that schedule is subsequently updated by the State Records Disposition Panel, the governmental entity does not have to adopt the new version of the general schedule. Instead, the State Records Disposition Panel will assume the governmental entity will use the most recent version of the general schedule.

Links to the general records retention schedules for Minnesota governmental entities, including counties, cities, townships, and school districts, are found on the Minnesota Historical Society's website.

In addition, this website offers guidelines, information leaflets and forms to assist governmental entities in managing their paper and electronic records. For example, the site provides information leaflets for records of watershed districts, soil and water conservation districts, law enforcement, county auditors, public libraries, public health care facilities, heritage preservation commissions, towns, cities, and school districts.

Records Retention – Q&A: Record Retention and Record Retention Schedules

Modified from MDE > Districts, Schools and Educators > Teaching and Learning > Special Education > Assistance and Compliance Q and As > Due Process Rights, Data Privacy and Other Student Rights, April 29, 2021

The Minnesota Department of Education (MDE) developed this document to assist school districts who have raised questions about record retention. The purpose of this document is to provide helpful, general information to the public. It does not constitute legal advice nor is it a substitute for consulting with a licensed attorney. The information provided in the document should not be relied upon as a comprehensive or definitive response to your specific legal situation.

The document can be located using the path above or this link:
https://education.mn.gov/mdeprod/idcplg?IdcService=GET_FILE&dDocName=055464&RevisionSelectionMethod=latestReleased&Rendition=primary.

Records Retention – Summary School District Permanent Record Retention Items

Modified from Region 1 Website

Administration

1. Annual Reports to Board of Education – Reports generated by district (PER, Accountability Reports, formal Annual Report in accordance with MN Statute 120B.11).
2. Boundary Changes – District – Consolidation, detachment, annexation and dissolution.
3. Census, Annual School – 1979 and earlier.
4. Census, Certified Reports – Conducted once per decade.
5. Closed Rural Schools – Clerk's, treasurer's and teacher's records of closed rural schools which were consolidated into the independent district. (**Transfer to State Archives**)
6. Inter District Cooperatives – Vocational, Special Education and Special Purpose Cooperatives formed by Joint Powers Agreements.
7. Minutes – Board minutes.

8. Minutes – Officially designated committees.
9. Newsletters and Publications – District generated.
10. Newsletters and Publications – Student generated school newspapers.
11. Parent Teacher Association Records – Secretary's books, treasurer's books and scrapbooks.

Building

1. Buildings and Grounds Records – Blueprints, construction specifications, abstracts, deeds, title papers, final inspection reports, land and building occupancy approval.

Community Education

1. Certificate of Compliance – Verifies cooperation between district and other governmental agencies. Includes Joint Powers Agreements.

Finance

1. Year-end Financial Reports – Revenue and expenditure summary transaction reports.
2. Year-end Financial Reports – Revenue and expenditure detailed transaction reports.
3. Year-end Financial Reports – UFARS revenue and expenditure report to State.
4. Year-end Financial Reports – Special funded projects report.
5. Year-end Financial Reports – Clerk's and treasurer's reports. Register of receipts/disbursements, treasurer's annual report, treasurer's books of records. (1932 and earlier)
6. Year-end Financial Reports – Clerk's and treasurer's reports. Register of receipts/disbursements, treasurer's annual report, treasurer's books of records. (Post 1932)
7. Year-end Financial Reports – General ledger, general journals, journal entries, disbursements journal, check register, adopted and revised budget, budget publications, balance sheet and receipts journal.
8. Audit Reports
9. Bond Issues – Official Statements – Enabling documentation.

Health and Safety

1. OSHA – Employee Exposure Records – Any information concerning employee exposure to toxic substances or harmful physical agents (Retain for 30 years after termination or retirement.)

Payroll

1. Payroll Register – Name, address, date of birth, occupation, rate of pay, compensation earned each week.
2. Tax Sheltered Annuity Contracts.
3. Tax Sheltered Annuity Authorization – 475 and 403(b) plans.

Personnel

1. Employee Medical Records – Any information concerning the health status of an employee, which is made or maintained by a physician, nurse, or other health care personnel, or technician. (Retain for 30 years after termination or retirement.)
2. Employee Medical Records – Includes medical and employment questionnaires or histories, medical exams, medical opinions, description of treatments and prescriptions and employee medical complaints. (Retain for 30 years after termination or retirement.)
3. First Report of Injury – Permanent unless maintained with worker's compensation file. Then retain for 20 years.
4. Arbitration Decisions.
5. Grievance Files – Employee grievances and/or complaints filed under a labor agreement or personnel rules. This also related to arbitration files and related court cases.
6. Labor Contracts – Contracts between school district management and various bargaining units including: correspondence, salary schedules and personnel policies.
7. Mediation Records.
8. Pay Equity – Summary.

Special Education

1. Special Education Records – The permanent record of the student's name, address, phone number, grades, attendance and grade level completed.

Students

1. Accident Reports – Students.
2. Achievement and Standardized Tests Results – Testing as determined by district.
3. Attendance and Membership Data – Summary of yearly attendance by student as recorded in cumulative file.
4. Cumulative File – Record of access, log in/out record for review or transfer of student records.
5. Demographic Information – District Census.
6. Homeschool Records.
7. Preschool Screening.
8. School Performance Data – Transcripts.
9. Auxiliary Organization Records – Clubs, interest groups, student councils and athletic associations.
10. Auxiliary Organization Records – Graduation Programs.
11. Auxiliary Organization Records – Activity Funds – treasurer's records, bylaws, membership records and meeting minutes.

