

Accounting and Financial Reporting Update

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Michigan Department of Education

Upper Peninsula School Business Officials Fall Conference

October 13, 2023



2022-23 Wrap-Up

- FY23 FID Updates & Reminders
- Balance Sheet Major Class Codes
- Expanded District Data Entry Screen
- Change in Dual Enrollment Expenditure Reporting
- GASB #96 – Subscription-Based Information Technology Arrangements (SBITAs)
- Section 147c(2) – MPSERS One-Time Deposit



FID Reporting – What to Expect

- November 1st deadline, unchanged from past few years
 - 100% State Aid withholding if late
 - Data quality, FID vs. Audit, and program office checks throughout November
 - Prompt responses/corrections are critical
- System close dates
 - Tentative initial “snapshot”: November 2nd – November 7th
 - Final corrections deadline approximately November 22nd



FID Reporting – Common Warnings/Errors

- Indirect recovery balancing
 - Refer to accounting manual examples
- Revenues reported as debits and expenditures reported as credits
 - Must be credits and debits, respectively, at rolled up level
 - Small adjustments may be netted with regular coding
 - Large adjustments may require use of Prior Period Adjustment codes
- Assets reported as credits and liabilities reported as debits
 - “No such thing as *negative cash*”
 - Due To’s and Due From’s – check that they’re on proper side of balance sheet

FID What's New - Balance Sheet Major Class Codes

- FY22 FID reporting began phase-in of requiring all three digits of Balance Sheet Major Class Codes
 - Including checking for Allowable Fund combinations per 1022
 - FY22 – missing or incorrect third digit = **Warning**
 - FY23 and following – missing or incorrect third digit = **Error**
- District feedback – Balance Sheet files have already included third digit, no significant burden, mostly a change in how FID read, stored, and published data
- Review of FY22 FIDs – these warnings were not common



FID What's New - Expanded District Data Entry Screen

- District Data Entry screen – Capital Assets and Long-Term Liabilities
- As Balance Sheet Major Class Codes phased into the three-digit requirement for FY23 reporting, this screen was rebuilt for 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)



FID What's New - Expanded District Data Entry Screen

OLD
version

Assets & Liabilities
Dual Enrollment Tuition And Fees

| Fixed Assets (Fund 91) | Amount |
|---------------------------------------|-------------|
| Land (21x) | 0.00 |
| Buildings and Additions (22x) | 0.00 |
| Site Improvements (23x) | 0.00 |
| Equipment and Furniture (24x) | 0.00 |
| Vehicles Other than Buses (25x) | 0.00 |
| School Buses (26x) | 0.00 |
| Educational Media and Textbooks (27x) | 0.00 |
| Construction in Process (28x) | 0.00 |
| Other Capital Assets (29x) | 0.00 |
| Total Fixed Assets | 0.00 |

Capital Assets for Fund 91 should be reported net of accumulated depreciation

| Amount Due to State of Michigan | Amount |
|---------------------------------|--------|
| Chauffeur Expenditure | 0.00 |
| Received from TIFA, LDA or DDA | 0.00 |

| Long Term Liabilities (Fund 92) | Amount |
|---|-------------|
| Current Matured Bond Liabilities (44x) | 0.00 |
| Other Current Liabilities (491,492,493,495,496) | 0.00 |
| Bonds Payable (51x) | 0.00 |
| School Bond Loan Payable - Long Term Portion (53x) | 0.00 |
| Bus Loans Payable - Long Term Portion (56x) | 0.00 |
| Furniture and Equipment Loans Payable - Long Term Portion (57x) | 0.00 |
| Compensated Absences - Long Term Portion (58x) | 0.00 |
| Other Loans and Liabilities - Long Term Portion (591,592,593,594,595) | 0.00 |
| Total Long Term Liabilities | 0.00 |

| Deferred Outflows | Amount |
|--------------------------------|--------|
| Deferred Outflows (195) | 0.00 |
| Deferred Outflows (OPEB) (196) | 0.00 |

