

# Office of School Financial Services Updates



**Letitia Johnson**

Office of School Financial Services, Bureau Director

[mdek12.org](https://mdek12.org)



MISSISSIPPI  
DEPARTMENT OF  
EDUCATION

Date: July 10, 2023



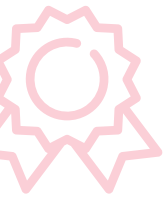
## VISION

To create a world-class educational system that gives students the knowledge and skills to be successful in college and the workforce, and to flourish as parents and citizens



## MISSION

To provide leadership through the development of policy and accountability systems so that all students are prepared to compete in the global community



1

**ALL** Students Proficient and Showing Growth in All Assessed Areas



2

**EVERY** Student Graduates from High School and is Ready for College and Career



3

**EVERY** Child Has Access to a High-Quality Early Childhood Program

**EVERY** School Has Effective Teachers and Leaders

4



**EVERY** Community Effectively Uses a World-Class Data System to Improve Student Outcomes

5



**EVERY** School and District is Rated “C” or Higher

6



A photograph of a classroom with a white circular overlay in the center. The overlay contains the text 'Financial Services Legislative Updates'. The background shows a teacher sitting at a desk on the left and students sitting at desks on the right, looking towards the front of the room. The walls are decorated with educational posters and a whiteboard is visible on the right.

# Financial Services Legislative Updates



## Senate Bill 2615

- W-2 contract personnel who work at least 130 hours per month are eligible to purchase insurance under the base coverage of the State and School Employees' Health Insurance Plan

## Senate Bill 2749

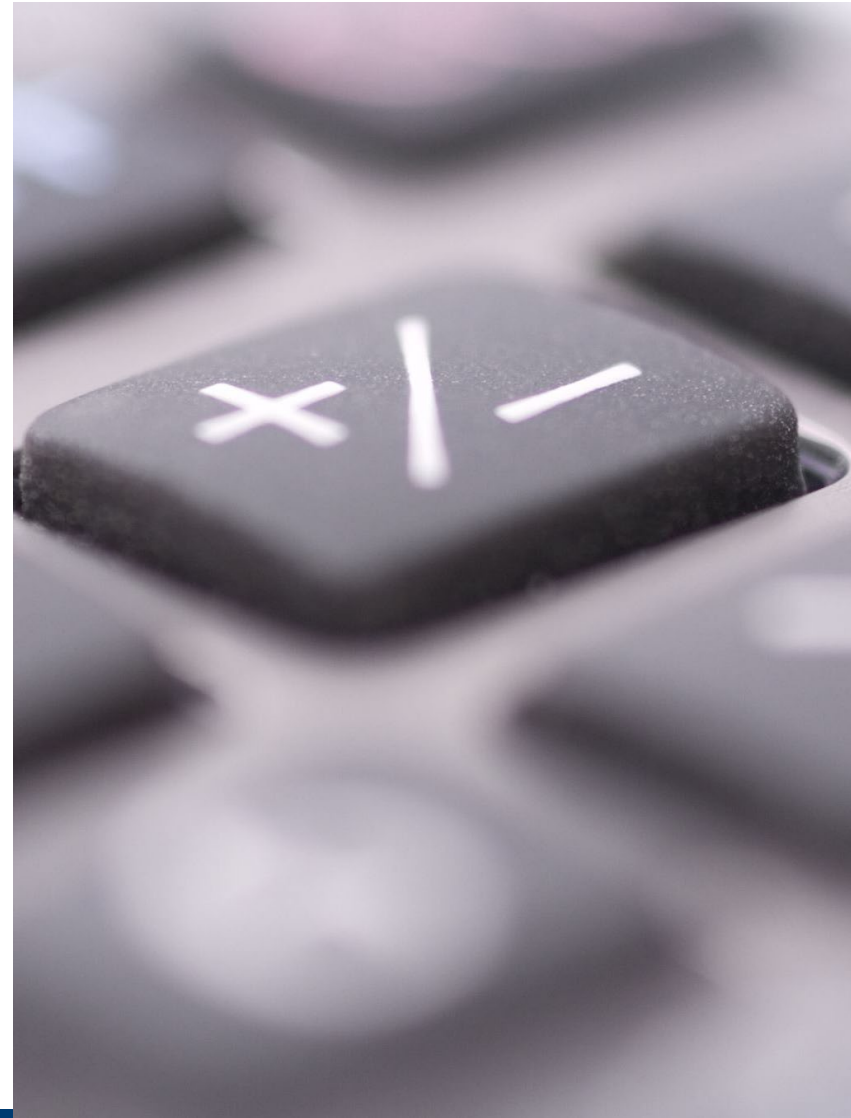
- School board members will receive a pay increase between \$4,000 and \$6,000 depending on the student enrollment of the district