Red Flags Rule – Fighting Fraud

Federal Trade Commission (FTC) at http://ftc.gov/tips-advice/business-center/privacy-and-security/red-flags-rule

Red Flags Rule Effective after December 31, 2010. Go to http://ftc.gov/tips-advice/business-center/guidance/fighting-identity-theft-red-flags-rule-how-guide-business for the How-To Guide for Business.

Note: The original "Frequently Asked Questions" (FAQ) documentation included references to schools. Current How-To Guide for Business does not.

2024 Sales Tax Payment Schedule

Minnesota Department of Revenue

Due Dates

You may not receive a notice to remind you to file your return or pay your tax, so it's important to remember the due dates. The due date for filing and paying your sales and use tax are the same. If the due date falls on a Saturday, Sunday, or legal holiday, returns filed and payments made electronically and payments postmarked the next business day are considered timely.

- Monthly filers – 20th day of the following month.
- Quarterly filers – April 20, July 20, October 20, and January 20 of the following year.
- Annual filers – February 5 of the following year.

To check your filing frequency, log into e-Services and select your Sales and Use Tax account or call 651-296-6181.

Use the following schedule as a reminder of when to file your sales and use tax returns and make your payment.

Return	Due Date
Annual (calendar year 2023)	February 5, 2024
January 2024	February 20, 2024
February 2024	March 20, 2024
March 2024 (monthly and quarterly)	April 22, 2024
April 2024	May 20, 2024

May 2024	June 20, 2024
June 2024 (monthly and quarterly)	July 22, 2024
July 2024	August 20, 2024
August 2024	September 20, 2024
September 2024 (monthly and quarterly)	October 21, 2024
October 2024	November 20, 2024
November 2024	December 20, 2024
December 2024 (monthly and quarterly)	January 21, 2025
Annual (calendar year 2024)	February 5, 2025

Sales Tax – Exemption Clarification – MSHSL

MASBO Newsletter, November 2015

Admission and tickets to events sponsored by the Minnesota State High School League (MSHSL) have been exempt from sales tax. This exemption had an expiration of June 30, 2015, and needed to be renewed during the last legislative session. It was not possible to get this passed, so the exemption expired at that time. In October, a representative from the Department of Revenue informed some school district staff at a local conference that the sales tax exemption for tickets sold by Minnesota school districts was tied to the exemption for the MSHSL, and therefore expired as well — meaning that effective July 1, 2015, schools should pay sales tax on ticket and admissions to all events.

This was not correct. Since that time, the Department of Revenue has issued the following statement to clarify that the sale of tickets or admissions to school events is NOT TAXABLE. Please see the following statement from the Department of Revenue:

Question*: Are tickets sold for school dances, musical events, plays, and other events like this taxable? Does it make a difference if the event is held on school premises?*

Answer*: Sales of tickets or admissions to regular season school games, dances, musical events, concerts, and other events are not taxable during the regular school season, regardless of whether they are held on or off the school premises. This exemption applies to public, nonprofit, or for-profit schools with grades pre-kindergarten through grade 12 and to vocational center/career schools.*

Sales of admissions to tournaments, post-season games and other non-regular season games, events and activities ***are*** *taxable. Also taxable are admissions to swimming pools, ice skating rinks, tennis courts, handball courts and athletic fields. Admissions and tickets to games, events, and activities sponsored by the Minnesota State High School League are exempt for sales made after June 30, 2006 and before July 1, 2015.*

The bottom line is that for school districts there is no change – tickets for regular season school games, dances and other events are not taxable during the regular school season.

Note: Minnesota Statute 297A.70, subd. 11a now allows "tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League under chapter 128C are exempt". This is effective for sales and purchases made after June 30, 2017, and before July 1, 2027.

Sales Tax – Minnesota Sales and Use Tax Guide

Condensed from MN Department of Revenue MASBO Fall Meeting, November 2002

What is sales tax? Sales tax is a tax on gross receipts from the retail sale, lease or rental of taxable tangible personal property and the providing of taxable services in Minnesota. The general rate is 6.875%.

Definitions
Retail sales: Retail sales are sales made to persons or organizations purchasing items for their own consumption or use. There are two types of property – tangible personal property and real property. The tax applies to sales of tangible personal property.

Tangible personal property:
- Tangible – something you can touch, see, feel, smell
- Personal – any tangible item that is not directly attached to the land
- Property – something owned (or leased or rented)
- Examples: desks, paper, copier and copier supplies, bathroom supplies, and cleaning supplies

Real property: Real property is any tangible item permanently attached to the land or a permanent part of a structure attached to the land. All the components needed to construct real property are tangible personal property. Examples: school building, athletic facility, roof, and parking lot. The distinction between tangible personal property and real property is an important one for schools because of the amount of money used to build, improve, and repair real property.

Contracts to build, improve, or repair real property
When a school needs to build, improve, or repair real property, it has several options that are explained in this section:

Buy materials and use own labor or hire labor
This option generally applies to small projects and repairs. The tangible goods that go into the project can be purchased exempt from the tax, and the school does not pay tax on the labor, the school assumes responsibility for all the materials including liability for loss of materials or injuries at the work site.

Hire a contractor
In this option, the contractor assumes liability for the total project. However, since the contractor is the end user of all the tangible goods used in the project, the contractor must pay sales tax on all the tangible goods used in the project. The tax cost will be included in the contract as part of the cost of materials.

Purchase agent agreement
With a purchase agent agreement, the contractor can buy all the goods and materials used in the project exempt from tax. The contractor retains responsibility for the success of the project. The school, however, is responsible for any liability associated with the materials purchased under the agreement.

