Accounting and Financial Reporting Update

Christopher May, CFO, CFE, CGFM
Financial Specialist
Office of Financial Management
Michigan Department of Education

Middle Michigan School Business Officials Meeting

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Accounting Manual Change Notice #35

- Changes to be implemented for school fiscal year 2026-27 **unless otherwise required***
  - Earlier application is encouraged
  - Changes are reflected in FY26 FID chart of accounts, new codes available for use

- April 26th MDE Weekly Communication Memo

Accounting Manual Change Notice #35

- Section II A.01 – small edits to intent of manual and references to federal publications

- Added new revenue Major Class Codes
  - 490 – Federal Revenues Not Subject to Single Audit (**header only**)
  - **491 – Federal Revenue – E-Rate**
  - 492 - Other Federal Revenue that is not subject to single audit compliance requirements and is not required to be included on the SEFA.

Accounting Manual Change Notice #35

- Added clarification of short-term leases to Function 261
- Added reference to accounting for arbitrage costs
  - Function 259, Object 72xx
  - Revised allowable Functions of 72xx Object Codes
- Program Codes and Grant Codes updated
  - Program Codes 272 & 273 removed (found to be duplicative with 270 & 271)
  - Grant Codes updated throughout each year

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FY26 FID & Audit Reporting

- Statutory deadline for FID and Audit: November 1st
  - Falls on a Sunday this year, so submissions by end of day Monday, November 2nd will not be considered late

- Compliance Supplement "delay"
  - Similar to last year, federal OMB has not yet issued the FY26 Compliance Supplement required by auditors for Single Audits
  - While there is no federal "deadline" for this, they've historically been released around the Spring of each year
  - Language added to the State School Aid Act for **FY25** Single Audits extending their deadline to "within 30 days of the issuance of the Compliance Supplement by OMB"
  - September 24, 2026 MDE Communication clarifies this same 30-day deadline extension to the **Single Audit only** will apply to FY26 as well

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FID Reporting Reminders

- **Accounting for State School Aid Revenues**
  - Revenue & expenditure coding guidance for all FY26 categoricals
  - Also confirm Grant Codes on Grant Award Notifications (state & federal)
  - Recently updated to include all new/updated FY27 State Aid categoricals
- **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

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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)

Major Class Code	Description	Amount
	Land	
211	Land	0.00
212	Right to Use Asset - Land	0.00
	Buildings and Additions	
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

Long Term Liabilities (Fund 92)

Major Class Code	Description	Amount
	Current Matured Bond Liabilities	
441	Bonds Payable	0.00
442	Interest Payable	0.00
444	Unamortized Premiums on the Issuance of Bonds	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

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Updated E-Rate Accounting Guidance

- E-Rate rebates/refunds previously suggested to be netted with corresponding expenditure(s)
- Recent clarification that these are federal revenues (still not subject to Single Audit) regardless of logistics of receiving funds or current vs. prior year

- Revenue: Major Class 491, Suffix 0000
- Expenditures: Recommend Grant Code 9xx for internal tracking purposes, separate Grant Code may be assigned in the future

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Accounting for Revenue Received without Source/Authority Information

- Frequent contacts from districts receiving grant funds from
  - Other State Departments (MDHHS, LEO, etc.)
  - Local municipalities
  - Other non-governmental entities
- Other Departments' and entities' award notifications and grant documentation may be a different format
  - Check documentation for authority. State funds – Public Act/Section number, Federal funds – Assistance Listing Number (ALN)
  - If details included, review Appendix of the Accounting Manual for Grant Code
  - If authority not indicated, contact granting entity for details
  - Contact me if you receive funds, have State or Federal authority information, and that does not appear in the latest accounting manual.
- Unexpected EFTs from MDE without documentation
  - Contact MDE-NexSys-Accounting@michigan.gov with EFT details for information on source and contact information for those funds

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Accounting for Revenue Received without Source/Authority Information

- Some recent examples:

- Revenue received from municipalities from fees collected for school bus stop arm violations
  - Public Act 161, Section 909 established this fee collection and passthrough to districts
  - Major Class Code 199 (Other Local Revenue), Suffix 0000, no Grant Code requires

