

# SECTION 1 – COST ALLOCATION STANDARDS

## Introduction

The purpose of this chapter is to define how costs should be distributed to expenditure accounts. The goals are to achieve adherence to state and federal statutes and Generally Accepted Accounting Principles (GAAP), and to achieve uniform reporting among the districts and schools.

## I. Principles and Criteria for Cost Allocation

Merely providing a comprehensive chart of accounts (Part I in this manual) does not solve the problems related to providing comparable programmatic financial data on a statewide basis. This section, along with Chapter 10 in Part I, Permitted Code Combinations, should provide the desired comparability results.

Since many revenues are restricted in their uses, it is important to identify all costs that can be associated with each of these revenues, whether they can be charged directly or charged back to the activity from a particular cost center pool. The standards included in this chapter cover costs that must be prorated or distributed prior to reporting to the State with the distribution based on such factors as square footage, mileage, timesheets, etc. Section VI of this chapter covers Indirect Costs Relating to Federal Grants and Contracts.

### A. Introduction

Cost allocation is the system used to apportion or distribute costs. The principles and criteria cover all UFARS program dimensions. For example, if a central service program or department serves programs in different funds, the costs should be applied across all funds receiving the benefit and to all relevant programs within these funds.

It is imperative that expenditures can be compared among districts within the state and that all costs are reflected within every program. Obviously, for all programs where the costs drive funding (such as Special Education, Secondary Vocational, Limited English Proficiency (LEP), and some transportation activities) all costs must be reflected. Also, any programs that require a reserved fund balance need to reflect all costs. There are other programs that receive restricted revenues and those programs need all costs allocated to them. Finally, to assure fund integrity, all costs incurred in one fund but with benefits to other funds must be allocated. See Attachment A summarizing the cost allocation standards using a flow chart.

### B. Allocation of Costs to Other Accounts.

A central consideration in deciding whether cost components of a program may or should be distributed to other funds is whether the activity in question is causing additional costs. For example, if the Community Education Program is causing additional maintenance costs, the maintenance costs should be charged to that program. However, if these expenses would have occurred even if the Community Education Program did not exist, these costs should

not be charged to the Community Education Program. The same would hold true of items such as accounting expenses and utilities.

Costs are distributed to other funds from the General Fund using the chargeback method (or, are directly distributed as in C.1.). Central service department costs (e.g., the printing shop) recorded within Program Code 110, Business Support, or Program Code 810, Operations and Maintenance should generally be distributed to other programs since other departments have some freedom to acquire the central service from outside sources and/or are free to determine the degree of service to utilize. A basis for allocating these costs must be documented. A district may also use the Internal Service Fund (Fund 20) if the district intends to recover the full cost of providing the service (including depreciation expense) through user charges.

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.

### **C. Methods for Distributing Costs**

1. Direct distribution of costs - This method shall be used when costs can be readily and accurately distributed **at the time costs are incurred**. Generally it is the most accurate method, and it should be utilized whenever feasible. In those instances where an employee is spending time in different functional areas, which can be documented, the salary should be directly distributed as the expense is incurred or distributed based on a time report. Position descriptions, along with functions actually performed by an individual, should determine the proper salary distribution. Position titles do not determine proper allocation in many instances. For example, if in a small school district the superintendent and/or secretary carry out the daily operations of the food service department, these pro-rated costs should be directly charged to Food Service (Program Code 770, rather than Program Code 020). Also, according to Minnesota Statute 124D.111, subdivision 3, the charges by the superintendent and/or secretary must be at a wage rate not to exceed the statewide average for food service directors as determined by the Department of Education. Another example of direct distribution of costs would be the custodial time spent in kitchen clean-up for the food service program.
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. 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. Only the following UFARS object dimension codes may be used and within only specific UFARS program dimension codes:

| <b>Object Dimension Code(s)<br/>Code Costs</b> | <b>Description</b>                                       | <b>UFARS Program Dimension Originally Incurring</b> |
|--|--|---|
| 195 *  | Interdepartmental Employee Salaries & Wages (Chargeback) | 001-850   |
| 295  | Interdepartmental Employee Benefits                      | 001-850, 930 (Chargeback)                           |
| 365  | Interdepartmental Transportation (Chargeback)            | 760   |
| 398  | Interdepartmental Miscellaneous (Chargeback)             | 110, 770, 810                                       |
| 545  | Interdepartmental Operating Capital (Chargeback)         | 000-420, 605-850                                    |
| 895  | Federal Indirect Cost Chargeback                         | 105, 110, 810                                       |

\* Caution must be used when using the chargeback allocation method involving salaries since many restricted revenue programs require detailed salary information. This includes, but is not limited to, Basic Skills, Learning and Development, Special Education and Title I, II and VI federal programs.

A credit entry using the above object codes with the appropriate program code creates a contra-expenditure account (credit amount) which must be equal to a corresponding set of debit entries using the same object code. The debit entries result in districts charging the prorated expenditures to the specific program code(s) receiving the benefit of the service. **FOR EACH OF THE ABOVE CHARGEBACK OBJECT DIMENSION CODES USED, DEBITS MUST EQUAL CREDITS WHEN TOTALING ALL FUNDS.**

## II. Application of Cost Allocation Principles

**A. Direct Distribution Costing Method** - Accounting for the cost in the user program by a direct charge.

- General Examples:
  - All regular secondary classroom teacher salaries allocated to specific program codes 212 to 270.
  - Custodian is assigned to district bus garage (Program Code 760, Object Code 170).
  - Superintendent's salary is assigned 5 percent to the daily operation of the Food Service Program (as stipulated in the contract, the superintendent is performing the function of a food service supervisor and not as a district-wide executive for 5% of his/her time (Program Code 770, Object Code 110). In a medium or large size school district, the food service supervisor and/or secretary handle these daily operational activities.
  - Utility costs directly associated with providing food by the Food Service program (Program Code 770, Object Code 330). Using a separate utility meter is preferred.