## House Bill 1613

- \$240M appropriated for the second year for the FY23 teacher pay raise as separate funding
- \$100M distributed to public school districts and charter schools based on average daily enrollment. This is separate funding from MAEP. These funds **may not** be used for administrative increases

## Financial Services Legislative Updates (continued)

- MAEP (10.31% below full funding request )  
\$2,399,937,945
- Chickasaw Cession \$16,945,631
- EEF Buildings and Buses \$16,000,000
- Master Teacher Program \$22,380,000
- Teacher Pay Increase \$240,397,960
- Average Daily Enrollment \$100,000,000







## Financial Services Legislative Updates (continued)

Base Student Cost  
(BSC)

\$6,062.50

## At Risk Funding

- FY22 MAEP and FY23 MAEP calculations included at risk funding based on 100% free lunch counts per USDA guidance. Month 1 enrollment was used to calculate funding amount
- FY24 MAEP calculation includes at risk funding based on free lunch counts entered via MSIS by the districts. This was the method used before COVID-19 and USDA guidance



## Senate Bill 1173

- EEF Teacher Procurement Card Program appropriated \$25,000,000 for FY24
- Charter school teachers may receive EEF cards
- Program Cards should be issued to teachers no later than August 01
- EEF Card allocation amount for each eligible teacher will be \$672 compared to \$743 for FY23
- FY24 cards were shipped to the districts June 26, 2023; however, the manifest has not been sent
- FY23 EEF cards with remaining balances will be shipped to the districts in September 2023 with the second order of EEF cards for FY24. If a teacher employed in FY23 retired or did not return to the district for FY24, the district will need to complete the deactivation form to deactivate card

FY24 EEF Card Manifest Sample Template

District Code	Card Name	Last Four Digits	SD Name	Address	City	State	Zip	Credit Line
7000	ACCT 70000001,SUPPLY	1578	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000002,SUPPLY	1586	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000003,SUPPLY	1594	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000004,SUPPLY	1602	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000005,SUPPLY	1610	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000006,SUPPLY	1628	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000007,SUPPLY	1636	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000008,SUPPLY	1644	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000009,SUPPLY	1651	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000010,SUPPLY	1669	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000011,SUPPLY	1677	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000012,SUPPLY	1685	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000013,SUPPLY	1693	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000014,SUPPLY	1701	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000015,SUPPLY	1719	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000016,SUPPLY	1727	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000017,SUPPLY	1735	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000018,SUPPLY	1743	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000019,SUPPLY	1750	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000020,SUPPLY	1768	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000021,SUPPLY	1776	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000022,SUPPLY	1784	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000023,SUPPLY	1792	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000024,SUPPLY	1800	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000025,SUPPLY	1818	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000026,SUPPLY	1826	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000027,SUPPLY	1834	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000028,SUPPLY	1842	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000029,SUPPLY	1859	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000030,SUPPLY	1867	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672
7000	ACCT 70000031,SUPPLY	1875	FOUNDERS SCHL DIST	532 BARBIE ST	JOY	MS	39411	672

Example EEF Card:

Last Four Digits:



Card Name:

## Educational Revolving Loan Fund Program

- Payments to districts are processed upon the receipt of final agreements from the program administrator of funds. Instructions were sent in May 2023 regarding the process for obtaining new vendor id number for payments

## FY2024 Original Budget

- MS Code Section 37-61-9, budget should be approved by August 15

## Grandfathered Business Managers

- Annual training hours form due in SharePoint on or before July 15

## Annual Revenue Report

- Accruals for FY2023 should be posted by July 14
- Revenue reports for FY2023 will be placed into the district SharePoint folders in August
- Revenue Verification form due by October 15 (certifies that the district has reviewed the Year End Revenue Report)

## Annual Report of Tax Revenue

- A school district is required to file the annual report with Department of Revenue within 90 days of the close of the fiscal year (September 28)
- Form can be located on the OSFS website under forms

### MSIS Annual Update of District Information

- Review board member information for accuracy
- Update the district pay scale – This information will be used in the MAEP calculation
- Roll employee data – Ensure there are no \$0 salaries
- Update the district building information
- Enter square footage of all buildings in the district
- All personnel information must be input by December 06, 2023, by 12 noon

### EEF Procurement Cards Monitoring

- FY23 Program Cards Monitoring ongoing, respond to OSFS staff emails timely
- Maintain receipts along with lesson plans, if applicable, for five years
- Submit tax exemption letter for sales tax exemption
- Furniture is not allowable
- Send an email to [financialservices@mdek12.org](mailto:financialservices@mdek12.org) requesting EEF card activations after you have reconciled to the manifest



