



## **Minutes**

**March 19, 2008**

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

The Advisory Committee met on March 19, 2008. Members in attendance: Beth Heinze, Darin Jensen, Jaber Alsiddiqui, Greg Hierlinger, Tom Wieczorek, Rita Poulton, Jodie Zesbaugh, Jeffrey Yeager, Janet Halonen and Tiffany Rodning. MDE Staff: Janna Duffy, Ken Moos, Mary Weigel, Keri Lewis and Lisa DeRemee.

Jaber Alsiddiqui opened the meeting at 12:05 p.m. Jaber asked the committee members to review the agenda. Jeffrey Yeager made a motion to approve the agenda seconded by Rita Poulton. Unanimous approval by the committee.

The committee reviewed the January 23, 2008 meeting minutes. Unanimous approval by the committee.

Jaber directed the committee members to the next agenda item – a request for discussion on compliance table reporting. Prior to the meeting, Janna Duffy had shared correspondence from an accounting firm that had requested the committee's assistance. The accounting firm requested a review of compliance table variances for negative fund balances. Janna asked members of the committee if they were aware of similar concerns from other entities. Though others had not experienced the same concerns, it was determined that the directions to the report will be expanded to address the reporting of negative fund balances but that the report will not be modified.

GASB 34 residual fund balance transfer was discussed by Darin Jensen and Ken Moos. Darin requested further written instructions on residual fund balance transfers from MDE. GASB 34 states that there will be no more direct additions to fund equity. Ken Moos proposed changes to Object Code 910 and Source Code 649 to address this issue. Jeff Yeager stated concerns with making the change. After considerable discussion, this was put on hold pending further research.

Janna discussed the draft handout of Federal Subaward/Subcontract Determination and Accounting Treatment for MN Local Education Agencies prepared by the sub-committee. The sub-committee members included Jeffrey Yeager, Deborah Medlin, Lisa Rider, Darwin Viker, and the following MDE staff was present: Janna Duffy, Ken Moos, Mary Weigel, George Holt, Mona Regan, Carol Hokenson, Jack Reed, Audrey Bomstad and Tom Melcher. The document addresses how to distinguish between a subaward and subcontract, the pass-through entities responsibilities, and the accounting treatment for these transactions. Considerable discussion took place regarding the accounting treatment. The sub-committee recommends opening a new finance code series for subaward recipients. There was discussion as to whether or not this

would result in double reporting. Greg Hierlinger stated that since the federal status is not lost on subawards, the costs would continue to be reportable federal expenditures. The committee agreed to the content of the document, and pending approval from the U.S. Department of Education, the MDE will present the proposed changes accordingly.

Lisa DeRemee presented information on legislation that allows districts to use general education funds to pay for pre-kindergarten programs. Districts currently report any Transition for Prekindergarten (finance code 345) or First Grade Preparedness (finance code 331) expenses in fund 1 using a program code 202. Any other pre-kindergarten programs would be reported in fund 4 using Community Education (finance code 321) or School Readiness (finance code 344) with the new program code 581. The committee was asked to respond to three questions:

- 1) The committee was asked if they saw any concerns with districts recording the transfer from fund 1 to fund 4 through an adjustment using source code 211. There were no concerns expressed.
- 2) Lisa DeRemee and Janna Duffy asked the members if they were aware of districts running their prekindergarten programs, not related to Transition for Prekindergarten or First Grade Preparedness funds, out of general fund operations. The members felt there were few exceptions, but if so, they should report expenditures with a program code 202 and 000 as the finance code.
- 3) Also, there was discussion relating to the balances in fund 4 unreserved fund balance accounts (fund balance code 422). The committee agreed that outside of preschool screening, non-public funds, and a few other small programs, there should be very little activity closing to the unreserved account in fund 4. There is concern that codes are either not set up to close to the right fund balance account, or districts are running programs into unreserved when they belong in the reserve for community education (fund balance code 431).

Ken Moos gave an update on the request for Title - AYP Course Codes. EDRS cannot track site based data. The AYP set-asides are mandated for Fiscal Year 2010. John Moore from MDE will find a few districts to be "pilots" for paper reporting in FY08. However, this could change. More information will be provided after FY08 reporting.

For the next meeting, the committee requested follow-up information on the status of the federal indirect cost proposal and additional information on GASB 34 residual fund balance transfers. A call for agenda items will take place two weeks prior to the next scheduled meeting. If there are not time critical items on the next agenda, the May meeting will be cancelled.

The next Advisory Committee meeting is tentatively scheduled for Wednesday, May 14, 2008 at the Minnesota Department of Education. Wednesday, July 16, 2008 and September 17, 2008 were also scheduled.

Meeting adjourned at 2:15 pm.