

**February 14, 2007**

**Advisory Committee on Financial Management, Accounting and Reporting**

The Advisory Committee met on February 14, 2007. Members in attendance: Susan Paulson, Jody LeBlanc, Dan Brooks, Beth Heinze, Bob Haines, Darin Jensen, Nancy Ramler, Greg Hierlinger, Darwin Viker, Barb Anderson, Michelle Knutson, Jody Zesbaugh, Tiffany Rodning. Others in Attendance: Colleen Leemon (MDE), Mary Annala (MDE), Ken Moos (MDE), Debrah Firkus (MDE), John Koehler (MDE).

Colleen Leemon opened the meeting at 12:05 p.m. Colleen introduced the new committee members. She also provided an overview of the meeting agenda.

Darwin Viker and Deb Firkus handed out the following information as it related to severance payments and GASB 45: excerpts from School Business Bulletins and FAI's (Financial Accounting Instruction), Minnesota Statutes, Summary on Miscellaneous Severance Pay/Early Retirement Incentive Levies for Cooperating and Reorganizing Districts, Summary of UFARS Financial Activity for Accounts 411 and 418 Listed by District, UFARS Account Code Descriptions, GASB 43/45 Committee Accounting Suggestions, Questions and UFARS Changes and Department of Wisconsin Employee Benefit Fund Requirements.

Darwin discussed the results of a temporary sub committee meeting held on February 8th regarding the implementation of GASB 45. The sub committee researched accounting treatments and provided recommendations to the Advisory Committee for their review and approval. The sub committee recommended the elimination of UFARS Balance Sheet (BS) Account Codes 411 (Reserved for Severance Pay) and 418 (Designated for Severance – Insurance Premium). These accounts are not in compliance with GAAP accounting requirements and any balance in accounts 411 and 418 would go into the unreserved fund account. BS Account 411 was not created based on legislation and BS Account 418 was created through MSS 123B.79 and given the title designated, school districts may use this account but are not required to use it. Districts will continue to have the authority to designate funds at the local level.

Dan Brooks and other attendees expressed concern regarding the timeline to eliminate BS Accounts 411 and 418. They did not feel there was sufficient time to educate school districts, negotiators and bargaining units of the new accounting treatment before the end of fiscal year 2007.

Dan Brooks made a motion to eliminate BS 411 and 418 to be in compliance with GASB accounting requirements with implementation to occur during FY08. Seconded by Bob Haines. Tiffany Rodning amended the motion to develop a phase in period for the elimination of BS 411 and 418 based on feedback received by the committee on the best implementation date. The committee discussed the motion. The motion passed unanimously.

Darwin referred to the GASB 43/45 Committee Accounting Suggestions, Questions and UFARS Changes handout. Darwin walked through the accounting points. The committee discussed UFARS object codes 291 (Continuing Employee Retiree Benefits) and 251 (Employer-Sponsored Health Reimbursement Arrangements (HRA)) and the potential need for a new UFARS code to record OPEB financial activity. Currently, object code 291 records pay as you go transactions and object code 251 has a dual purpose recording both OPEB and HRA account activity. The committee felt it would be best to have a separate UFARS account code for OPEB activity. The department will create a new account code and update the UFARS definitions.

The committee discussed the need for two new funds to properly account for OPEB financial activity, one fund for OPEB Trust (GASB 45) and the other fund for Other OPEB activities (GASB 16). Revocable trust funds would continue to be recorded in Fund 20. Darwin provided information on Wisconsin's requirements for a separate fund for OPEB funding. Tiffany Rodning reviewed the bill language being proposed to allow school districts to create a separate revocable or irrevocable trust fund to OPEB funding. This bill addresses only a trust fund for GASB 45 liability. The department will look into the development of two new funds and communicate guidelines for the implementation of GASB 45 and 16.

The committee discussed the actuarial studies being completed and the level of documentation required for auditors and the department. The committee was specifically concerned about the actuarial liability and the affect it may have on Special Education Funding and other Federal Title Funding. There may be a need to separate the actuarial information for any liabilities linked to federal funding.

Members of the committee inquired how they should handle shared time revenue because at their districts they had recorded it as a FY06 receivable; however, they didn't get any payments in FY06 and on the IDEAS payment stub the revenue is labeled as 06-07 revenue but it is really the 05-06 revenue. How are other districts handling this? How do they communicate to the auditors that the 06-07 revenue is really for 05-06? Colleen explained that based on a state shift and no FY06 appropriation available the liability was moved to FY07. The department was going to explore the possibility of changing the label on the IDEAS payment stub by linking it more clearly to the FY06 shared time revenue. The department will write up information regarding the accounting of shared time in the School Business Bulletin.

The committee unanimously elected Barb Anderson as Chair and Dan Brooks as Vice-Chair.

The next Advisory Committee meeting is scheduled for Wednesday, April 11, 2007 at the Minnesota Department of Education.

Meeting adjourned at 1:45 pm.