

**Uniform Financial Account and Reporting Standards (UFARS) Redesign Workgroup
Approved by the Workgroup – February 16, 2010 Meeting Minutes**

The redesign workgroup met on February 16, 2010. Participants in attendance: Tom Wieczorek, Lori Mohs, Darin Jensen, Janet Halonen, Barb Gjerde, Michelle Knutson and Karsten Anderson. MDE Staff: John Paulson, Cathy Wagner, Tom Melcher, Janna Duffy, Karen Dykoski, Greg Hein, Audrey Bomstad and Keri Lewis. Members via webex: Kristine Carr, Pat Morphew, Jeff Yeager

The meeting was opened by Tom Wieczorek at 9:04 a.m.

The committee reviewed the January 20, 2010, meeting minutes. No corrections were made to the minutes. Motion to approve the minutes was made by Darin Jensen, seconded by Barb Gjerde. The minutes were unanimously approved by the committee.

The Minnesota Department of Education (MDE) is proposing new processes for FY 2011 and beyond for UFARS submissions. The proposed enhancements are:

- Prior Period Adjustment Flag – new dimension (+1 digit – expenditure/revenue/balance sheet)
- Finance Dimension – existing dimension (+1 digit – expenditure/revenue)
- Object Code – existing dimension (+1 digit – expenditure/revenue)
- Time Dimension – new dimension (+3 digits – expenditure/revenue)
- Project Dimension – new dimension (+6 digits – expenditure/revenue)
- Course Dimension – existing dimension for local use except 601-640 for NCLB set-asides

Beginning in FY 2010, Janna Duffy discussed the current required UFARS data formats. She indicated that the “U” for unaudited and the “A” for audited UFARS data in the header would become more important than in the past. Janna asked the software vendors if the input/addition would be to gather data and they responded with it not being an issue.

The current UFARS data file contains space for budget data. Tom Melcher reminded the committee that legislative staff is interested in getting access to budget data from school districts earlier in the fiscal year. One concern is that districts use different processes to create and revise budgets. John Paulson mentioned that SERVS currently collects budgets for federal programs. He wanted to be sure MDE didn't require duplication of information from the districts. Tom pointed out that legislative staff is particularly interested in expenditures and would like to know the submission date of the data. It was mentioned that the committee may want to look at doing this next FY 2011 then the prior FY 2011 work on redesigning.

Prior period adjustments (PPA) were discussed. MDE needs a methodology to collect PPAs. An example may be special education or health and safety. Instead of reopening an audit, PPA requirement would be placed in the following year's file and provide a prior period adjustments. The purpose is that all revenue, expenditure and general ledger (GL) codes with a PPA entry do not get recorded in the current year balances but are reported in UFARS for 1) identifying differences between prior year ending balance and current year beginning balance; 2) allowing for reimbursement of PPAs that affect SERVS reimbursements for federal programs; and 3) allowing for SERVS/UFARS reconciliation. With over 550 reporting entities, there were 30-40 entities with PPAs. MDE will need some way of getting PPAs. A committee member suggested using Texas' model for PPA (previously handed out in October's meeting).

Finance and Object codes are running out of codes and there may be a need to add an extra digit, from three to four digits.

Audrey Bomstad proposed creating a Project Dimension Code for use with 1) alternative facilities, 2) alternative facilities under health and safety, 3) health and safety and other capital projects including major bonded debt. Some of the larger districts may have up to 60 projects, and may take up to three years to complete. The proposal is to add a district identified project code of four to six digits to allow annual reporting of capital expenditures over the period of construction. The use of a four to six digit district specific code may incorporate projects regardless of funding source into one code. In considering a six digit code, the thought was that a building number defined by the district, as well as a locally defined project code could be used for identification. Currently, districts are using an org code or 005 to designate a project defined by course code, but site and building don't necessarily correspond.

UFARS and SERVS need to tie together by funding stream (finance code). UFARS expenditures are expected to be equal to the amount reported on SERVS by finance, course and object codes. UFARS revenues are expected to be equal to the amount reported on SERVS by finance, course and source codes. MDE recommended that at the end of the year, the stated process is necessary to adjust SERVS in order to match UFARS.