## FY2025 MAEP Calculation

- FY2025 MAEP Preliminary estimate of Base Student Cost and formula calculation are complete
- Final calculation will occur following the submission of FY2023 FETS in October and FY2024 Personnel reports in December

## School Business Administrator (SBA) Course

- The Mississippi Department of Education(MDE) through the Request for Qualifications and evaluation process have selected Central Access Corporation as the vendor for the FY24-FY26 certification program to provide professional development to new school business administrators
- This program is a requirement for all business managers with a provisional three (3) year non-renewable license to obtain a standard five (5) year license

### Inordinately Large Number of Absences

- 37-151-103(3) and State Board Policy Rule 48.7 provides for an allowance in the Average Daily Attendance(ADA) in the MAEP formula when an “inordinately large” number of absences occur due to epidemic or natural disaster
- The district must notify the MDE (State Superintendent) in writing by December 1 of the decrease and the reason for the decrease
- MDE will then determine the percentage of ADA to Average Daily Membership(ADM) for the current year and compare that percentage to the last five years as reported into MSIS

### Extended School Year (ESY)

- Request for reimbursement should be submitted to OSE office by September 30, 2023
- After approval, amounts are provided to OSFS
- Reimbursements are made in November (50%), March (25%), and May (25%)
- For the 2021-22 program (paid in FY2023), reimbursements were made at 89.50%. The 2022-2023 program (paid in FY2024) is estimated to be funded at 89.69%

### Financial Exchange Transactions System (FETS)

- Sunday, October 15, 2023!!
- All state and federal reporting and the MAEP estimate will come from those numbers
- Please prepare to process as early as possible; this gives our office additional time for review. If errors are discovered the district may have time to correct and resubmit
- Check the warning messages carefully
- Violations of coding will not be allowed to process

- Accounting Manual updates are in process and will be sent via the business manager listserv and posted to the OSFS website once completed
- New business managers send request to be added to the business manager listserv to [ljohnson@mdek12.org](mailto:ljohnson@mdek12.org)
- FY24 CFPA-Function and Object Codes Mini TA Session held on June 16, 2023, documents will be updated. We are not asking you to make any changes to function and objects at this time

## ESSER Construction and Indirect Cost Calculation

- Construction-in Progress records construction costs of projects incurring costs, but not complete
- The cost is accumulated the same as Buildings cost or Improvements Other Than Buildings cost
- When the project is complete, the amount in Construction-in-Progress is moved to Buildings and/or Improvements Other Than Buildings
  
- Buildings and/or Improvements Other Than Buildings are recorded at acquisition cost, which includes:
  - Purchase price, contract price or job cost
  - Professional fees (architects, engineers, appraisers, attorneys, etc.)
  - Cost of permits and licenses connected with acquisition
  - Payment of damage claims connected with acquisition
  - Insurance premiums connected with acquisition
  - Other acquisition costs



- Construction cost that are considered construction in progress that are currently coded to the 300/400 object codes and will later be reclassified to the 700 object codes upon completion, should not be included in the indirect cost calculation request



## Introduction

Introducing guest user portal, this portal can be used to request access to various resources in SharePoint Online. For example, if you are a business manager and needs access to School Financial Services content in SharePoint Online. Another example could be, you are replacing the current business manager or SPED director or CTE director and needs access to the program office content in our SharePoint environment. By using guest User portal, not only you can request access to various resources, but you can raise tickets and report missing information not populating in request access form.

## Advantages

- No need to send emails to our Microsoft 365 MDE admin
- Reduction of tickets with Help Desk at MDE
- Automated process to self-service/request access to Program office document library such as Special Education, School Financial Services, CTE, SBAC, MIRC, Gifted Programs
- Reduction of errors, related to directory and user accounts, faced by guest users.

## How this works?

Getting access to Guest user portal works in 2 steps

Step 1: You are or need to be a registered guest user in our Microsoft 365 environment

Step 2: You need to be able to access site

<https://mdek12.sharepoint.com/sites/GuestUserPortal> and then you can fill up the various forms. Example: access request form

**In this document we will only cover step 1, the most important step.**

## Let us get started

Tip: We have tried our best to capture every click that is involved in the process to get access to guest user portal. Please follow along and read the instructions carefully. Each click is represented by a red box or a yellow pointer in the screenshots.

Please try to navigate to the URL <https://mdek12.sharepoint.com/sites/GuestUserPortal> and sign in with your work email and password.



