GASB AND AUDIT UPDATES

Autumn Belmont & Kristen Becker – OPI School Finance - FY 2023

DISCLAIMER

The Montana OPI School Finance Division has prepared this presentation to provide a general overview of GASB rules affecting schools and an update on the audit process.

Due to the high-level nature of this presentation, not all information can be provided. If you have any questions, please don't hesitate to ask.

GASB - GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Purpose: establish and improve standards of state and local governmental accounting and financial reporting, improved standards will help the users of the financial reports acquire more useful information.

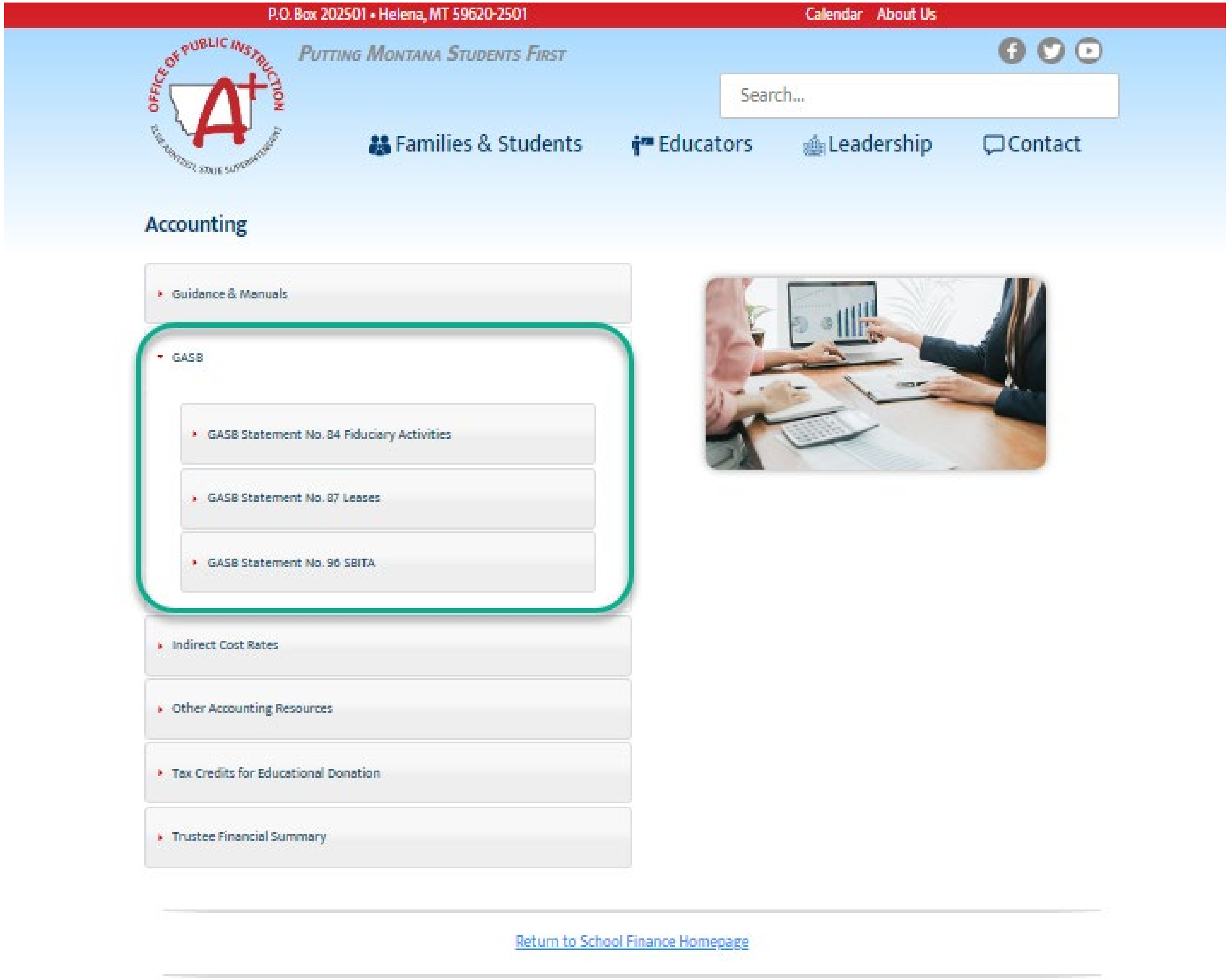
The users of financial statements include:

- Legislators (state, county, and local level)
- Municipal bond insurers
- Mutual funds
- Other bond market participants
- Citizen and taxpayer groups
- Service advocates
- Community organizers
- Professors and students
- General public

STATEMENTS TO GO OVER

- GASB Statement 87 – Leases (Refresher)
- GASB Statement 96 – Subscription-Based Information Technology Arrangements (SBITAs) (New)
- GASB Statement 100 – Accounting Changes and Error Corrections – Amendment of GASB Statement 62 (New)
- GASB Statement 101 – Compensated Absences (New)

GASB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STATEMENT 87 - LEASES

For Montana, effective beginning fiscal year starting July 1, 2021 and ending June 30, 2022. (FY2022)

