

**Advisory Committee on financial Management, Accounting and Reporting
October 18, 2005 Minutes**

The Advisory Council met on October 18, 2005. Members in attendance: Greg Hein, Larry Shomion, Darwin Viker, Margo Nash, Roger Heiden, Nancy Ramler, Darin Jensen, Laura Nelson, Susan Paulson, Julane Meyer, Greg Hierlinger, and Steve Torgrimson. Others in Attendance from MDE: Tom Melcher , Dick Guevremont, Deb Firkus, Charles Speiker, Mary Annala, Colleen Leemon, Bill Kiesow and Chris Kubesh.

Chairperson Greg Hein opened the meeting at 12:10 p.m.

Darwin Viker made a motion to approve the meeting agenda with the addition of two items: Gifted and Talented and SOD Calculations. Larry Shomion seconded the motion. Motion passed unanimously.

Dick Guevremont introduced new committee members: Darin Jensen representing Region IV and Steve Torgrimson representing Region VII (TIES). Steve will share the position with Jolene Kroschel, also representing Region VII.

Dick Guevremont provided a handout and an overview of Advisory Committee information and meeting minutes located on the MDE website. Dick also presented as an informational item the Advisory Committee Charter.

Dick Guevremont informed the committee on the Profile's update. The data for FY04 has been rerun and reports have been updated. The new reports now include both school districts and charter schools. The revenue and expenditure reports have been completed and are available on the MDE website. There are some problems with statistical information which require additional review.

Dick Guevremont presented the FY05 UFARS Data Upload Report and the FY05 Audited Compliance Tables Report. Dick commented that the department has observed a marked improvement in entities reporting information as noted with the FY05 UFARS Data Upload Report. Currently, 100% of the Districts have reported UFARS data to the department. Dick explained the FY05 Audited Compliance Table Reports do not have the same level of submission because the information is not due to the Department until November 30, 2005.

Dick Guevremont explained changes to the Chapter X grid allowing the usage of the Agency Fund for Cooperative/Fiscal Host Accounting and Reporting. The objective is to reduce duplicate reporting of revenues and expenditures by districts. The Agency Fund would be used by districts because the revenues and expenditures from these agency relationships do not represent financial activity for the district. Dick explained that this may not be a perfect solution. Dick asked the committee if the creation of a new fund to record these transactions would be more acceptable.

Deb Firkus explained that revenues and expenditures should not be recorded in the Agency Fund. The Agency Fund should be used as a pass-through and the district has no management or administrative oversight of the funds. Deb also stated that the State Auditor's office is reviewing the authority districts have regarding agency fund services.

Darwin Viker explained that several districts use the Agency Fund. The districts process financial transactions using revenue and expenditure accounts to keep track of the financial activity. These revenues and expenditures are reported in UFARS in the Agency Fund. Darwin suggested that the department should exclude Agency Fund revenues and expenditures for department reporting purposes. Darwin also explained that districts post a year end adjustment removing the fund balance in the Agency Fund by transferring the fund balance into a balance sheet account.

Darwin Viker explained that funds received by a district that represents the district's portion of funding within the agency fund should be recorded as revenue in the appropriate district fund.

Dick Guevremont recommended that the finance team review the Agency Fund summary in the UFARS manual. Darwin Viker and Larry Shomion volunteered to work with department staff.

Dick Guevremont responded to questions related to Balance Sheet Account 411 Reserved for Severance Pay. (What is the definition of a retired employee? Already retired, those that you think will retire, or those that are eligible to retire.) Dick referred to a definition from the Minnesota Teacher Retirement Association which defines a retired employee as, a member who is currently receiving a pension payment from TRA. Dick provided members with a copy of School Business Bulletin #4 that describes Severance Pay Fund Balances and FAI 44.9 with an article titled Severance Pay Accounting.

The committee discussed the UFARS manual definition of Balance Sheet 411 Reserved for Severance Pay in relation to FAI 44.9. Greg Hein and Larry Shomion suggested updating the definition based on current legal cases and GASB. Darwin Viker explained that the reserve for the 2nd ensuing year is unique to UFARS reporting and is not a GAAP requirement.

Deb Firkus discussed the Budget Publication Report and the concerns raised by districts and reporting entities. Some of the concerns include the amount of time involved with completing the new form, lack of clarity, and comments section to clarify information for the public. The committee discussed the shortcomings of the report and proposed legislative action.

