Office of School Financial Services Updates

Letitia Johnson
Office of School Financial Services, Bureau Director

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.
ALL Students Proficient and Showing Growth in All Assessed Areas

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

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

EVERY School Has Effective Teachers and Leaders

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

EVERY School and District is Rated “C” or Higher
Financial Services
Legislative Updates
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
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Example EEF Card:

Last Four Digits:

Card Name:
Financial Services Updates

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
Financial Services Updates (continued)

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
Financial Services Updates (continued)

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 requesting EEF card activations after you have reconciled to the manifest
Financial Services Updates (continued)

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
Financial Services Updates (continued)

• 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

• 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 reclassed to the 700 object codes upon completion, should not be included in the indirect cost calculation request.
To register for access to SharePoint, email ljohnson@mdek12.org for instructions for registering.

Go to School Financial Services navigator School Financial Services Navigator - Home (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.
FY2023-2024 Reporting Deadlines for Districts

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
FY2023-2024 Reporting Deadlines for Districts (continued)

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
FY2023-2024 Reporting Deadlines for Districts (continued)

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
FY2022-2023 Reporting Deadlines for Districts (continued)

October

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- **15** FETS - Revenue Verification Form (Funds distributed through the state) *
- **15** Fund Balance Report for Fund 1120 from the school district accounting software *
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* Upload to the district SharePoint folder
# School Payment Dates 2023-2024

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OGM & OFP Updates
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
Obligations Deadline

• “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
Obligations Deadline

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

• Waivers

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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
Liquidation Deadline

• 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).
Revision Deadline

• 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.
Tydings Waiver

• 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
Waiver Request

• 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 reclassed 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
Function and Object 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.
Function and Object Codes

• 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
Overview of the GASB 96 statement

• 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)
Why was GASB 96 needed?

- 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
When does GASB 96 apply?

Does the agreement involve the use of software or capital assets or an embedded asset?
- Yes
  - Does the agreement involve a software?
    - Yes
      - Is the software:
        - 1-a significant component of the agreement
        - 2-does not involve a perpetual license
        - 3-is for your department/district use?
          - Yes
            - GASB 96 applies
          - No
            - GASB 87 applies
    - No
      - Is this lease (rental) agreement:
        - 1-for a supply contract, or
        - 2-inventory,
        - 3-a biological asset, or
        - 4-an intangible asset?
          - Yes
            - GASB 96 applies
          - No
            - GASB 87/96 do not apply

- No
  - GASB 87 applies
Examples of SBITAs that should be considered when following GASB 96:
Examples of exempt agreements:

- 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
When to recognize?

• 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.
When to recognize? (continued)

• 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)
Steps for Recording SBITAs

- 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
<table>
<thead>
<tr>
<th>Stages of SBITA Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preliminary Project Stage</strong></td>
</tr>
<tr>
<td>- Determine existence of needed technology</td>
</tr>
<tr>
<td>- Formulate and evaluate vendors, pricing, and other alternatives</td>
</tr>
<tr>
<td>Expense as incurred</td>
</tr>
<tr>
<td><strong>Initial Implementation Stage</strong></td>
</tr>
<tr>
<td>- Design</td>
</tr>
<tr>
<td>- Configuration</td>
</tr>
<tr>
<td>- Testing</td>
</tr>
<tr>
<td>- Data Migration</td>
</tr>
<tr>
<td>- Installation</td>
</tr>
<tr>
<td>Capitalized as part of subscription asset</td>
</tr>
<tr>
<td><strong>Operation and Additional Implementation Stage</strong></td>
</tr>
<tr>
<td>- Train Users</td>
</tr>
<tr>
<td>- Troubleshooting</td>
</tr>
<tr>
<td>- Maintain Software</td>
</tr>
<tr>
<td>Expensed as incurred unless they meet specific capitalizations criteria</td>
</tr>
</tbody>
</table>
What are the disclosure requirements?

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.
What are the disclosure requirements? (continued)

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
What are the disclosure requirements? (continued)

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 functionally 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
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 functionally of the system.

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.

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.
SBITA Example with Journal Entries (continued)

<table>
<thead>
<tr>
<th>Subscription Start Date: July 1, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription End Date: June 30, 2025</td>
</tr>
<tr>
<td>First Payment Date: July 1, 2022</td>
</tr>
<tr>
<td>Payments: $10,000 annually, paid in advance (on July 1st)</td>
</tr>
<tr>
<td>Discount Rate: 3% (stated in contract or government estimated incremental borrowing rate should be used)</td>
</tr>
</tbody>
</table>
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”.

<table>
<thead>
<tr>
<th>Periodic Payment (P)</th>
<th>10,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate per Period (r)</td>
<td>3.00%</td>
</tr>
<tr>
<td>Number of Periods (n)</td>
<td>3</td>
</tr>
<tr>
<td>Present Value</td>
<td>29,134.70</td>
</tr>
</tbody>
</table>
Subscription Liability + Initial implementation Costs = Subscription Asset

$29,134.70 + $3,000 = $32,134.70

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 functionally or efficiency of the software.
## GASB 96 SBITA Amortization Schedule

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

**Beginning Balance**

- **Cash**: $10,000
- **Expense**: 0
- **Accrued Interest Liability**: $10,000

**Net Subscription Asset Balance**: $32,135

**Accumulated Amortization**: $29,135
On July 1, 20XX, the journal entry is made to record the subscription asset and liability:

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Subscription Asset</td>
<td>32,135</td>
<td></td>
</tr>
<tr>
<td>Subscription Liability</td>
<td></td>
<td>29,135</td>
</tr>
<tr>
<td>Cash (for initial implementation costs)</td>
<td></td>
<td>3,000</td>
</tr>
</tbody>
</table>

To record initial subscription asset and liability and payment of implementation cost.
<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization Expense</td>
<td>893</td>
<td></td>
</tr>
<tr>
<td>Subscription Liability (reduction)</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td></td>
<td>893</td>
</tr>
<tr>
<td>Cash (for subscription payment)</td>
<td></td>
<td>10,000</td>
</tr>
</tbody>
</table>

To record initial subscription payment and recognize activity for the month of July.
## SBITA Example with Journal Entries (continued)

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Subscription Asset</td>
<td>32,135</td>
<td></td>
</tr>
<tr>
<td>Amortization Expense</td>
<td>893</td>
<td></td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td>893</td>
<td></td>
</tr>
<tr>
<td>Subscription Liability</td>
<td>19,135</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>13,000</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization Expense</td>
<td></td>
<td>893</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Liability</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td></td>
<td>893</td>
</tr>
</tbody>
</table>

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.
Implementation

• 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
601-359-3727

QUESTIONS?