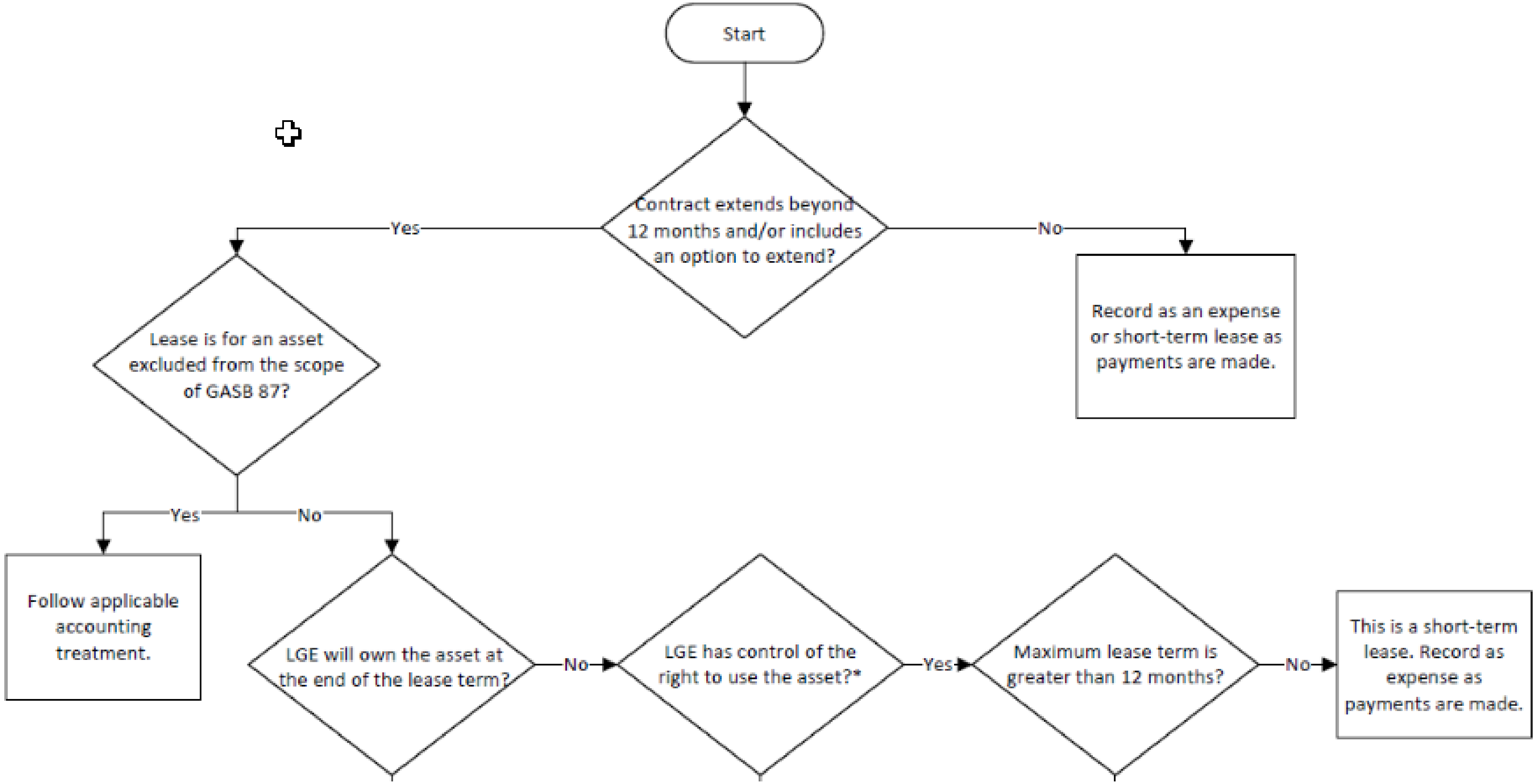
GASB 87 Lease is one that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified by the contract for a period of time (12 months or greater) in an exchange or exchange-like transaction ($100,000 threshold).

A contract conveys control of the right to use the asset when the lessee is provided both:

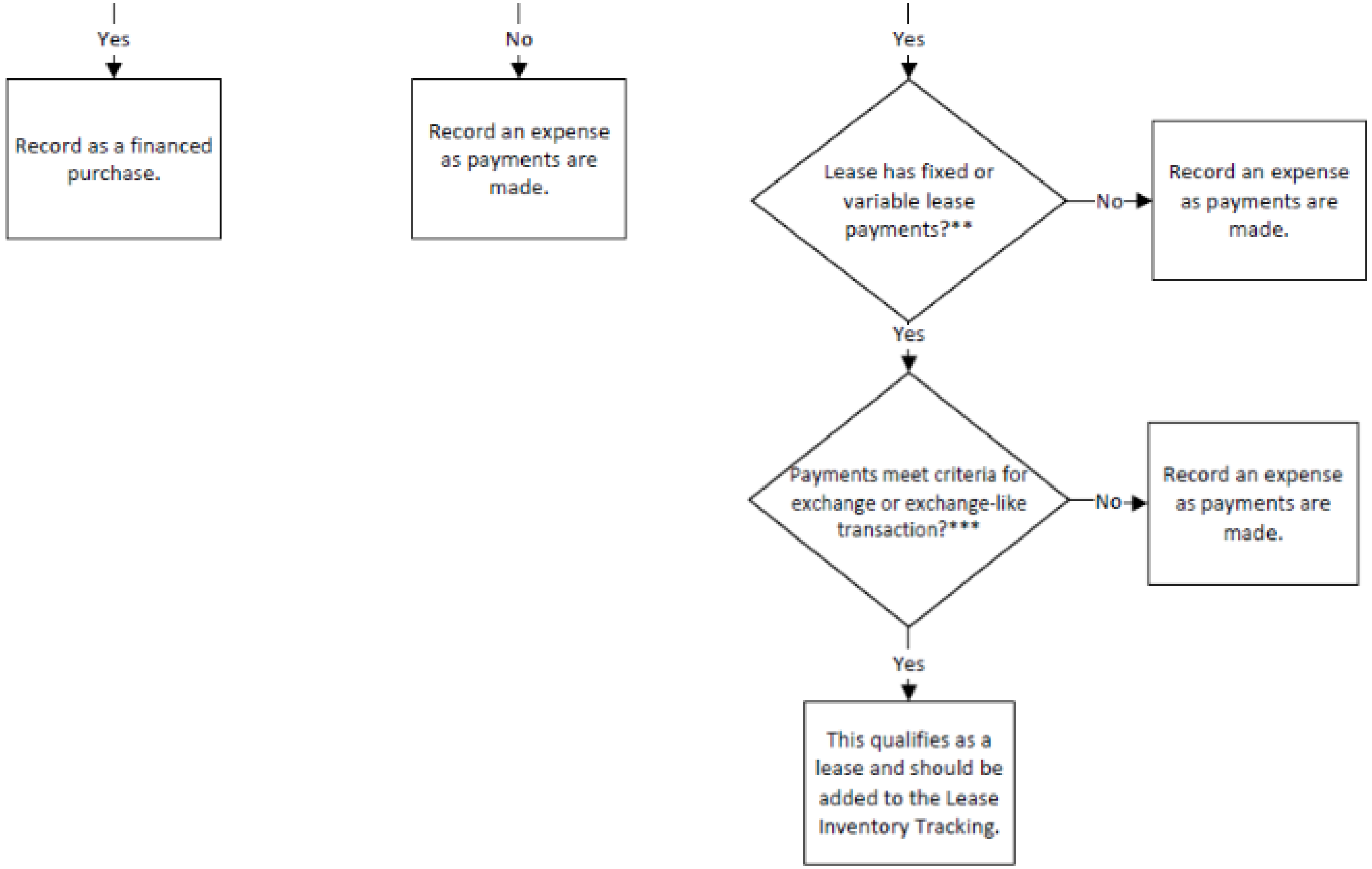
1. The right to determine the nature and manner of the use of the asset, and