- Food Service Fund

1. 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 (lunch – FIN 701, after-school snack – FIN 702, milk – FIN 703, breakfast – FIN 705, a la carte – FIN 707, Summer Food Service Program – FIN 709).

There are two appropriate methods suggested to allocate food costs to the appropriate food programs (using the appropriate finance code).

- a. Standard meal cost allocation.

The average cost of food served based on the actual food purchases calculated from a random selection of menus or a complete menu cycle. This average cost of a meal is multiplied by the actual number of meals served in each program during the reporting period.

- b. Menu Costing

Purchased food used daily to prepare each meal is recorded for a period of one month for each program. At the end of the month, the percentage of total food costs used in each program is calculated. These percentages can then be used for the entire year to allocate food costs to each program.

2. Labor Costs

- a. Time and attendance records - Actual time and attendance records may be used to allocate labor costs to each program.

- b. Percentage of total hours worked in each program to total hours worked during a specific period of time (one month) can be established and used during the entire year to allocate labor costs.

- c. Percentage of food costs – The same percentages established to allocate food costs to each program can be used to allocate labor costs.

3. General Administrative Costs

Currently, districts may not charge the Food Service Fund for General Administrative Costs such as portions of the salary for the district superintendent or fiscal manager unless the district does not employ or contract for a food service director.

#### 4. General Requirement / UFARS Coding

##### **Cost Allocation** 7 CFR 210.14 & 210.19; Minn. Stat. § 124D.111 and 123B.77

- a. Federal regulations for school meal programs require school food service expenditures to be in accordance with the financial management system established by the state agency.
- b. Minnesota Statutes require food service revenues and expenditures to be attributed to a school food service fund and require school districts to adopt the Uniform Financial Accounting and Reporting Standards (UFARS).
- c. UFARS requires school districts to allocate their expenses by program, which for food service are lunch, breakfast, milk, a la carte and any other federal nutrition program in which the school food authority participates such as Summer Food Service Program and Child and Adult Care Food Program. A chart showing UFARS codes is attached. The UFARS Manual is available online at <http://education.state.mn.us> under Accountability Programs, Program Finance, Financial Management, UFARS. For example, the costs of providing the school breakfast program must be allocated to that program and not allowed to remain under school lunch.

If you have questions, please contact:

|                     |              |
|---------------------|--------------|
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**FOOD SERVICE FUND 2 REPORTING  
FOR PUBLIC SCHOOLS**

|                                | Lunch<br>(Finance 701) | After School<br>Snack<br>(Finance 702) | Special Milk<br>(Finance 703) | Kindergarten<br>Milk<br>(Finance 703) | Breakfast<br>(Finance 705) | A La Carte<br>Other<br>(Finance 707) | Summer<br>Food<br>(Finance 709) | Child &<br>Adult*<br>Care Food<br>Program<br>(Finance 469) |
|--------------------------------|------------------------|--|-------------------------------|---------------------------------------|----------------------------|--------------------------------------|---------------------------------|--|
| <b>Revenues:</b>               |                        |  |                               |                                       |                            |                                      |                                 |  |
| Student                        | Source 601             | Source 601                             | Source 601                    | Source 601                            | Source 601                 | Source 601                           | Source 601                      | Source 400   |
| Adult                          | Source 606             |  | Source 606                    |                                       | Source 606                 | Source 606                           | Source 606                      | Source 606   |
| Special Function<br>Food Sales | Source 608             | Source 608                             | Source 608                    | Source 608                            | Source 608                 | Source 608                           | Source 608                      | Source 608   |
| State<br>Reimbursement         | Source 300             |  |                               | Source 300                            | Source 300                 |                                      | Source 300                      |  |
| Federal<br>Reimbursement       | Sources<br>471-472     | Source 499                             | Source 475                    |                                       | Source 476                 |                                      | Source 479                      | Source 400   |
| Commodity<br>Distribution      | Source 474             |  | Source 474                    |                                       | Source 474                 |                                      | Source 474                      | Source 477   |
| <b>Expenditures:</b>           |                        |  |                               |                                       |                            |                                      |                                 |  |
| Food                           | Object 490             | Object 490                             |                               |                                       | Object 490                 | Object 490                           | Object 490                      | Object 490   |
| Milk                           | Object 495             | Object 495                             | Object 495                    | Object 495                            | Object 495                 | Object 495                           | Object 495                      | Object 495   |
| Labor                          | Object<br>100-299-305  | Object<br>100-299-305                  | Object<br>100-299-305         | Object<br>100-299-305                 | Object<br>100-299-305      | Object<br>100-299-305                | Object<br>100-299-305           | Object<br>100-299-305                                      |
| Interest                       |                        |  |                               |                                       |                            | Object 740                           |                                 |  |
| Other                          | All Other<br>Objects   | All Other<br>Objects                   | All Other<br>Objects          | All Other<br>Objects                  | All Other<br>Objects       | All Other<br>Objects                 | All Other<br>Objects            | All Other<br>Objects                                       |
| Commodity<br>Distribution      | Object 491             |  |                               |                                       | Object 491                 |                                      | Object 491                      |  |

- Community Service Fund

Only the additional costs associated with the existence of community education can properly be allocated to this fund.