- Revenue received from MDHHS
  - Department has distributed some federal funds in recent years including COVID funding sources, Screened Out Pathway grant (Title IV-B, subpart 2, ALN 93.556, Grant Code 783), Bullying Prevention grant (ALN 93.994, Grant Code 468), various Medicaid funds, etc.
  - Also distributes some misc. state funds which may or may not have a defined Grant Code
  - Given many federal funds subject to Single Audit, important to contact office responsible if authority of funds is not indicated on documentation

FY26 Section 27l(2) Educator Compensation Funding

- $300m appropriation, district allocations calculated on per-pupil basis.
- Included in the December 2025 State Aid payment (100% Prior Period Adjustment as leftover FY25 funds were used)
- Broad statutory language (“educator”)
- ORS – reportable compensation on both DTL2 and DTL4
- Use on employer taxes and benefit costs – MDE deferred questions to districts’ legal counsel (vague statutory language/intent)
- IMPORTANT: Use Grant Code 274 **only** on actual expenditures of this funding. Program office monitoring to use FID data and expects status report amount of revenue to match expenditures reported with Grant Code.
  - **Upcoming FID reporting**: Double check coding and expenditure totals matching 27l(2) status report total prior to FID upload/submission

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FY27 Section 27l Educator Compensation Funding

- $150m current year appropriation, so standard 1/11th schedule to be used with payments beginning a few months into the fiscal year
  - This means total allocations will change throughout fiscal year as pupil counts change – consider this when determining timing and amounts of bonuses
- Same union/collective bargaining agreement language, but more specific language on bonus payments and "Educator" definition
  - "1-time bonus payments"
  - "**not considered compensation for retirement purposes**"
  - "Educator includes, **but is not limited to**, …"
- Retirement contributions not required
  - **ORS reporting**: do not include these payments on DTL2 records, but do include them DTL4 records regardless of wage code
- Decision on Grant Code use for monitoring purposes (vs. a separate method not requiring creation of many separate GL lines) is **TBD**

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Section 27l FY26 vs. FY27 Comparison

FY26 – Section 27l(2)

- Prior year appropriation – one-time payment during the year, amount did not change
- Broad statutory language ("educator")
- Reportable compensation for retirement purposes: included on DTL2 and DTL4 records
- IMPORTANT: Use Grant Code 274 **only** on actual expenditures of this funding.
  - **Upcoming FID reporting**: Verify coding and expenditure totals matching 27l(2) status report total prior to FID upload and submission

FY27 – Section 27l

- Current year appropriation – to be paid out each month (1/11^{ths}) with total amount changing through August 2027 (as pupil counts fluctuate)
  - Consider this in the timing of calculating and payout these one-time bonuses
- Select language changes:
  - "1-time bonus payments"
  - "Educator includes, **but is not limited to**"
  - "**not considered compensation for retirement purposes**"
    - ORS reporting: DTL4 records only
- Grant Code use for monitoring purposes (vs. a separate method not requiring creation of many separate GL lines) is **TBD**

FY27 State Aid Update – New Weighted Foundation Components

- The new weighted foundation/funding formula impacts the calculation of what were originally two separate Sections/categoricals
  - 31a AT RISK
  - 41 BILINGUAL EDUCATION
- Now part of Section 22b (subsection 4), but separate appropriations, these funds will remain separate lines on State Aid Status Reports (using the new calculation methodologies):
  - 22b(4) WEIGHTED FDN – ECON DISADVANTAGED
  - 22b(4) WEIGHTED FDN – ENG LANG LEARNER
- Accounting treatment for revenues and expenditures for these parts of the weighted foundation will remain the same as when they were separate categoricals:
  - ECON DISADVANTAGED Major Class 312, Suffix 0020, Grant Code 306
  - ENG LANG LEARNER Major Class 312, Suffix 0040, Grant Code 307

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FY27 State Aid Update – New Categoricals

- 21b Dual Enrollment: 258
- 27t Educator-on-Loan Program: 299
- 35p High-Impact Tutoring: 300
- 36 Math Supports: 301
- 36a STEM Supports: 302
- 61w CTE Virtual Reality Programs: 304
- 67d Hospitality and Tourism CTE Grants: 305

- Revenue and expenditure guidance of all categoricals, new and old, available at Accounting for State School Aid Revenues
- Several other new designated (single recipient) categoricals, but those are not assigned a Grant Code, 399 – Other State Grants to be used).