2. The right to obtain service level capacity from the use of the asset.

GASB 87 - DECISION TREE



DECISION TREE (CONT)



GASB 87 – LEASES AS A LESSEE REMEASUREMENT CHECKLIST

Appendix B – Remeasurement Checklist

MOM-SFSD-POL-SAB-Accounting for Leases as a Lessee (336)

A.	The lessee or lessor has elected to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option?	Yes/ No
B.	The lessee or lessor has elected not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option?	Yes/ No
C.	An event specified in the lease contract has occurred that requires an extension or termination of the lease takes place?	Yes/ No
D.	An assessment of all relevant factors indicates that the likelihood of a residual value guarantee being paid has changed from reasonably certain to not reasonably certain, or vice versa?	Yes/ No
E.	An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa? (A change to the useful life of the lease asset may be necessary)	Yes/ No
F.	There is a change in the estimated amounts for payments already included in the measurement of the lease liability (Not including a change in index rate used to determine variable payments)?	Yes/ No
G.	There is a change in the interest rate the lessor charges the lessee, if used as the initial discount rate?	Yes/ No
H.	A contingency, upon which some or all of the variable payments that will be made over the remainder of the lease term are based, is resolved such that those payments now meet the criteria for measuring the lease liability, as defined in Section VII (Lease Payments) of MOM-SFSD-POL-SAB- Accounting for Leases as a Lessee (336)? For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying asset to become fixed payments for the remainder of the lease term.	Yes/ No
I.	"Yes" answered for any of the above? If "No," Liability Remeasurement is not required, if yes proceed to J.	Yes/ No
J.	There is a change in the index or rate used to calculate variable payments. If yes, recalculate the variable payment as part of the amendment.	Yes/ No

A "Yes" answer to any of the above will require the lease to be updated using the amendment process described in the LA Manual. The discount rate should be updated as part of this process if:

1. There is a change in the lease term
2. An assessment of all relevant factors indicates that the likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa

STATEMENT 96 - SBITAS

For Montana, effective beginning fiscal year starting July 1, 2022 and ending June 30, 2023. (FY2023)

The requirements of this statement apply to ALL state and local governments.

A SBITA is a Subscription-Based Information Technology Arrangement, a contract that gives you the right to use another party's software.

EXAMPLES OF SBITAS

- Licenses for Online Curriculum
- Accounting Software
- Payroll Software
- Time Clock Software
- Library Software
- Turnitin.com
- Entry System Software
- Lunchroom Account Software
- Curriculum Support Software for Reading

THRESHOLD

The Montana Department of Administration collected data from State agencies about their SBITAs and created a threshold to help determine which SBITAs need to be recorded.

The State of Montana is using a $100,000 threshold.

Schools can adjust the threshold if they want but the $100,000 also follows guidance for GASB 87 dealing with Leases.

GASB 100 – ACCOUNTING CHANGES & ERROR CORRECTIONS

For Montana, effective beginning fiscal year starting July 1, 2023, and ending June 30, 2024. (FY2024)

This Statement requires that:

a) Changes in accounting principles and error corrections be reported retroactively by restating prior periods,

b) Changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and

c) Changes in accounting estimates be reported prospectively by recognizing the change in the current period.

STATEMENT 101 – COMPENSATED ABSENCES

Statement requires that liabilities for compensated absences be recognized for:

✓Leave that has not been used

✓Leave that has been used but not yet paid in cash or settled through noncash means

Liability should be recognized for leave that has not been used if:

✓Leave is attributable to services already rendered

✓Leave accumulates

✓Leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

EXCEPTIONS

Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences:

- Parental leave
- Military leave
- Jury duty leave

GUIDANCE FOR MEASURING A LIABILITY FOR LEAVE

Statement also establishes a guidance for measuring a liability for leave that has not been used, usually using the employee's pay rate as of the date of the financial statements.

A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made.

Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

2023 AUDIT UPDATES

Kristen Becker

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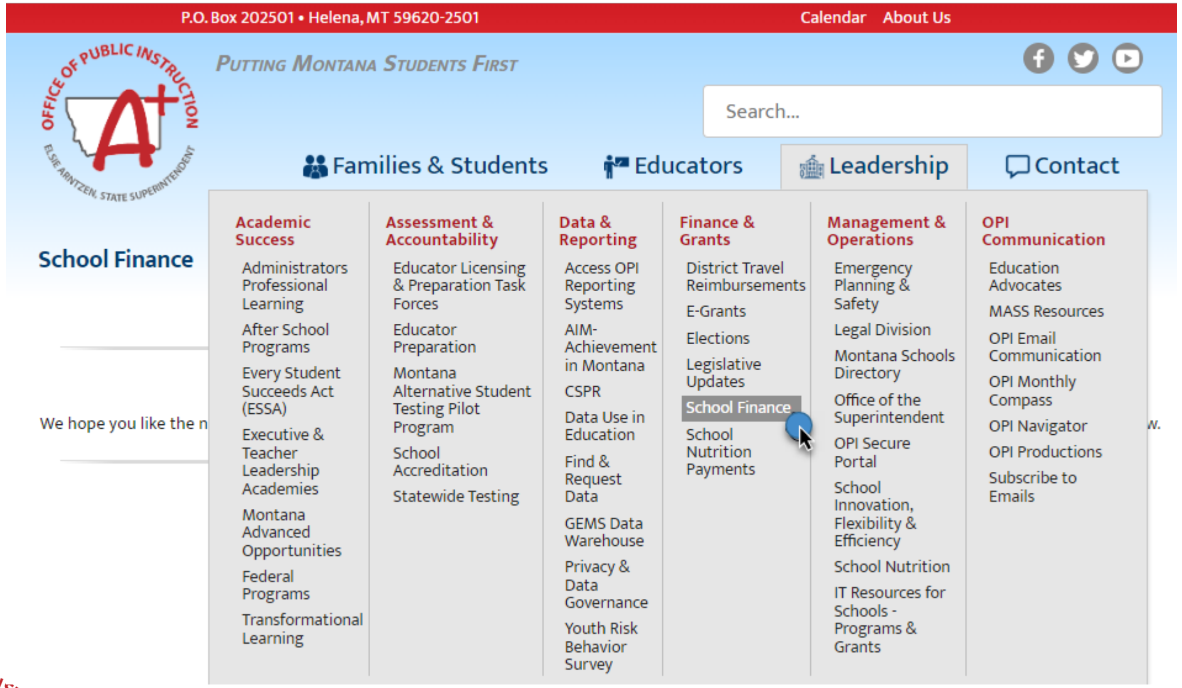
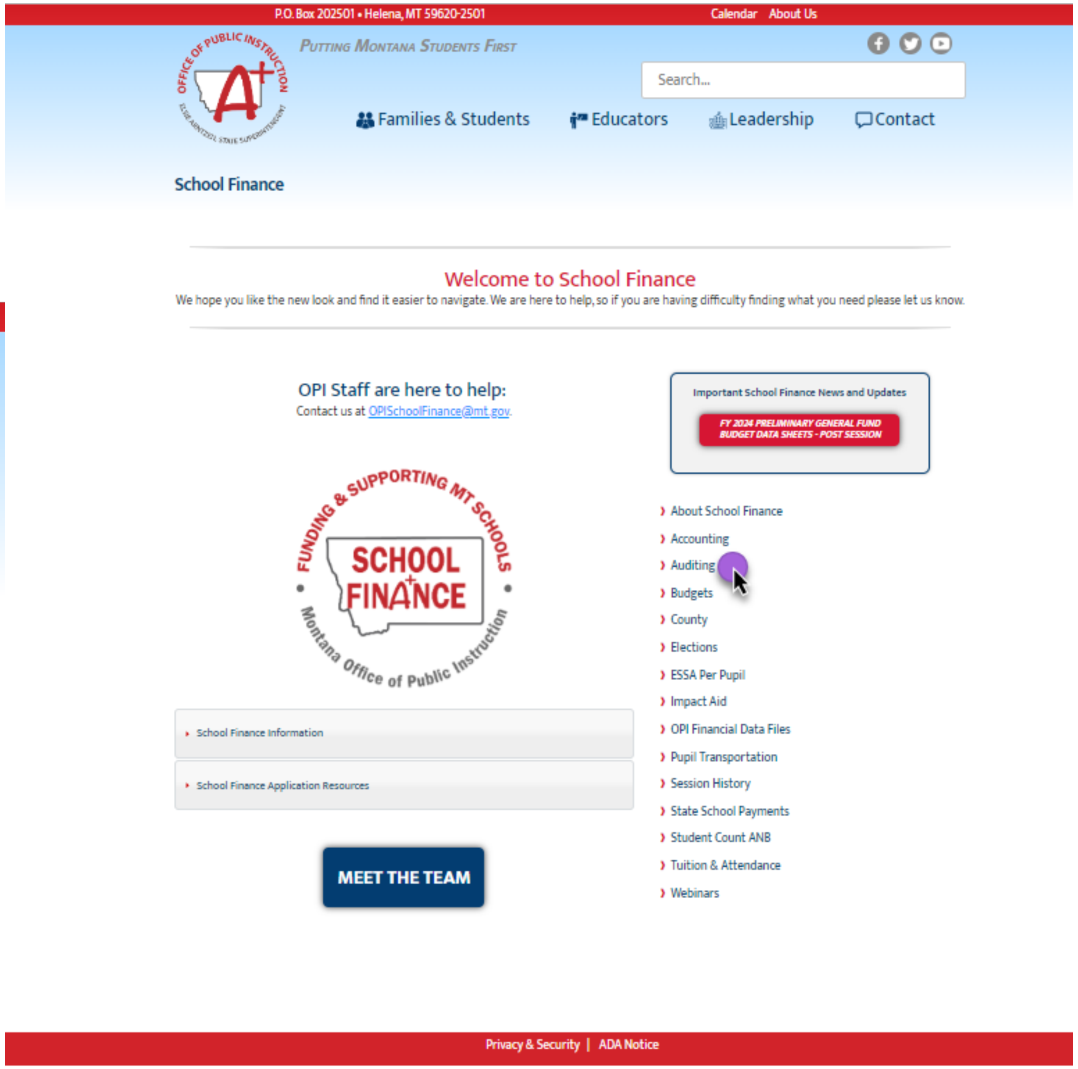
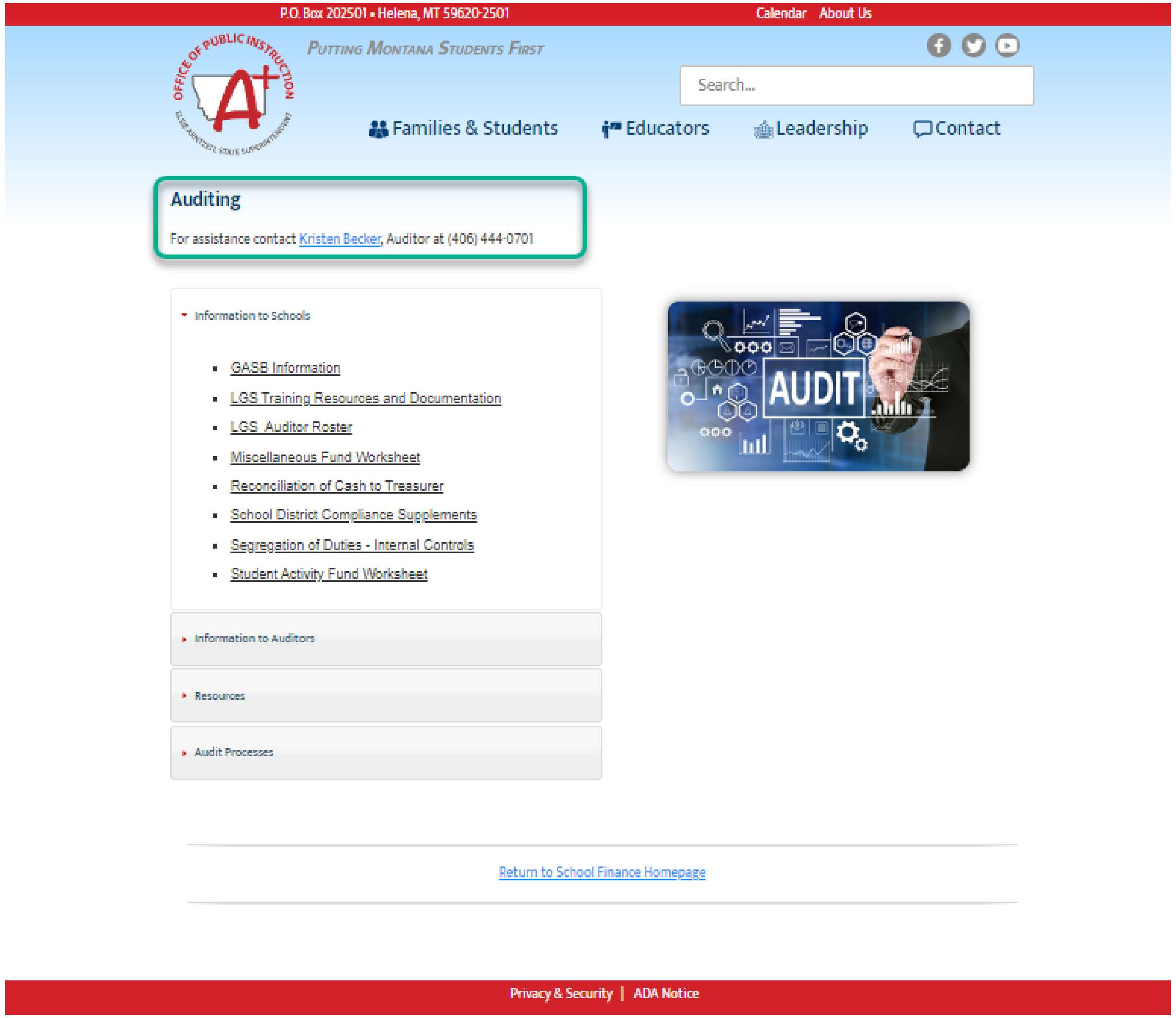




