

Draft Minutes – Pending Approval by the Advisory Committee

September 17, 2008

Advisory Committee on Financial Management, Accounting and Reporting

The Advisory Committee met on September 17, 2008. Members in attendance: Tom Wieczorek, Michelle Knutson, Jodie Zesbaugh, Jody LeBlanc, Jeffrey Yeager, Rita Poulton, Janet Halonen, Deb Medlin, Greg Hierlinger and Tiffany Rodning. Minnesota Department of Education (MDE) Staff: Janna Duffy, Mary Weigel and Charles Speiker.

Jody LeBlanc opened the meeting at 12:04 p.m.

Jody asked the committee members to review the agenda. No additional items were added to the agenda. Agenda Item 3 b. Update on Other Post-Employment Benefits (OPEB) was moved to 7 a. on the agenda. Jody made a motion to approve the agenda seconded by Tom Wieczorek. Unanimous approval by the committee.

The committee reviewed the July 16, 2008 meeting minutes. Jeff Yeager made a motion to approve the July 16, 2008 minutes seconded by Janet Halonen. Unanimous approval by the committee.

Jody directed the committee members to the next agenda item – Safe School Maintenance of Effort. Janna Duffy explained that unless legislation is changed, MDE is required to follow statutory provisions. The current FY 2009 UFARS structure does not allow for the collection of base year data. Therefore, MDE will include the necessary reporting elements in the FY 2009 Fiscal Compliance Table in order to collect the base year data.

Janna walked through the UFARS changes that have been incorporated into the FY 2009 UFARS manual. Committee members questioned the new description for Finance Code 385 Deferred Maintenance. Janna explained that the definition had been changed to better align with the statutory provisions. The committee agreed with the description after discussion.

Jody directed the committee to the next agenda item – UFARS Finance Code with Source 021 (Tuition and Reimbursements from Minnesota School Districts). Jeff explained that he would like additional clarification regarding the appropriate use of Finance Codes when recording revenues to Source 021. He would like information on how to consistently apply Source Code 021 and how to explain the usage of this code. Janna explained that this agenda item is related to agenda item – SBB 34.6 Revocation and Sub-Committee on Fiscal Hosts. Janna recommended a subcommittee be formed to address the accounting for fiscal hosts. The double accounting had been partially addressed with the new accounting treatment for federal funds; however, the double accounting for other fiscal hosts has not been addressed. Tom Wieczorek and Jeff Yeager volunteered to participate on the committee. The committee recommended any implementation of new

accounting treatments occur in FY 2010. The advisory committee will seek other volunteers to participate.

Jody directed the committee to the agenda item – Federal Subawards for Federal Direct Finance 5XX. Jeff Yeager explained his concern regarding the proper accounting treatment for miscellaneous federal grants that are subawarded. The primary questions posed were 1) what source code should be used when using the 4XX, 5XX and 6XX finance codes? And 2) how does a school record a subaward made from a grant paid directly from the U.S. Department of Education? Jeff will prepare a proposal for the accounting treatment of these two questions and bring it back to the committee.

Janna discussed the next agenda item – Reserve for Severance. She referred to the committee action to eliminate fund balance accounts 411 (Reserved for Severance Pay) and 418 (Designated for Severance – Insurance Premium). Fund balance account 418 is authorized through Minnesota Statute 123B.79 Subd.7; therefore, cannot be removed without legislative authority.

The committee discussed fund balance account 411 and determined that several districts currently use the account and will continue to need this account. Janet Halonen made a motion to reverse the advisory committee's motion from May 09, 2007 eliminating fund balance accounts 411 and 418 and to continue to research the need for fund balance 411 and 418 seconded by Deb Medlin. Unanimously approved by the committee.

Janna discussed the OPEB accounting grid for the following four (4) scenarios: 1) no bonds or trust; 2) bond proceeds and no trust; 3) revocable trust that may have bond proceeds; and 4) irrevocable trust that may have bond proceeds. The committee discussed scenario 3 and 4 in detail. There was concern with recording the bond sale and related OPEB expense in the operating funds prior to the receipt in the trust (or internal service) fund. While this accounting would increase the operating funds expenditures and revenues in the year of the bond sale, the entry records the expense to the fund in which it was earned. Janna will discuss this accounting practice with the Office of the State Auditor and the GASB 45 committee chair to identify whether or not the entries need modification.

Jeff Yeager made a motion to adjourn the meeting at 2:03 p.m. seconded by Jody LeBlanc.

The next Advisory Committee meeting is scheduled for Wednesday, November 19, 2008 at the Minnesota Department of Education.