The school can set up a purchase agreement with a contractor only if the following conditions are met:
- The school initially advertises for separate bids for materials and labor
- The separate bids are issued on separate contracts
- Obtaining one contract is not contingent on obtaining both

If all three conditions are met, and one contractor receives the materials and labor contracts, the contractor and the school must establish a written purchase agent contract that clearly states:
- The appointment has been made
- The school takes title to all materials and supplies at the point of delivery
- The risk of loss for materials and supplies is that of the school
- The school, not the purchase agent, has responsibility for all defective materials and supplies including those incorporated into realty

If the general contractor and the school have a purchase agent contract, the contractor must get separate material and labor bids from all sub-contractors.

Sales Tax – Schools – Sales and Purchases

MN Department of Revenue Sales and Use Tax Fact Sheet 111, Revised September 2022

This fact sheet explains how sales tax applies to sales and purchases made by schools and school districts. Fact Sheet 111 is located at https://www.revenue.state.mn.us/sites/default/files/2022-09/FS111.pdf.

Sales Tax – Vending Machines and Other Coin-Operated Devices

MN Department of Revenue

This information describes the sales and use tax topics related to the vending machine and other coin-operated devices. It is located at https://www.revenue.state.mn.us/guide/vending-machines-and-other-coin-operated-devices-industry-guide.

School Raffles

MN Statute 609.761, subd. 5

Subd. 5. **High school raffles.** Sections 609.755 and 609.76 do not prohibit a raffle, as defined in section 349.12, subdivision 33, conducted by a school district or a nonprofit organization organized primarily to support programs of a school district, if the following conditions are complied with:

(1) tickets for the raffle may only be sold and the drawing conducted at a high school event sponsored by a school district. All tickets must be sold for the same price;
(2) tickets may only be sold to persons 18 years of age or older attending the event;
(3) the drawing must be held during or immediately after the conclusion of the event;
(4) one-half of the gross receipts from the sale of tickets must be awarded as prizes for the raffle, and the remaining one-half may only be expended to defray the school district's costs of sending event participants to high school activities held at other locations; and
(5) if a school district's or nonprofit organization's gross receipts from the conduct of raffles exceeds $12,000 in a calendar year or $5,000 in a single raffle, the school district or organization must report the following information to the Gambling Control Board annually: the total amount of gross receipts received, the total expenses for the raffles, the total prizes awarded, and an accounting of the expenditures from the gross receipts of the raffles.

SERVS Financial Instructions

Condensed and Modified from MDE > Districts, Schools and Educators > Business and Finance > Data Submissions > SERVS Financial, Revised February 2020

The Minnesota Department of Education (MDE) implemented a reauthorization process, which requires the Identified Official with Authority (IOwA), the person who has legal authority to sign documents on behalf of the organization, to grant their staff for specific roles in the secure MDE sites for the organization/district they represent. Note: The IOwA must be reauthorized once a year with the Board Resolution Language.

Obtaining SERVS Financial Access and MDE Account Setup
Before your agency can submit a grant application, the IOwA must grant access to roles for their staff in the State Educational Record View and Submission (SERVS) Financial System annually.

The IOwA **must** inform each staff person what role they are granted in SERVS Financial.

Each staff will only be granted access to one of four roles in the SERVS Financial System by the IOwA of their organization or district.

The four (4) different user roles in the SERVS Financial System are:

1. **ApproveApplicationAndBudget** – Authority to approve, sign and enter into contracts on behalf of the selected organizations, and approves (signs) the budget. **There may be only one ApproveApplicationAndBudget role per organization or district given to an official who can legally bind their organization (superintendent/executive director).** The person in this role will:
   - **Accept Funds/Manage Allocation/Balance Forward.**
   - **Review and approve grant applications with electronic signature as authorized district representative.**
   - **Perform Application and Budget Tasks (if necessary).**
2. **ApplicationAndBudget** – Responsible to submit applications or create budgets for review. (May NOT submit reimbursement requests.)
3. **AccountRegister** – Responsible for cash management and designated to submit, delete and correct reimbursement/draw requests. (May not submit applications or create budgets for review.)
4. **ReadOnly** – This role is designed for local education agency (LEA) staff members that have a job-related need to view and track applications, budgets or reimbursement requests. This role may view all aspects of an application and budget but may not edit any of this information.

Every user must create and use their **own** MDE account **(one MDE account per person)** in the Education Identity & Access Management (EDIAM). User IDs and passwords must not be shared per the Secured Website User Access Agreement and Acknowledgement and failure to abide by the agreement will result in access rights being removed, in accordance with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, and Family Educational Rights and Privacy Act (FERPA), 20 United States Code (U.S.C.) 1232g.

View or Update Your Account
If you have an EDIAM user account, log in to view your account details and to make updates to your name, current work email and/or work phone number. By clicking on your profile (top right hand side), click View profile, on the left and side of the blue ribbon click Actions, Update Personal Information.

In you have questions regarding a specific SERVS Financial grant **application**, visit the Grants page for additional information about competitive and formula grants and to search grant opportunities and the program person who will be able to assist you.

Required Coversheet Information in the Application Section
(Required Numbers in the Application (Coversheet) or Directly in SERVS Financial System).

To apply for a grant opportunity, your agency head will be expected to provide the following information. Please check in with your business office to determine if your organization already has this information. School districts and approved charter schools are likely to have these numbers. For state funded initiatives in SERVS Financial, you may not have to provide the DUNS.

1. MDE Organization Site Number (example: XXXX-XX).
2. Minnesota SWIFT Vendor ID Number.
3. Federal DUNS Number.

Federal DUNS Number
All school districts, charters schools, nonprofits and other entities applying for **federal funding** are required to have a Data Universal Numbering System (DUNS) number. This is a federal requirement.

If you have never submitted an application to the SERVS Financial System, you will be asked to provide your DUNS number.