AUDIT INFO FOR SCHOOLS



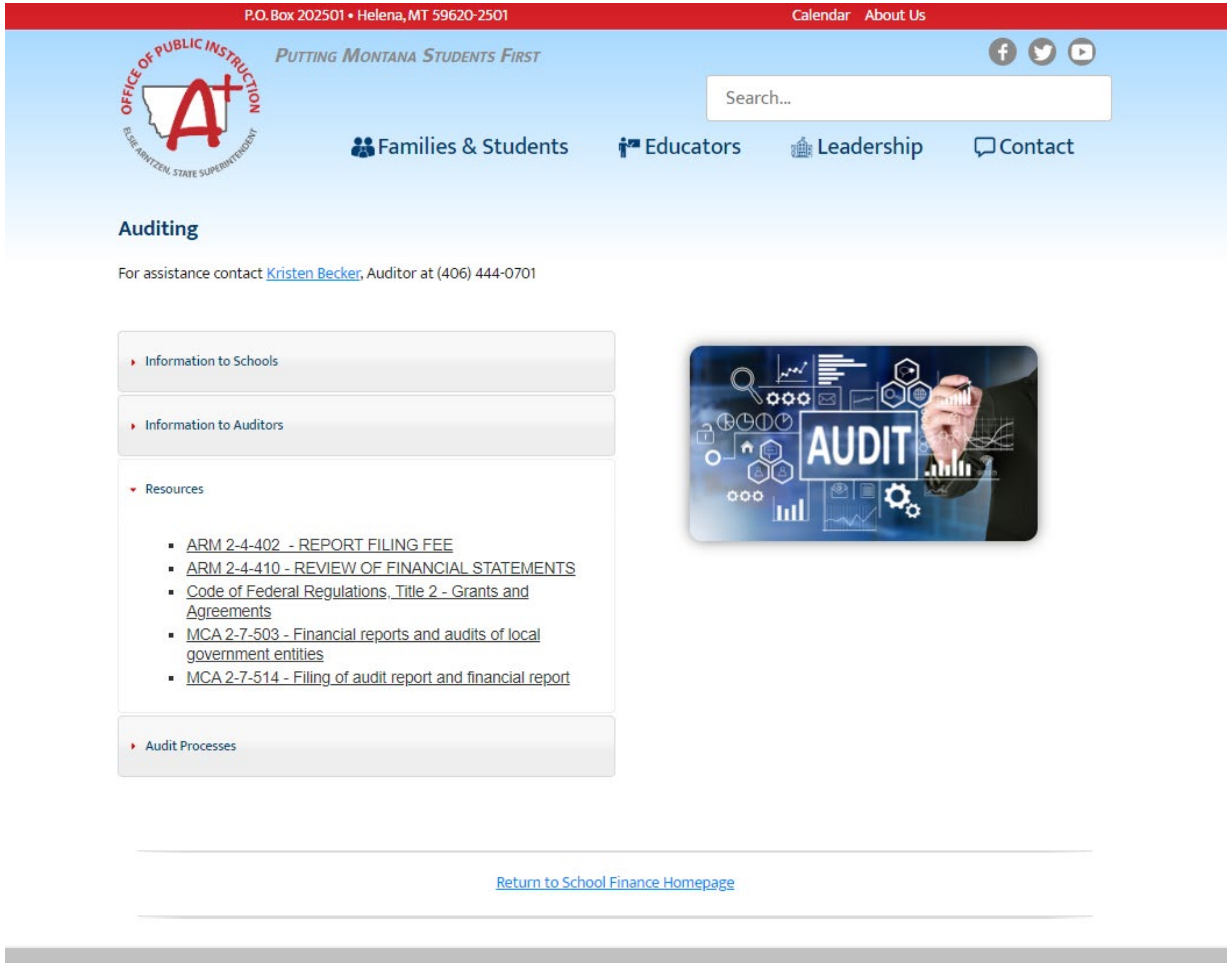
Information to Schools

- GASB Information
- LGS Training Resources & Documentation
- LGS Audit Roster
- Misc. Fund Worksheet
- Reconciliation of Cash to Treasurer
- School District Compliance Supplements
- Segregation of Duties – Internal Controls
- Student Activity Fund Worksheet

AUDIT RESOURCES

Resources

- ARM Report Filing Fee
- ARM Review of Financial Statements
- Code of Federal regulations
- MCA Financial reports and audits of local government entities
- MCA Filing of audit report and financial report



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ATTENDANCE CENTERS

- Guidance was issued October 11, 2022
- Auditors will note in your audits if your school has associated Attendance Centers, please have that information ready for the auditor
- FAQ location OPI.mt.gov / School Finance / Accounting / Guidance & Manuals / Other Materials / Attendance Center FAQ

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OPI FAQ – Attendance Centers

Attendance centers have been a part of Montana's educational landscape for decades. They provide a school district with flexibility to extend a school's learning environment to an offsite location. This frequently asked questions (FAQ) document provides Montana Office of Public Instruction (OPI) guidance to assist school districts navigate the legal and financial landscape affecting attendance centers.

What is an attendance center?

An attendance center is an offsite instructional setting where students regularly attend school at a location other than the main school site. An attendance center is part of a specified school of a school district.

"Attendance center" is not defined in in law. However, Montana law defines "offsite instructional setting" as "an instructional setting at a location, separate from a main school site, where a school district provides for instruction to a student who is enrolled in the district." § 20-1-101(14), MCA.

Is an attendance center a school?

Yes, an attendance center is part of a public school and, thus, meet the definition of a public school under § 20-6-501, MCA. *In re Pet. to Transfer Territory from Vaughn Elem. Sch. Dist. No. 74*, 2015 MT 313, ¶ 15.

Who oversees an attendance center?

As part of a school of a school district, the school district trustees responsible for supervision and control of the school district under Mont. Const. Art. X, sec. 8 also are responsible for the attendance centers in the school district. In addition, the county superintendent in which the school district is located has certain legal authority and duties that can impact a school and, thus, its attendance center.

Do attendance centers exist only in certain areas of Montana?

No, attendance centers exist in a broad range of areas, from urban to rural settings and in all geographic regions of Montana.

Does an attendance center count as a separate budget unit for funding purposes?

No, an attendance center by itself cannot count as a separate budget unit and cannot establish the school as a separate budget unit.

A budget unit for a school and, thus, for its attendance center exists when "a school of the district is located more than 20 miles beyond the incorporated limits of a city or town located in the district and at least 20 miles from any other school of the district." § 20-9-311(8)(a)(i), MCA. OPI will accurately identify budget units for the upcoming 2023-24 school year.

May a school district establish an attendance center in another school district?

