

MDE Update: Accounting and Reporting Updates for 2022-23

Christopher May

Financial Specialist

Michigan Department of Education

Office of Financial Management

Upper Peninsula School Business Officials Fall Conference

October 14, 2022



Agenda

- FY22 Reminders and Reporting
 - Accounting Manual Change Notice #32
 - FY22 FID and Audit Reporting
 - GASB #87 Reminder
 - Updates to Financial Accounting Guidance During the COVID-19 Pandemic
- Looking ahead to FY23
 - GASB #96
 - Upcoming FID changes
 - Recent FAQs (a look inside my inbox!)
- Additional Resources
- Q&A



Accounting Manual Change Notice #32

- Issued June 9, 2022
- Changes to be implemented for school fiscal year 2022-23 **unless otherwise required***
 - Earlier application is encouraged

***FY22 application required for GASB #87 guidance and coding changes/additions (most items in this Change Notice)**



FY22 FID & Audit Reporting

- Submission Deadline: November 1, 2022
 - November (and following) State Aid withholding required for late submission or data not matching audited financial statements
- No significant application changes
 - Final year of phase-in of Balance Sheet Major Class Codes checked to three digits **delayed one year**
 - Previously checked and used only first two (of three) digits
 - 20-21 and 21-22: Warning for invalid codes (**including third digit**)
 - **22-23 and following: error**
 - Additional details to follow



After FID Closing

- Early November
 - MDE analysis (audits, program offices, etc.)
 - Email communication to districts requesting clarification/corrections
 - If needed, corrections due Friday, November 18, 2022. Will be communicated in emails to those districts identified.
- Late November-Early December
 - CEPI snapshot of all districts' data
- Late December-Early January
 - FID data made publicly-available on MI School Data
 - <https://www.mischooldata.org/historical-financial-reports/>
- Spring 2023
 - Bulletins 1011 & 1014
 - Federal Reporting



GASB Statement #87 - Leases

- Effective for **FY22** audits and FID reporting
- In summary, most* leases now fall under a single model approach similar to financing an asset (“right to use asset”)
 - Capital outlay, principal, interest, governmentwide assets & liabilities
 - Exceptions – 12 months or less, and/or contracts that transfer ownership
- Guidance and numerous new account codes added to the accounting manual in Change Notice #32 (June 2022)
- GASB #87 impacts lessor arrangements as well – separate codes and guidance



Financial Accounting Guidance During the COVID-19 Pandemic

http://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf

- Latest Additions/Updates (June 2022)
 - Section 11t ESSER III Equalization payments
 - Benchmark Assessment grants
 - ARP IDEA funding
 - ARP Child Care funds
 - PPE from DTMB/FEMA
- Updates will continue as additional guidance is needed on new and existing funding sources, unique accounting situations, etc.



Section 11t ESSER III Equalization Payments

- Unlike ESSER II equalization payments which were state funds, 11t ESSER III equalization payments are federal funds subject to Single Audit.
- Application deadline has passed, but amendments are still allowed.
- Eligible district must use 11t funds for students identified in specific subgroups, and reserve specific percentages for use in three areas:
 - (1) At least 51.4 percent for activities to address learning loss by supporting the implementation of evidence-based interventions;
 - (2) At least 10.3 percent for the implementation of evidence-based summer enrichment programs; and
 - (3) At least 10.3 percent for the implementation of evidence-based comprehensive after-school programs.
- Revenue: Major Class Code 414, Suffix 0250
- Expenditures: Grant Code 441
 - Must match revenue recognized in a given fiscal year, may require reclassifying entries if used for prior year expenditures and/or if GAN was not received by June 30, 2022



New Benchmark Assessment Grants

- Grant awards handled by MDE's Office of Assessment and Accountability
- Three separate funding sources for awards (varies by district)
 - State Aid Section 104
 - GEER II
 - ESSER II Discretionary
- Critical for each district receiving funds to review Grant Award Notification for proper coding
 - GEER II and ESSER II districts – subject to Single Audit
- Questions related to these funds/GANs – contact Carol Skillings at skillingsc@michigan.gov