See **Note2** below about the new Unique Entity Identifiers (UEI) needed as of April 4, 2022.

Obtaining Electronic Signatures
After you have uploaded your application into the SERVS Financial System and it is in the **"signature pending"** status, you need to obtain the electronic signature from the staff who has the Approve Application and Budget role. Let them know that the application is ready for their signature and the due date it needs to be signed by. Once the IOwA has signed the grant application it will become **"under process"** and MDE can review the grant application.

To apply the electronic signature, the person with the ApproveApplicationAndBudget role will follow these steps to log into the SERVS Financial System and continue towards signature of the application:

1. Enter the SERVS Financial System and log in with their User ID and password.
2. Click on **Grant Management** (on the left side).
3. Select the application that needs to be signed from the list (the status on the application should say "Signature pending").
4. Review the grant application submitted. If satisfied, you will click on **Sign Grant Application**.
5. On the Grant Application Signature page, agree to comply with the terms by clicking on "I accept" which takes you to the next Grant Application Signature page.
    a. If you agreed to the terms in the Grant Application Signature page, you will enter your user ID and password to verify your identity. Your signature event is recorded (time and date) on the Grant Application Details page. The Grants Application Details page should now state, **"You have successfully signed the grant application."**
    b. The grant application status reflected on the SERVS Financial System site for your application should have changed from "Signature Pending" to "Under Process."

Note: The entire document can be located at https://education.mn.gov/MDE/dse/datasub/SERVS/.

Note2: On April 4, 2022, the U.S. Department of Education will join other federal agencies and transition to utilizing new Unique Entity Identifiers (UEIs) for grant recipient and applicant organizations, rather than the previously utilized Data Universal Numbering System (DUNS) numbers. The UEI is administered through SAM.gov (System for Award Management). To register for your school's UEI, click on the "Get Started" link under the Register Your Entity or Get a Unique Entity ID heading in SAM.gov and follow the instructions provided on the website.

Sports Officials

Minnesota Administrative Rules 5224.0310

5224.0310 Sports Officials.
Subpart 1. **Definition.** A sports official is an individual engaged to referee games of sport such as basketball, hockey, or football where the level of competition requires the sports official to be a member of or certified by an organization whose purpose is to maintain minimum standards and qualifications of sports officials.

Subp. 2. **Independent contractor.** A sports official is an independent contractor if all the following conditions are substantially met.

A. There is a written contract between the sports official and the party or association engaging the services of the sports official that states specifically that the sports official is an independent contractor.
B. Payment to the sports official is for a set fee for each game officiated.
C. The official is free under the terms of the contract to accept or reject assignments of any game.
D. The sports official is not limited to exclusively officiating with the party engaging the services as a sports official.

Subp. 3. **Employee.** A sports official is an employee if all of the following criteria are substantially met.

A. The official is paid on an hourly, weekly, or similar time basis.
B. The official must work at the times and places designated by the purchaser of the official's services, and is not free to reject assignments.

C. The official is not free to sell his or her services to other parties while working for the purchaser.
D. The relationship is terminable at will without any liability to the official.

Tax-Exempt – Minnesota Public Schools

Modified from School Business Bulletin No. 26, November 2003

Several inquiries have been made to MDE concerning the tax-exempt status of schools or the "not-for-profit" characteristic of a public school, including charter schools. There have been instances where a vendor from outside the state of Minnesota has refused to honor the school claim of tax-exempt status without specific and written confirmation. Therefore, an appeal was made to the Office of the Secretary of State for references. Mr. Bert Black, a business and legal analyst with the Office, provided a response, most of which is contained in the paragraphs below.

School districts, in their role as political subdivisions of the state created by state law, are public or municipal corporations. However, the word 'corporation' is here used in its literal sense of 'body'. They are not business or non-profit corporations established under Minnesota Statutes 302A or 317A, all of which are "private" corporations.

Only "private" organizations are subject to income tax and therefore are eligible in certain cases for tax-exempt status under IRC 501(c). The (c)(3) section…is only the most beneficial status, but other statuses under section 501 also qualify as tax-exempt.

In Minnesota, all state agencies and municipalities pay sales tax on purchases as a result of legislation enacted some eleven years ago. This law does not require school districts to pay sales tax – on the contrary, it specifically exempts school districts and other educational institutions from paying sales tax except on construction materials and car leases. See MS 297A.70, subd. 2(a)(2), 297A.70, subd. 2(b). The section on non-profits being exempt closely parallels 501(c)(3) is 297A.70, subd. 4.

Charter Schools Included

Charter schools are included in this claim of tax-exempt status by virtue of the fact that they are considered, statutorily, a public school. Likewise, the charter school must be organized and operated as a cooperative under chapter 308A or nonprofit corporation under chapter 317A. There is no specific reference to the need for a charter school filing for a 501(c)(3) in Minnesota Statutes, although there may be good reasons for doing so as in the case of an external donor that requires the status or as in the case of the external vendors.

There are specific references to types of 501(c)'s in the Minnesota Statutes, section 124D.10, subd.3. Sponsors may be a school board, an intermediate school district school board, or an education district.

They could also be a charitable organization under 501(c)(3) or a nonprofit corporation exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986.

Tax-Exempt Status – IRS Governmental Information Letter

https://www.irs.gov/government-entities/federal-state-local-governments/governmental-information-letter,
Last Reviewed or Updated February 6, 2024

Government entities are frequently asked to provide a tax-exempt number or "determination" letter to prove its status as a "tax-exempt" or charitable entity. For example, applications for grants from a private foundation or a charitable organization generally require this information as part of the application process. In addition, donors frequently ask for this information as substantiation that the donor's contribution is tax deductible, and vendors ask for this to substantiate that the organization is exempt from sales or excise taxes. (Exemption from sales taxes is made under state law rather than Federal law.)