FY27 State Aid Update – Revised Categoricals

- 27l Educator Compensation Program: 274 (subsection number removed)
- 31j Ten Cents a Meal: 373 (name change)
- 31p Evidence-Based Mental Health Training: 234 (name change)
- 31aa(3) Per-Pupil Student Safety Payments: 319 (subsection number and name change)
- 32p Early Learning Partnerships: 343 (name change)
- 32p(4) Books and Literacy Materials, Birth to 5: 278 (subsection number change)
- 35a(2) Early Literacy Coaches: 365 (subsection number change)
- 35a(4) Early Literacy Professional Learning: 241 (subsection number change)
- 54b MiMTSS Technical Assistance Center: 374 (name change)

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FY27 – MPSERS Update

- Section 147a (not the “old 147a”) – slightly reduced total appropriation, quarterly payments using actual, CY payroll data to continue
  - This is the cost offset previously under the 147a(2) appropriation for increased normal costs when the ORS Assumed Rate of Return (AROR) is not met (impacting costs related to employees on older plans)
- Section 147a(2) – no appropriation*, see above
- Section 147c(1) – slightly reduced total appropriation, but monthly payments beginning in November with ORS invoicing and payments to ORS of amounts received to continue
- Section 147e – slightly increased appropriation, quarterly payments using actual, CY payroll data to continue
  - This is the cost offset for districts’ increased costs related to employees in the newer Pension Plus 2 and DC plans

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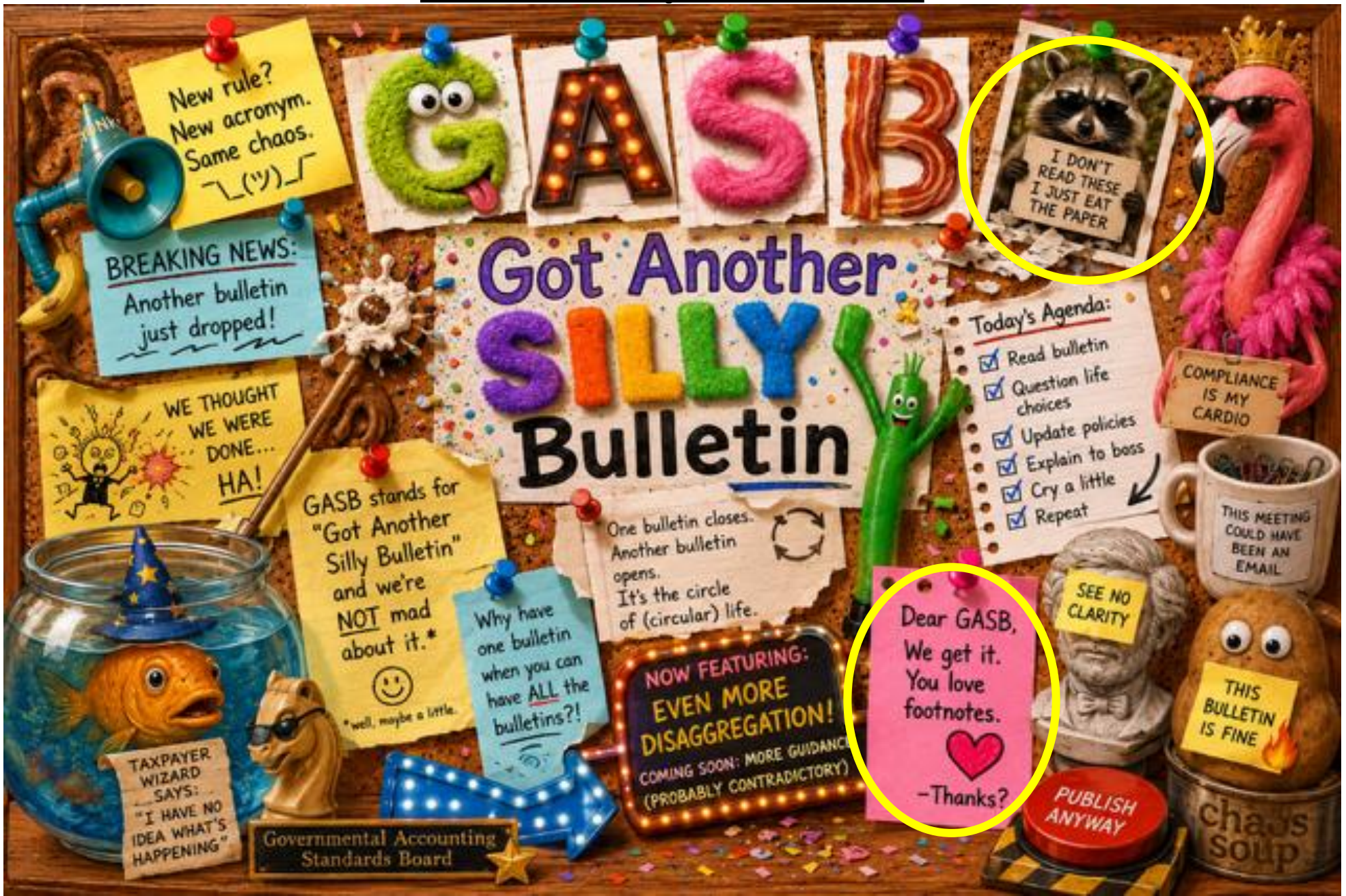
GASB Updates!!