ARP IDEA

- Three separate programs/ALNs:
 - ARP-IDEA
 - ALN 84.027X, Grant Code 436
 - Questions: JL Purves, Office of Special Education, PurvesJ@michigan.gov
- ARP – IDEA Preschool
 - ALN 84.173X, Grant Code 437
 - Questions: Lisa Wasacz, Office of Great Start, WasaczL@michigan.gov
- ARP – IDEA Part C (Infants and Toddlers)
 - ALN 84.181X, Grant Code 438
 - Questions: Your assigned Early On Consultant
- Revenue: Major Class 414, Suffix 0250
- Carefully review Grant Award Notification for proper identification



ARP Child Care

- Similar to other recent child care funds, these are beneficiary payments not subject to Single Audit:
 - Child Care Stabilization subgrants included in the ARP Act are benefits to a child care provider and are **considered payments made to beneficiaries** of a federal program, which is the same as with child care subsidies under the voucher program. Providers receiving stabilization subgrants are **not categorized as “sub-recipients”** as defined by 45 CFR 75.2.
- Revenue: Major Class 414, Suffix 0250
- Expenditures: Grant Code 701
- Questions: MDE Office of Child Development and Care:
866-990-3227 x2, or Great Start to Quality Resource Center:
877-614-7328



Recognition of PPE from DTMB

- Personal Protective Equipment (PPE) made available to districts by the Michigan Department of Technology, Management and Budget (DTMB)
- Per DTMB, FEMA funds to the State were used for these purchases, and districts and communities who applied for and received a given amount of supplies as a **beneficiary relationship** (as opposed to a flowthrough to subrecipients of funds/supplies)
- This classification precludes the PPE from Single Audit implications.
 - Recognition and/or notes within districts' financial statements and materiality related to the inflow of these supplies should be addressed with districts' auditors



Reclassifying 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: CRF expenditure period goes back to March 1, 2020 but revenue could not have been recognized in FY20
- 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

Reclassifying Expenditures (cont.)

- Example: Reclassification of FY20 expenditures of Coronavirus Relief Funds (CRF) funds not yet assigned to Grant Code
 - Net zero expenditure entry to reclassify prior year expenditures to another funding source
 - \$10,000 of teacher salaries covered by CRF funding as example
 - Debit 11-113-1240-7990 **\$10,000**
 - Credit 11-113-1240-0000 **\$10,000**
- Reclassifies expenditures to CRF in FY21 without inflating totals while showing CRF expenditures in one fiscal year only (prevents double counting)
- Reclassification concept not limited to CRF



GASB Statement #96 – Subscription-Based Information Technology Arrangements

1. Defines a SBITA
2. Establishes that a SBITA results in a right-to-use subscription asset (intangible) and subscription liability
3. Establishes capitalization criteria for outlays other than subscription payments (i.e. implementation costs)
4. 4. Requires note disclosures related to SBITAs

Implementation year – FY23 (NOW!)



GASB Statement #96

- In many ways mirrors GASB #87 language, but SBITAs not included in #87 because intangible assets were out of its scope
- Same as Statement #87:
 - Classification/considerations related to lease/subscription term
 - Exclusion of short-term leases/subscriptions
 - General recognition and measurement
- Short-term Leases and SBITAs
 - If 12 months or less (including one-party options to extend, but not cancellable periods), record revenues (lessor) and expenditures (lessees), no asset/liability implications under these Statements



Lease (#87) vs. SBITA (#96)

- All SBITAs are now technically “leases” (of the right to use an **intangible** asset)
- Determining whether an agreement is a lease or a SBITA
 - Tangible capital assets alone – Lease (#87)
 - IT software alone – SBITA (#96)
 - Combination of IT software and tangible capital assets under the same agreement:
 - Depends on “significance” of IT component of agreement.
 - Insignificant – Lease (#87)
 - Significant – SBITA (#96)