The Internal Revenue Service does not provide a tax-exempt number. A government entity may use its Federal TIN (taxpayer identification number), also referred to as an EIN (Employer Identification Number), for identification purposes.

Governmental units, such as states and their political subdivisions, are not generally subject to federal income tax. Political subdivisions of a state are entities with one or more of the sovereign powers of the state such as the power to tax. Typically they include counties or municipalities and their agencies or departments. Charitable contributions to governmental units are tax-deductible under section 170(c)(1) of the Internal Revenue Code if made for a public purpose.

An entity that is not a political subdivision but that performs an essential government function may not be subject to federal income tax, pursuant to Code section 115(1). The income of such entities is excluded from the definition of gross income as long as the income (1) is derived from a public utility or the exercise of an essential government function, and (2) accrues to a State, a political subdivision of a state, or the District of Columbia. Contributions made to entities whose income is excluded income under section 115 may be tax deductible to contributors.

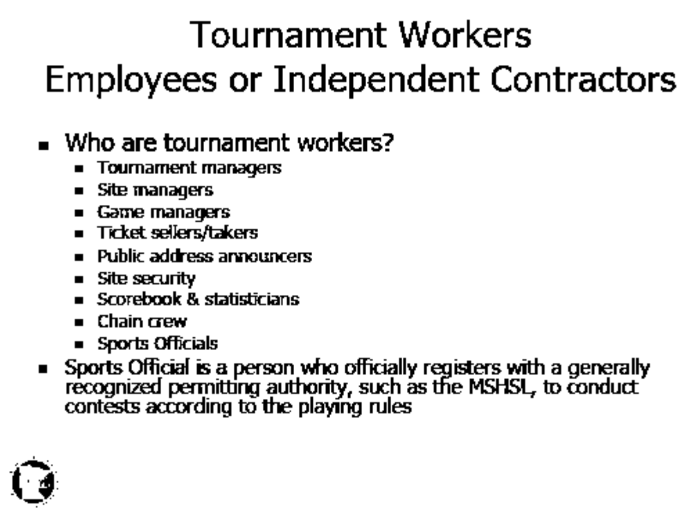
In order for a government entity to receive a determination of its status as a political subdivision, instrumentality of government, or whether its revenue is exempt under Internal Revenue Code section 115, it must obtain a letter ruling by following the procedures specified in Revenue Procedure 2018-1 or its successor. There is a fee associated with obtaining a letter ruling.

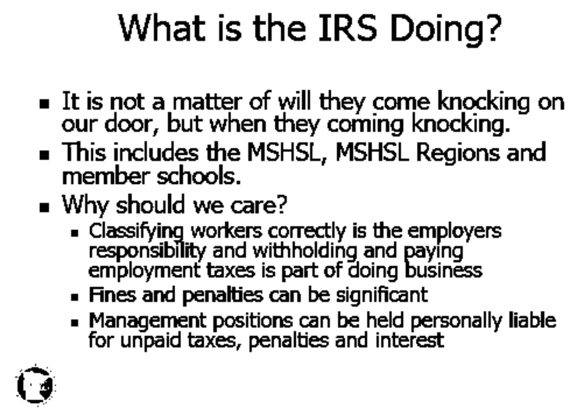
As a special service to government entities, IRS will issue a “governmental information letter” free of charge. This letter describes government entity exemption from Federal income tax and cites applicable Internal Revenue Code sections pertaining to deductible contributions and income exclusion. Most organizations and individuals will accept the governmental information letter as the substantiation they need.

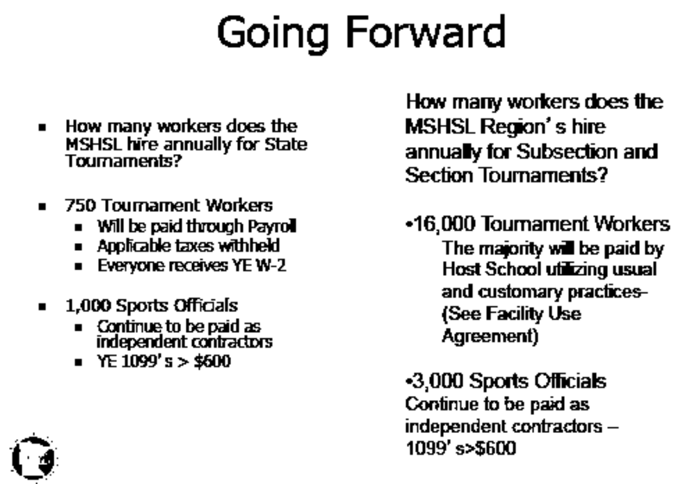
Government entities can request a governmental information letter by calling 877-829-5500.

Tournament Workers

Minnesota State High School League (MSHSL) Presentation, Winter MASBO 2014







Note: Refer to the original presentation for details. Site Security and Sports Officials (MSHSL Referee) may be treated as Independent Contractors. All others are employees.

Transfers – Permanent Transfers

Modified from School Business Bulletin No. 38, September 2008

There are two major categories of interfund transfers: residual equity transfers and operating transfers. Residual equity transfers are generally infrequent. The key to identifying residual equity transfers is their non-recurring or non-routine nature. Residual equity transfers are reported as direct additions to or deductions from the appropriate fund balance code. If transactions are recurring or routine, they are reported as operating transfers. Operating transfers include all interfund transfers which are not residual equity transfers. An operating transfer is reported as expenditure (object 910) and revenue (source 649) in the appropriate funds.

