

School Finance & Reporting Updates

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- Financial Accounting Standards
- FID & Audit Submission
- Common Reporting Issues
- GASB #84 – Fiduciary Activities
- ESSA School-Level Expenditure Reporting

Financial Accounting Standards

- ▶ Michigan Public School Accounting Manual (Bulletin 1022)
 - ▶ Sections including State/Federal Requirements, Accounting Issues, Coding Structure, Budget Prep, etc.
 - ▶ Appendix containing all Balance Sheet, Revenue, and Expenditure account codes
- ▶ Modeled after federal equivalent
 - ▶ Financial Accounting for Local and State School Systems
- ▶ Updated frequently to conform with Governmental Accounting Standards Board (GASB) pronouncements and establishes generally accepted accounting principles for Michigan's school districts
- ▶ Required to be used for both recording transactions and reporting financial data by the Revised School Code and Administrative Rule

Financial Information Database (FID)

- ▶ Web-based submission of financial data files (generated from your accounting system)
- ▶ Due November 1st each year (by midnight)
 - ▶ November State Aid withholding if late
- ▶ Must be consistent with audited financial statements
 - ▶ State Aid withholding for unresolved, material inconsistencies
- ▶ FID data is used for State and Federal reporting and drives legislative priorities and funding levels in future years

Audited Financial Statements

- ▶ Emailed submission to MDE of completed audit (PDF)
- ▶ Also due November 1st each year
 - ▶ Like FID, State Aid withholding for late/inconsistent submissions
- ▶ Audits take time – plan ahead and begin early!
 - ▶ Ideally, audit should be completed before FID is submitted

FID Best Practices

- ▶ Maintain up-to-date copy of Michigan Public School Accounting Manual
 - ▶ Change Notices published on MDE website (usually two per year)
 - ▶ New and revised codes/allowability affect your reporting!
- ▶ Similar to audit, start early
 - ▶ FID opens Tuesday after Labor Day each year
 - ▶ Files can be uploaded any time without submitting – opportunity to check files early for errors and other coding issues
- ▶ Before final submission, thoroughly review for consistency and reasonability

FID & Audit Accuracy Checks

- ▶ Total General Fund Balance
- ▶ Federal Revenue
 - ▶ Including USDA Entitlement & Bonus Commodities
- ▶ Net Pension Liability, OPEB Liability
- ▶ State Aid Revenues
 - ▶ Unrestricted, Restricted Special Education, Restricted Vocational Education
- ▶ Average Teacher Salary
 - ▶ PY to CY change, reasonability
 - ▶ Highly sought after by community, press, and researchers

Common Reporting Issues

- ▶ FID and/or Audit not submitted by November 1st or not acceptable (materially inconsistent, not in compliance with governmental accounting/auditing standards or Michigan requirements, etc.)
 - ▶ Automatic withholding of November and following State School Aid payments
 - ▶ Cash flow/payroll issues
 - ▶ State Aid forfeiture if not submitted/corrected by end of fiscal year
- ▶ Prior Year Adjustments not coded correctly
 - ▶ Most adjustments of State Aid revenue should be netted with current year revenue under same coding combination
 - ▶ Exception: Not enough current year revenue to offset the negative adjustment

Common Reporting Issues (cont.)

- ▶ Misclassified State or Federal revenue on FID, audit, or both
 - ▶ Inconsistencies/inaccuracies may require restatement of audit (\$\$\$)
 - ▶ Ensure proper usage of Grant Codes to distinguish between funding sources
 - ▶ Take time before submitting FID & audit to double check consistency
- ▶ Inaccurate Average Teacher Salary reporting
 - ▶ Automatically calculated using FID (salary expenditure) and REP (teacher FTE) data
 - ▶ Miscoded expenditures or teacher staffing data will skew average salary calculation
 - ▶ FID displays preview of average that MDE will publish – highly sought after by media, community, researchers, etc.

Common Reporting Issues (cont.)