## Step 2: How to request access to your Program Office data

This guide is a step-by-step instruction book for end users

02 Jul 2021

- To register for access to SharePoint, email [ljohnson@mdek12.org](mailto:ljohnson@mdek12.org) for instructions for registering
- Go to School Financial Services navigator [School Financial Services Navigator - Home \(sharepoint.com\)](https://sharepoint.com)
- Once you have successfully completed the registration process, I will receive an email to approve the request
- If a business manager or employee retires or leaves the district, the district will need to remove the employee access

## July

- 06 National Board Process Cost Fee/Moving Expense Reimbursement \*
- 12 Request for Funds

## August

- 01 FY2024 EEF Procurement Cards issued to teachers
- 03 FY2023 Request for Funds – Use Fiscal Information as of 06/30/2023
- 07 National Board Process Cost Fee/Moving Expense Reimbursement \*
- 14 Request for Funds
- 15 Budget Certification Form \*
- 15 Original Budget FY2024 (combined and combining-**signed**) \*
- 28 EEF Procurement Card FY2024 Final Count

\* Upload to the district SharePoint folder

## September

- 06 National Board Process Cost Fee/Moving Expense Reimbursement \*
- 12 Request for Funds
- 28 Annual Report of Tax Revenue (Department of Revenue)

## October

- 01 Ad Valorem Tax Request Worksheet \*
- 05 National Board Process Cost Fee/Moving Expense Reimbursement \*
- 12 Request for Funds

\* Upload to the district SharePoint folder

## October

- 15 Financial Exchange Transaction System (FETS) Data
- 15 FETS - Revenue Verification Form (Funds distributed through the state) \*
- 15 Fund Balance Report for Fund 1120 from the school district accounting software \*
- 15 Cash Flow Report for Fund 1120 \*
- 15 Amended Budget FY2023 (combined & combining-**signed**) \*
- 15 Master Teacher Certification input into MSIS for full salary supplement
- 15 FETS - Revenue Reconciliation Report (excel spreadsheet provided to district auditor)

\* Upload to the district SharePoint folder

## October

- 15 Financial Exchange Transaction System (FETS) Data
- 15 FETS - Revenue Verification Form (Funds distributed through the state) \*
- 15 Fund Balance Report for Fund 1120 from the school district accounting software \*
- 15 Cash Flow Report for Fund 1120 \*
- 15 Amended Budget FY2022 (combined & combining-**signed**) \*
- 15 Master Teacher Certification input into MSIS for full salary supplement
- 15 FETS - Revenue Reconciliation Report (excel spreadsheet provided to district auditor)

\* Upload to the district SharePoint folder



# School Payment Dates 2023-2024

<b>2023-2024 Request for Funds Deadline</b>	<b>Transfer Date</b>
July 12, 2023	July 27, 2023
August 14, 2023	August 29, 2023
September 12, 2023	September 27, 2023
October 12, 2023	October 27, 2023
November 13, 2023	November 28, 2023
December 6, 2023	December 15, 2023
January 12, 2024	January 29, 2024
February 12, 2024	February 27, 2024
March 12, 2024	March 27, 2024
April 12, 2024	April 26, 2024
May 13, 2024	May 29, 2024
June 12, 2024	June 26, 2024



# OGM & OFP Updates

---



MISSISSIPPI  
DEPARTMENT OF  
EDUCATION



# OSA Single Audit

---

ESSER Testing

The State Auditor's Office is currently reviewing ESSER programs. They are testing allowable expenditures and have requested that the MDE collect the following items from a sample of LEAs:

- Expenditure/Budget Reports
- History Transaction Report including the:
  - Vendor Name
  - PO Number
  - Payment Amount



It is MDE understanding that once this information is received, the OSA will sample purchases to request supporting documentation.

- It will be important to ensure that the supporting documentation is complete and matches the selected test item.
- If the LEAs support is not sufficient, the MDE will receive a finding in our Single Audit report.
- OSA sampling includes an on-site fixed asset review.

# Request for Funds

---

Request submitted this month must be dated for June 30, 2023, or earlier.

- If you enter a date that is July 1 or beyond it will be returned.
- This ensures that the MDE posts the reimbursement in the proper year for our GAAP reporting.
- An email will be sent as a reminder.

# Important Deadlines

---





- “Obligation” means the date when the funds are committed for specific use (goods or services) via purchase order or contracts.
- **Closing Grants**
  - LEAs must obligate all remaining funds for the following grants by **September 30, 2023**:
    - FY21 CFPA
    - FY22 CFPA
    - ESSER II

- **Carryover**

- LEAs must obligate at least 85% of its FY23 Title I-A and Title V-B allocations

- **Waivers**

Waiver Status	Fiscal Year
Waiver Approved	FY22
Not Eligible for Waiver	FY23
Not Eligible for Waiver	FY24
Eligible to Apply for a Waiver	FY25

- To **liquidate** an obligation, the purchase item or service has occurred, and payment has been made to vendor or provider.
- **Closing Grants**
  - LEAs must **liquidate** the following grants by **December 30, 2023**:
    - **FY21 CFPA**
    - **FY22 CFPA**

- **ESSER II**

- USDE has the authority to approve liquidation extensions for **properly obligated funds** upon review of written requests made by SEA (2 CFR § 200.344(b)).
- If **approved**, grantees may have up to an additional 18 months to liquidate funds (March 2025).