Examples:

- Additional custodial time necessary to clean the classrooms after community education classes.
- Additional electrical and heating costs incurred in maintaining classrooms ready for community education classes.
- Any costs which would still be incurred if community education activities were to be discontinued shall remain in the General Fund. This test of whether to allocate costs applies in particular to Community Education sharing a facility with the K-12 classes.

In the case where Community Education has the exclusive use of a building, any operating expenses can properly be charged to the Community Service Fund. Any capital improvements made to the building must be made out of the General Fund and should not be allocated in any way to the Community Service Fund. The building remains the property of the school district. Therefore, the school district is responsible for any capital expenditure associated with the building.

Example A (Community Education Building Located in a Non-K-12 Learning Site.)

If the Community Education programs or administrative offices for the Community Education program are housed in a district-owned building which is used only for non-instructional purposes (separate district office, warehouse area, or vacant school), the square footage occupied would be the basis for allocation. The costs of custodial salaries, heat, water and general repairs would be totaled (Program 810). The useable square footage would then be determined for each occupant (e.g., community education, transportation, district office, etc.). This percentage of the total useable square footage would be applied to total costs and allocated to the proper funds. See Attachment C for an example illustrating the above situation.

Example B (Community Education Building Located in a K-12 Learning Site.)

If a Community Education program uses space that is also used by the K-12 program, the simple square foot allocation basis is not appropriate. In this case, the program should still pay for its costs. However, certain costs should remain in the General Fund. Custodial costs, for example, will be incurred because of the K-12 program. Therefore, Community Education should only be charged for excess costs, overtime pay to staff to maintain the boiler, or late cleanup after a program. These costs are best obtained by job timesheet entries. A sample period may be used if job timesheets are not available. The remaining costs, principally heat, light, and water should be allocated by a percentage of usage. Usage is determined by both the amount of space and the percentage of time used. See Attachment C for an example illustrating the above situation.

### Example C (Swimming Pools)

Swimming pools present a special problem due to their high utility usage and intensive custodial care required. The best method to allocate costs for buildings with pools are to use a consultant to determine operation costs. Districts must subtract costs from the total building costs thus reducing the available square footage in the building. The pool would be allocated on an hours used basis; the remaining space would be allocated as appropriate. See Attachment C for an example illustrating the above situation.

- **Nonpublic School Programs**

Public schools are required by law to provide services to nonpublic schools in the areas of Health (Finance Code 350), Guidance and Counseling (Finance Code 353) and Textbooks and Instructional Materials (Finance Code 351). Public schools must maintain a separate accounting for each nonpublic school they deal with. Each nonpublic school is assigned a number.

If a school district is using its own personnel, the following steps should be followed to allocate expenditures associated with Health Services and Guidance and Counseling.

First, determine the percentage of time spent with the nonpublic schools for the purpose of determining the total expenditures to be coded to them. Second, allocate those expenditures on the basis of the number of students in each nonpublic school.

If the school district hires personnel strictly to deal with nonpublic schools, the total expenditures to be allocated are clear. These expenditures should then be allocated to the various nonpublic schools on the basis of the number of students in each nonpublic school.

Public schools can charge actual costs of up to 5 percent of expenditures as administrative costs. When these administrative costs are reimbursed, the revenues should be coded back to the fund having generated the administrative costs. See Part B below.

**B. Chargeback Allocation Method** – Account for the cost initially in the central service department and then allocate by utilizing a negative dollar amount chargeback account within the central service department (credit amount).

Examples:

- **Central printing**  
Account for the cost in the user programs by offsetting the Central Printing Department costs with a negative chargeback entry, using Object Code 398 - Interdepartmental Miscellaneous Services, and charging the user programs with a positive chargeback entry, using Object Code 398.

- **Central warehouse**  
Account for the cost in the user program by offsetting the Central Warehouse Department costs monthly (or at least annually) by making a negative chargeback entry, using Object Code 398 - Miscellaneous Services Chargeback, and charging the user programs with a positive chargeback entry, using Object Code 398 - Miscellaneous Services Chargeback. The dollar amount of the chargeback could be based on the square footage of the warehouse space, or some other similar basis such as a service charge method as follows: If we assume that the warehouse operation would require \$150,000 to operate and would make inventory purchases of \$2,000,000, there would be a service charge of 7.5% ( $\$150,000/\$2,000,000$ ).
- **Work-Order Cost System Covering Capital Projects**  
Utilize Object Code 545 to reclassify all direct costs relating to capital projects handled by the Central Maintenance Program to the User Program.
- **Other Food Service Costs**  
Utility costs that can be identified with food preparation in the kitchen and custodial time needed to move groceries or clean the kitchen may be allocated to the Food Service Fund from the General Fund using Chargeback Object Code 398.
- **Transportation Program**  
Normally during the year, all costs associated with a district-owned bus fleet, or a combination district- and contractor-owned bus fleet, are accumulated in a central cost pool with a Finance Dimension Code 720. However, in some cases bus driver salaries and other expenditures can be allocated as the cost is being incurred to another appropriate finance dimension. At year-end, these costs must be allocated to all appropriate finance codes. The basis for allocation should normally be cost per mile. However, in some cases, allocation based on cost per student is appropriate. Object Code 365 should be used. Refer to Attachment 5 for a sample cost allocation of a district-owned operation and Attachment 6 for a sample cost allocation method for a combined district- and contractor owned operation.
- **Employee Benefits**  
See Attachment B.
- **Federal Indirect Cost Chargeback.**  
Use Object Code 895 to reclassify the indirect cost allowance in federal grants (see Part VI). Use Programs 105, 110 and 810 to reclassify those expenditures.