- ▶ Over-expended budget
 - ▶ Expenditures reported in FID in excess of those budgeted for (final amendment of the year) is a violation of the Uniform Budgeting and Accounting Act (UBAA)
 - ▶ Complete and adopt final budget amendment before books close and best estimates of revenue and expenditure totals are available
- ▶ Deficit budgets are prohibited under UBAA and the Revised School Code
 - ▶ Fund balance deficits result in additional State reporting requirements
 - ▶ Does not apply to operational deficits (using **some** fund balance in a given year to cover expenditures exceeding revenues)

GASB Statement #84 – Fiduciary Activities

- ▶ 2019-20 implementation for school districts
- ▶ Objective is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes
 - ▶ Other governmental entities have typically handled fiduciary activities differently, school districts have been outliers
- ▶ For most school districts, this will impact how you report student activity funds, depending on your level of administrative involvement/control over them
- ▶ **See Section II E.18 of the Michigan Public School Accounting Manual for full GASB #84 Supplemental Guidance**

Supplemental Guidance from 1022

- ▶ Introduction/Summary
- ▶ Considerations When Classifying Funds
- ▶ **Legal Considerations**
- ▶ Accounting Changes
- ▶ Accounting Guidance
- ▶ **Budgeting Considerations**
- ▶ Changes Affecting Audited Financial Statements
- ▶ Examples

How This Affects School Districts

- ▶ Many school districts exercise administrative control (or at least have the ability to) over student/school activity funds
 - ▶ This means these funds do not meet the criteria of Fiduciary Funds under GASB #84 and must be moved/reclassified to governmental funds
 - ▶ General Fund or new Special Revenue Fund
- ▶ Private Purpose Trust Funds (most often scholarships) – must have **legally separate trust** established to be considered fiduciary
- ▶ Additional FID and Audit reporting (regardless of classification)
- ▶ Budgeting of activity funds being moved to a governmental fund
- ▶ Legal considerations

Legal Considerations

- ▶ Prohibited uses of school district, ISD, PSA funds
 - ▶ Section 380.1814 – Revised School Code
- ▶ Many custodial funds previously considered Agency Funds will now become part of governmental funds and subject to above restrictions
- ▶ Work closely with legal counsel to ensure allowability of expenditures new to governmental funds

Budgeting Considerations

- ▶ Activity previously kept in Agency Funds being moved to a governmental fund will now be subject to budgeting requirements of the Uniform Budgeting and Accounting Act (UBAA)
- ▶ Single revenue, expenditure, and balance sheet entries may be used for budgeting all student/school activities in a given fund
 - ▶ Not necessary to report details for every individual student/school activity
- ▶ A district may choose to use prior year inflow and outflow totals (or other trend data) for initial budgeting purposes

GASB #84 – In Summary

- ▶ Administrative control over what are currently your Agency Funds will play the most significant role in determining whether an activity should be reported in a fiduciary fund or a governmental fund
 - ▶ Even if administrative control is not currently being exercised, would the district have the **ability** to intervene in the event of misspent funds or other questionable activity?
 - ▶ If any aspect of control or administrative involvement – governmental fund
- ▶ Discuss your student activity funds with principals, staff advisors, etc. to help determine proper classification under GASB #84
- ▶ Discuss details with your auditor
- ▶ Review Section II E.18 of the Michigan Public School Accounting Manual

ESSA School-Level Reporting

Required on State and LEA ESSA Report Cards:

The per-pupil expenditures of Federal, State, and local funds, including actual personnel and actual nonpersonnel expenditures of Federal, State, and local funds disaggregated by source of funds, for each local education agency **and each school** in the State for the preceding fiscal year.

ESSA School-Level Reporting Timeline

- ▶ **December 2015** - ESSA signed with 2017-18 implementation date
- ▶ **January 2017** - USED issues regulations (CFR) & non-regulatory guidance for State and Local report cards (incl. per-pupil expenditure reporting)
- ▶ **March 2017** - Non-regulatory guidance repealed as a result of a Congressional Review Act (CRA) action
 - ▶ Old regulations still online, no longer valid

ESSA School-Level Reporting Timeline

- ▶ **2017 - Present** – Financial Transparency Working Group (FITWIG) grows to over 40 states to interpret and implement solutions in response to ESSA requirements
- ▶ **June 2017** – USED issues “Dear Colleague” letter allowing states to delay implementation of school-level expenditure reporting to 2018-19
 - ▶ Michigan is taking advantage of this extra time
- ▶ **Early 2018** – Interstate Financial Reporting (IFR) guidelines published by Georgetown University after FITWIG collaboration
- ▶ **Early 2019** – New USED guidance issued, States given significant flexibility in most areas of implementation