- **FY21, FY22, FY23, and ESSER II**
  - To ensure LEAs can obligate funds appropriately by September 30, 2023, LEAs must submit revisions to OFP by **September 8, 2023.**
  - **Revisions require a completed revision form; form must be uploaded in the application prior to submitting to MDE**

- MDE will release a survey regarding the Tydings Waiver Request to USDE.
- Tydings Waiver Request will also be released for 15-day public comment.
- Survey and public comments are due by July 17, 2023.

- Tydings Waiver Requests
  - FY21 Title I, Part D (State Agencies)
  - FY21 Title IV-A (State Activities)
  - FY21 Title IV-B
  - FY22 ESEA Programs
    - Title I, Title II, Title IV, Title V, and McKinney Vento

- SEA will request a Tydings Waiver to extend the obligation and liquidation deadline (September 30, 2024, with liquidation deadline of December 30, 2024); however, obligation funds as if the Tydings Waiver is not in play.
- MDE will request a waiver from USDE to allow LEAs to request a carryover more than once every three years



# ESSER Monitoring

---



- **MDE Contract with FORVIS LLP**
  - All ESSER Programs will be monitored
  - Work will begin in the next few weeks to develop the project.
  - **ESSER will have its own Risk Assessment and monitoring tool**
  - **There will be training on the tools that are created**
  - **Onsite monitoring will be conducted by FORVIS**

# ESSER Construction

---

Construction-in-Progress



**Construction-in Progress** records construction costs of projects incurring costs, but not complete.

- The cost is accumulated the same as Buildings cost or Improvements Other Than Buildings cost.
- **When the project is complete, the amount in Construction-in-Progress is moved to Buildings and/or Improvements Other Than Buildings**
  - Expenditures are coded to the related object code (Ex. 300/400) and reclassified to object code 700's when complete. The indirect cost rate should not be applied to these expenditures as they are unallowable property expenditures.

# Budget Codes

---

- For the FY24 CFPA and any new funding applications moving forward, OFP is requiring consistent function and object codes.
  - For example, an interventionist who provides direct support to students must be coded in function 1280; object codes 100s and 200s for salaries and benefits or object code 300s for contractual services.
- OFP **will not** require revisions to function or object codes in previously approved applications.

- Required function and object codes reduces confusion from application to application and increases consistency in services provided.
- OFP is currently working with the Offices of School Financial Services, School Improvement, and Special Education to develop final draft for recommended function and object codes.

# GASB 96



- **What does GASB 96 do?**
  - Gives guidance on the accounting and financial reporting for ***Subscription Based Information Technology Arrangements (SBITAs)*** for government end users
- **Who does the guidance apply to?**
  - **All** public sector entities that follow Generally Accepted Accounting Principles(GAAP) when completing their financial statements; including state and local governments, school districts and public higher ed institutions
- **When does this go into effect?**
  - It is **required** for fiscal years beginning **after** July 01, 2022 (FY2023)

- There has been a growing trend to use these subscription-based services to deliver instruction, professional services, etc. in the cloud

- Limited previous guidance on the recording/treatment of these subscription-based services

