MDE Potpourri

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Office of Financial Management

Michigan Department of Education



Michigan School Business Officials Annual Conference Session B21

April 24, 2024

Accounting & Financial Reporting Update

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MSBO Annual Conference April 24, 2024



Financial Reporting Requirements

- Two primary required items
 - Financial Information Database (FID) (data upload)
 - Audited Financial Statements (incl. Single Audit if applicable)
- Both due November 1st each year
- State School Aid Act, Section 18(10) requires MDE to withhold State Aid if either are not submitted OR if data between the two is inconsistent
 - General Fund Balance
 - Federal Revenues
 - Other key figures



GASB Update

Not much of an update impacting FY24 reporting!

- FY25
 - **GASB 100** Accounting Changes & Error Corrections
 - Notes & disclosures, no FID impact
 - GASB 101 Compensated Absences
 - Addresses liability measurement
 - Government-wide impact, only FID impact may be on District Data Entry screen



"GASBs Past"

• **GASB 87** – Leases

- GASB 96 Subscription-Based Information Technology Arrangements
 - Still important to consider use of grant funds when entering into any SBITA (grant period shorter than SBITA term?)



 GASB 94 — Public-Private & Public-Public Partnerships (P3's, N/A to MI school districts to my knowledge)

<u>Upcoming FID Changes – FY24 Reporting</u>

- "Instructional expenditures are consistent with previous year" warning check has been removed
- Two-year phase-in of expanded School Code requirement to Functions 21x and 22x in response to new federal reporting requirements (School Level Finance Survey, completed by MDE)
 - FY24: Warning for School Code missing from Function 21x and 22x expenditures, will not prevent submission
 - FY25 and following: Error for School Code missing from Function 21x and 22x(?) expenditures, will require correction before submission
 - Feedback from districts on burden of reporting 22x Functions at school-level passed to USED/Census, may not end up being required (TBD 2025)



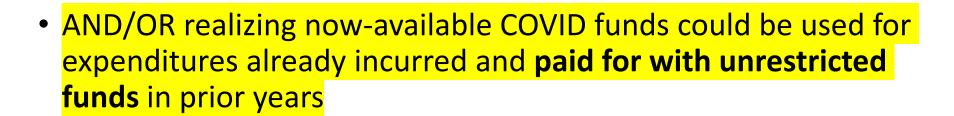
Reclassifying Expenditures

- Revisiting topic as we approach the end of ESSER and Grant Code misuse has impacted monitoring of COVID expenditures
- The Grant Code of a given funding source should not be used when recording expenditures until that revenue can be recognized.
- Additional accounting entries required when revenue cannot be recognized in the same fiscal year as eligible expenditures may be incurred.
- Example: ESSER III expenditure period goes back to March 2020 but revenue could not have been recognized in FY20
- Concept originally developed when CRF funds were paid in July and August 2020 State Aid but State legislation was not signed until after the school fiscal year ended



Reclassifying Expenditures (cont.)

- This may also apply to other funding sources with similar revenue recognition/expenditure period "disconnects":
 - Section 23b Summer School/Credit Recovery
 - FY21 expenditures but no revenue until FY22
 - Section 11r(4) ESSER (II) Per-Pupil Equalization
 - Could cover both FY20 & FY21 exp., but FY22 revenue
 - Section 11t ESSER III Per-Pupil Equalization
 - GANs may be received after expenditures incurred



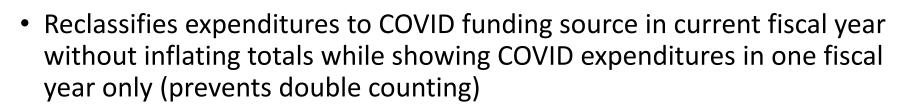


Reclassifying Expenditures (cont.)

- Example: Reclassification of FY23 expenditures to ESSER III fundsin FY24 previously paid for with unrestricted funds
 - Net zero expenditure entry to reclassify prior year expenditures to another funding source
 - \$10,000 of teacher salaries covered by ESSER III funding as example

• Debit 11-113-1240-**4350 \$10,000**

• Credit 11-113-1240-**0000 \$10,000**



Allowability still subject to approval of expenditures in grant budget



Section 27k - Student Loan Repayment Program

- \$200 or \$400 per month (depending on district) to eligible employees
- Application deadline was April 11th
- Payments planned to begin within July State Aid payment
 - 10/11^{ths} in July, 1/11th in August reflecting full FY24 amount
- Initial payments will be based on district (\$200/\$400) amount and number of eligible employees submitted in application only
 - Not their actual student loan payments, so you may receive more funds than will be paid to some eligible employees (to be adjusted out of state aid at later date)
 - Will require precise tracking and special accounting treatment
- https://www.michigan.gov/mde/services/ed-serv/educator-retentionsupports/student-loan-repayment-program
 - Guidance, FAQs, and financial/accounting guidance (soon)



