



Michigan Department of Education
Office of Financial Management

Financial Accounting Guidance During the COVID-19 Pandemic

Last Updated October 4, 2021

This guidance is intended to assist districts in accounting for financial transactions that are new or different than those made in a typical school year, including those related to new federal funding sources under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and American Rescue Plan (ARP) Act. This publication will be updated frequently as MDE continues receiving additional questions from districts and information regarding state and federal financial reporting requirements.

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Accounting for Elementary and Secondary School Emergency Relief (ESSER III) Funds under the American Rescue Plan (ARP) Act

Elementary and Secondary School Emergency Relief (ESSER III) Formula Funds received under the American Rescue Plan (ARP) Act through MDE should be recorded as federal revenue under **Major Class 414, Suffix 0250** (new). Expenditures of these funds should be recorded with **Grant Code 435** (new).

The expenditure period of these funds is March 13, 2020 – September 30, 2023 (excluding Tydings). In order to recognize ESSER III revenue in 2020-21, a district must have applied for and received a Grant Award Notification (GAN) from MDE by June 30, 2021. Receiving a GAN after this date does not impact the expenditure period of ESSER funds but prohibits a district from recognizing ESSER III revenue (earned or unearned) in 2020-21 as a formal grant agreement was not in place by the end of the fiscal year. In this case, reclassifying expenditure entries may be required in the year the revenue is recognized. Please see the “Revenue and Expenditure Recognition Considerations” section of this document for additional guidance.

Revenue and Expenditure Recognition Considerations

As districts complete audited financial statements and Financial Information Database (FID) reporting for FY21 and begin FY22, special attention should be given to the timing of revenues and expenditures of COVID-related grant programs outlined throughout this document. As a reminder, revenues must be “measurable and available” to be recognized (including having a “grant agreement” in place – often in the form of an award letter and/or Grant Award Notification) in a given fiscal year, even if the expenditure period is retroactive to a prior fiscal year.

Many districts will not have grant agreements in place for ESSER II Formula (specifically the second round of funding released in PA 47 of 2021), ESSER II discretionary items under PA 3 of 2021, and other programs until one or two fiscal years *after* the beginning of the allowable expenditure period. **Until revenue of a given funding source can be recognized, the Grant Code of that program should not be used when reporting incurred or anticipated expenditures.** Districts may choose to create and use a 9xx Grant Code to track expenditures incurred before revenue is recognized for a funding source if those funds are eventually intended to cover those expenditures. Then, in the fiscal year when revenue can be recognized, “net-zero reclassifying entries” similar to those examples provided for Coronavirus Relief Fund accounting may be used to tie those expenditures to the appropriate grant funds:

Using \$10,000 of teacher salaries as an example below, a net-zero expenditure should be added to FYxx reporting to ensure “__ grant” expenditures across all fiscal years of the expenditure period match revenues reported across FID, audited financial statements, and other documentation:

<i>Debit</i>	<i>11-113-1240-xxx0</i>	<i>\$10,000</i>
<i>Credit</i>	<i>11-113-1240-0000</i>	<i>\$10,000</i>

(UPDATED) Public Act 3 of 2021 (incl. ESSER II Discretionary & SAF) Overview and Accounting Guidance

Public Act 3 of 2021 (HB 4048) signed by the Governor on March 9, 2021 released 43.6% of ESSER II Formula funds, approved a portion of ESSER II and GEER II Discretionary funds, and appropriated State Aid funds for other programs:

Section 11r(2) released 43.6% of ESSER II Formula funds tied to 15 allowable areas. ESSER II Formula funds should be recorded as federal revenue under **Major Class 414, Suffix 0250**. Expenditures of ESSER II Formula funds should be recorded with **Grant Code 485** (new). Public Act 47 of 2021 subsequently released the remaining ESSER II formula funds – revenues and expenditures of this remaining portion should be recorded using the above coding.

Section 11r(4) allocated \$136,000,000 to districts whose ESSER II Formula allocation was less than \$450 per-pupil (in addition to meeting other qualification criteria) for **State Aid Fund** Equalization funds. Districts below this threshold and meeting qualification criteria will receive an equalization payment through State Aid so that the sum of their ESSER II Formula allocation and 11r(4) allocation equals \$450 per-pupil (adjusted for membership throughout 2020-21. These funds should be recorded as state revenue under **Major Class 312, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 387** (new) to the extent eligible expenditures are incurred.

11r(4) funds are subject to Section 18a of the State School Aid Act, allowing districts to carry over unspent funds to 2021-22:

“...if a grant recipient does not expend the funds received under this article before the end of the fiscal year in which the funds are received, the grant recipient shall submit a report to the department not later than November 1 after the fiscal year in which the funds are received indicating whether it expects to expend those funds during the fiscal year in which the report is submitted.”