- Provides consistent and comparable treatment of these services

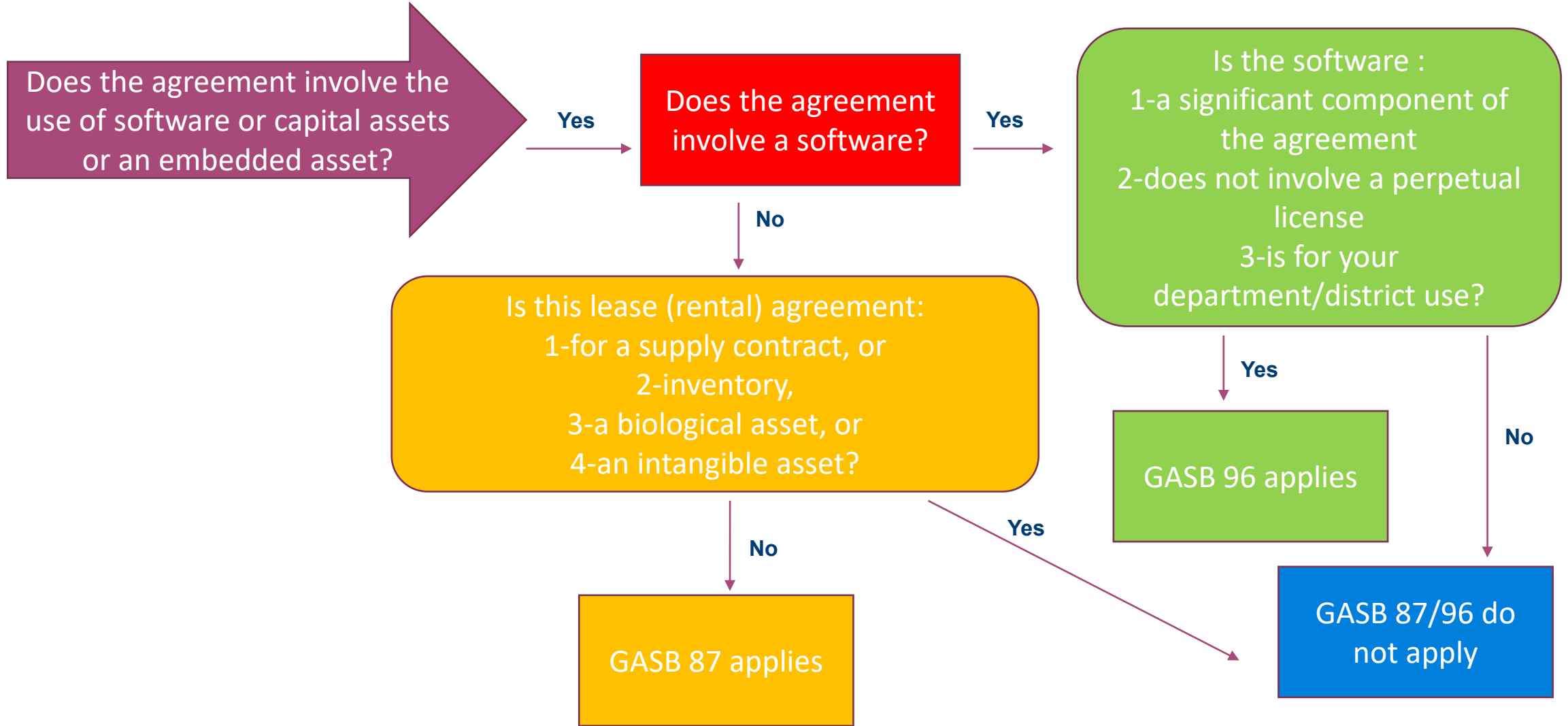


Subscription Based Information Technology Arrangement (SBITA) is defined as:

“a contract that conveys control to the right-to-use another party’s (a SBITA vendor) information technology software, alone or in combination with a tangible capital assets(underlying IT assets), as specified in a contract for a **period of time** in an exchange or exchange-like transaction”

- can be used alone or in combination with underlying IT assets
- for any period of time that is longer than twelve(12) months\*

\*SBITAs for a maximum of 12 months or less (including any renewal or extension options regardless of whether the entity is reasonably certain to exercise these options) are considered short term and do not require recognition as a subscription asset or liability





Outlook





- Contracts that **solely** are for maintenance, support, or training of IT services
- Contracts that meet the definition of a lease under GASB 87
- Short term SBITAs with a maximum possible term of twelve months or less including extension options regardless of certainty
- Software that your department will own or has a perpetual license agreement

- To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has both:
  - a. The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.
  - b. The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

- Begins at the time that the entity has a noncancellable right to use the underlying IT assets
- Include periods covered by an option to extend (if it is reasonably certain that the option will be exercised by either the governmental entity or the SBITA)
- Includes periods covered by an option to terminate (if it is reasonably certain that the entity or SBITA will **not** exercise the option)



- Analyze software agreements to identify potential SBITA's
- Document the district's determination of SBITA's
- Determine the length of the subscription liability
- Calculate the subscription liability
- Calculate the subscription asset
- Capitalization of other outlays
- Amortization



## Preliminary Project Stage

- Determine existence of needed technology
- Formulate and evaluate vendors, pricing, and other alternatives

Expense as incurred



## Initial Implementation Stage

- Design
- Configuration
- Testing
- Data Migration
- Installation

Capitalized as part of subscription asset



## Operation and Additional Implementation Stage

- Train Users
- Troubleshooting
- Maintain Software

Expensed as incurred unless they meet specific capitalizations criteria

A government entity should disclose the following information about its SBITAs (which may be grouped for purposes of disclosure) in notes to financial statements:

1. A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined
2. The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets
3. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability

4. The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability
5. Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter
6. Commitments under SBITAs before the commencement of the subscription term
7. The components of any loss associated with an impairment

At the commencement of the subscription term, a government should recognize:

- A subscription liability and
- An intangible right to use asset

A government that incurs additional outlays related to an existing subscription but result in either of the following should be capitalized as an addition to existing asset:

- An increase in the functionality of the subscription asset
- OR
- An increase in the efficiency of the subscription asset

Founder School District uses Drops to maintains its financial accounting records. Founder recognizes its contract with Drops as a SBITA due to the following facts:

1. The agreement does not meet the definition of a lease under GASB 87
2. The agreement provides the school district the use and control of an instance of the financial accounting software in an exchange-like transaction
3. The agreement has a defined, finite, non-cancelable subscription term of three years

**Preliminary project stage costs** – Founder hired an outside consultant to assist with the selection and evaluation of the financial reporting software. They incurred fees of \$500 paid to the consultant during the evaluation process.