GASB 103 – Financial Reporting Model Improvements

- **Effective FY26**
- LOTS of changes (but it could have been far worse!)
  - **MD&A changes** – clear explanations, more details, analysis, "template-style" no longer allowed
  - **Unusual/infrequent items** – definitions unchanged but now "either/or", income statement treatment changes, footnote disclosure required
  - Revenue and expense presentation/format changes (**Proprietary Funds only**)
    - Preliminary GASB 103 draft had these changing governmental funds too!
  - Component unit information – presentation changes
  - Budgetary comparisons & schedules – presentation changes and now as RSI and explanations, increased comparability and transparency, increased auditor scrutiny (materiality?)
  - Statistical section – business-type activities, N/A to districts

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GASB 104 – Disclosure of Certain Capital Assets

- **Effective FY26**
- Capital assets footnote and separate disclosures
  - Lease assets
  - Intangible right to use assets and subscriptions (SBITAs)
  - Other intangible assets
- Other disclosures for capital assets held for sale (various definitions)
- Evaluation each reporting period

GASB 105 – Subsequent Events

- **Effective FY27**
- Transactions/events occurring after financial statement date but before financial statements issued (complete and approvals to issue obtained, July 1 - ~October)
- Governments must now disclose subsequent events occurring during this period
  - Recognized events – evidence of conditions existing at year-end, **adjust financial statement amounts (and reflect in FID reporting!)**
    - Example – lawsuit pending settlement, validation of known information regarding change in asset valuation, etc.
    - No new account codes, for FID reporting simply use the normal code(s) as if the recognized event occurred
  - Non-recognized events – evidence of conditions NOT existing at year-end, **disclose in notes (no amount changes in financial statements)**
    - Example – tornado does significant damage to building, insurance deductibles, impacts on assets, other costs

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GASB – On the Horizon…

- Revenue and Expense Recognition (RER) project
  - New “unified model” approach, performance-obligation focus – “current year revenues should finance current year services”
  - Exposure Drafts currently expected to begin in September 2027 (non-exchange transactions) and September 2028 (exchange transactions)
  - However, 4 of the 7 GASB board members including chairman and vice chairman are leaving – transition likely to push this timeline out further
- Going Concern and Severe Financial Stress
  - Likely the next significant change/statement
  - Elimination of “Going Concern” terminology, replaced by “Severe Financial Stress” (SFS) and “Probable Dissolution” (PD) classifications
  - Preliminary views issued March 2025, Exposure Draft anticipated June 2027
- 2028
  - No new standards expected
  - Possibly a new/updated implementation guide

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GASB Updates…Concluded



Questions?

Christopher May, CFO, CFE, CGFM

Financial Specialist

Office of Financial Management, State Aid & School Finance

Michigan Department of Education

MayC@michigan.gov

517-281-3223 (cell)