

SCHOOL BUSINESS ALERT

Volume 1997- 1, April 1997

TEAM FORMED

On October 1, 1996, a Budgeting and Finance Team was formed in the Division of Financial and Information Services, Department of Education. Team members are Don Helvick, Su McCurdy, Mary Bingaman, and Elaine Mowrey. The Team operates under the direction of Lee Tack, Administrator. Responsibilities include SBRC, financial data and reporting, certified enrollment, and various department financial initiatives involving LEAs or AEAs.

CAR Training Dates

Training on the regular and special education sections of the Certified Annual Report will be held May 12-16 on the ICN. More information will be sent to districts as it is finalized.

INDIRECT COST RATES UPDATE

The department is working with the US, Department of Education on the approval of a Plan for the calculation of Restricted and Unrestricted Indirect Cost Rates for LEAs and for AEAs. LEAs and AEAs will be notified when the approval is received. AEAs should use the rates which were recently sent to them. LEAs should use the same rates as last year for their grant budget proposals. LEAs which will merge on July 1, 1997, will be sent a recalculation of their last year's rate.

REMINDERS

AUDITS WERE DUE MARCH 31

Audits of the 1995-96 fiscal year are required by law to be completed, including filing with the state auditor's office and the department of education, by March 31, 1997. Three (*now two*) complete copies of the audit report should have been sent to the State Auditor's Office in the Capitol. One complete audit report should have been sent to Su McCurdy, Budgeting and Finance Team, Department of Education. Complete means that all management letters provided to the LEA or AEA from the auditor must be included in the packet sent to the DE.

BUDGET AMENDMENTS DEADLINE IS MAY 31

According to Iowa Code section 24 9, "A local budget shall be amended by May 31 of the current fiscal year to allow time for a protest hearing to be held and a decision rendered before June 30. An amendment of a budget after May 31 which is properly appealed but without adequate time for hearing and decision before June 30 is void." Amendments are handled like the original certification in terms of process, timelines, and publication. The form to use for this purpose was included in the budget package.

- 1 The board shall file with the secretary the amendment estimate at least twenty days before the date fixed by law for certifying and shall set the date for a hearing.
2. Publish the estimate with a notice of the time and place for the hearing which shall be held. The publication shall be at least ten days before the hearing.
3. Certify and file the amendment.
4. A copy of the budget amendment shall be postmarked no later than May 31 and sent to the SBRC, Budgeting and Finance Team, Department of Education. (*This is no longer required.*)

TEXTBOOK CWMS AND FOSTER

CAR DUE SEPTEMBER 15

All CARS are to be completed on the **GAAP** basis and are due on September 15. There will be no extensions to this due date.

COMMON CAUSES OF EDITS ON THE CAR

- 1, Incorrect district number on the diskette or paper copy of the CAR.
- 2 Interfund transfers "in" must equal interfund transfers "out" across all funds.
- 3 Net equity transfers must equal zero across all funds.
- 4 Beginning balances must be the ending balance from the prior year. These figures can be found on the finalized copy of the CAR that was sent by the DE. If the ending balances were in error, please do not change the figures, but instead use the NET AUDITOR'S ADJUSTMENTS cells that can be found in Part 5 row 88, Part 9 row 45, and Part 10 row 46. If the beginning fund balance for any long-term debt in Part 14 needs adjusting, please accompany the CAR with a letter of detailed explanation and documentation from the audit or auditor.
5. Debt must be retired from the fund of origin. This means if a loan is incurred in the general fund, the payments must be transferred to debt service from the general fund until the entire debt is satisfied. The same is true for all funds that can incur debt.
- 6 Rounding errors must be corrected by the district.
- 7 Part 1 will only accept whole numbers.
- 8 Only certain specific cells on the CAR will accept negative numbers. A negative number in an inappropriate cell will not register, causing an error in the total. Please refer to the instructions for the location of these cells.
9. The most common edits on amendments are math errors. When you change an entry on the CAR, please remember to re-do the edit checks to make sure that the change is reflected in the total.

GENERAL JOURNAL ENTRIES

Sale of Bonds, Construction, Refinancing Bonds, Leasing General Journal Entries can now be found in the appendix to the Uniform Financial Accounting Manual.

LEASING

Leases can go by many different names. Districts must study the wording of the lease to determine how to properly account for the lease. Leases will either be operating leases or capital leases, even though the lease may use another name.

Operating Lease: Written rental agreement in which title does not pass, nor is intended to pass, to the lessee.

Capital Lease: Lease agreements in which title passes or is expected to pass at some latter date or in which there exists the ability for the lessee to purchase at less than fair market value. Lease-purchases are capital leases.

Iowa law determines what leases a district may utilize and in which funds the leases must be accounted for.

Operating leases are merely rentals of facilities or equipment. These leases are normally accounted for in the General Fund. Even though the lease may be for several years, it must be an annual lease with the opportunity for the district to end the lease with any fiscal year. Operating leases of long duration under 28Es may also be accounted for in the PPEL fund, but this is an unusual situation.

Capital leases result in or probably will result in transfer of title. The fund(s) which must be used to account for the payments depends on what is being purchased.

School buses may be purchased through lease arrangements in the PPEL fund.

Computer equipment may be purchased by lease arrangements:

- a. In the general fund ONLY from the proceeds of the state technology funding. The total lease costs must not exceed the total state technology funding to be received by the district. When the state technology funding ends at the end of five years, so does the authority to purchase computer equipment by lease arrangements in the General Fund.
- b. In the PPEL fund ONLY if the cost of a single item or technology system exceeds \$5000 (*now \$500*).

Equipment other than computer equipment may be purchased by lease arrangements only from the PPEL fund and only when the cost of a single item or technology system exceeds \$5000 (*now \$500*). This includes transportation vehicles other than school buses, such as driver education cars.

Facilities, whether portable or permanent, may be purchased by lease arrangements only from the property tax portion of the voted PPEL or voted 67 5 Schoolhouse. Leases of durations up to 20 years require a 60% vote of the electors. Portable buildings are facilities rather than equipment for these purposes. The law does not grant authority to purchase land by lease arrangements or time contracts.