

May 12, 2009

Advisory Committee on Financial Management, Accounting and Reporting

The Advisory Committee met on May 12, 2009. Members in attendance: Jody LeBlanc, Janet Halonen, Darin Jensen, Angie Manuel, Karsten Anderson, Beth Heinze, Lori Mohs, Nancy Schulzetenberg, Rita Poulton, David Peterson, Michelle Knutson. MDE Staff: Janna Duffy, Greg Hein, Karen Dykoski, Mary Weigel, Cathy Wagner and Keri Lewis.

The meeting was opened by Jody LeBlanc at 12:02 p.m.

The committee members reviewed the agenda. No additional items were added to the agenda. Unanimous approval by the committee.

The committee reviewed the February 18, 2009 meeting minutes. No corrections were made to the minutes. Motion to approve the minutes was made by Rita Poulton, seconded by Lori Mohs. Unanimous approval by the committee.

Janna Duffy discussed the update to BS 411-418 which is currently in the house bill and no committee action required. Janna provided information on the statutory language changes that are being proposed. A committee member expressed a concern about a potential complication such as the effective date. Janna explained that effective date could occur in FY 2009 or FY 2010 and was dependent on the legislative session. However, in either instance, BS 411 will not be eliminated until FY 2010.

Janna talked about the accounting treatments for Capital Leases – Certificates of Participation (COP). MDE staff had met with representatives from the Office of State Auditor to discuss the legal aspects of COP's and the accounting treatment. Janna provided a draft document summarizing the accounting treatment for COP's. A representative from the OSA office reviewed the information and followed-up with a subsequent email that was presented to the committee for their review. The committee discussed the assignment of a new finance in the 300 vs 700 series. It was determined that the new finance code should be from the 700 series since levy dollars are used to fund the payments.

Janna presented information on the American Recovery and Reinvestment Act (ARRA) which included a draft document of the new finance codes effective for FY 2009 and FY 2010. She also provided information on the new SERVS Financial system that is currently being developed to replace EDRS, EGrant, and EMAP systems. Federal programs for FY 2010 will begin the initial implementation of the new SERVS Financial system to be followed by state programs at a later date. One conceptual shift with the new system, federal funds will no longer be metered out to districts but rather federal funds will be based on a draw requests supported by actual expenditures paid by districts (reimbursement basis). Districts will submit applications and budgets into the SERVS Financial system for approval and request federal funds through the same system. Initially the federal fund requests will be manual; however, the goal of the system is to

have UFARS data drive funding requests through batch uploads. The overall goal of the system will be to eliminate redundant data submissions, streamline the process and provide federal funding on a reimbursement basis.

Cathy Wagner was present during the discussion of the new SERVS Financial system to answer Information Technology (IT) questions. Cathy provided an overview of the new SERVS Financial system. A member inquired about the development of the new system and if pilot districts had been identified to test the system. Cathy explained, that they would be looking for volunteer districts to do pilot testing. A question was raised regarding the UFARS data loads, if they would be federal finance codes or all UFARS data. The department is exploring the reporting requirements for ARRA, currently the federal government is developing the requirements and at this time it is uncertain if the quarter reports will be isolated to federal funds or if both federal and state funds will be required.

Cathy explained the department has scheduled several training on the new SERVS Financial system. A member inquired who should attend the training program staff or business office staff. Cathy explained that the training was for all parties that are responsible for federal funds both program and business office staff.

Discussion was raised regarding the effect of accruals on the draw down of federal funds. The department is researching the issue and will issue direction on this subject at a later date. A few members of the committee expressed concern regarding the reconciliation of the receivable amount and the effect it could have on the financial statement presentation.

With the new system additional finance codes have been developed to track competitive grants. The 800 finance code series will be used for competitive grants with the 900 finance code series to be used for sub-awards.

Jody called for items for the next advisory meeting. The committee will review the UFARS Fund 99 accounting treatments and will determine if code changes will be needed to properly reflect the fund balance.

A motion to adjourn the meeting was made by Dave Peterson seconded by Angie Manuel. Unanimous approval by the committee at 2:28 p.m.

The next Advisory Committee meeting is scheduled for Wednesday, June 10, 2009 at the Minnesota Department of Education.