### **III. Allocation of Costs to Sites**

Certain costs should be allocated to each budgeted learning site using the UFARS Organization Dimension. The same principles and criteria covered in Section I above apply to allocating costs to learning sites. The following table should be used to help determine the costs to be allocated to a learning site.

## GUIDE TO COST ALLOCATION TO SITES

| Specific Restricted Program                                      |   |  |  | Other Programs   |
|--|---|--|--|--|
| UFARS Programs   | Basic Skills/<br>Compensatory<br>Education<br>(M.S. § 126C.15)<br>Finance Code 317  | School Site Decision<br>Making Agreement<br>(M.S. § 123B.04<br>M.S. § 122A.61)   | Staff Development and<br>Staff Development<br>Incentive<br>(M.S. § 122A.62)<br>Finance Codes 306-308 | Unrestricted Revenue<br>and Other Restricted<br>Revenue Not Specifically<br>Mentioned*   |
| 001-099<br>Administration  | Not applicable.   | Only costs associated with Code 050, School Administration   | Not applicable.  | Use Org. Dim. Code 005 except for UFARS Program Code 050, School Administration where it is recommended to use learning site org. codes. |
| 100-199<br>District<br>Support<br>Services                       | Not applicable.   | Only costs associated with Human Resource activity for acquiring and maintaining staff, attendance recording and reporting, and any district central support services negotiated in the agreement such as purchasing, printing, and warehousing. | Not applicable.  | Use Org. Dim. Code 005.  |
| 200-299<br>Elementary<br>And Secondary<br>Regular<br>Instruction | Require Learning Site Org. Codes. However, districts receiving compensatory transition revenue may use Org. Code 005 for the statutorily unrestricted part of this revenue. (1998 Laws, Article I, Section 35 – Must not exceed 5% of the former comp. revenue. | Require Learning Site Org. Codes.  | Not applicable.  | Recommend for Learning Site Org. Code.   |
| 300-399<br>Vocational<br>Educational<br>Instruction              | Require Learning Site Org. Codes  | Require Learning Site Org. Codes   | Not applicable.  | May use Learning Site Org. Code.   |
| 400-499<br>Special<br>Education<br>Instruction                   | May use unfunded costs with Learning Site Org. Codes.   | May use non-funded costs with Learning Site Org. Codes.  | Not applicable.  | May use non-funded costs with Learning Site Org. Codes.  |
| 500-599<br>Community<br>Educational<br>Services                  | Not applicable.   | Not applicable.  | Not applicable.  | May use Learning Site Org. Codes.  |
| 600-699<br>Instructional   | Require Learning Site Org. Codes  | Require Learning Site Org. Codes   | Require Learning Site Org. Codes   | May use Learning Site Org. Codes.  |

| Specific Restricted Program                   |  |                                   |                 | Other Programs                    |
|---|--|-----------------------------------|-----------------|-----------------------------------|
| Support Services                              |  |                                   |                 |                                   |
| 700-799 Pupil Support Services                | Require Learning Site Org. Codes.                    | Require Learning Site Org. Codes. | Not applicable. | May use Learning Site Org. Codes. |
| 800-899 Sites, Buildings And Equipment        | Require Learning Site Org. Codes with Code 810 only. | Require Learning Site Org. Codes. | Not applicable. | May use Learning Site Org. Codes. |
| 900-999 Fiscal And Other Fixed Costs Programs | Not applicable.                                      | Not applicable.                   | Not applicable. | May use Learning Site Org. Codes. |

\* Generally, salaries and fringe benefits should be included when it is recommended that costs be allocated to Learning Sites. However, for those districts whose management philosophy dictates they pool all staff salaries and benefits district-wide and only account for full-time equivalent staff (FTE) for each site, Organization Dimension Code 005 may be used.

#### IV. Allocation of Costs to UFARS Programs

All identifiable costs should be allocated to the UFARS Programs which are receiving the benefit. The same principles and criteria covered in Section I above apply to allocating these costs. The following table should be used to help determine the costs to be allocated to various UFARS programs which include the Food Service Fund (Program 770) and the Community Service Fund (Program 500s).