Districts not expending their full allocation of 11r(4) by June 30, 2021 should recorded unspent funds as Unearned Revenue (**Balance Sheet Major Class 471**) at FY21 year-end. In addition, as required by statute, the “report to the department not later than November 1” (2021) should be completed emailing the following information to MayC@michigan.gov:

- Notification that Section 11r(4) funds are being carried over to FY22
- Whether or not the district expects to expend the carried over funds in FY22

No additional details, dates, or amounts are needed for the purposes of this carryover notification/report.

Section 23b(2a) established \$550 per-pupil payments to districts for summer school. An application process for these funds, as part of monthly COVID-19 Plan updates in GEMS/MARS, is available April 1st – April 15th. These funds should be recorded as federal revenue under **Major Class 414, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 431** (new).

Section 23b(2b) established \$550 per-pupil payments to districts for credit recovery. An application process for these funds, as part of monthly COVID-19 Plan updates in GEMS/MARS, is available April 1st –

April 15th. These funds should be recorded as federal revenue under **Major Class 414, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 432** (new).

Section 23b(2c) established district payments (maximum \$25,000) for before/after/before-and-after school. An application process for these funds, as part of monthly COVID-19 Plan updates in GEMS/MARS, is available April 1st – April 15th. These funds should be recorded as federal revenue under **Major Class 414, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 433** (new).

Section 23b(2d) established additional \$100 per-pupil payments for innovative practices in summer school and/or credit recovery programs. An application process for these funds, as part of monthly COVID-19 Plan updates in GEMS/MARS, is available April 1st – April 15th. These funds should be recorded as state revenue under **Major Class 312, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 388** (new).

Section 23c(4a-b) is associated with the \$1,000 teacher pay and \$250 support staff pay for involvement in Section 23b activities. Number of eligible staff will be collected in districts' June Extended Continuity of Learning (ECOL) plans, and a budget will be completed in MEGS+ by July 20, 2021. These funds should be recorded as federal revenue under **Major Class 414, Suffix 0250**. Expenditures of these funds should be recorded with **Grant Code 434** (new). Below is an excerpt from Office of Retirement Services (ORS) guidance related to reporting this additional compensation:

If an employee is working over the summer and earning regular wages for that work, this additional payment should not be considered reportable compensation on the DTL2, but it should be reported on the DTL4.

Section 23e(3a-c) allocated \$5,000,000 for a competitive grant program to Community Based Organizations (CBOs) that are 501c(3) to provide Before/After/Before-and-After School Programming. School district will not receive or need to account for these funds.

See above Revenue and Expenditure Recognition section for important timing considerations of these funds.

Questions related to PA 3, ESSER II, and GEER II should be directed to MDE-CARES@michigan.gov.

Accounting for CRF "11p – CORONAVIRUS RELIEF FUNDS" Funds

In August 2020 State School Aid payments, districts will receive a new allowance line item called "11p – CORONAVIRUS RELIEF FUNDS" equating to \$350 per pupil. Although these funds are coming through State Aid, they are **restricted federal funds** (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 146 of 2020 signed into law on July 31, 2020).

Details regarding eligible expenditures, grant-specific reporting requirements, and other information is available in separate [program guidance](#). Districts will complete certification and reporting requirements through the GEMS/MARS system [here](#).

The expenditure period of CRF funds is March 1, 2020 – December 31, 2021. However, since the legislation establishing this funding was not signed into law during districts’ 2019-20 fiscal year, **these revenues should not be recognized in 2019-20 financial reporting or audited financial statements.**

Eligible CRF expenditures should be recorded in the fiscal year in which they were incurred, either fiscal year 2019-20 or fiscal year 2020-21, using Grant Code 799. However, any 2019-20 CRF expenditures will be reported on the fiscal year 2020-21 SEFA rather than the fiscal year 2019-20 SEFA; districts choosing to charge 2019-20 expenditures to these funds are encouraged to work with their auditor to determine additional reporting implications.

