

REMINDER TO DISTRICTS THAT PLEDGED THEIR AUGUST PAYMENT

Approximately **102** school districts participated in the Michigan Finance Authority's (MFA) State Aid Note (SAN) Program **2019 A-2** (no set-aside pool) and pledged 100% of their August **2020** school aid payment for the repayment of this obligation. If your district participated in this program, please remember that all or part of your August payment will not be deposited in your bank account. Rather, the note set-aside portion will be deposited with the MFA. Please send questions to **Melissa Lovegrove**, Michigan Finance Authority **517-241-4207** or lovegrovem@michigan.gov.

AUGUST PAYMENT INFORMATION

The August state school aid payment is the 11th and final payment of the year and reflects a cumulative 100% of the year's allocations for Sections 22a, 51c, and 22b as well as for the categorical funding.

Updated Categoricals - The following categorical were updated in the August payment although the updates may not have affected the allocation amounts for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultants identified below:

- Adult Education – Section 107 (Sandy Thelen, Workforce Development Agency, Adult Education, 517-373-3395, ThelenS@Michigan.gov)
- Renaissance Zones – Section 26a (Howard Heideman, Treasury, Revenue and Tax Analysis, 517-373-9002, HeidemanH@Michigan.gov)

11d SAF REVENUE SHORTFALL REDUCTION INFORMATION

A per-pupil reduction of \$175 per pupil will be applied to districts' August State Aid payments under the line item "11d – SAF REVENUE SHORTFALL REDUCTION". **This reduction applies to 2019-20 State Aid** and should be netted with the year's unrestricted foundation revenue under Major Class Code 311, Suffix Code 0010. ISDs are not subject to this reduction. 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" categorical **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. Questions may be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.

11p CORONAVIRUS RELIEF FUNDS INFORMATION

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). Districts must comply with the federal requirements, including that CRF may only be used to cover costs that were not accounted for in the most recently approved budget as of March 27, 2020.

The expenditure period of CRF funds is March 1, 2020 – December 30, 2020. 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**. Details regarding eligible expenditures, grant-specific reporting requirements, and other information is available in [separate program guidance](#). [Certification and reporting forms](#) will be available on or about September 1, 2020.

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 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.

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

103(2) DISTRICT COVID COSTS INFORMATION

In July 2020 State School Aid payments, districts began receiving a new allowance line item called "103(2) - DISTRICT COVID COSTS" equating to \$12.3198955328 per pupil in membership. This categorical was updated using final membership numbers in August 2020 payments, so districts may see a small adjustment this month. 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).

The expenditure period of CRF funds is March 1, 2020 – December 30, 2020. 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**. Details regarding eligible expenditures, grant-specific reporting requirements, and other information is available in [separate program guidance](#). [Certification and reporting forms](#) will be available on or about September 1, 2020.

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.

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

UPDATED FINANCIAL ACCOUNTING GUIDANCE DURING THE COVID-19 PANDEMIC

[Financial Accounting Guidance During the COVID-19 Pandemic](#) was recently updated with new information on the proper accounting and revenue recognition criteria of Elementary and Secondary School Emergency Relief (ESSER) funds and Coronavirus Relief Funds (CRF). This publication will continue to be updated frequently as MDE receives additional questions from districts and information regarding state and federal financial reporting requirements. Questions regarding this item may be directed to Christopher May at 517-335-1263 or MayC@michigan.gov.

SECTION 147e REMINDER

Included with your August State School Aid payment is the final reimbursement for the 2019-20 school fiscal year increased retirement costs due to the passage of Public Act 92 of 2017. The state's reimbursement consists of the 4-percent employer contribution for participants in the Defined Contribution (DC) plan, and the difference between Pension Plus and Pension Plus 2 employer normal cost contributions (3.13 percent). As a reminder, Section 147e revenue should be accounted for similarly to Section 147a. This is additional revenue for your district to offset its own costs related to employees enrolled in certain MPSERS plans. Therefore, no repayment to ORS is involved, and similar to other Section 147 subsections, the grant code is optional when recording expenditures related to these funds.

Questions on Section 147e and calculated payment amounts may be directed to the ORS Employer Reporting Unit at ORS_Web_Reporting@michigan.gov. Questions on the accounting of these funds may be directed to Christopher May at MayC@michigan.gov or 517-335-1263.

FINANCIAL INFORMATION DATABASE (FID) REMINDER

All districts are required to electronically submit financial data to the Financial Information Database (FID) by November 1, 2020. Failure to submit FID data consistent with audited financial statements by November 1st will result in the withholding of the November and subsequent state school aid payments (MCL 388.1618(10)). **The FID application will open for district submissions on September 22, 2020.** Questions related to financial accounting and reporting may be directed to Christopher May at 517-335-1263 or MayC@Michigan.gov. Questions related to accessing the system or submission of data to the FID may be directed to CEPI Customer support at CEPI@michigan.gov or 517-335-0505.