The Governmental Accounting and Standards Board (GASB) Statement No. 34 suggests the elimination of the residual equity transfer; however, Minnesota Statutes does allow for certain permanent transfers. In order to keep from overstating revenues and expenditures, the residual equity transfer is allowable in some circumstances.

The following are allowable residual equity transfers (direct additions/deductions from fund balance codes):

1. Correction for Prior Year's Errors (Minn. Stat. § 123B.79, subd. 1);
2. Deficit in Discontinued Fund (Minn. Stat. § 123B.79, subd. 1);
3. Discontinues Operation of a District-Owned Bus Fleet (Minn. Stat. § 123B.79, subd.1);
4. Reorganizing Districts (Minn. Stat. § 123B.79, subd. 8);
5. Elimination of Reserved Accounts (Minn. Stat. § 123B.79, subd. 9);

6. Commissioner Approval (Minn. Stat. § 123B.80, subd. 1);
7. Debt Service Surplus (Minn. Stat. § 475.61, subd. 4);
8. Building Construction Balance (Minn. Stat. § 475.65);
9. Requirement of UFARS (Minn. Stat. § 123B.77, subd. 1) including, but not limited to, adjustments to one-way reserves (basic skills, learning and development, etc.).

For further information, please contact the MDE Financial Management Team.

Transfers – Permanent Fund Transfers

In regard to transfers, the general description within the Fund dimension section states "Transfers between funds are allowed only as specified in Minnesota Statutes, sections 123B.79 and 123B.80. In general, revenues may be transferred from the General Fund to any operating fund only to eliminate a deficit. Such a transfer requires school board action."

Board Action or Board Resolution is a process used by school boards allowing them to take action on an issue. In most cases, fund transfers require board action or board resolutions.

RESIDUAL EQUITY TRANSFERS (One Time/Permanent)

1. Permanent transfers may be made from the General Fund to eliminate deficits in another Fund when that other Fund is being discontinued. (M.S. 123B.79, subd. 1) Elimination of Restricted/Reserved Accounts per M.S. 123B.79, subd. 9 and requirement of UFARS (M.S. 123B.77, subd. 1) including, but not limited to, adjustments to one-way reserves (i.e. basic skills, learning and development, etc.)

2. When a district discontinues operation of a district-owned bus fleet or a substantial portion of a fleet, the balance shall cancel to the district's General Fund. (M.S. 123B.79, subd. 1).

3. Any balance remaining from the Building Construction Fund after the improvement has been completed and paid for, unless devoted to a new use as herein authorized, shall become a part of the Debt Service Fund of the municipality. (M.S. 475.65)

4. For obligations authorized before July 1, 2005, the amount of any surplus remaining in the Debt Service Fund of a school district when the obligations and interest thereon are paid shall be used to reduce the General Fund levy authorized pursuant to chapters 122A, 123A, 123B, 124D, and 126C and the state aids authorized pursuant to chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A. (M.S. 475.61, subd. 4) Transfer to: Restricted/Reserved Account 416 – Restricted/Reserved for Levy Reduction. For obligations authorized on July 1, 2005, or thereafter, the amount of any surplus remaining in the Debt Service Fund of a school district when the obligations and interest thereon are paid in full may be appropriated to any other general purpose by the school district without any reduction in state aid or levies or may be used to reduce the General Fund levies authorized under chapters 122A, 123A, 123B, 124D, and 126C, and the state aids authorized under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A.

5. Permanent transfers may be made from any Fund to any other Fund to correct for prior fiscal year's errors discovered after the books have been closed for that year. (M.S. 123B.79, subd. 1)

6. Commissioner's Authorization. The commissioner may authorize a board to transfer money from any Fund or account to another Fund or account according to this section…. Approval standard: The Commissioner may approve a request only when an event has occurred in a district that could not have been foreseen by the district. The event must relate directly to the Fund or account involved and to the amount to be transferred. (M.S. 123B.80, subd. 1–3) Special Reporting to MDE Required.

7. A district that has reorganized according to sections 123A.35 to 123A.43, 123A.46, or 123A.48, or has conducted a successful referendum on the question of combination under section 123A.37, subdivision 2, or consolidation under section 123A.48, subdivision 15, or has been assigned an identification number by the Commissioner under section 123A.48, subdivision 16, may make permanent transfers between any of the Funds in the newly created or enlarged district with the exception of the Debt Service Fund, Food Service Fund, and Restricted/Reserved for Health and Safety account. Fund transfers under this section may be made for up to one year prior to the effective date of combination or consolidation and during the year following the effective date of reorganization. (M.S. 123B.79, subd. 8) Special Reporting to MDE Required.

OPERATING TRANSFERS (Annual Basis)

1. Permanent transfers may be made from the General Fund to any other operating funds according to section 121A.19 or if the resources of the other Fund are not adequate to finance approved expenditures from that other Fund. (M.S. 123B.79, subd. 1)

2. If a district does not contract with a food service management company and if a deficit in the Food Service Fund exists at the end of a fiscal year, and the deficit is not eliminated by revenues from food service operations in the next fiscal year, then the deficit must be eliminated by a permanent fund transfer from the General Fund at the end of the second fiscal year. (M.S. 124D.111, subd. 3 (f))

   A district may incur a deficit in the Food Service Fund for up to three years without making the permanent transfer if the district submits to the commissioner by January 1 of the second fiscal year a plan for eliminating that deficit at the end of the third fiscal year. (M.S. 124D.111, subd. 3 (g))

3. A district may transfer money from the General Fund to the Community Service Fund for the employer contributions for teacher retirement and FICA for employees who are members of a teacher retirement association and who are paid from the Community Service Fund (M.S. 123B.79, subd. 3). *Please note that if the Community Service Fund is reimbursed for benefits, no transfer is made for those benefits being reimbursed (i.e., federal programs or grants).*

