

November 19, 2008 Minutes

Advisory Committee on Financial Management, Accounting and Reporting

The Advisory Committee met on November 19, 2008. Members in attendance: Janet Halonen, Michelle Knutson, Rita Poulton, Tom Wieczorek, Jeff Yeager, Darin Jensen, Karsten Anderson, Greg Hierlinger, Beth Heinze, and Jaber Alsiddiqui. MDE Staff: Janna Duffy, Mary Weigel, Charles Speiker, Tom Melcher, Audrey Bomstad, Karen Dykoski, Keri Lewis, John Paulson and Cathy Wagner. Non-members in attendance: Matt Mayer and Scott Nelson.

Jaber Alsiddiqui opened the meeting at 12:04 p.m.

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

The committee reviewed the September 17, 2008 meeting minutes. Unanimous approval by the committee.

Tom Melcher handed out a draft copy of the Data Reporting Work Group charter and reviewed its content. The charge of the committee is to identify reporting requirements, evaluate current systems, and recommend changes needed in systems used to better align MDE data collection activities with the requirements established by federal and state laws, rules and regulations, and reduce reporting / administrative burdens. The goal is to identify resources needed to make these changes and to develop timelines for implementation. Membership on the Work Group will be drawn primarily from the Advisory Committee on Financial Management, Accounting and Reporting. However, additional members will be selected to represent the perspectives of special education directors, Title 1 directors, and CTE directors, and there will be two at-large positions on the Work Group for others with interest and expertise in data reporting. The Work Group will begin meeting in January 2009, and will hold monthly full-day or half-day meetings until the charge to the Work Group is completed. MDE will put a general notice out to superintendents and business managers with information about the committee and how to apply for membership.

Janna Duffy discussed a follow-up email, dated September 25, 2008, from Tom Karlson of the State Auditors Office. The 9/17/08 committee meeting discussed OPEB accounting and 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. After reviewing the committee's concerns with Tom Karlson, the following was determined: 1) Districts must initially deposit bond proceeds into the operating funds - bond proceeds cannot be directly deposited into another fund; 2) Districts have three options where they can hold the bond proceeds (so that they are held in a separate account): a. Internal Service Revocable Trust Fund (Fund 25); b. Irrevocable Trust Fund (Fund 45); and/or c. Operating Fund Reserve (Funds 1, 2, and/or 4); 3) Generally, if 2a

or 2b is utilized, then the district must expense the OPEB liability in the operating funds and deposit the proceeds into the trust funds (not as a transfer).

Jeff Yeager recommended the elimination of source codes 499 and 599. Due to the changes in federal reporting (new finance codes 499, 599, and 699), all federal funds will report with a finance code. Federal funds received from MDE will use a 400 source code (except for food service coding). Federal funds received directly from a federal source will use a 500 source code. Federal funds received from another agency would use a 405 source code. The recommendation is to eliminate the codes in the next grid release for FY 2009. Tom Wiczorek motioned to move ahead with change. Unanimous approval by the committee.

Matt Mayer addressed the committee regarding the reporting of Balance Sheet Accounts 411 and 418. At the 9/17/08 committee meeting, 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). Matt Mayer was involved in the committee decision back in 2007 and was able to address the issue. Matt discussed the problems with the current accounting practices. It was determined that MDE will research alternative accounting treatment for these costs and bring it back to the next advisory meeting.

Janna Duffy discussed Capital Lease Accounting. MDE has seen numerous capital leases that provide the schools with a lump sum cash advance for building projects. Generally Accepted Accounting Principles (GAAP) does not properly address the unique issues with this type of capital lease, nor does UFARS. Janna Duffy asked for input from advisory members on their exposure to this type of funding mechanism. After discussion, Greg Hierlinger agreed to have the State Auditors Office do some research on this issue.

Four terms will expire at the end of 2008. Jaber Alsiddiqui, Deborah Medlin, Elaine DeWenter, and Jodie Zesbaugh were thanked for their time and commitment to the advisory committee. Committee appointments for 2009 were discussed and a request for applications will be sent out.

Items called forward for next meeting are Balance Sheet Code 411 and 418, the Data Reporting Work Group status report, and capital leases (if information is available).

Jaber adjourn the meeting at 2:35 p.m.

The next Advisory Committee meeting is scheduled for Wednesday, January 21, 2009 at the Minnesota Department of Education.