#### GUIDE FOR COST ALLOCATION TO UFARS PROGRAMS

| UFARS Programs Incurring Costs                       | Cost Allocation Standards  | Basis of Allocation  |
|--|--|--|
| 001-099 Administration                               | Only Program Code 050, School Administration may perform activities which can be allocated to other UFARS Programs within the General Fund including various restricted revenue programs.  | Allocate actual costs directly.  |
| 100-199 District Support Services                    | Only Program Code 110, Business Support Services, may perform activities which can be allocated to other UFARS Programs including various restricted revenue programs. These activities include, but are not limited to, purchasing, printing, Data Processing, and warehousing. | Purchasing – Number of orders.<br>Printing – Number of pages.<br>Warehousing – By item.<br>Data Processing – By CPU time.  |
| 200-299 Elementary And Secondary Regular Instruction | Only activities that relate to restricted revenue programs must be allocated. See Part V.  | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM |
| 300-399 Vocational Education Instruction             | Only activities that relate to other restricted revenue programs must be allocated. See Part V.  | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM |
| 400-499 Special Education Instruction                | Only activities that relate to other restricted revenue programs must be allocated. See Part V.  | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM |

| <b>UFARS Programs Incurring Costs</b>  | <b>Cost Allocation Standards</b>   | <b>Basis of Allocation</b>  |
|--|--|---|
| 500-599 Community Education Services   | Only activities that relate to other restricted revenue programs must be allocated. This includes distributing costs within the 500 Program Series. Also, not more than 5% of ECFE revenue may be used to administer ECFE programs. Minn. Stat. § 124D.135, subd. 5<br>According to Minnesota Statute 124D.20, subdivision 9, a district may use up to 10% of its Community Education revenue for equipment that is used exclusively in Community Education programs and is further restricted to certain capital items. See Part II and Part V. | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM  |
| 600-699 Instructional Support Services | Only activities that relate to restricted revenue programs must be allocated. See Part V.  | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM. |
| 700-799 Pupil Support Services         | Only activities that relate to restricted revenue programs must be allocated including the various Food Service Programs and Transportation Programs. There are limitations on costs to be allocated to Food Service. Minn. Stat. § 124D.111, subd. 3. For the nonpublic pupil aid activities, the district may claim and receive 5% of the allocation for the administration of the program. Minn. Stat. § 123B.46. See Part II and Part V.   | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM  |
| 800-899 Sites, Buildings And Equipment | Only Program Code 810, Operations and Maintenance may perform activities which can be allocated to other UFARS Programs including various restricted revenue programs. These activities include repairs and maintenance of equipment. For restricted revenue programs and the food service and community service funds, this includes custodial care and ordinary upkeep.  | Use actual costs of the following:<br>Salaries – Average/FTE various employee groups.<br>Benefits – Average percent of salary for various employee groups.<br>Instructional Supplies – ADM  |

## V. Allocation of Costs to Restricted/Reserved Revenue Programs

Certain sources of revenue require that all costs related to this revenue be identified. The following programs should include all costs that satisfy the standards in this section.

### A. Certain Components of General Education Revenue.

1. General Education Revenue for Area Learning Centers and State-Approved Public Alternative Programs.  
Use **Finance Code 303** to identify all expenditures associated with the district's students attending an area learning center. Minn. Stat. § 123A.05-123A.09. Use **Finance Code 305** to identify all expenditures associated with the district's students attending State-Approved Public Alternative Programs. School districts must reserve revenue in an amount equal to at least 90 percent of the district average general education revenue less compensatory revenue times the number of pupil units attending an area learning center program or alternative program.
2. Basic Skills Revenue.  
Use **Finance Code 317** to identify all expenditures itemized under Basic Skills legislation. Minn. Stat. § 126C.10, subd. 4. Basic skills revenue is comprised of the following four revenue components: (1) Compensatory Education; (2) LEP Basic; (3) LEP Concentration; and (4) an additional Basic Skills match up to \$22.50 times the number of fund balance pupil units in kindergarten to grade 8.
3. Staff Development Revenue.  
Use **Finance Codes 306, 307 and 308** to identify all expenditures associated with the district's staff development programs. Minn. Stat. § 122A.61. One percent of Basic General Education Revenue must be reserved for staff development activities.
4. Operating Capital Revenue.  
Use **Finance Dimension Code 302** to identify all expenditures stipulated in Minn. Stat. § 126C.10, subdivisions 13 and 14. Expenditures for capital items not associated with Total Operating Capital Revenue should be recorded using Finance Code 000 or other appropriate finance code. Revenue for a district equals \$100 times the district's maintenance cost index times its actual pupil units, plus \$68 times the actual pupil units for the school year.
5. Learning and Development Revenue.  
Use **Finance Dimension Code 330** to identify all expenditures to reduce and maintain the district's instructor-to-learner ratio in kindergarten through grade 6 to a level of 1 to 17 on average as stipulated in Minn. Stat. § 126C.12.

### B. Community Education.

Use **Finance Dimension Code 321** to identify community education activities defined in Minnesota Statute 124D.20, subdivision 8. Do not include community education expenditures for which other finance codes exist (Finance Code 322, 325, 326, and 438).

### **C. Early Childhood Family Education (ECFE).**

Use **Finance Dimension Code 325** within Program Code 580 to identify all expenditures for the ECFE activities offered by the school district according to Minnesota Statute 124D.135.

### **D. Adult Basic.**

Use **Program Code 520** to identify all expenditures along with various finance codes including Finance Code 322, State Adult Basic Education, and Finance Code 438, Adult Basic Education. In no case shall federal and state aid plus levy equal more than 100% of the actual cost of providing these programs. Minn. Stat. § 124D.52.

### **E. Special Education.**

Use **Finance Code 740** to identify all expenditures incurred for state fund special education programs. Special education salary expenditures eligible to generate state special education aid include expenditures for essential personnel including special education teachers, related services staff, and support services staff who provide direct services to students with disabilities. Salaries of administrative and supervisory personnel are not eligible to generate special education aid. Expenditures for contracting with outside consultants to conduct assessment and IEP planning for individual pupils are eligible to generate special education aid.

