

Accounting Updates for FY 2025-26

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2025 MDE-MSBO Workshop

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Accounting Manual Change Notice #34

- Issued February 6, 2025
- Changes to be implemented for school fiscal year 2025-26 **unless otherwise required***
 - Earlier application is encouraged
- Added Balance Sheet Major Class Code 297 – **OPEB Asset**
 - Now that OPEB side of MPERS is over-funded, districts have assets
 - Adds OPEB Asset line to FID District Data Entry screen
 - This is the one “unless otherwise required” item – begin in FY25 reporting
- Revised allowable Functions of Objects 3910, 3920, 3930, 3990
- Added Object Code 5740 – Electric School Bus Charging
 - To be used ONLY if separate meter exists for accurate measurement
- Updated Grant Codes



FID Changes – FY25 Reporting

- Year 2 of 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, did 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, implementation delayed (potentially indefinitely?). Functions 21x will be the only new ones requiring a School Code for FY25 reporting.
- School-level reporting requirements/changes DO NOT apply to ISDs



FID Reporting Reminders

- **Accounting for State School Aid Revenues**
 - Revenue & expenditure coding guidance for all FY25 categoricals
 - Also confirm Grant Codes on Grant Award Notifications (state & federal)
- **Athletics Fund (21)**
 - Should only be separate fund if program is self-sustaining, otherwise General Fund
- **GASB #84 Fiduciary & Trust Funds – what Fund Code to use?**
 - Fund 28 – Public Purpose Trust Fund
 - Formal/legal trust **exists**, district **has** decision-making authority **and** administrative oversight
 - Fund 5x – Trust Fund
 - Formal/legal trust **does not** exist, district **does not** have decision-making authority and **has** administrative oversight
 - Fund 6x – Fiduciary Fund (Private Purpose Trust Fund)
 - Formal/legal trust **exists**, district **does not** have decision-making authority and **has** administrative oversight



FID Reporting Reminders (cont.)

- **GASB #87 & #96 – Leases & SBITAs**

- Numerous new codes, treatment of leases and SBITAs as capital outlay, long-term liabilities, etc.
- “Right to use assets”, associated accumulated depreciation, long-term lease and SBITA obligations/liabilities, etc. to be included on FID District Data Entry screen:

Fixed Assets (Fund 91)			Long Term Liabilities (Fund 92)		
Major Class Code	Description	Amount	Major Class Code	Description	Amount
	Land			Current Matured Bond Liabilities	
211	Land	0.00	441	Bonds Payable	0.00
212	Right to Use Asset - Land	0.00	442	Interest Payable	0.00
	Buildings and Additions		444	Unamortized Premiums on the Issuance of Bonds	0.00
221	Buildings	0.00			
222	Building Accumulated Depreciation	0.00			
223	Additions to Buildings	0.00			
224	Additions to Buildings - Accumulated Depreciation	0.00			
225	Right to Use Asset - Buildings	0.00			
226	Acc. Dep. - Right to Use Asset - Buildings	0.00			
			Other Current Liabilities		
			491	Other Current Liabilities	0.00
			492	Lease Obligation	0.00
			493	Compensated Absence	0.00
			495	Deferred Inflows	0.00
			496	Deferred Inflows (OPEB)	0.00
			497	SBITA Obligation - SBITA obligations due within one year	0.00



Accounting Reminder – “Net Zero Journal Entries”

- Unique approach to charge prior year expenditures to COVID grant funds received in later fiscal years (when the grant period went back to March 2020).
 - Expenditure-only entry debiting and crediting same account, only different Grant Codes
- Now that COVID grant periods are over, this “net zero journal entry” approach should no longer be needed (outside of rare circumstances) and **not be used**
- Please contact me if you may be in a position to appropriately use it prior to recording



Audit Considerations

- GASB #101 – Compensated Absences
 - No changes were required to coding or the Accounting Manual
 - No impacts or changes to FID reporting
 - Work closely with your auditor for audit impacts
- 2025 Compliance Supplement
 - Delayed and not released as of the time of this presentation preparation
 - Questions from auditors and districts “can we submit audits without Single Audits due to this delay without State Aid withholding penalty?
 - Unfortunately not, Single Audits must also be submitted when federal expenditure threshold is met for audit to be considered complete



FY25 – The Infamous 147's...

- Section 147a(4) – (another) MPSERS Cost Offset
- Section 147c(2) – (another) one-time(?) MPSERS UAAL Distribution
- Section 147g – “3% Reimbursement” (what to know now)



Section 147a(4) – (another) MPSERS 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 known in November, began as normal
- 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)
 - Consider keeping brief record of how your spending aligns with this



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
- Paid in 1/11^{ths} beginning in November based on prior year payroll
 - Full year amount known in November, began as normal
- **Accounting: Handle 147c(2) the exact same as 147c(1)**
- Revenue: Major Class 312, Suffix 0000
- Expenditures: Grant Code NOT required this year (unlike FY23)



Section 147g – 3% Health Care Reimbursement

- Reimbursement to eligible employees part of MPSERS plan paying 3% “Premium Subsidy Healthcare Benefit”
 - Paid to districts via State Aid beginning in February 2025 (after delay)
 - To be paid to employees by districts
- **Unchanged** language: Paid in 1/11ths based on **prior year** payroll
 - Concerns on “prior year 3%” applying to “current year 3%” employees’ amounts = won’t match
 - MDE and ORS delayed as discussions around a “technical fix” to the language took place
- “Technical fix” did not occur as expected within FY25, may still happen retroactively in FY26 budget
 - If so, potential November prior year adjustments to reflect difference



Section 147g – Generic Accounting

“Recommendations”

- Ideal situation would be to accrue matching revenues and expenditures at year-end
 - Challenges: (1) the lack of a technical fix and (2) varying pay schedules and other district-specific scenarios make this difficult
- Below are some ideas to consider, **make sure your auditor is on the same page:**
- Revenues & Expenditures:
 - Ok (by MDE) to record full amount in FY25 if you choose, even if some partial expenditures not yet incurred
 - Not a “reimbursement-based categorical” or one we’ll be focusing on matching given the above and other challenges or issuing formal guidance on
- Balance Sheet:
 - Similarly, MDE will not issue formal guidance on deferring revenue, accruals, etc. due to so many district-specific variables
 - Choose recognition option that fits your situation best



Section 147g – Accounting Guidance

- **Funds:** Ideally, revenue and expenditures intended to be spread across employees generating the revenue and receiving reimbursement
- **Revenue:**
 - **Major Class Code:** 312 – Restricted State Revenue
 - **Suffix Code:** 0000 – No specific program
- **Expenditures:**
 - **Function:** Spread across appropriate employees' Functions
 - **Object Code:** 2820 – Retirement Benefits*

**Flexibility exists to use alternatives like 1790 – Other Special Salary Payments and 2990 – Other Employee Benefits if needed due to unique nature of 147g expenditures (payments going to employees, taxability implications, etc.)*

- **Grant Code:** **not required**, though you may use the MPSERS Grant Code (208x), along with a fourth digit, or the “Other” coding dimension, for internal tracking purposes if needed



Questions?

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