There was a discussion of outstanding questions regarding year-end reporting that would use "A" and "U" to indicate final audited UFARS or unaudited UFARS. If the final audited UFARS and SERVS data do not match, the UFARS submission will not load. A concern was brought up that districts won't load their audited UFARS data until November 30. Janna mentioned that after uploading final audited UFARS data, the district will have two days to make changes. She went through the FY 2009 submission processing standards for UFARS data. The UFARS file is submitted via the MDE Website. The UFARS batch file runs at 10:00 p.m. for all uploads. Each UFARS file is processed against: 1) data comparison against prior submission date; 2) fiscal year; 3) Local Education Agency (LEA) organization comparison against MDE databases; 4) restricted grid; and 5) UFARS turnaround edit report criteria. LEAs may upload the UFARS file via the MDE Website through November 30. After November 30, the MDE Website link will be deactivated; however, LEAs can contact MDE until December 31 to submit UFARS file. If an audited file is sent to MDE in error, notification should be sent to MDE within 2 business days. The requirements to resubmit an audited UFARS file beyond the two business days are:

- A copy of the correcting entries must be submitted to MDE with an explanation of why the late entry is needed.
- A notification from the auditor must be sent to MDE stating whether or not the corrections would change the final audited financial statements sent to MDE (by 12/31).
- If the correcting entries do change the final audited financial statements, the auditor notification must also include a statement indicating that the audit firm will restate the financial statements or use a prior period adjustment.
- If there is a restated audit, it must be submitted to MDE no later than 1/31.
- A revision to the fiscal compliance table must accompany the restated audit.

A question was asked regarding the matching of revenues and expenditures. Will MDE bring the changes to the Advisory Committee on Financial Management, Accounting and Reporting as a recommendation from the UFARS Redesign Committee or would MDE just make the changes. The matching of revenues and expenditures include UFARS and SERVS reconciliation, the audited versus unaudited UFARS submission data, FY 2009 submission processing standards, coding and submission error messages and UFARS turnaround edit report. It was explained that these items are not final but

are strongly being considered by MDE and do not need to be brought to the Advisory Committee for approval. It was also stated that the proposed enhancements to the current UFARS structure is what MDE would like.

Janna discussed Financial Management (FM) team's concept for a new helpdesk set to begin in March 2010. All UFARS and accounting questions will be directed to a central email address (mde.ufars-accounting@state.mn.us) to assist the FM team in providing consistent answers from MDE, reduce research time, streamline questions sent to multiple FM members, identify users with similar issues, identify frequently asked questions and identify topics for a new "Accounting Procedures" section in UFARS Manual.

There was discussion regarding the FM Team doing a UFARS Manual clean-up. A thorough update of dimensions projected to be done in FY 2010 include validating statute references, validating cross-references, rewriting of problematic dimension descriptions, and basic spelling and grammar and consistent language and format. Other changes to the manual will involve updating the Revenue Source Section and revising Chapter 13: Accounting and Reporting which will include changing the title to "Accounting Procedures" and adding a new chapter titled "Reporting," which will be created for processes such as transportation.

A participant requested that the committee has access to the federal audits that are the basis for MDE proposed changes. It was noted that the Office of Legislative Auditor (OLA) conducted the audit, provides the findings to MDE. MDE then provides a response and the OLA may change the findings on behalf of the federal government before publishing. At this time, the findings have not been published.

A participant requested that that agenda items and handouts be sent to participants for review prior to the meeting. It was decided that meeting materials would be distributed on the Thursday prior to the meeting.

The meeting was adjourned at 11:32 a.m.

The WebEx meeting is scheduled on Tuesday, March 2, 2010, at 10:00 a.m. to further discuss the information provided today.

The next UFARS Redesign Committee meeting is scheduled on Wednesday, March 17, 2010, from 9:00 a.m. to 11:30 a.m. at the Minnesota Department of Education.