Yes, as long as the school districts have followed the process in § 20-3-363, MCA, for entering into a legally binding multidistrict agreement, and the process for out-of-district attendance agreements.

May a school district establish an attendance center in another county?

Yes, so long as the school districts have followed the process in § 20-3-363, MCA, for entering into a legally binding multidistrict agreement and so long as the multidistrict agreement includes the agreement of the county government and the county superintendent of all affected counties. Mont. Const. Art. XI, sec. 4.

May a school district "release" their students so the student can attend a school of each student's choosing?

No, a school district has the obligation to provide an education to all qualified students within the school district. See § 20-5-101(1), MCA ("The trustees shall assign and admit a child to a school in the district when…"). A school district purporting to waive its obligation to educate qualified students is anathema to public education.

ATTENDANCE CENTERS

1. Students are required to be enrolled in their district of residence.

2. A student does not need an attendance agreement to attend a school or its offsite instructional setting in the district of residence.

3. Annually, parents may initiate an attendance agreement for students to attend a school in a district of choice.

4. The district of residence must provide educational services, including Individuals with Disabilities Education Act (IDEA), Title I Services, and other federal services, to all students who reside within the school district.

5. Special Education Cooperatives are responsible for services to students who reside in that cooperative's boundaries and are not responsible for services outside of their cooperative boundaries.

6. Any district providing educational services at an offsite instructional setting located in another district must have a multidistrict agreement that is approved by the district of residence and the district of choice school boards.

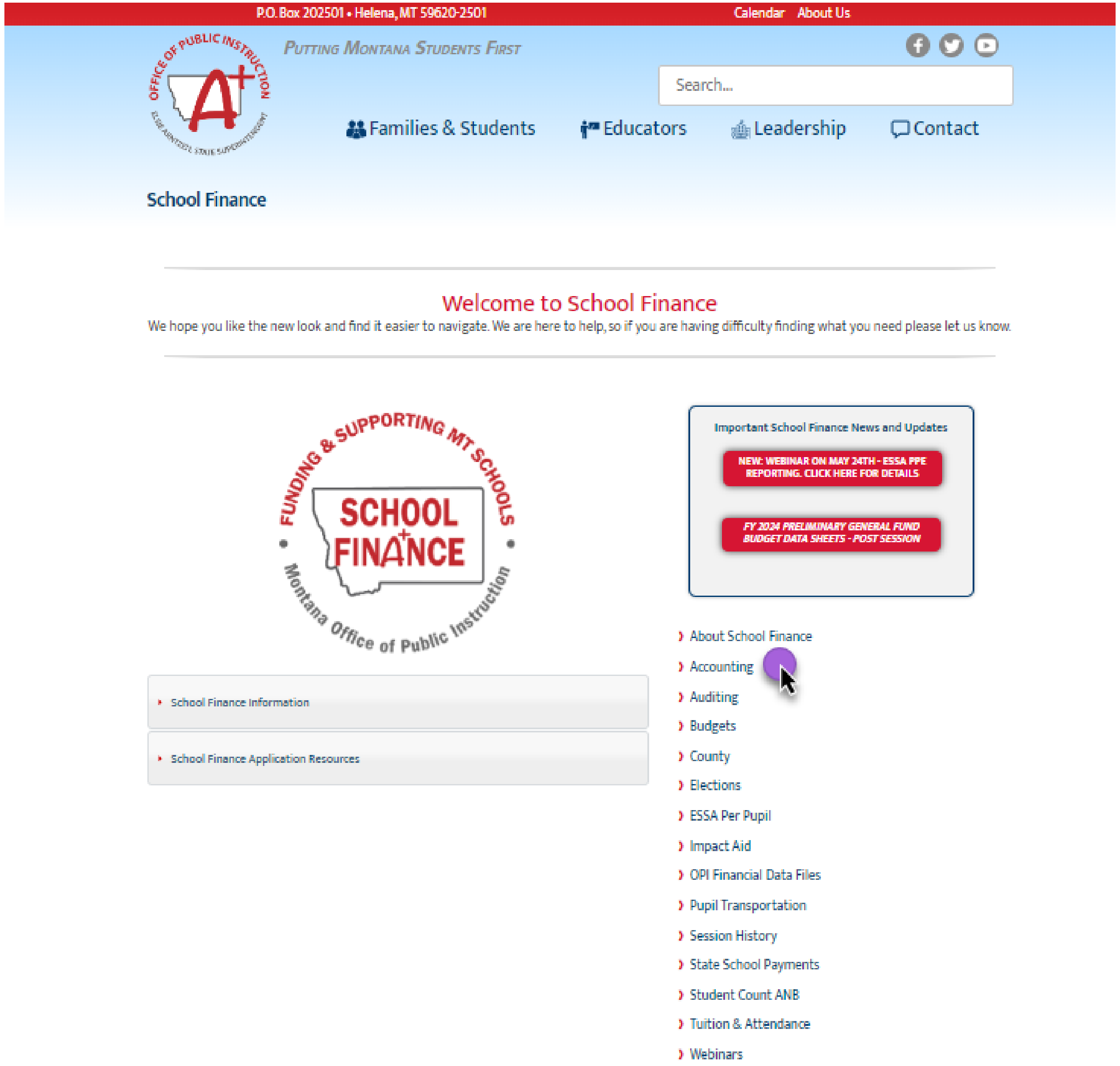
7. Any district providing educational services at an offsite instructional setting located in another district, in another county, must also have the multidistrict agreement approved by the county commissioners of the affected counties.

CORRECTIVE ACTION PLAN (CAP)

State law requires, within 30 days from date of audit, that you provide us and Local Government Services, a corrective action plan. That plan should include the following:

- Why did the deficiency occur?
- What is being done to correct the deficiency?
- Who is responsible for correcting the deficiency?
- When will the corrective measures be implemented?