CRF expenditures incurred between March 1 and June 30 2020 and not already reported with the appropriate Grant Code in the 2019-20 Financial Information Database (FID) will require a reclassifying entry in the 2020-21 FID submission. Using \$10,000 of teacher salaries as an example below, a net-zero expenditure should be added to FY21 reporting to ensure CRF expenditures across all fiscal years of the expenditure period match CRF revenues reported across FID, audited financial statements, and amounts appearing on districts’ July and August 2020 State Aid Status Reports (or revenues received from other sources, if applicable):

Debit	11-113-1240-7990	\$10,000
Credit	11-113-1240-0000	\$10,000

This entry will not inflate total expenditures in 2020-21, but will provide MDE the data required for subrecipient monitoring and federal reporting pertaining to CRF funds. Restating entries must be recorded at the appropriate function-object code level (so salary reclassifications may also impact various benefit accounts, different function and object codes may need to be used for other expenditures, etc.). School codes will be required for reclassifying entries in functions 11x, 12x, and 24x, but a single school code may be used as the entry nets to zero and will not impact school-level expenditure totals.

CRF revenues should be recorded in fiscal year 2020-21 to the extent that eligible expenditures were incurred in fiscal year 2019-20 and as additional eligible expenditures are incurred during fiscal year 2020-21. CRF revenue should be recorded using Major Class Code 414 and Suffix Code 0250.

Accounting for CRF “103(2) – District COVID Costs” Funds

In July 2020 State School Aid payments (with small adjustments possible in August 2020), districts will receive a new allowance line item called “103(2) - DISTRICT COVID COSTS” equating to approximately \$12.32 per pupil. Although these funds are coming through State Aid, they are **restricted federal funds** (making up a portion of Federal Coronavirus Relief Fund (CRF) (CFDA 21.019) usage authorized by Public Act 123 of 2020 signed into law on July 1, 2020).

Details regarding eligible expenditures, grant-specific reporting requirements, and other information is available in separate [program guidance](#). Districts will complete certification and reporting requirements through the GEMS/MARS system [here](#).

The expenditure period of CRF funds is March 1, 2020 – December 31, 2021. However, since the legislation establishing this funding was not signed into law during districts’ 2019-20 fiscal year, **these revenues should not be recognized in 2019-20 financial reporting or audited financial statements.**

Eligible CRF expenditures should be recorded in the fiscal year in which they were incurred, either fiscal year 2019-20 or fiscal year 2020-21, using Grant Code 798. However, any 2019-20 CRF expenditures will be reported on the fiscal year 2020-21 SEFA rather than the fiscal year 2019-20 SEFA; districts choosing to charge 2019-20 expenditures to these funds are encouraged to work with their auditor to determine additional reporting implications.

CRF expenditures incurred between March 1 and June 30 2020 and not already reported with the appropriate Grant Code in the 2019-20 Financial Information Database (FID) will require a reclassifying entry in the 2020-21 FID submission. Using \$10,000 of teacher salaries as an example below, a net-zero expenditure should be added to FY21 reporting to ensure CRF expenditures across all fiscal years of the expenditure period match CRF revenues reported across FID, audited financial statements, and amounts appearing on districts’ July and August 2020 State Aid Status Reports (or revenues received from other sources, if applicable):

Debit	11-113-1240-7990	\$10,000
Credit	11-113-1240-0000	\$10,000

This entry will not inflate total expenditures in 2020-21, but will provide MDE the data required for subrecipient monitoring and federal reporting pertaining to CRF funds. Restating entries must be recorded at the appropriate function-object code level (so salary reclassifications may also impact various benefit accounts, different function and object codes may need to be used for other expenditures, etc.). School codes will be required for reclassifying entries in functions 11x, 12x, and 24x, but a single school code may be used as the entry nets to zero and will not impact school-level expenditure totals.

CRF revenues should be recorded in fiscal year 2020-21 to the extent that eligible expenditures were incurred in fiscal year 2019-20 and as additional eligible expenditures are incurred during fiscal year 2020-21. CRF revenue should be recorded using Major Class Code 414 and Suffix Code 0250.

Accounting for Coronavirus Relief Funds not received through MDE

It has been brought to our attention that certain counties and municipalities are providing constituent districts payments from their CRF allocations/payments. Districts receiving these funds as subrecipients should record revenue under **Major Class 415, Suffix 0250. Grant Code 482** has been established for districts to record expenditures of these CRF funds received by these entities.

Additionally, the Michigan Association of Intermediate School Administrators (MAISA) has been awarded CRF funds for a Device Purchasing Program/Distance Learning Grant that will be passed through to select districts. Subrecipients of these funds should record the revenue under **Major Class 417, Suffix 0250**, and expenditures with **Grant Code 483**.

CRF expenditures incurred between March 1 and June 30 2020 and not already reported with the appropriate Grant Code in the 2019-20 Financial Information Database (FID) will require a

reclassifying entry in the 2020-21 FID submission. Using \$10,000 of teacher salaries as an example below, a net-zero expenditure should be added to FY21 reporting to ensure CRF expenditures across all fiscal years of the expenditure period match CRF revenues reported across FID and audited financial statements:

Debit	11-113-1240-7990	\$10,000
Credit	11-113-1240-0000	\$10,000

This entry will not inflate total expenditures in 2020-21, but will provide MDE the data required for subrecipient monitoring and federal reporting pertaining to CRF funds.

