



**2008 Report on the
Minnesota State
High School League**

**Report
To the
Legislature**

**As required by
Minn. Stat. §
128C.20**

COMMISSIONER:

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Upon request, this report can be made available in alternative formats.

ESTIMATED COST OF PREPARING THIS REPORT

This report provides information that is maintained and published by the Minnesota Department of Education as a part of its normal business functions. Therefore, the cost information reported below does not include the cost of gathering the data but rather is limited to the estimated cost of actually analyzing the data, determining recommendations, and preparing this report document.

Special funding was not appropriated for the costs of preparing this report.

The estimated cost incurred by the Minnesota Department of Education in preparing this report is \$350.00.

REPORT ON THE MINNESOTA STATE HIGH SCHOOL LEAGUE

Purpose of the Report

Minnesota Statute § 128C.20, Subdivision 1, requires the Commissioner of Education (Commissioner) to conduct an annual review of the Minnesota State High School League (MSHSL). The MSHSL “is a nonprofit corporation that is a voluntary association of high schools . . . whose governing boards have delegated their control of extracurricular activities . . . to the [MSHSL].” Minn. Stat. § 128C.01, Subd. 1. Minnesota Statute § 128C.20, Subdivision 1, specifically directs the Commissioner to obtain and review the following information about the MSHSL:

1. An accurate and concise summary of the annual financial and compliance audit prepared by the state auditor that includes information about the compensation of and the expenditures by the executive director of the MSHSL and MSHSL staff;
2. A list of all complaints filed with the MSHSL, all lawsuits filed against the MSHSL, and the disposition of those complaints and lawsuits;
3. An explanation of the executive director’s performance review;
4. Information about the extent to which the MSHSL has implemented its affirmative action policy, its comparable worth plan, and its sexual harassment and violence policy and rules; and
5. An evaluation of any proposed changes in MSHSL policy.

The Commissioner has obtained the following sources of data for this report: correspondence from the President of the MSHSL Board of Directors (Board President); Department of Employee Relations notice to MSHSL of compliance with Local Government Pay Equity Act dated October 6, 2006; Minutes Meeting of the Representative Assembly, May 12, 2008; MSHSL 2007-2008 Annual Report; and, the MSHSL Annual Financial Report and Management Letter completed by the State of Minnesota, Office of the State Auditor, for the year ended July 31, 2007.

State Auditor’s Financial and Compliance Audit

The Commissioner must obtain and review an accurate and concise summary of the annual financial and compliance audit prepared by the state auditor that includes information about the compensation of, and the expenditures by, the executive director of the MSHSL and MSHSL staff.

The Minnesota State Auditor’s report reviewed the basic financial statements of the MSHSL for fiscal year 2007. In its Management Letter, the state auditor included the following schedule of findings and recommendations:

1. Each region has an administrative secretary who is responsible for the accounting functions. Establishing and maintaining internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information is the responsibility of each region secretary, each region committee, and the MSHSL. Adequate segregation of duties is a key internal control in an

organization's accounting system. The size of the regions and their staffing limits the internal control that can be designed and implemented into the organization. Management should be aware that segregation of duties at the region level is not adequate from an internal control point of view.

Management of each region and the MSHSL are responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

During the region audits, it was proposed material adjustments to convert two of the region's financial records to the financial statements as reported. These adjustments increased liabilities and expenses. It was recommended that each region committee and the Board and management of the MSHSL be mindful that limited staffing causes inherent risks in safeguarding the organization's assets and the proper reporting of its financial activity. It was further recommended the region committees and the Board and management of the MSHSL continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

2. Region secretaries are employees and, as such, are subject to MSHSL policies and guidelines. The MSHSL's *Board of Directors Policy Manual and Guidelines* requires the use of special expense forms to document prior approval and authorization of expenses incurred in connection with official functions of the MSHSL that do not fall under regular expense and travel policies. In four regions, instances were noted where special expense forms were not used to document approval and authorization of expenses that met the criteria for special expense.

It was recommended the MSHSL continue its efforts to clarify management's expectations and guidelines for special expenses. The MSHSL should monitor and work with region secretaries to ensure the consistent use of appropriate forms to document and authorize special expenses. This was a previously reported item not resolved.

3. The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reports for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, Subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

If applicable for the MSHSL, GASB Statements 43 and 45 would be implemented for the years ending July 31, 2008 and 2009 respectively. Some of the issues that the Board of Directors will need to address in order to comply with the statements are:

- determine if the employees are provided OPEB;
- if OPEB are being provided, the Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided and the Board decides to advance fund the benefits, the Board will need to determine if establishment of a trust is desirable in order to fund the OPEB; and
- in order to determine annual costs and liabilities that need to be recognized, the Board will have to decide whether to hire the services of an actuary.

In accordance with Minn. Stat. § 128C.12, the state auditor performed tests of compliance with appropriate laws and regulations. The results of their tests indicated that, for the items tested, the MSHSL complied with the material terms and conditions of applicable legal provisions.

A. Compensation of the MSHSL’s Executive Director and Staff

According to the Board President, staff salaries are based on a range established in policy by the Board of Directors. Salaries are based, among other criteria, upon a comparison of similar athletic and activity associations in the states that comprise the Big Ten athletic conference (Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, Pennsylvania, and Wisconsin). The Minnesota Management and Budget (MMB) formerly known as Department of Employee Relations (DOER), affirmed MSHSL’s compliance with pay equity laws in a letter to the MSHSL dated October 6, 2006.