**Initial implementation stage costs** – During the initial implementation stage, the school district needed to migrate data from their existing financial accounting system into their new financial accounting system. The data migration cost the school district \$3,000 and was paid directly to the vendor.

**Operation and additional implementation stage costs** – After the school district place the new system in operation, the district experienced operational challenges, which required additional support services and cost an additional \$450. These services did not add to the functionality of the system.

Subscription Start Date: July 1, 2022

Subscription End Date: June 30, 2025

First Payment Date: July 1, 2022

Payments: \$10,000 annually, paid in advance (on July 1<sup>st</sup>)

Discount Rate: 3% (stated in contract or government estimated incremental borrowing rate should be used)



## Calculation of subscription liability

- To calculate the subscription liability amount, you may use a present value calculator. You can find one in excel or google “present value calculator”.

Periodic Payment (P)	10,000.00
Rate per Period (r)	3.00%
Number of Periods (n)	3
Present Value	29,134.70

### Present Value of Periodical Deposits

Number of Periods (N)

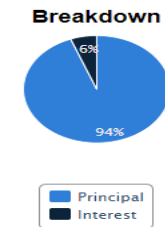
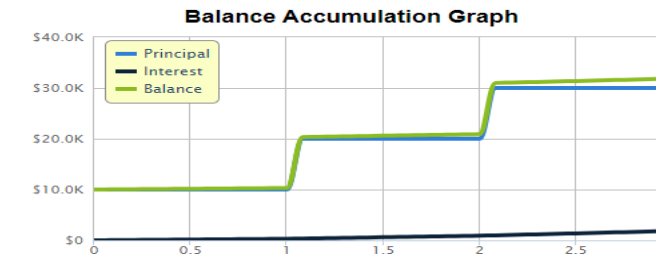
Interest Rate (I/Y)  %

Periodic Deposit (PMT)  /period

PMT made at the  beginning  end of each compound period

**Calculate**

Results	
Present Value: <b>\$29,134.70</b>	
FV (Future Value)	\$31,836.27
Total Principal	\$30,000.00
Total Interest	\$1,836.27



### Schedule

	start principal	start balance	interest	end balance	end principal
1	\$10,000.00	\$10,000.00	\$300.00	\$10,300.00	\$10,000.00
2	\$20,000.00	\$20,300.00	\$609.00	\$20,909.00	\$20,000.00
3	\$30,000.00	\$30,909.00	\$927.27	\$31,836.27	\$30,000.00

$$\begin{array}{rclcl} \text{Subscription Liability} & + & \text{Initial implementation Costs} & = & \text{Subscription Asset} \\ \$ 29,134.70 & + & \$ 3,000 & = & \$ 32,134.70 \end{array}$$

**Preliminary project stage** – \$500 expensed as incurred (these costs are always expensed as incurred).

**Initial implementation stage** – \$3,000 capitalized (these costs are typically capitalized as part of the subscription asset).

**Operation and additional implementation stage costs** – \$450 expensed as incurred as it did not add value to the functionality or efficiency of the software.