FID What's New - Expanded District Data Entry Screen

NEW
Version

| 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 | Other Current Liabilities | | |
| 222 | Building Accumulated Depreciation | 0.00 | 491 | Other Current Liabilities | 0.00 |
| 223 | Additions to Buildings | 0.00 | 492 | Lease Obligation | 0.00 |
| 224 | Additions to Buildings - Accumulated Depreciation | 0.00 | 493 | Compensated Absence | 0.00 |
| 225 | Right to Use Asset - Buildings | 0.00 | 495 | Deferred Inflows | 9.00 |
| 226 | Accumulated Depreciation - Right to Use Asset | 0.00 | 496 | Deferred Inflows (OPEB) | 79.00 |
| Site Improvements | | | 497 | SBITA Obligation - SBITA obligations due within one year | 0.00 |
| 231 | Site Improvements | 0.00 | Bonds Payable | | |
| 232 | Site Improvement Accumulated Depreciation | 0.00 | 511 | Bonds Payable Term - Long Term Portion | 0.00 |
| 233 | Right to Use Asset - Site Improvements | 0.00 | 512 | Bonds Payable - Serial | 0.00 |
| 234 | Accumulated Depreciation - Right to Use Asset | 0.00 | School Bond Loan Payable - Long Term Portion | | |
| Equipment and Furniture | | | 531 | School Bond Loan Payable - Long Term Portion | 0.00 |
| 241 | Equipment and Furniture | 0.00 | Bus Loans Payable - Long Term Portion | | |
| 242 | Equipment and Furniture Accumulated Depreciation | 0.00 | 561 | Bus Loans Payable - Long Term Portion | 0.00 |
| 243 | Right to Use Asset - Equipment and Furniture | 0.00 | Furniture and Equipment Loans Payable - Long Term Portion | | |
| 244 | Accumulated Depreciation - Right to Use Asset | 0.00 | | | |

| | | |
|--|---|------|
| Asset | 0.00 | |
| Vehicles Other than Buses | | |
| 251 | Vehicles Other than Buses | 0.00 |
| 252 | Vehicles Other than Buses Accumulated Depreciation | 0.00 |
| 253 | Right to Use Asset - Vehicles Other Than Buses | 0.00 |
| 254 | Accumulated Depreciation - Right to Use Asset | 0.00 |
| School Buses | | |
| 261 | School Buses | 0.00 |
| 262 | School Bus Accumulated Depreciation | 0.00 |
| 263 | Right to Use Asset - School Buses | 0.00 |
| 264 | Accumulated Depreciation - Right to Use Asset | 0.00 |
| Educational Media and Textbooks | | |
| 271 | Educational Media and Textbooks | 0.00 |
| 272 | Educational Media and Textbook Accumulated Depreciation | 0.00 |
| 273 | Right to Use Asset - Educational Media and Textbooks | 0.00 |
| 274 | Accumulated Depreciation - Right to Use Asset | 0.00 |
| Construction in Process | | |
| 281 | Construction in Process | 0.00 |
| Other Capital Assets | | |
| 291 | Other Capital Assets | 0.00 |
| 292 | Other Capital Asset Depreciation | 0.00 |
| 293 | Right to Use Asset - Other Capital Assets | 0.00 |
| 294 | Accumulated Depreciation - Right to Use Asset | 0.00 |
| 295 | Right to Use Asset -(SBITAs) | 0.00 |
| 296 | Accumulated Amortization (SBITAs) | 0.00 |

| Deferred Outflows | | |
|-------------------|--------------------------|--------|
| Major Class Code | Description | Amount |
| 195 | Deferred Outflows | 33.00 |
| 196 | Deferred Outflows (OPEB) | 80.00 |

| Amount Due to the State of Michigan | | |
|-------------------------------------|----------|--|
| Description | Amount | |
| Chauffeur Expenditure | 89.00 | |
| Received from TIFA, LDA or DCA | 7,907.00 | |

FID What's New - Dual Enrollment Expenditure Reporting

- Separate tab on District Data Entry screen for manual entry by 9-12 school building has been removed
- Replaced with new Object Codes 3720 and 3730 (dual enrollment tuition and early middle college tuition, respectively)
 - These codes were added in December, Change Notice #33
 - Internal check – be sure the use of 3710 has been replaced with these new codes for all dual enrollment and EMC
 - Exception – DE/EMC payments to other districts/ISDs that handle registration/payment on your behalf, those remain in Object 8210



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)
- No more “prepaid expenditure” assets if paying multiple years of a SBITA in year 1.
 - SBITAs starting before FY23 with prepaid expenditure entries will require adjustments to fund balance
- 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 made in December 2022
- Numerous fixed/capital asset codes added with GASB #87 due to the many areas leases could occur
 - Less coding changes and additions for SBITAs, but more widespread impact across districts
- MDE recommendation was to begin a thorough review and documentation of existing and new (FY23) agreements that may fall under Statement #96 and begin assigning these new codes to balances, revenues, and expenditures. During FY23 audit, work closely with your auditor to ensure proper classification of SBITAs



Other GASB #96 Considerations

- Consumption Method vs. Purchase Method
 - District policies
- SBITAs covered by grant funds
 - Grant period and allowability to pay for subscription periods beyond that, examples:
 - 5-year subscription to be covered by ESSER? If unallowable, initial capital outlay entry may need to be split
 - Example – Single-year Benchmark Assessment funding – incurring the capital outlay expense of a multi-year SBITA in year 1 may impact your ability to charge future periods of the SBITA to future grants



Recent Additions to Accounting Manual GASB #96 Guidance

- Added to existing Section II E.20 GASB #96 guidance in July 2023:
 - Key terminology section
 - Additional hypothetical scenarios, including those related to SBITAs covered by grant funds
 - FAQ section
- “Is this a SBITA?” and other remaining questions not answered by this guidance related to your specific software agreements are best directed to your auditor.