Accounting for “11d – SAF REVENUE SHORTFALL REDUCTION”

A per-pupil reduction of \$175 per pupil will be applied to districts’ (LEAs and PSAs only, not ISDs) August State Aid payments under the line item “11d – SAF REVENUE SHORTFALL REDUCTION”. **This reduction applies to 2019-20 State Aid** and may be netted with the year’s unrestricted foundation revenue under Major Class Code 311, Suffix Code 0010.

Out of formula districts without unrestricted foundation revenue must choose other categorical(s) to reduce. Many out of formula districts are choosing to net the reduction with Section 147a revenues (which are often sufficient to cover the full amount). The following “protected” categoricals **may not** be reduced: 11j, 22a, 26a, 26b, 26c, 31d, 31f, 51a(2), 51a(11), 51c, 53a, 147c, 147e(2)(a), and 152a.

For FID reporting, all revenue entries (Major Class-Suffix combinations) must remain credit amounts; revenue amounts that roll up to a debit will result in a system error and prevent successful submission.

Accounting for Elementary and Secondary School Emergency Relief (ESSER) Funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act

Elementary and Secondary School Emergency Relief (ESSER) Funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through MDE should be recorded as federal revenue under **Major Class 414, Suffix 0250** (new). Expenditures of these funds should be recorded with **Grant Code 796** (new).

The expenditure period of these funds is March 13, 2020 – September 30, 2021. In order to recognize ESSER revenue in 2019-20, a district must have applied for and received a Grant Award Notification (GAN) from MDE by June 30, 2020. Receiving a GAN after this date does not impact the expenditure period of ESSER funds, but prohibits a district from recognizing ESSER revenue (earned or unearned) in 2019-20, as a formal grant agreement was not in place by the end of the fiscal year.

Information on these one-time allocations of federal funds can be accessed at https://www.michigan.gov/documents/mde/ESSER_Important_Information_707883_7.pdf. MDE will continue providing updates as they become available.

Accounting for ESSER Education Equity Funds

Separate from ESSER formula funds, ESSER Education Equity funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through MDE should be recorded as federal revenue under **Major Class 414, Suffix 0250** (new). Expenditures of these funds should be recorded with **Grant Code 800** (new).

Information on this competitive grant can be accessed at https://www.michigan.gov/documents/mde/Important_Information_-_ESSER_Ed_Equity_707870_7.pdf.

Accounting for Governor's Emergency Education Relief (GEER) Fund Grant

Governor's Emergency Education Relief (GEER) funds should be recorded as federal revenue under **Major Class 414, Suffix 0250** (new). Expenditures of these funds should be recorded with **Grant Code 499** (new).

Information on this formula grant can be accessed at https://www.michigan.gov/documents/mde/Important_Information_GEER_-_MEGS+_002_707858_7.pdf, and funding allocations can be accessed at www.michigan.gov/documents/mde/COVID-19_Governors_Emergency_Education_Relief_GEER_Fund_701813_7.xlsx.

Accounting for New and Existing Federal Funding for Child Care Grants and Relief Funds

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Relief Fund (CRF) have each included new funding sources (or added funds to existed funding sources) intended for child care programs:

- Child Development and Care Block Grant (CARES – Child Care Relief) – CFDA 93.575 (awards/payments began in late March 2020). **Grant Code 498 for expenditures.**
- Coronavirus Relief Fund – Child Care Relief Fund Grant – CFDA 21.019 (awards/payments beginning no earlier than July 2020). **Grant Code 797 for expenditures.**

These are both restricted federal revenues and should be coded under Major Class 414, Suffix 0250. Recipients of the child care component of CRF (Grant Code 797) from the Office of Child Development & Care (CDC) were determined to be beneficiaries as opposed to subrecipients. As a result, recipients of CRF child care funds are not subrecipients, and expenditures of these funds should not be included on the district's SEFA. **This determination and treatment applies to the child care portion of CRF only.**

Districts are encouraged to review award documentation and MDE's [Child Care CARES Grant Payments webpage](#) to determine funding source(s) of their specific payments. If funding source/CFDA number is unclear, districts may reach out to MDE's Child Development and Care Office at 1-866-990-3227 for additional information.