**GASB 96 SBITA Amortization Schedule**

Period	Cash	Interest Expense	Liability Reduction	Accrued Interest Liability	Cummulative Accrued Interest Liability	Subscription Liability	Amortization Expense	Net Subscription Asset Balance	Accumulated Amortization
<b>Beginning Balance</b>						\$ 29,135		\$ 32,135	
Jul-22	\$ 10,000	0	\$ 10,000	\$ -	\$ -	\$ 19,135	\$ 893	\$ 31,242	\$ 893
Aug-22		\$ 32	\$ -	\$ 32	\$ 32	\$ 19,135	\$ 893	\$ 30,349	\$ 1,786
Sep-22		\$ 32	\$ -	\$ 32	\$ 64	\$ 19,135	\$ 893	\$ 29,456	\$ 2,679
Oct-22		\$ 32	\$ -	\$ 32	\$ 96	\$ 19,135	\$ 893	\$ 28,563	\$ 3,572
Nov-22		\$ 32	\$ -	\$ 32	\$ 128	\$ 19,135	\$ 893	\$ 27,670	\$ 4,465
Dec-22		\$ 32	\$ -	\$ 32	\$ 159	\$ 19,135	\$ 893	\$ 26,777	\$ 5,358
Jan-23		\$ 32	\$ -	\$ 32	\$ 191	\$ 19,135	\$ 893	\$ 25,884	\$ 6,251
Feb-23		\$ 32	\$ -	\$ 32	\$ 223	\$ 19,135	\$ 893	\$ 24,991	\$ 7,144
Mar-23		\$ 32	\$ -	\$ 32	\$ 255	\$ 19,135	\$ 893	\$ 24,098	\$ 8,037
Apr-23		\$ 32	\$ -	\$ 32	\$ 287	\$ 19,135	\$ 893	\$ 23,205	\$ 8,930
May-23		\$ 32	\$ -	\$ 32	\$ 319	\$ 19,135	\$ 893	\$ 22,312	\$ 9,823
Jun-23		\$ 32	\$ -	\$ 32	\$ 351	\$ 19,135	\$ 893	\$ 21,419	\$ 10,716
Jul-23	\$ 10,000	\$ 32	\$ 9,615	\$ (351)	\$ -	\$ 9,520	\$ 893	\$ 20,526	\$ 11,609
Aug-23		\$ 16	\$ -	\$ 16	\$ 16	\$ 9,520	\$ 893	\$ 19,633	\$ 12,502
Sep-23		\$ 16	\$ -	\$ 16	\$ 32	\$ 9,520	\$ 893	\$ 18,740	\$ 13,395
Oct-23		\$ 16	\$ -	\$ 16	\$ 48	\$ 9,520	\$ 893	\$ 17,847	\$ 14,288
Nov-23		\$ 16	\$ -	\$ 16	\$ 64	\$ 9,520	\$ 893	\$ 16,954	\$ 15,181
Dec-23		\$ 16	\$ -	\$ 16	\$ 80	\$ 9,520	\$ 893	\$ 16,061	\$ 16,074
Jan-24		\$ 16	\$ -	\$ 16	\$ 96	\$ 9,520	\$ 893	\$ 15,168	\$ 16,967
Feb-24		\$ 16	\$ -	\$ 16	\$ 112	\$ 9,520	\$ 893	\$ 14,275	\$ 17,860
Mar-24		\$ 16	\$ -	\$ 16	\$ 128	\$ 9,520	\$ 893	\$ 13,382	\$ 18,753
Apr-24		\$ 16	\$ -	\$ 16	\$ 144	\$ 9,520	\$ 893	\$ 12,489	\$ 19,646
May-24		\$ 16	\$ -	\$ 16	\$ 160	\$ 9,520	\$ 893	\$ 11,596	\$ 20,539
Jun-24	\$ -	\$ 16	\$ -	\$ 16	\$ 176	\$ 9,520	\$ 893	\$ 10,703	\$ 21,432
Jul-24	\$ 10,000	\$ 16	\$ 9,810	\$ (176)	\$ -	\$ -	\$ 893	\$ 9,810	\$ 22,325
Aug-24	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ 893	\$ 8,917	\$ 23,218

**On July 1, 20XX, the journal entry is made to record the subscription asset and liability:**

Account	Debit	Credit		
Gross Subscription Asset	32,135			
Subscription Liability		29,135		
Cash (for initial implementation costs)		3,000		
To record initial subscription asset and liability and payment of implementation cost.				

Account	Debit	Credit
Amortization Expense	893	
Subscription Liability (reduction)	10,000	
Accumulated Amortization		893
Cash (for subscription payment)		10,000
To record initial subscription payment and recognize activity for the month of July.		

Account	Debit	Credit
Gross Subscription Asset	32,135	
Amortization Expense	893	
Accumulated Amortization		893
Subscription Liability		19,135
Cash		13,000
To record the combined entry for the month of July. This entry can be used to combine the previous two entries into one entry.		

Account	Debit	Credit
Amortization Expense	893	
Interest Expense	32	
Accrued Interest Liability		32
Accumulated Amortization		893
To record amortization of the subscription asset and liability monthly.		
In each of the following months, a similar entry will be made to amortize the asset and liability throughout the subscription term.		

- Identify the key parties of the subscription agreement
- Clarify any ambiguous terms of the agreement
- Document subscription term and key assumptions
- Set a capitalization threshold for right-to use subscription assets
- Develop procedures for identifying SBITA's in the future (communicate this procedure with all divisions, schools, etc.)
- Create a tracking process for SBITA's to comply going forward



Letitia Johnson, Bureau Director  
Office of School Financial Services  
[ljohnson@mdek12.org](mailto:ljohnson@mdek12.org)  
601-359-3727

# QUESTIONS?