School-Level Reporting Example

	Elementary School	High School	Middle School
Enrollment	279.00	759.79	471.07
Site-Level Federal Expenditures Per-Pupil	\$212.90	\$308.20	\$3.71
Site-Level State/Local Expenditures Per-Pupil	\$7,495.85	\$6,069.32	\$6,917.08
Total Site-Level Expenditures Per-Pupil	\$7,708.74	\$6,377.52	\$6,920.79
Central-Level Federal Expenditures Per-Pupil	\$396.93	\$396.93	\$396.93
Central-Level State/Local Expenditures Per-Pupil	\$2,537.50	\$2,537.50	\$2,537.50
Total Central-Level Expenditures Per-Pupil	\$2,934.44	\$2,934.44	\$2,934.44
Total Expenditures Per-Pupil	\$10,643.18	\$9,311.95	\$9,855.22

Excluded Expenditures	Preschool Instruction Expenditures	Nonpublic Expenditures	Other Schools Expenditures
\$1,283,254.94		\$358,280.85	

Calculation Methodology

- ▶ Enrollment: Fall FTE
- ▶ Site-Level Expenditures: Expenditures reported with a building code
 - ▶ Function 1xx & 24x at minimum, other Functions encouraged!
 - ▶ **NEW: Preschool Instruction expenditures will also be separately excluded**
- ▶ Central-Level Expenditures: Expenditures reported without a building code
- ▶ Total School Expenditures: **(Site-Level + Central-Level) / Enrollment**
 - ▶ This figure should be used for comparisons
- ▶ Exclusions (Adult Education, Capital Outlay, Community Services, etc.)

Additional Calculation Information

- ▶ Federal & State/Local Disaggregation
 - ▶ Federal: Grant Codes 400-899
 - ▶ State/Local: All remaining expenditures
- ▶ Shared time and other expenditures outside district
 - ▶ FID will allow usage of nonpublic building codes
 - ▶ Report card will have separate exclusion for expenditures coded to “Other Schools Outside of District (since there will be no corresponding Enrollment figures for those expenditures)

Upcoming Review Opportunities

- ▶ Calculation methodology applied to 2017-18 data (final) and sample data emailed to superintendents and FID users.
 - ▶ For internal use only, this data will not be publicly posted and no changes are permitted.
 - ▶ Intended to help districts identify coding issues in accounting systems and fix prior to beginning 2018-19 reporting
- ▶ New system report in FID allowing districts to generate school-level data file with calculation methodology applied.
 - ▶ Available once FID files are uploaded (even before submission)
 - ▶ Intended to identify remaining issues since Spring 2019 sample and fix prior to final submission.

Spring
2019

Fall
2019

What to Look For

District Code									
Values									
Sum of A-Building FTE (ENROLLMENT)	394	645	31	1668.53	537	829.88	25.5	521.26	532
Sum of B-Building Federal Per Pupil	1191.17	564.08	2237.61	567.74		795.6		1028.03	654.88
Sum of C-Building Other Per Pupil	16709.98	6128.01	6850.32	6210.19		6039.58	18603.6	6600.11	5866.45
Sum of D-Site Level Total Per Pupil	17901.16	6692.08	9087.93	6777.93		6835.18	18603.6	7628.14	6521.33
Sum of E-District Central Federal Per Pupil	279.92	279.92	279.92	279.92	279.92	279.92	279.92	279.92	279.92
Sum of F-District Central Other Per Pupil	1866.71	1866.71	1866.71	1866.71	1866.71	1866.71	1866.71	1866.71	1866.71
Sum of G-Central Expenditures Per Pupil	2146.62	2146.62	2146.62	2146.62	2146.62	2146.62	2146.62	2146.62	2146.62
Sum of H-Total School Expenditures Per Pupil	20047.78	8838.71	11234.55	8924.55	2146.62	8981.81	20750.22	9774.76	8667.95

Recommendations

- ▶ Ensure your Superintendent, Board, and other district leadership are aware of this new data that will be visible to the public in early 2020.
- ▶ Increase usage of building codes (where practical) in other Support Services functions
 - ▶ Anything remaining at district-level (00000) will be distributed among all buildings based on Fall FTE
- ▶ Ensure correct Grant Codes are being used accurately for Federal vs. State/Local disaggregation
- ▶ Be prepared to answer questions about spending “inequity”
 - ▶ Is district prepared to justify expenditure differences and tell its story?

Additional Resources

- ▶ ESSA School-Level Financial Reporting webpage
 - ▶ <https://www.michigan.gov/mde/0,4615,7-140-6605-471058--,00.html>
 - ▶ Two MDE memos detailing school-level requirement, Michigan's approach to compliance, and upcoming review opportunities
 - ▶ Calculation methodology
 - ▶ Additional information, guidance, FAQs, etc. will be posted here
- ▶ Interstate Financial Reporting
 - ▶ <https://edunomicslab.org/interstate-financial-reporting/>



Questions?



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