B. Expenditures of the MSHSL’s Executive Director and Staff

According to the Board President, the director and his staff were reimbursed a total of \$18,921 for statewide travel during the 2007-2008 school year. The Board President states that expenses are reimbursed as identified in the Board of Directors policy and in Minn. Stat. § 43A.18, Subd. 2, the Commissioner’s Plan.

Complaints and Lawsuits

The Commissioner must obtain and review a list of all complaints filed with the MSHSL, all lawsuits filed against the MSHSL, and the disposition of those complaints and lawsuits.

State law does not proscribe a dispute resolution method for the MSHSL, but the MSHSL has established a policy for hearing disputes regarding student eligibility including hearing and hearing review procedures.

Description of the hearings held during the 2007-2008 fiscal year are as follows:

- August 29, 2007 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the student be immediately eligible for all extracurricular activities governed by the MSHSL rules given the special and unusual circumstances surrounding the case.
- September 28, 2007 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the MSHSL sustain the declaration of ineligibility of the student.

- November 30, 2007 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the waiver of bylaw 111 given the special and unusual circumstances surrounding the case and allowed the student immediate eligibility for all extracurricular activities governed by the MSHSL.
- January 15, 2008 – Bylaw 205, Chemical Eligibility
Hearing Officer recommended and Board of Directors approved the decision of the school hearing panel be set aside, and the matter be remanded to the school to conduct a hearing in compliance with the Fair Hearing procedures of the MSHSL (no hearing held because of school error).
- February 8, 2008 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the MSHSL reverse the initial declaration of ineligibility, and find that the student is immediately eligible for competition at all levels under the MSHSL bylaws (subject to any other rules on ‘good standing’ or local school rules).
- February 19, 2008 – Bylaw 205 Chemical Eligibility
Hearing Officer recommended and Board of Directors approved the reversal of the determination of ineligibility as made by the school’s hearing panel.
- April 8, 2008 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the declaration of the student’s ineligibility for varsity competition for one year.
- April 22, 2008 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the declaration of the student’s ineligibility for varsity competition for one calendar year, or until the student’s treating medical professionals agree that the student has completed treatment for the specified conditions and the MSHSL Sports Medicine Advisory Committee determines if the student has successfully completed treatment for the health conditions identified in the medical diagnosis for the student.
- July 16, 2008 – Bylaw 111, Transfer and Residence
Hearing Officer recommended and Board of Directors approved the reversal of the initial declaration of ineligibility, and find that the Student is immediately eligible for competition at all levels under the MSHSL bylaws (subject to any other rules on ‘good standing’ or local school rules).

Executive Director’s Performance Review

The Commissioner must obtain and review an explanation of the executive director’s performance review. The annual evaluation of the executive director was completed in 2008 and is positive. According to Board President: “[Executive director] is a masterful leader of this organization and its membership. He has the ability to establish rapport with many different groups of stakeholders, allowing himself and his staff to do the work of the MSHSL. A result of his work is the direct benefit to the member schools.”

MSHSL Program Implementation

The Commissioner must obtain and review information about the extent to which the MSHSL has implemented its affirmative action policy, its comparable worth plan, and its sexual harassment and violence policy and rules.

According to the Board President, the Board's affirmative action policies ensure that jobs within the MSHSL are equally accessible to all qualified persons. The Board President states that staff follow Minn. Stat. § 128C.15, Subd. 2 when employment opportunities become available.

According to the Board President, the MSHSL's comparable worth plan was initially adopted in the fall of 1988. A consultant was subsequently hired to evaluate jobs and assign pay grades. The comparable worth plan submitted by the consultant was approved by the Board on August 14, 1997. In January 2006, the League sent its most recent pay equity report to DOER (MMB). DOER (MMB) notified the MSHSL that it was in compliance in October 2006.

According to the Board President, the MSHSL's Sexual, Racial and Religious Harassment and Violence and Hazing Policy was adopted as a Bylaw, and it is enforced statewide. The MSHSL has shared the vision of the harassment/hazing policy with all of the states in the National Federation of State High School Associations.

Evaluation of Proposed Changes in League Policy

The Commissioner must obtain and review an evaluation of any proposed changes in MSHSL policy. The Board President provided a copy of Minutes Meeting of the Representative Assembly which provided the changes as follows:

- Pace of Play Policy: Pace of golf play without undue delay at all Subsection, Section, and State Tournament play.
- Scorecards and Coaching on the Course: Four-person scorecards traded at the beginning of each round of golf and coaching on the course.
- Weather Conditions and Game Cancellations for Subsection, Section, and State Tournament games, protocol for adverse weather conditions and school closings or delays.
- Mercy Rule Proposals: Football and Basketball – 35 point differentials and the use of the clock.
- Minnesota State High School League Membership Responsibilities.
- 2007-2008 Minnesota State High School League 300.00 Bylaws: Administration of Student Eligibility a fair hearing procedure and acknowledgement of rights is provided for all students who wish to appeal a school's determination of a student's eligibility.
- Special Program: "Tournament Card" for Officials – Allows officials free admittance to any section and state tournament game.
- High School League Bylaw Change: Daily/Season Player Participation – specifying number of volleyball games and matches.
- High School League Bylaw Change: LaCrosse, Boys & Girls/Season Begins – extending the season and amending the start date.
- High School League Bylaw Change: Volleyball, Girls/Contests/Non-League Tournaments – expanding the number of games.

Conclusion

Minnesota Statute § 128C.20, Subdivision 1 requires the Commissioner of MDE to conduct an annual review of the Minnesota State High School League. This report documents the required review.