Section 27k - Student Loan Repayment Program Accounting

- Revenue:
 - Major Class Code 312, Suffix Code 0000
- Expenditures:
 - Function Codes: Separate for each eligible employee receiving 27k funds
 - Object Code: 2390 Other Special Allowances (benefit code)
 - Grant Code: 273x (required to be used with all expenditure entries)
- Other specific journal entry examples and other accounting guidance to be finalized and published soon
 - Based on beginning payment date plan of July, accrual of revenues back to FY24, accrued expenditures, unearned revenue, and accrual reversal entries expected to be required
 - GANs expected to be sent to district in June
- Possibility of second cohort depending on remaining funds, leadership approval, FY25 budget, etc. (FY24 work project language)
 - Not guaranteed, updates to be shared as info becomes available



Resources

Michigan Public School Accounting Manual

- Chart of Accounts (Appendix) and other guidance
- Change Notices

Accounting for State School Aid Revenues

Updated with new FY23 categoricals



Questions?

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State and Federal Grant Update

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MSBO Annual Conference April 24, 2024



Federal Grant Update

- Spinning Plates (Light at end of tunnel with 5 months to go!)
 - Deadlines:
 - June 30: (Budgets, Programmatic Monitoring)
 - September 1: (Submit Amendments/Modifications in M+)
 - September 30: (Last date to Properly Obligate, get approval)
 - December 30: (Last date to Liquidate without extension)
 - Late Liquidation template (October 1 through December 1)
 - Focus on Capital Projects or delivery delays
 - NO to extension for subscriptions (must end September 30)
 - Extension can vary (7 months up to 14 months maximum)
 - If LEA is concerned, request the template to get started



Federal Grant Update

- Fiscal Monitoring by Rehmann (Sample, based on Risk)
 - Focus on Checklist (Be responsive, have documentation)
- Fiscal and Programmatic Monitoring by MDE (ALL and ongoing)
 - Drawdown Percentages and Plans to Fully Draw Funds
 - LEA Plan for Use of Funds (align with Budget/Consultation)
 - Return to In-Person Instruction & Continuity of Services
 - Ongoing reviews of Amendments/Modifications (Tweaks)
 - Corrective Action in advance of official monitoring/auditing



Federal Grant Update

- Reporting and Other Requirements
 - Stop believing federal funds is FREE MONEY!
 - Nothing is FREE, especially in the federal grant world
 - Stop believing they will never take money back!
 - They Have, They Do, They Will
 - USED Cross Act reporting attributes
 - Rely on Technical Assistance Document/Recording
 - USED updated guidance on Capital Projects
 - 15 year reporting requirement if over \$1M
 - Impacts 45 entities, statewide (48 total)
 - If you have any Capital Project over \$1M, stay tuned



State Grant Update

- Hot Topics
 - Section 27k Student Loan Repayment
 - Section 27l Educator Compensation
 - Section 31aa Mental Health & School Safety
 - Section 35j PD, Curriculum and Supports
 - Student Loan Repayment Program (michigan.gov)
 - 31aa-FAQ--2023-2024.pdf (michigan.gov)
 - 35j FAQs



Questions?

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FY25 School Aid Budget Development

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Foundation Allowance

Executive Recommendation

- Target FDN = \$9,849 (\$241 increase)
- Cyber FDN = \$7,879 (\$1,271 decrease)

- Target FDN = \$9,910 (\$302 increase)
- Cyber FDN = \$7,928 (\$1,222 decrease)



Section 31a At-Risk

Executive Recommendation

- Total allocation = \$975,800,000
- Opportunity Bands included
- Allows up to 30% of funds to be used for recruitment and retention in 90% ED districts.

- Total allocation = \$1,074,620,500
- Opportunity Bands included
- Allows up to 60% of funds to be used for recruitment and retention



Special Education

Executive Recommendation

- FY24 formula carries over into FY25
 - Full Foundation amount
 - 28.6138% of cost of education
 - 70.4165% of cost of transportation

- Concurs with Executive Rec.
 - Allocates 98% of Executive Rec. total



Great Start Readiness Program

Executive Recommendation

- Allocation increases from \$525,320,000 to \$684,561,000
 - Administration moves to MILEAP

- Allocation increases from \$525,320,000 to \$607,563,100
 - Concurs with Exec in many regards, some eligibility requirements do not concur



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