Accounting for SBITAs

- Additional SBITA-specific account codes and additions to Michigan Public School Accounting Manual Section II guidance expected by December 2022
- Numerous fixed/capital asset codes added with GASB #87 due to the many areas leases could occur
 - Preliminary review and discussions show that GASB #96 will affect significantly more districts and existing SBITAs
 - Less coding changes and additions are expected, though new codes will be assigned
- MDE recommendation at this point is to begin a thorough review and documentation of existing and new (FY23) agreements that may fall under Statement #96



GASB Statement #94

- Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Contents similar to Statements #87 and #94, but apply to above partnerships only (“P3’s”)
 - “arrangement in which a government (the transferor) contracts with an operator [governmental or nongovernmental] to provide public services by conveying control of the right to operate a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.”
 - Example – toll road
- Statement #94 **not** intended to impact most if not all school districts, expected to be more common for states, cities, municipalities, etc.
 - MDE not expecting to issue guidance on this Statement, slide for informational purposes only



Upcoming FID Changes – FY23 Reporting

- Implementation of third digit Balance Sheet Major Class Code req.
- Reporting of dual enrollment expenditures
 - Tab on District Data Entry screen for manual entry by 9-12 school building expected to be removed
 - To be replaced with new Object Codes 3720 and 3730 (dual enrollment tuition and early middle college tuition, respectively)
 - These codes will be added in December Change Notice
 - Anticipate separating these from 3710 (Tuition) in time for FID reporting
- District Data Entry screen – Capital Assets and Long-Term Liabilities
 - As Balance Sheet Major Class Codes phased into the three-digit requirement for FY22 reporting, this screen is expected to be rebuilt for the three-digit level reporting of balances in Funds 91 and 92
 - Inclusion and upload of Fund 91 and 92 data within your Balance Sheet file will remain an option (and one that districts not currently using may want to consider)



Recent FAQs (a look inside my inbox!)

Q: Can I still spend Section 11r(4) funds?

A: No, these were state funds subject to Section 18a of the State School Aid Act allowing one additional (state) fiscal year to spend after awarded. Initial award in FY21, so final deadline to spend was September 30, 2022.

Q: Can Section 23b (federal) Summer School funds be used this summer?

A: Yes, for 23b, based on the use of federal ESSER II funds, there is a possibility for districts to utilize funds in summer 2021 and 2022. They can also use them in summer 2023 prior to the performance period end date in September 2023.

Q: How do I account for the new Section 504 Educator Recruitment and Preparation funds?

A: These funds came from a state supplemental during FY22, PA 87 of 2021. Revenue should be recorded as Major Class 312, Suffix 0130, and expenditures use Grant Code 389. Note that similar funding will continue in FY23 from both federal and state sources. The state portion is Section 27b “Grow Your Own”, same revenue coding and Grant Code 248 for expenditures.



Recent FAQs (a look inside my inbox!)

Q: When will the new dual enrollment calculation be available?

A: Its posting was delayed but the statewide weighted-average foundation to be used (\$8,700) has been available since mid-August. The updated spreadsheet is now available at <https://www.michigan.gov/mde/Services/flexible-learning/dual-enroll>

Q: How do I apply for, when will I receive, and how much Section 31aa, Section 97, and other new categoricals in FY23?

A: In addition to the significantly increased per-pupil foundation, several new categoricals have been added to the FY23 State School Aid budget, including both formula-based funds and competitive grants. At this time, each new funding source has been assigned to the proper office and they're now in the process of building these into our State Aid payment system and/or NexSys for applications, where necessary.

Recent MDE Thursday Communications with links



Resources

[Financial Accounting Guidance During the COVID-19 Pandemic](#)

[Michigan Public School Accounting Manual](#)

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

[Accounting for State School Aid Revenues](#)

- Recently updated with new FY22 categoricals

[Program Allocations](#)

- All federal program allocations (incl. ESSER, GEER, etc.)



Questions?

Christopher J. May, MBA, CFO, CGFM

Financial Specialist

Office of Financial Management, State Aid & School Finance

517-281-3223 (cell)

MayC@michigan.gov