Districts may generate state special education aid when contracting with a public or private agency, other than another public school, for individual student services. The purchase of instructional equipment and supplies are reimbursable with state special education aids when purchased for student use.

### **F. Health and Safety.**

Use **Finance Codes 347, 349, 352, 358, 363, and 366** to identify all expenditures approved in the application to the Commissioner of Education for health and safety revenue. Minn. Stat. § 123B.57. The revenue may not be used 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.

### **G. Secondary Vocational Education.**

Use **Finance Code 830** to identify all expenditures eligible for state funded secondary vocational aid (use with Program Code Series 301-399 and Program Code 610) according to Minnesota Statute 124D.453.

#### **H. Alternative Facilities Program.**

Use **Finance Code 386** to identify all expenditures that qualified school districts identify under the Alternative Facilities Bonding Aid and Levy Program. A ten-year facility plan must be prepared by the qualifying district and approved by the Commissioner. Refer to Minnesota Statute 123B.59 for eligible expenditures.

#### **I. Disabled Access Levy.**

Use **Finance Code 794** to identify all expenditures for the removal of architectural barriers and for fire safety modifications according to Minnesota Statute 123B.58. The district may levy up to \$300,000 under this authority as approved by the Commissioner and the amount may be levied over eight or fewer years.

#### **J. Health and Development Screening Aid.**

Use **Finance Code 354** to identify all expenditures related to the state aid for each child screened according to Minnesota Statute 121A.17. Use Fund 04, Community Service Fund.

#### **K. Integration Revenue.**

Use **Finance Code 315** to identify expenditures related to Integration Revenue according to Minnesota Statute 124D.86.

#### **L. State School to Work Disabled Program.**

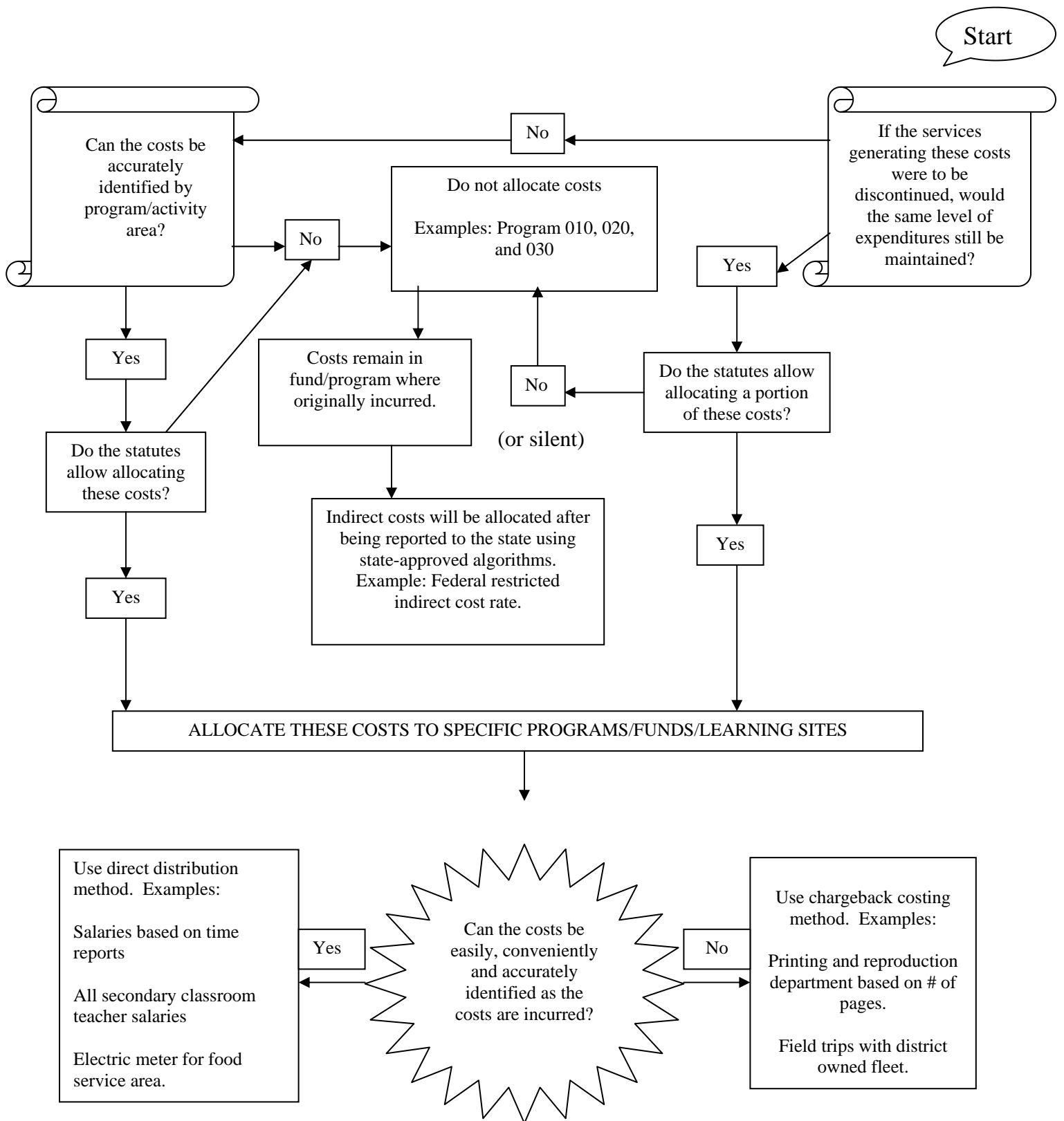
Use **Finance Code 835** to identify all expenditures funded by this program according to Minnesota Statute 124D.454.