Roger Heiden made a motion to pursue with the department the committee recommendation as reported in Minutes of March 15, 2005, Advisory Committee

meeting: 1. elimination of the legislative requirement or recommendation; 2. change the publication date from October 1st to December 1st. Darin Jensen seconded the motion. Motion passed unanimously.

Greg Hein and Roger Heiden will represent committee members at a meeting with department staff to communicate concerns and proposed legislative action regarding the reporting requirements of the Budget Publication Report.

Dick Guevremont provided an overview of the Web Site Disclaimer for FY05 UFARS Turnaround Reports. The Disclaimer states, "Districts are to report preliminary UFARS data to the Department of Education by September 15 of each year. This data is considered un-audited and should not be used for reporting purposes. Data is not considered final until November 30th." The Department is also adding the terms "Unaudited or Audited" at the top of all UFARS Turnaround Reports. This will inform users of the status of the information provided in these reports. The department is currently programming the computer system to include these two terms at the top of FY05 UFARS Turnaround Reports and should soon be completed.

Dick Guevremont presented three new technology codes as recommended by Finance Specialist Ken Moos. The codes include 140 Administrative Technologies (proposed), 257 Computer Science/Technology Education (existing), 680 Technology Assisted Support (proposed), and 820 Infrastructure Facilities and Capital Projects (proposed). Committee members discussed each of the codes and provided positive feedback. The committee requested additional clarification to ensure consistent application of codes by districts and reporting entities. Comments included providing examples, consistent application of codes by schools. For example, the coding of the superintendent computer and a guidance counselor computer should relate to administrative services virus pupil support services. Also, perhaps a 200 level code is needed, and some review of the consistency capital projects coding. Mr. Guevremont will review the committee's comments with Mr. Moos and resubmit recommendations.

Darin Jensen requested information regarding Unemployment Accounting – Balance Sheet Code Dimension 410 and reconciling the difference between the UFARS balance and the Levy Certification. Darin recommended transferring balances from Balance Sheet 410 Reserved for Unemployment Compensation to Balance Sheet 422 Unreserved/Undesignated Fund Balance to remove small balances. After much discussion the committee determined that the fund balances in Balance Sheet 410, Reserved for Unemployment Compensation, represented immaterial amounts and could be transferred to Balance Sheet 422 Unreserved/Undesignated Fund Balance.

Colleen Leemon explained that the department has made adjustments to the current year levy to eliminate fund balances in Balance Sheet 410, Reserved for Unemployment Compensation, to bring the account balance to zero.

Larry Shomion made a motion to eliminate Balance Sheet 410, Reserved for Unemployment Compensation, and transfer the account balance to Balance Sheet 422, Unreserved/Undesignated Fund Balance, at the end of FY06. The motion also includes the elimination of Source Code 005, Unemployment Compensation Levy. Margo Nash seconded the motion. Motion passed unanimously.

Darin Jensen had a question about reconciling Health and Safety on the Levy Report with UFARS accounting records. Bill Kiesow and Chris Kubesh addressed the question. They provided a handout documenting the last adjustment calculated by the department. Bill explained that the department has made approximately 3 to 4 adjustments over a 14 to 15 year period. These adjustments were needed to bring the fund balance to zero. Chris explained that some differences between the levy report and UFARS have occurred because of some miscoding of expenditures in prior years which have an impact on the current year levy.

Dick Guevremont provided an overview of the changes made to the MDE web site improving the presentation of MDE information. The committee discussed the web site and had the following observations: 1. the timing of changes should be scheduled at a less busy time and not at fiscal year end; 2. when loading school data into UFARS a security message pops up several times, and 3. a drop down menu with forms was requested. Dick and Deb Firkus would communicate observations with department IT staff.

Dick Guevremont provided a handout and discussed the Gifted and Talented program. The handout included the Minnesota Statute, a Section of UFARS the Manual and Summary of Frequently Asked Questions about Gifted and Talented. Tom Melcher explained, the Gifted and Talented program has been presented at several conferences and meetings attended by various district personnel.

Darin Jensen explained a concern that had been brought to his attention. If a school has a negative reserve fund balance and is required to transfer funds from the undesignated fund balance to remove the negative reserve fund balance, the expenditures associated with the reserve fund balance are not transferred and could possibly result in a district falling into SOD. The committee discussed the concern and came to the consensus that the UFARS manual requires expenditures to be properly classified. Transferring expenditures to an unrelated activity would result in inconsistent UFARS reporting, and the true cost of an activity would not be accurately recorded in the district's financial reports.

The next meeting has been scheduled for January 17, 2006 at 12:00 at the Minnesota Department of Education.

Meeting adjourned at 2:45 p.m.