

Accounting Updates for 2024-25

Christopher May, CFO, CFE, CGFM

Financial Specialist

Michigan Department of Education

Office of Financial Management

CMSBO Meeting

September 13, 2024



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 (TBD soon, discussion item for next referent group meeting)



GASB Update (cont.)

- **FY26**

- **GASB 103 – Financial Reporting Model**

- Objective to enhance overall effectiveness in providing financial information, government accountability
- **Initial** draft – significant changes affecting fund-level and governmentwide reporting
- **Final** statement:
 - Governmentwide & Proprietary Fund impact only
 - MD&A changes
 - Unusual/infrequent items
 - Major component unit information
 - Budgetary comparison information
- Expect any updates on reporting impacts by next year



“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)



FID Changes – FY24 Reporting

- "Instructional expenditures are consistent with previous year" warning check has been removed
- Two-year phase-in of expanded School Code requirement to Function 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)
 - School-level reporting requirements/changes DO NOT apply to ISDs



Reclassifying Expenditures (final year?)

- **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 couldn't be recognized in the same fiscal year as eligible expenditures incurred.
 - Example: ESSER III expenditure period goes back to March 2020, but revenue did not exist and 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 (no “award agreement”)



Reclassifying Expenditures (cont.)

- Example: Reclassification of FY23 expenditures to ESSER III funding 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
- Reclassifies expenditures to COVID funding source in current fiscal year without inflating totals while showing COVID expenditures in one fiscal year only (prevents double counting)
- **Allowability still subject to approval of expenditures in grant budget**



ESSER & SBITAs

- ESSER III obligation end date September 30, 2024
- Grant funds may not be used for any portion of leases/SBITA services occurring past this date (even with GASB #87/#96 changes or if prepaid by obligation/liquidation deadlines).
 - DTMB procurement rules specific to Michigan
 - Portion of lease/SBITA past this date must be covered with non-ESSER funding source, separate accounting
- More discussion on this in later in Kevin's Federal Funding Update



FY24 Categorical “Wrap-Up”

- Section 22l – Pupil Transportation Funding
- Section 27l – Educator Compensation
- Section 27k – Student Loan Repayment Program



Section 22I – Pupil Transportation Funding

- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code 269
- Calculated and paid on per-pupil basis
- Intent of use is restricted, Grant Code is **required** on amount of allowable expenditures equal to allocation
 - Consider identifying and using larger line item(s) for this to reduce accounting/reporting burden
 - Capital outlay?



Section 27I – Educator Compensation

- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code 274
- Intent of use is restricted, Grant Code is **required** on amount of allowable expenditures equal to allocation
 - If used for salary increases across several Functions, the portion covered by 27I must be separated in each
 - Example: 5% increases across Functions 111, 112, and 113, ~2% covered by 27I, remainder covered by GF. Portion covered by Section 27I would be require separate salary expenditure entries with Grant Code.
- 27I may be used toward salaries only, (if mandatory benefits are covered by GF). In this scenario, districts may use the Grant Code on salaries only, no FID error if Grant Code not used for benefits



Section 27k - Student Loan Repayment Program

- \$200 or \$400 per month (depending on district) to eligible employees
- Application deadline was April 11th, second cohort and FY25 funding pending
- 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-retention-supports/student-loan-repayment-program>
 - Guidance, FAQs, and financial/**accounting guidance**



Section 27k - Student Loan Repayment Program Accounting

- Revenue:
 - Major Class Code 312, Suffix Code 0000
- Expenditures:
 - Function Codes^s: Separate for each 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 accounting guidance recently published on accounting manual webpage and 27k website
 - Based on beginning payment date plan of July, accrual of (some) 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)



FY25 Categoricals “What to Know Now”

- Section 147a(4) – (another) MPERS Cost Offset
- Section 147c(2) – (another) one-time(?) MPERS UAAL Distribution
- Section 147g – “3% Reimbursement”
- Remaining New & Updated Categoricals
 - [Accounting for State School Aid Revenues](#)



Section 147a(4) – (another) MPSEERS

Cost Offset

- Similar to “regular” 147a – districts keep funds but to reduce UAAL costs (= extra funding)
- Paid in 1/11^{ths} beginning in November based on prior year payroll
 - Full year amount will be known in November
- Difference is “intent” language:

“It is the intent of the legislature that the allocation under this subsection be used to support student mental health, school safety, the educator workforce, and academic interventions.”
- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code not required (similar to “regular” Section 147a, but consider intent language)



Section 147c(2) – (another) one-time(?)

MPSERS UAAL Distribution

- \$250m for payments to ORS (to districts, who then pay ORS)
 - Similar to past \$1b “one-time” 147c(2) requiring separate accounting, but lesser amount and no “one-time” language
- Current language: Paid in 1/11^{ths} based on prior year payroll
 - Full year amount will be known in November, initially planned to begin that month
- Potential Fall supplemental may change this categorical. As we wait for more updates, **this will not start in November as planned.**
- Accounting guidance TBD depending on changes in possible supplemental. Unlikely to require separate Grant Code.



Section 147g – “3% Reimbursement”

- 3% “reimbursement” for payment to eligible employees
- Current language: Paid in 1/11^{ths} based on prior year payroll
 - Full year amount would be known in November, initially planned to begin that month
 - Concerns on “prior year 3%” applying to “current year 3%” employees
- Potential Fall supplemental or technical change may change this categorical (CY payroll?). As we wait for more updates, **this is unlikely to start in November as expected using prior year payroll.**
- Accounting guidance TBD depending on changes in possible supplemental. Unlikely to require separate Grant Code.
- Taxability TBD, refer questions to auditor/legal counsel



Resources

Michigan Public School Accounting Manual

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

Accounting for State School Aid Revenues

- Includes all FY24 categoricals for reconciliation and audit purposes
- **Will be updated with all new FY25 categoricals by end of September**



Questions?

Christopher May, CFO, CFE, CGFM

Financial Specialist

Office of Financial Management, State Aid & School Finance

517-281-3223 (cell)

MayC@michigan.gov