### **VI. Indirect Costs Relating to Federal Grants and Contracts**

UNDER CONSTRUCTION

**VII. Cost Allocation Standards  
(To UFARS Programs/Funds/Learning Sites)**

**ATTACHMENT A**



**UFARS Accounting**  
**Program Dimension Code 930 – Employee Benefits**

**ATTACHMENT B**

**Allocation of Program Costs**

According to the UFARS manual, at year-end all costs associated with benefits, Re-employment Insurance, and Workers Compensation are to be allocated to the program which generated the benefit. State reporting requirements to the U.S. Department of Education also require that employee benefits in the Operating Funds be allocated to specific programs which receive the benefit. Because of the above, the description for Program Code 930 was changed to “Employee Benefits (clearing account only).” The Internal Service Fund (20) does not need to have Program Code 930 be zero due to the nature of the fund.

If indirectly allocating employer costs for employee benefits (Object Codes 190, 191, 210-280, 299, 305) that have been charged to Program Dimension Code 930, districts must at a minimum allocate employer costs to one or more of the following general areas, using chargeback codes:

- Program Code: 030 General Administration – Instructional (000 Series)  
105 District Support Services (100 Series)  
201 Kindergarten Instructional Services  
203 Elementary Instructional Services  
211 Secondary Instructional Services  
399 Secondary Vocational Instructional Services  
420 Special Education Instructional Services  
505 (Fund 04) – Community Service Program (General)(500 Services Except for ECFE)  
580 (Fund 04) – Early Childhood and Family Education  
605 Instructional Support Services (600 Series)  
640 Staff Development  
760 Pupil Transportation Services  
770 (Fund 02) – Food Service Program  
790 Other Pupil Support Services (700 Series except for pupil transportation and food service)  
810 Operations and Maintenance of Facilities Services (800 Series)

For allocating employee costs for Object Codes 190, 191, 270, 280 and post-employment insurance benefits, Org. Code 005 must be used.

According to the Permitted Code Combinations Chapter in the UFARS manual there are eleven object codes allowed within Program 930 – Employee Benefits (clearing account only). The following table details the recommended procedure for complying with UFARS:

## Program 930 – Employee Benefits

| OBJECT DIMENSION CODES | DESCRIPTION   | DIRECT   | CHARGEBACK  |        |
|------------------------|---|--|---|--------|
| 190                    | Sabbatical Leave Pay  | Code to programs 105, 201, 203, 211, 505, 760, 770, or 810 as costs are incurred.  | Determine percentage of these expenditures for program category 105, 201, 203, 211, 505, 760, 770, or 810 and chargeback using Object Code 195.                             |        |
| 191                    | Severance Pay   |  |   |        |
| 210                    | FICA/Medicare   | Using payroll system, allocate these costs associated with each employee to the same programs as the salaries.                                 | Determine percentage of salary for these expenses for each employee bargaining group and charge back, using Object Code 295.  | D      |
| 214                    | PERA  |  |   |        |
| 218                    | TRA   |  |   |        |
| 220                    | Employee Insurance  | Using payroll system, allocate these costs associated with each employee who receives the benefit to the same programs as the salaries.        | Determine dollar amount of benefit for each employee by the benefit bargaining unit and chargeback using Object Code 295.   |        |
| 250                    | Tax Sheltered Annuities/MN Deferred Compensation Plan   | Using payroll system, allocate these costs associated with each employee which receives the benefit to the same program as the regular salary. | Same as Object Code 220 above.  | D<br>i |
| 270                    | Workers Compensation  | Identify employees receiving benefit during each billing period and proportionately allocate costs to the same programs as the regular salary. | Determine percentage of salary cost for each worker's compensation category using Program Categories 105, 200, or 810 and proportionately chargeback using Object Code 295. |        |
| 280                    | Reemployment Compensation Insurance<br><br>Note: Dedicated levy revenues should be allocated to Funds 02 and 04 to cover the costs. | Identify employees receiving benefit during each billing period and proportionately allocate costs to the same programs as the regular salary. | Determine program area (105, 200 or 810) for person receiving benefit and proportionately charge back using Object Code 295.  | .      |
| 299                    |   | See recommended method.  | See recommended method.   |        |
| 305                    | Consulting Fees/Fees for Service  | See recommended method.  | See recommended method.   |        |

**Example A – Community Education Building Located in a Non K-12 Learning Site.**

If a building was occupied as follows:

|               |                             |
|---------------|-----------------------------|
| 30,000        | sq. ft. District Office     |
| 10,000        | sq. ft. Community Education |
| 10,000        | sq. ft. Food Service        |
| 5,000         | sq. ft. Vacant Rooms        |
| 5,000         | sq. ft. Common Areas        |
| <u>60,000</u> | sq. ft. TOTAL               |

Operational costs - \$80,000

The amount allocated to Community Education would be determined as follows: The amount of square footage allocated would consist of used space plus a prorated share of common area. The common area is 9.09% of used space 5,000/55,000, therefore, community educators would have 10,000 + 10,000 X .0909 = 10,909 square feet allocated to it and the yearly costs would equal \$80,000 X 10,909/60,000 = \$14,545. From this it follows if Community Education was the sole occupant of a building, they would pay 100% of the costs (assuming there was no vacant space).