FY 2020 STATE SCHOOL AID REVENUE RECOGNITION

State school aid revenue reported in the 2019-2020 Financial Information Database (FID) should be consistent with amounts shown on districts' August 2020 State Aid Financial Status Reports. Minor differences may occur as the result of accounts payable and receivable. Care should be taken to record the revenues in the appropriate fund, major class codes, and suffix codes as indicated in the [Accounting for State School Aid Revenues](#) document. Unearned Revenue such as any restricted state grant funds (i.e., At-Risk, Adult Education, Math/Science) received and remaining unspent at year end should be recorded in the financial statements as unearned revenue (balance sheet major class code 471) rather than as a reserve of fund balance. This does not apply to funds that are awarded without restriction as to use. Questions related to revenue recognition and financial accounting may be directed to Christopher May at 517-335-1263 or MayC@Michigan.gov.

BUDGET TRANSPARENCY REMINDER

Budgets and subsequent amendments for 2020-21 must be posted to your Budget Transparency page within 15 days of board approval. All districts should have their initial 2020-21 budget posted. Budgets and amendments must be detailed at the function level. They must also include beginning and ending fund balances. Questions related to Budget Transparency may be directed to Chad Urchike at UrchikeC1@Michigan.gov or 517-335-1261.

PRELIMINARY HEADCOUNT REPORT

Districts in their first or second year of operation, or districts that have added a grade for the first time, are required to report their headcounts for a day during the week of September 7-11, for use during the October state aid payment. Please use this [form](#) to submit head counts. Headcount data must be submitted by Friday, September 21, 2020.

DEFICIT DISTRICT INFORMATION

Districts projecting a negative general fund balance as of June 30, 2020 or districts adopting a deficit budget for 2020-21 are required to submit a Deficit Elimination Plan (DEP) to the Department. The DEP template is available on our [website](#). Questions may be directed to Chad Urchike at 517-335-1261 or UrchikeC1@Michigan.gov.

TAXABLE VALUE SYSTEM UPDATES

The online taxable valuation collection system is available for county treasurers to input tax year 2020 values for calculating FY 2021 State School Aid. These values are due by September 1, 2020. Please encourage your treasurer to report these values if they have not already done so. Taxable Value data can be viewed [here](#). To view your data, click on "Public Access" and then choose your district code and the applicable tax year from the drop down menu. Questions should be directed to Phil Boone at 517-335-4059 or BooneP2@Michigan.gov, or Jeff Kolb at 517-241- 2207 or KolbJ2@michigan.gov

IMPORTANT DATES TO REMEMBER

- **October 20, 2020** is the date of the annual **MDE/MSBO Fall Workshop**. This year's conference will be held virtually. Visit MSBO.org for more details.

- **Wednesday, October 7, 2020** is the **pupil membership count day** for 2020-2021 and the second adult education participant count day of the year. (Brian Ciloski, 517-373-3352, CiloskiB@Michigan.gov)
- The SE-4096 Special Education Cost Report for FY 2020 is due on Wednesday, **September 30, 2020**. (Sean McLaughlin, 517-241-7123, McLaughlinS@michigan.gov; or JL Purves, 517-241-7081, PurvesJ@michigan.gov)
- The SE-4094 Special Education Transportation Expenditure Report for FY 2020 is due on Wednesday, **October 7, 2020**. (Sean McLaughlin, 517-241-7123, McLaughlinS@michigan.gov; or JL Purves, 517-241-7081, PurvesJ@michigan.gov)
- The October 20, 2020 state school aid payment is the first payment of FY 2021. There is no September school aid payment.
- **November 1** is the deadline for local districts (including PSAs) to file their **2019-2020 financial audit report** with their ISD. Both the **financial and pupil accounting audit reports** are due electronically to the Department on **November 1**. Financial audit reports shall be submitted via the email address MDE-FinAudit@michigan.gov. Failure to file these reports will result in the withholding of state aid. Beginning August 1, 2020, the link to school district audits will no longer be available on the MDE website. If you are looking for school district financial statement audits, visit the district website or contact the district for the requested information. (Caitlin Hengesbach, 517-335-6858, HengesbachC2@michigan.gov)
- The **FY 2020 FID – Annual Comprehensive Financial Report** is due from local and intermediate districts to CEPI by **November 1** (see related item above). Failure to file this report will result in the withholding of state aid. (Christopher May, 517-335-1263, MayC@Michigan.gov)
- The **DS-4168, Days and Clock Hours Report** for 2019-20 was due **August 1, 2020**.
- August Section 23a claims may be submitted in the 2019-20 SRM or 2020-21 SRM. The 2019-20 SRM Collection is open until **September 10, 2020 at 11:59 p.m. EDT**. The 2020-21 SRM opens 9/28/20.
- **Proration factors:** Section 31a – At Risk funding per pupil proration is 78.69094743%.
- Section 22d(4) Isolated District funds are being paid at a rate of \$51.6525180156 per pupil.
- Section 152a Headlee Obligation for Data Collection funds are being paid at a rate of \$25.7801991368 per pupil.

Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or Phil Boone, Assistant Director, Office of Financial Management, MDE, cell phone: 517-899-0796, fax: 517-241-0196, e-mail: BooneP2@Michigan.gov.