4. If the amount of state aid is insufficient for developmental screening expenditures, a district may permanently transfer from the General Fund to the Community Service Fund an amount that, when added to the aid, is sufficient. (M.S. 121A.19) *Related to Finance code 354, Early Childhood Screening Program (Fund 04).*

5. A district annually may transfer from the General Fund to the Restricted/Reserved for Operating Capital account an amount up to the amount saved in energy and operation costs as a result of guaranteed energy savings contracts (M.S. 123B.65, subd. 7). *Restricted/Reserved Account 424 – Restricted/Reserved for Operating Capital (Fund 01). Related to Finance code 302, Operating Capital.*

6. Capital Project Referendum. A district may create a capital project referendum account as a separate account in its General Fund or its Building Construction Fund. All proceeds from the capital project levy must be deposited in the capital project referendum account in its General Fund. The portion of the proceeds to be used for building construction must be transferred to the capital project referendum account in its Building Construction Fund. Interest income attributable to the capital project referendum account must be credited to the account (M.S. 123B.63, subd. 1). *Restricted/Reserved Account 407 – Restricted/Reserved for Capital Projects Levy (Funds 01 and 06). Related to Finance code 795, Capital Projects Levy (Funds 01 and/or 06).*

7. Any funds remaining in the capital project referendum account that are not applied to the payment of the costs of the approved project before its final completion must be transferred to the district's Debt Service Fund. (M.S. 123B.63, subd. 4)

8. Bonds for Certain Capital Facilities. The district's General Fund levy for each year must be reduced by the sum of (1) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on bonds issued, and (2) any excess amount in the Debt Service Fund used to retire the bonds. (M.S.

123B.62 (d)) *"Transfer is not needed. MDE automatically adjusts with the Levy Certification. The Gen Ed reduction flows into Fund 07 debt.* ***Note:*** *Districts need to remember for up to 15 years that these funds are obligated and transferred from Operating Capital revenue to Fund 07 in the levy certification to pay off the bonds."*

9. Account Transfer for Committed for Separation and Retirement Benefits. A district may separately maintain in a committed for separation and retirement benefit account the amount necessary to meet the obligations for separation and retirement benefits, including compensated absences, termination benefits, pension benefits, and other postemployment benefits, not accounted for elsewhere. The amount necessary must be calculated according to standards established by the department. (M.S. 123B.79, subd. 7) *Committed Account 418 – Committed for Separation/Retirement Benefits (Fund 01).*

RECLASSIFICATIONS

Expenditure reclassifications may be made from any Fund to any other Fund to allocate a prior transaction within the same fiscal year. These transactions are sometimes referred to as "reclassifications" or "chargebacks" and the revenue and expenditure accounts are used. If an expenditure account is being affected, a chargeback Object code must be used. For each chargeback Object dimension code used, debits must equal credits when totaling all Funds.

Cost allocation is the system used to apportion or distribute costs. To assure Fund integrity, all costs incurred in one Fund but with benefits to other Funds must be allocated, subject to the conditions of that Fund.

Costs are distributed to other Funds from the General Fund using the chargeback method. Usually, only the following General Fund programs may distribute costs using the chargeback method to other Funds: Program 110, Business Support Services; Program 810, Operations and Maintenance; and Program 930, Employee Benefits.

The Object codes used for chargebacks are: Object 195 – Interdepartmental Employee Salaries and Wages; Object 295 – Interdepartmental Employee Benefits; Object 365 – Interdepartmental Transportation; Object 398 – Interdepartmental Services; Object 545 – Interdepartmental Operating Capital; and Object 895 – Federal and Nonpublic Indirect Cost.

There are two basic methods for distributing costs. They are:

1. Direct distribution of costs – This method shall be used when costs can be readily and accurately distributed at the time costs are incurred.
2. Chargeback allocation method – This method should be used to distribute the costs that cannot be easily, conveniently and accurately allocated at the same time as the costs are being incurred. Only certain UFARS Object dimension codes may be used and within only specific UFARS Program dimension codes. For a matrix of these codes refer to Chapter 13 Financial Accounting and Reporting of the UFARS manual.

FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS – (GASB 54)

GASB 54 Fund Balance Classifications	UFARS Fund Balance Sheet Codes
Nonspendable	460
Restricted/Reserved	401-417, 424-428, 431-459, 467, 472
Restricted	464, 475-476
Committed	418, 461
Assigned	462
Unassigned	422, 463

Transfers – Fund Transfer Matrix

RESIDUAL EQUITY **

From **To**

FUND BALANCE SHEET (BS)	01 416	01 422	02 463[1]	04 463[2]	06 463[1]	07 4XX[1]	XX 4XX
01 BS 422		A2	A1	A1	A1	A1 – 463	
06 BS 413,464						A3 – 464	
07 BS 464	A4						
XX BS 4XX							A5
XX BS 4XX							A6
XX BS 4XX							A7[3]

[1] Refer to A1 and 463 Unassigned (Deficit) Fund Balance for Funds 02, 06 and 07. Reclassify from 464. If the reversing entry is to 464, then follow how you reverse.
[2] Refer to A1 and 463 Unassigned (Deficit) Fund Balance for Fund 04. Reclassify from 464. If the reversing entry is to 464, then follow how you reverse.
[3] Refer to A7 with the exception of the Debt Service Fund and Food Service Fund.

** Residual Equity (One Time/Permanent) transfers occur between Balance Sheet codes. Do not use revenue/expenditure codes per Minnesota Statutes. Residual Equity transfers are shown as an *Other Financing Source/Use* on the financial statements.