**Example B – Community Education Building Located in a K-12 Learning Site.**

If community education uses 1,500 square feet of a 10,000 square foot building for 4 hours 3 days a week and the K-12 program uses the space for 8 hours 5 days a week. The allocation to community education would be the percentage of space multiplied by the percentage of time used (this is the percentage of utilization). In this case the space allocation is 1,500/10,000 = .15. The time allocation is 12/52 = .23 for a utilization of 3.46% (.15 X .23). Community Education should be allocated 3.46% of total costs.

The general fund should pay for the remaining costs, which include the 77% of utilized time and all of the non-used time (weekends, etc.).

**Example C – Swimming Pools**

The following example shows a calculation with journal entries of a K-12 learning site that has a pool, Community Education classes and administration offices in it.

**FACTS**

Square Footages

|  |        |             |
|--|--------|-------------|
| Instructional Usage (K-12 and Community Education) | 6,000  | Square Feet |
| District Offices                                   | 2,000  | Square Feet |
| Community Education Offices                        | 1,000  | Square Feet |
| Pool   | 1,500  | Square Feet |
| Common Areas                                       | 500    | Square Feet |
| Total  | 11,000 | Square Feet |

**ATTACHMENT C**

Costs – All Program 810

|            |                                     |                 |
|------------|-------------------------------------|-----------------|
| Object 170 | Custodial                           | \$48,000        |
| 170        | Custodial Overtime for CE           | 4,000           |
|            | Other Overtime                      | 500             |
| 200s       | Benefits                            | 12,000          |
| 300        | Utilities, Repairs                  | 19,000          |
| 401        | Custodial Supplies, Repair Supplies | 3,000           |
| 440        | Fuel for Building                   | 5,000           |
|            | <b>Total Costs</b>                  | <b>\$91,500</b> |

Costs Attributable to Pool (according to study) \$30,000

General Community Education classes use 3,000 square feet M-W-F - 4 hours per day  
 K-12 use 6,000 square feet MTWThF – 8 hours per day  
 Community Education Pool – 8 hours per week  
 K-12 Pool – 20 hours per week

**COMMUNITY EDUCATION COSTS**

Facilities Uses

|      |          |                  |        |               |
|------|----------|------------------|--------|---------------|
|      | \$91,500 | Total Costs      | 11,000 | Square Feet   |
| less | 4,000    | Overtime         | less   | 1,500         |
| less | 30,000   | Pool             | less   | 500           |
|      | \$57,500 | Cost to Allocate |        | 9,000         |
|      |          |                  |        | Specific Uses |

Allocate Common .0555 = 500/9,000

|             |                      |       |                                    |
|-------------|----------------------|-------|------------------------------------|
| Square feet | K-12                 | 6,334 | (6,000 + Prorated Share of Common) |
|             | District Office      | 2,111 | (2,000 + Prorated Share of Common) |
|             | Community Ed. Office | 1,055 | (1,000 + Prorated Share of Common) |
|             |                      | 9,500 |                                    |

1) Custodial overtime - \$4,000

2) Community Education Administrative Offices

(Allocated to Community Education) 1,055/9,500 X \$57,500 = \$6,385

District Office Cost 2,111/9,500 X \$57,500 = \$12,777  
 (These costs are not allocated to maintain program integrity.)

Instructional Space 6,334/9,500 X \$57,500 = \$38,338  
**Total** **\$57,500**

- 3) A portion of the instructional space must be allocated to community education for use of 3,000 square feet of space 3 days a week, 4 hours a day.

|                |       |                                 |               |
|----------------|-------|---------------------------------|---------------|
| Total Usage is | 6,000 | Square feet X 8 hrs. X 5 days = | 240,000       |
|                | 3,000 | Square feet X 4 hrs. X 3 days = | <u>72,000</u> |
|                |       | Total                           | 312,000       |

Community Education's allocation is  $72,000/312,000 = .2307$  of the instructional space which is  $.2307 \times \$38,338 = \$8,847$ .

- 4) Pool Costs allocation

|                           |                |
|---------------------------|----------------|
| K-12 Usage                | 20 hours       |
| Community Education Usage | <u>8 hours</u> |
| Total                     | 28 hours       |

The Community Education allocation would be  $8/28 * \$30,000 = \$8,571$

### JOURNAL ENTRY

|      |   |                        | Debit    | Credit   |
|------|---|------------------------|----------|----------|
| 1)   | E | 04-005-505-000-195-000 | \$4,000  |          |
| 2)   | E | 04-005-505-000-398-000 | \$6,385  |          |
| 3)   | E | 04-005-505-000-398-000 | \$8,847  |          |
| 4)   | E | 04-005-505-000-398-000 | \$8,571  |          |
| 5)   | G | 04-101-00              | \$27,803 |          |
| 1)   | E | 01-005-810-000-195-000 |          | \$4,000  |
| 2-4) | E | 01-005-810-000-398-000 |          | \$23,803 |
| 5)   | G | 01-101-00              |          | \$27,803 |

Entry 1) could be made at the time the overtime is incurred which would imply using Object Code 170 rather than 195.

This example is only one method of allocation; other methods may be used as long as they use identifiable costs, allocated using a logical, appropriate methodology.