

## **July 16, 2008 Minutes**

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

The Advisory Committee met on July 16, 2008. Members in attendance: Darin Jensen, Michelle Knutson, Jodie Zesbaugh, Jaber Alsiddiqui, Beth Heinze, Jody LeBlanc, Karsten Anderson, Jeffrey Yeager, Rita Poulton and Janet Halonen. MDE Staff: Janna Duffy, Karen Dykoski, Charles Speiker, Mary Weigel and Keri Lewis.

Jaber Alsiddiqui opened the meeting at 12:02 p.m.

Jaber asked the committee members to review the agenda. No additional items were added to the agenda.

The committee reviewed the March 19, 2008 meeting minutes. Rita Poulton made a motion to approve the March 19, 2008 minutes seconded by Jodie Zesbaugh. Unanimous approval by the committee.

Jaber directed the committee members to the next agenda item – Federal Indirect Cost Rate Approval. Janna Duffy stated the Federal Indirect Cost Rate calculation has been approved by the federal government and FY 2009 indirect rates are posted on the MDE Website. UFARS reporting changes resulting from the Federal Indirect Cost Rate audit will be required in FY 2008. She also explained that EDRS reporting for federal special education will not change until FY 2009.

Janna presented information on the OPEB Accounting/Bonding/Levy agenda item. The Governmental Accounting and Standards Board (GASB) 45 committee provided accounting instructions; however, there are still questions regarding the bonding and levy provisions in statute. As a result, the accounting instructions may need to be revised. Janna distributed a copy of email exchanges between MDE and Office of State Auditor (OSA). The department is waiting for a response from OSA in order to determine whether or not the GASB 45 instructions need revision.

Janna distributed a handout to discuss a proposed article for the School Business Bulletin on Residual Equity Transfers. GASB Statement No. 34 suggests the elimination of the residual equity transfer; however, Minnesota Statute does allow for certain permanent transfers. In order to keep from overstating revenues and expenditures, the residual equity transfer is allowable in some circumstances. The following are allowable residual equity transfers (direct additions/deductions from fund balance codes): Correction for Prior Year's Errors, Deficit in Discontinued Fund, Discontinues Operation of a District-Owned Bus Fleet, Reorganizing Districts, Elimination of Reserved Accounts, With Commissioner Approval, Debt Service Surplus, Building Construction Balance.

The committee reviewed the list the allowable transfers and suggested two additional items. Transfers identified in the UFARS manual and one-way transfers.

Janna distributed a memo from Tom Melcher which was addressed to the Chairs of the Local Collaborative Time Study (LCTS), the Coordinators of LCTS Collaboratives, and

School District Superintendents, dated June 10, 2008. The federal Office of Inspector General conducted an audit of the Local Collaborative Time Study school-based service plans. The Office of the Inspector General audited 60 school districts in 32 counties. The resulting settlement requires Minnesota districts and other local collaborative partners in the LCTS funds to repay \$8.3 million to the Minnesota Department of Human Services and that agency in turn repays the federal government.

The 2008 legislature enacted legislation that will allow school districts to levy for the portion of the LCTS funds to be paid back to the Minnesota Department of Human Services. The districts are authorized to levy for the school-based programs that were a part of the Inspector General's Office audit findings.

The Division of Program Finance of the Minnesota Department of Education is requesting information from the Collaboratives and School Districts to verify the portion of the audit findings each affected school district must repay to the Collaborative and what portion will be included on the levy. Many of the collaboratives and schools have not responded to the request for information or are not requesting a levy. Janna asked the committee for their reaction to the response, or lack thereof, from districts. The committee indicated limited involvement with the LCTS program.

Janna transitioned to the next topic LCTS and MA: Is it a Vendor or Subgrant of federal funds? School Business Bulletin #8, from October 1998, stated that LCTS funding paid to school districts by the county should go to source code 099 with finance code 799. The department met on this question and determined that most of these relationships would be considered to be vendor relationships. If the collaborative is not organized in this manner, the collaborative should restructure so that it is a vendor relationship. The funds associated with the vendor relationship would not be counted toward the federal single audit limit. The committee discussed the results and agreed with the vendor relationship with the understanding that the committee is not aware of anything different at this time.

Janna referred to the Chapter X Grid. The department would like to eliminate finance code 400 series from the Agency Fund (09) for fiscal host arrangements. Janna downloaded prior year data and found that only two districts had used Fund 09 as fiscal hosts of special education cooperatives. The committee agreed with the department's recommendation to remove the finance code 400 series from the agency fund.

Janna presented information on Safe Schools Levy Legislation (Minnesota Statutes 126C.44). The legislation states that a school district must set aside at least \$3 per adjusted marginal cost pupil unit of the safe schools levy proceeds to pay for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems. The committee discussed using two finance codes with one reserve in order to account for this set-aside.

Janna explained that the statutory language requires the district to annually certify that its total spending on services provided by the employees listed above is not less than the sum of its expenditures for these purposes, excluding amounts spent under this section, in

the previous year plus the amount spent under this section. Though the set-aside is not required until FY 2010, the basis for the maintenance of effort will be FY 2009 for the expenditures. Janna explained that maintenance of effort will need to be tracked through UFARS by creating new codes since the existing structure does not isolate this information.

The committee expressed concerns about the maintenance of effort, including but not limited to: loss of grant funds used to cover the current costs of these positions, the impact of declining enrollment on expenditures, fluctuations in services purchased related to students on an IEP, and expenditure fluctuations due to retirements versus new hires. Also, there was a question raised about whether or not this statute affects charter schools and cooperatives. The committee asked the department to gather more information on the requirement and to relay their concerns.

The committee discussed items for the next advisory committee meeting: OPEB update, change to UFARS Chapter X grid, legislative language changes for Safe Schools Levy legislation, and potential UFARS coding issues for FY 2009.

The next Advisory Committee meeting is scheduled for Wednesday, September 17, 2008 at the Minnesota Department of Education.

Meeting adjourned at 1:25 pm.