Section 147c(2) MPERS One Time Deposit

- FY23 State Aid budget - \$1 Billion under Section 147c(2) to distribute to districts (amended to include other participating entities) to forward to ORS to pay down MPERS unfunded liability (similar to “regular” 147c)
- Originally scheduled to begin (inclusion in State Aid payments and invoicing by ORS) in November 2022
 - Significant concerns from MDE and districts related to impact on Maintenance of Effort, Indirect Cost, and other calculations that such a large one-time revenue and expense would impact
 - Payment and invoicing delayed through February 2023, started March 2023
- MDE referred issue to legal counsel, resulted in sending “90-day letter” to USED addressing above concerns
 - **USED response received May 4, 2023**



Section 147c(2) MPERS One Time Deposit

- USED response (in summary):
- ESEA Maintenance of Effort (and Title I Part A FIG formula)
 - Must be included in calculation (similar to 147a, 147c(1), etc.), alternative was given to exclude all Section 147 expenditures but data not currently available
- IDEA Maintenance of Effort/Maintenance of Fiscal Support (SEA)
 - Similar response as ESEA MOE
- Perkins V fiscal effort/aggregate expenditure calculation
 - May be excluded as “one-time project costs”
 - **(MDE will rely on expenditure data with proper Grant Code to properly exclude)**
- Indirect Costs
 - May be excluded from calculation as “distorting item”
 - **(MDE will rely on expenditure data with proper Grant Code to properly exclude)**



Section 147c(2) MPERS One Time Deposit

- [February 23, 2023 – MDE Thursday Communication memo](#):
- **Payments and ORS began in March 2023, continue through August State Aid Payments**
- Districts **may not** allocate charges related to Section 147c(2) to federal grant programs
 - Section 147c(1) may continue to be charged uniformly across all employees regardless of funding source
- Districts must report Section 147c(2) revenues and expenditures
 - Revenue: Major Class 312, Suffix 0000
 - Expenditures: **As many major Function Codes as practical**, Object Code 2820, **Grant Code 263**
- **Grant Code 263** recording critical to allow MDE to exclude these expenditures from allowable calculations



2023-24: What's New

- Expansion of School-Level Expenditure Reporting
- New Grant Codes
- Updated Accounting for State School Aid Revenues



2023-24: Expansion of School-Level Expenditure Reporting

- **School Level Finance Survey (SLFS)**
- Pilot, optional, state-level survey for many years as practicality and usability was measured
 - MDE has submitted *some* SLFS data variables since 2014
 - Data from Instruction (1xx), School Administration (24x) Functions
- Office of Management and Budget (OMB – federal level) recently approved SLFS to be mandatory in upcoming years
 - Improved format, less “missing” data, flexible implementation timeline, likely to replace LEAs’ “Civil Rights Data Collection”
 - However, this will require addition of expenditure Functions that require a School Code:
 - Pupil Support Services (21x)
 - Instructional Staff Support Services (22x)



2023-24: Expansion of School-Level Expenditure Reporting (cont.)

- *Tentative* phase-in plan for SLFS compliance:
- **Current** school-level reporting requirements:
 - Functions 11x, 12x, and 24x require a valid School Code
- **FY24** FID reporting
 - Above requirements PLUS **Warning** for School Codes missing from 21x and 22x Functions
- **FY25** (and following) FID reporting
 - Above requirements PLUS **Error** for School Codes missing from 21x and 22x Functions
- Submission of SLFS will remain a state-level responsibility
- Additional Functions may be added in the future, but hoping to keep remainder of expenditures at “district-level”



New Grant Codes & Accounting for State School Aid Revenues

- Several new categoricals added in the [FY24 State School Aid Act](#)
- Grant Codes for all new categoricals to multiple districts have been assigned a Grant Code in the [Appendix](#) and added to [Accounting for State School Aid Revenues](#)
- **NEW:** Grant Code 399x is to be used for (the many) “designated” (single-district) grants this year
 - Advise using fourth digit of Grant Code to separate from other funding sources currently in 399



Resources

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

- No recent updates, but will be added to as needed

[Michigan Public School Accounting Manual](#)

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

[Accounting for State School Aid Revenues](#)

- Updated with new FY24 categoricals



Questions?

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