

**Governmental Accounting Standards Board (GASB) 54 Sub-Committee on  
Financial Management, Accounting and Reporting  
Approved by the Committee – August 24, 2010 Meeting Minutes**

The GASB 54 Sub-Committee met on August 24, 2010. Members in attendance: David Peterson- chair, Jeff Yeager, Myrna Meunier, Tracey Fiereck, Nancy Schulzetenberg, Greg Hierlinger, and Patrick Chaffey. Other in Attendance: Deborah Medlin  
MDE Staff: Tom Melcher, Audrey Bomstad, Karen Dykoski, Sarah Miller, Greg Hein and Mary Weigel

The meeting was opened by Sarah Miller at 12:02 p.m.

The committee members reviewed the agenda and added one item “School Finance Committee Request.” The updated agenda was unanimously approved by the committee.

The committee reviewed the meeting minutes from July 13, 2010. A few changes were requested by the committee to clarify the minutes. It was requested to add a sentence stating “Assignments and commitments should not be reported on the face of the statement of net assets” (GASB 54, section 2200, paragraph .125). A note (4) was added to funds 2, 4 and 7 to clarify that an unassigned fund balance can be used only if the fund is in deficit. The minutes, with changes, were unanimously approved by the committee.

Greg Hein discussed the summary of statutes that had been reviewed by MDE staff. The document listed the applicable funds, UFARS balance sheet code, reserve description, statutory reference, traditional fund balance title, revised fund balance and notes. The committee reviewed and discussed the summary. Greg explained that the reserves were converted to restricted because the statute either used the word reserve or referenced a specific purpose to use the funding. The committee asked whether the statutory language would need to be updated to include the word “restricted.” A committee member volunteered that CPA firms were not looking specifically for the word reserve or restricted; they only need to see that the funding must be set aside for a specific purpose in the statute. From the auditor perspective, it would be fine to add reserve or restricted in the statutes, but not necessary.

The committee discussed balance sheet code 419 encumbrances and the types of fund balances that should be available for UFARS reporting. The committee decided that encumbrances should be included in assigned, committed and restricted fund balances. The committee reviewed section 24 of GASB 54 that discussed encumbrances. The committee discussed the potential of removing the encumbrance category to be replaced with the new fund balance categories. MDE will research the possibility of removing balance sheet 419 Reserved for Encumbrances from the permitted UFARS codes.

Committee members debated the pros and cons of requiring the nonspendable fund balance within a restricted fund balance. Further research would be required to determine if it is necessary for UFARS reporting.

Tom Melcher inquired if the statutory language changes would be for the current fiscal year. Audrey Bomstad indicated that since GASB 54 is in effect beginning July 1, 2010, she would

like to have statutory changes effective as of July 1, 2010, or FY 2011. Tom explained that from a legislative perspective any language changes should line up as close as possible to the current legislation. He was particularly concerned about making sure that by changing the SOD statute the same districts would fall into SOD as under the old statute. The results need to be consistent between the old and new language.

The committee discussed the statutory operating debt (SOD) calculation and reviewed the current statute. Tom stated that changing the statutory language to “unrestricted” may make the change as linear as possible.

The committee discussed prepaid items. The funds would be restricted but when it becomes a prepaid the status would change to nonspendable for the prepaid amount. The committee and MDE need to conduct additional research on how to report prepaid items that use restricted funds.

The committee discussed fund 2 where it was determined that food service is restricted by federal regulation. But inventory would be nonspendable. Fund 2 may also have an unassigned fund balance for deficit balances.

MDE will continue to review the statutes and provide a proposal regarding changes to statutory language so that it is more consistent with the fund balance requirements under GASB 54.

Karen Dykoski presented information on fund balance accounts that would be updated in the UFARS manual. The committee discussed page one of the document and felt that the severance example should be removed. The reference to negative restricted balance should be changed to negative unassigned. The language for balance sheet code 419 encumbrances needs to be changed. Currently, the SOD calculation includes balance sheet codes 418, 419 and 422. The implementation of the new statement would include nonspendable, committed and assigned, which shouldn't change the SOD calculation from a historical perspective. MDE will update the SOD information based on the fund balance categories, update the SOD formula/calculation and make changes to the UFARS manual.

Karen introduced three new balance sheet codes: 460 Nonspendable Fund Balances (Funds 01, 02, 04 and 06), 461 Committed Fund Balance (Fund 01), 462 Assigned Fund Balance (Fund 01). With the implementation of GASB 54, districts are required to provide more detailed information in their financial statements. In the past, districts would designate funds but not necessarily report that information in UFARS. The committee discussed whether or not there is a need for additional unique restricted fund codes for funds 2, 4, 6, 7, 47 and perhaps other funds. MDE will develop a restricted code that could be used for each of the funds other than the general fund. The general fund is the only fund that can have either positive or negative unassigned fund balances. The other funds can only have negative unassigned fund balances. The committee suggested looking at the definition of balance sheet code 422 to see if it can be revised to meet those conditions. The definition would clearly define that only negative balances could be reported in balance sheet 422 for funds other than the general fund. MDE will review the need to add new fund codes and provide information on the results of their research.

David Peterson presented a draft of GASB 54 Major Issues for School Districts. He discussed the information provided in the document for the committee's review. A committee member inquired about examples of board policies. The committee discussed entities that could provide policy information and it was discussed that MSBA may provide policy information to districts.

Sarah reported on the status of the research on special revenue funds, specifically fund 02, food service and fund 04, community service. She will provide information to the committee at a later date.

To answer a question raised at the previous meeting regarding whether fund 6 June 30 balance could be negative, Sarah related that she did not find either GAAP or state statute addressed the issue. The committee was unable to identify a specific statute. The consensus was that the fund 6 could go into deficit to the extent of future revenue authority or prior to a transfer from the general fund.

Mary Weigel was unable to reach MSBA to find out the status of GASB 54 implementation and training from their perspective. Other committee members offered to assist in contacting MSBA to find out MSBA's approach to GASB 54. The committee specifically requested information on MSBA training for the January conference and development of GASB 54 policies for districts.

Sarah explained that she had been contacted by a representative from MASBO to present GASB 54 information at the winter conference (February 10<sup>th</sup>). The committee thought that may be a bit late to provide information to school districts. The committee discussed training and the need to get the GASB 54 information out to districts as soon as possible. The committee discussed three primary areas: policy development, UFARS changes and audit/financial statement presentation. A group effort between audit firms, regions and MDE staff was suggested to present the individual areas. The committee expressed a need to present information at the winter MASBO conference and will discuss training at the next meeting.

The committee inquired about a GASB 54 write up in the UFARS manual, similar to other GASB information in the UFARS manual. MDE will provide the committee with a draft document summarizing GASB 54 for the UFARS manual.

The committee requested the following agenda items for the next meeting:

- MDE statutory changes update
- Review of balance sheet 419 Reserved for Encumbrance
- Research restricted nonspendable category
- Research presentation of prepaid items
- UFARS manual coding changes
- Review new codes for other funds
- Provide information on fund 2 (food service) and fund 4 (community service)
- Training options and MSBA
- UFARS GASB Statement No. 54 Definition - Chapter 13, Section 5

The next meeting is scheduled for September 16, 2010, at 9:00 a.m. or October 5, 2010, at 12:00 p.m. at MDE. Meeting adjourned at 2:25 p.m.