Accounting for Personal Protective Equipment Expenditures

Many districts preparing to reopen for the 2020-21 school year will have expenditures related to personal protective equipment (PPE) including but not limited to face masks, face shields, and other items to be used by staff, students, parents, and other visitors. PPE and other supplies related to enhanced cleaning, additional sanitization, etc. should be recorded under **Function Code 261, Object Code 5990**.

Although some of these expenditures could be attributed to a more specific Function based on setting and users of the PPE (for example, face masks for teachers and students in the appropriate Instruction Function), these are an **Operations and Maintenance-related expenditure**. If practical, districts are encouraged to use the School Code dimension to identify usage of PPE across school buildings, and may also use the “Other” coding dimension to identify and track these expenditures internally by users, types of PPE, etc.

Per GASB guidance, PPE donated from organizations, individuals, etc. constitute a voluntary non-exchange transaction similar to donated food commodities. Therefore, districts receiving donated PPE from individuals, organizations, etc. should record the fair value of these donations as revenue when all eligibility requirements are met (typically when the donation is received).

Internal tracking of “additional” expenditures incurred as a result of the COVID-19 pandemic

Districts are encouraged to internally track additional or increased expenditures incurred as a result of the COVID-19 pandemic. This is not currently a requirement of any state or federal reporting, but the availability of this data may be helpful in fulfilling future data requests from stakeholders.

To accomplish this, districts should use the “Grant Code” (9xx) or “Other” coding dimensions only. Expenditures of restricted funds (including those stated above) must use the appropriate Grant Code assigned to the program. Additional internal tracking of these expenditures (optional) should be accomplished using the “Other” coding dimension. As a reminder, for other coding dimensions, only codes defined in the [Appendix of the Michigan Public School Accounting Manual](#) will be accepted in districts’ Financial Information Database (FID) submissions.

Districts choosing to pay certain employees or employee groups still working during these closures a premium amount should separate and record these extra salary payments under Object Code 1790 – Other Special Payments (in addition to tracking these increased expenditures as outlined above).

Expenditures related to implementing distance learning in 2020-21 and beyond

Technology-Related Expenditures

Technology-related expenditures to purchase laptops, hotspots, etc. for student instruction should be coded to the appropriate Instruction Function Code. Expenditures benefiting multiple instructional functions should be estimated or prorated across those functions as practical.

Any district-level technology expenditures such as network/infrastructure upgrades and IT support staff necessary to implement these plans should be coded to Function 284 – Non-Instructional Technology Services.

The Object Code to be used for these expenditures is dependent upon supply vs. equipment classification. See Section II E.12 of the [Michigan Public School Accounting Manual](#) for additional guidance on this classification.

Non-Technology-Related Expenditures

All non-technology-related expenditures should generally be coded the same as in typical school year. For students using a non-technological delivery option for instruction, printing expenses and other materials (including postage/delivery of instructional materials, if applicable) should be coded to the appropriate Instruction Function Code. Expenditures benefiting multiple instructional functions should be estimated or prorated across those functions as practical.

(UPDATED) Accounting for food service-related revenues and expenditures

NEW (September 2021): All Grant Codes and additional information for new food service-related revenues have been published at

https://www.michigan.gov/documents/mde/Food_Service_Fund_Grant_Coding_SY_21-22_735506_7.pdf.

Districts currently serving meals to students via pickup, delivery, etc. are doing so under the Unanticipated School Closure Summer Food Service Program (SFSP). Additional resources and information on this program can be accessed [here](#).

Revenue/reimbursements received under SFSP should be coded to Major Class Code 414, Suffix Code 0110. Grant Code 858 should be used with all expenditures related to providing meals to students during these closures.

For districts with expenditures related to delivering meals to students and choosing to charge the Food Service Fund for those costs, Fund 25, Function 297 should be used (even if school buses are being used). Delivery expenditures charged to the Fund should be documented and recorded by Object Code as practical. If unable, charging a reasonable rate (daily, per-mile, per-meal, etc.) may be allowable.

NEW: Expenditures of Emergency Operations funding districts begin receiving in FY22 should be recorded under the existing Grant Codes pertaining to the type of funding – Grant Code 851 for SNP Meals, and Grant Code 853 for CACFP Meals.

NEW: Expenditures of Seamless Summer Option (SSO) Lunch funding districts begin receiving in FY22 should be recorded under the existing Grant Code 851. Accounting guidance has not yet been finalized for Breakfast, Snack, and Supper funding received through the SSO program.

Questions related to the new and existing school nutrition funding and accounting for these funds may be directed to the Office of Health and Nutrition Services' Fiscal Monitoring Team at MDE-Fiscal@michigan.gov.

Questions

Questions related to this guidance may be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.