Note: In the matrix above, the A1, A2, etc. refer to the Residual Equity transfers mentioned in the above section titled "Transfers – Permanent Fund Transfers". For example, A1 refers to the Residual Equity transfer noted in 1. for permanent transfers made from the General Fund to eliminate deficits in another Fund when that other Fund is being discontinued.

OPERATING

From **To**

FUND EXP/REV or BALANCE SHEET (BS)	01 REV F302/649	02 REV 649	04 REV 649	06 REV F795/649	07 REV 649	01 BS 418
01 EXP 910		B1	B1			
01 EXP 910		B2				
01 EXP 910			B3			
01 EXP 910			B4			
01 EXP 910	B5					
01 EXP F302/910				B6		
01 or 06 EXP F795/910					B7	
01 EXP 910					B8	
01 BS 422						B9

Note2: In the matrix above, the B1, B2, etc. refer to the Operating transfers mentioned in the above section titled "Transfers – Permanent Fund Transfers". For example, B1 refers to the Operating transfer noted in 1. for permanent transfers made from the General Fund to any other operating fund or if the resources of the other Fund are not adequate to finance approved expenditures from that other Fund.

Unclaimed Property – Holder Reporting and Compliance

Condensed and Modified from [MN Department of Commerce]

Each year, businesses and organizations, commonly referred to as "Holders", are required to review their records to determine if they are in possession of any unclaimed property. If property is found, Holders are required to complete and submit a report.

Businesses and other organizations are required to report and remit unclaimed property by November 1.

Are you holding unclaimed property?
Unclaimed property refers to various types of intangible property that has been abandoned for a specified period of time. An example includes uncashed checks.

Anyone who willfully fails to report is guilty of a misdemeanor. Anyone who refuses to pay or deliver abandoned property is guilty of a gross misdemeanor. Anyone failing to pay or deliver property by the reporting due date may be charged interest at the rate of 12% per year on the value of the unclaimed property. In addition, the Minnesota Department of Commerce has broader penalties that may apply.

Please see the Holder Report Guide for reporting instructions and guidelines.

If you have any questions, contact the MN Department of Commerce Unclaimed Property Unit at holder.unclaimed@state.mn.us or 651-539-1545.

W-9 – Instructions and Form

Modified from IRS – Instructions for the Requestor of Form W-9 and the W-9 Form, Revised March 2024

Purpose of Form
An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain a correct taxpayer identification number (TIN) which may be a social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to the person/entity, or other amount reportable on an information return.

How Do I Know When To Use Form W-9?
Use Form W-9 to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. Withholding agents may require signed Forms W-9 from U.S. exempt recipients to overcome a presumption of foreign status. For federal tax purposes, a U.S. person includes but is not limited to:

- An individual who is a U.S. citizen or U.S. resident alien;
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States;
- Any estate (other than a foreign estate); or
- A domestic trust (as defined in Regulations section 301.7701-7).

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the instructions for Part II for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See *Exempt payee code* and the separate Instructions for the Requester of Form W-9 for more information.

W-9 – Form

https://www.irs.gov/pub/irs-pdf/fw9.pdf

Form **W-9**
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. See *Specific Instructions* on page 3.

1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)

2 Business name/disregarded entity name, if different from above.

3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor ☐ C corporation ☐ S corporation ☐ Partnership ☐ Trust/estate

☐ LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) . . . . .

Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.

☐ Other (see instructions)

3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions . . . . ☐

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any)

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any)

(Applies to accounts maintained outside the United States.)

5 Address (number, street, and apt. or suite no.). See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

or

Employer identification number

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here Signature of U.S. person Date

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9*.

What's New

Line 3a has been modified to clarify how a disregarded entity completes this line. An LLC that is a disregarded entity should check the appropriate box for the tax classification of its owner. Otherwise, it should check the "LLC" box and enter its appropriate tax classification.

New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS is giving you this form because they

Cat. No. 10231X Form **W-9** (Rev. 3-2024)

Wellness Incentive – Board Compensation

MN Statute 123B.09, subd. 12

Subd. 12. **Board to fix compensation.** The clerk, treasurer, and superintendent of any district shall receive such compensation as may be fixed by the board. Unless otherwise provided by law, the other members of the board shall also receive such compensation as may be fixed by the board. All members of the board may receive reimbursement for transportation at the rate provided for in section 471.665. No board member or school district employee shall receive any compensation or benefits based on incentives or other money provided to the school district by or from a source of group insurance coverage referenced in section 471.6161, subdivision 1, except for a refund provided under section 123B.75, subdivision 10, or a wellness plan that is mutually agreed upon by the district and the exclusive representatives of employees.

Wellness Incentives are Taxable – IRS Reminds Employees

Minnesota School Boards Association (MSBA) – Management Services Newsletter, July 21, 2016
Reprinted with permission from MSBA.

IRS reminds employers: wellness incentives are taxable

By Denise Drill, MSBA Director of Financial/MSBAIT Services

The IRS recently issued a chief council advice tax memorandum which provided some clarification regarding the taxation of incentives for employees participating in worksite wellness programs. Wellness incentive cash payments and cash equivalents ranging from gift cards to subsidized gym memberships, even if a third party provided, are not excludable from taxation as a medical benefit. The IRS held that reportable gross income includes:

1. Both cash rewards and nonmedical care benefits for participating in a wellness program.
2. Reimbursements of premiums for participating in a wellness program if a Section 125 cafeteria plan was used.

The IRS alert acknowledges certain benefits can be excludable from taxation as de minimis including logo-branded T-shirts and other items that are administratively burdensome to value.

For specific questions about the taxability of a school district's wellness incentives, contact the school district's benefits broker/agent and/or auditor.