ACCOUNTING RESOURCES



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Accounting

Guidance & Manuals

Most Accessed

- School Accounting Manual
- Chart of Accounts
- ESSER Consolidated Guidance

Other Materials

- Attendance Center FAQ
- Building Reserve Fund Guidance Document April 2023
- Compensated Absences Worksheet
- Compensation Expenditure Report Instructions FY2023
- Compensation Expenditure Upload Template
- CSCT Accounting Guidance FY21-22
- Miscellaneous Fund Worksheet
- Multidistrict Agreement FAQs
- NCES Handbook
- Reconciling Cash to County Treasurer FY2023
- School Safety Transfers Guidance
- Student Activity Fund Worksheet
- Tax Exempt Letter for Schools
- TFS Instructions
- Transfer Matrix
- Transfer Example

ESSER/COVID

- Enrollment Increase (HB630) BASE Aid Payment GuidanceFY2023
- Enrollment Increase Allocation FY2023
- Enrollment Increase (HB630) BASE Aid Payment Guidance FY2022
- Enrollment Increase Allocation FY2022
- Governors COVID Relief Fund Per ANB Guidance
- Governors COVID Relief Fund Technology Guidance
- Governors COVID Relief Fund Transportation Guidance
- DPHHS-Governor's COVID Relief Fund Food Security Funds

Program Guidance

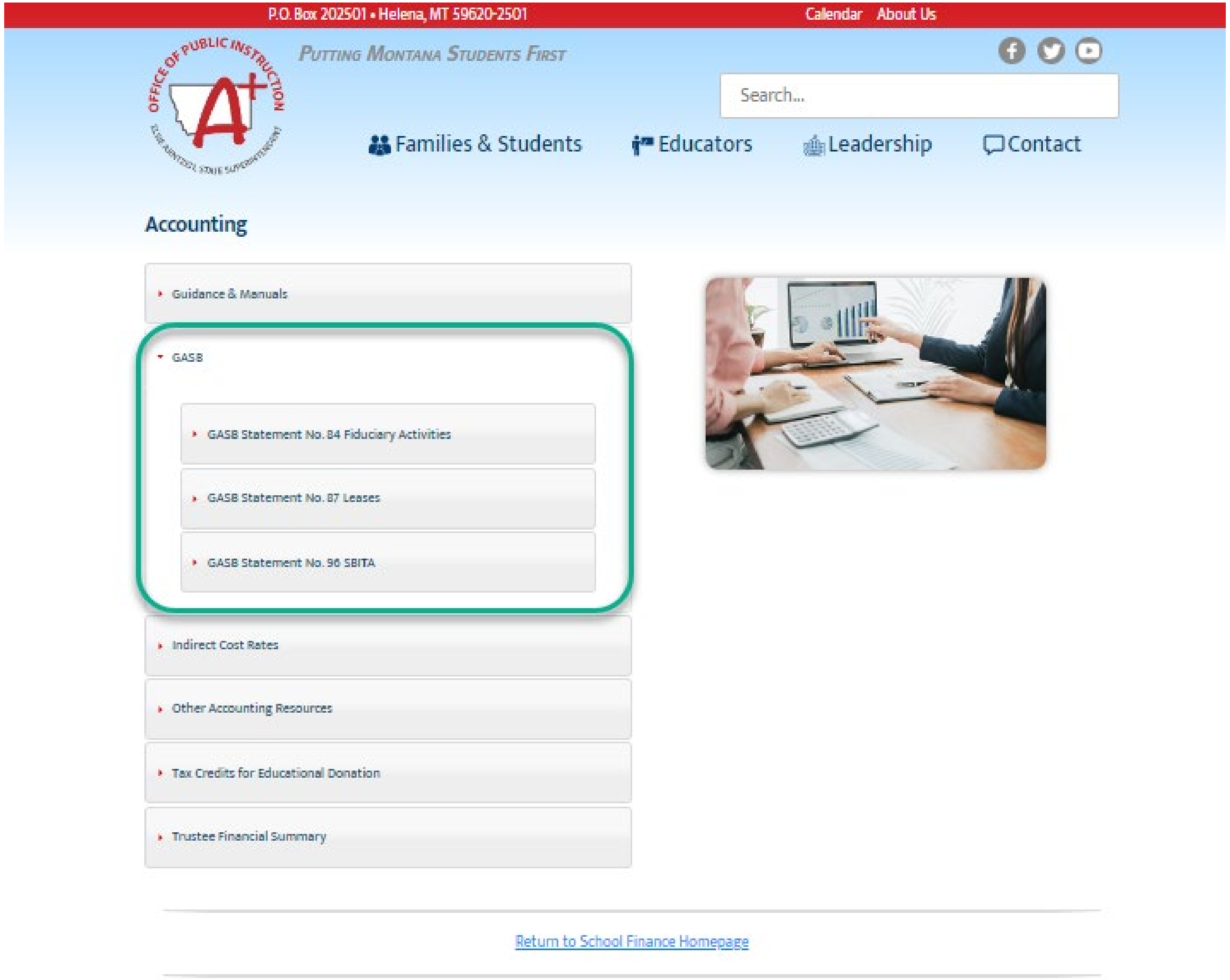
- Delivering Local Assistance Program Grant Guidance
- MT Advance Opportunity Aid Guidance
- Montana Digital Academy Guidance Document
- Tax Credit Scholarship and Innovation Education Program Guidance
- Teach Act Guidance
- Transformational Learning Aid Guidance

GASB

Indirect Cost Rates

GUIDANCE & MANUALS

GASB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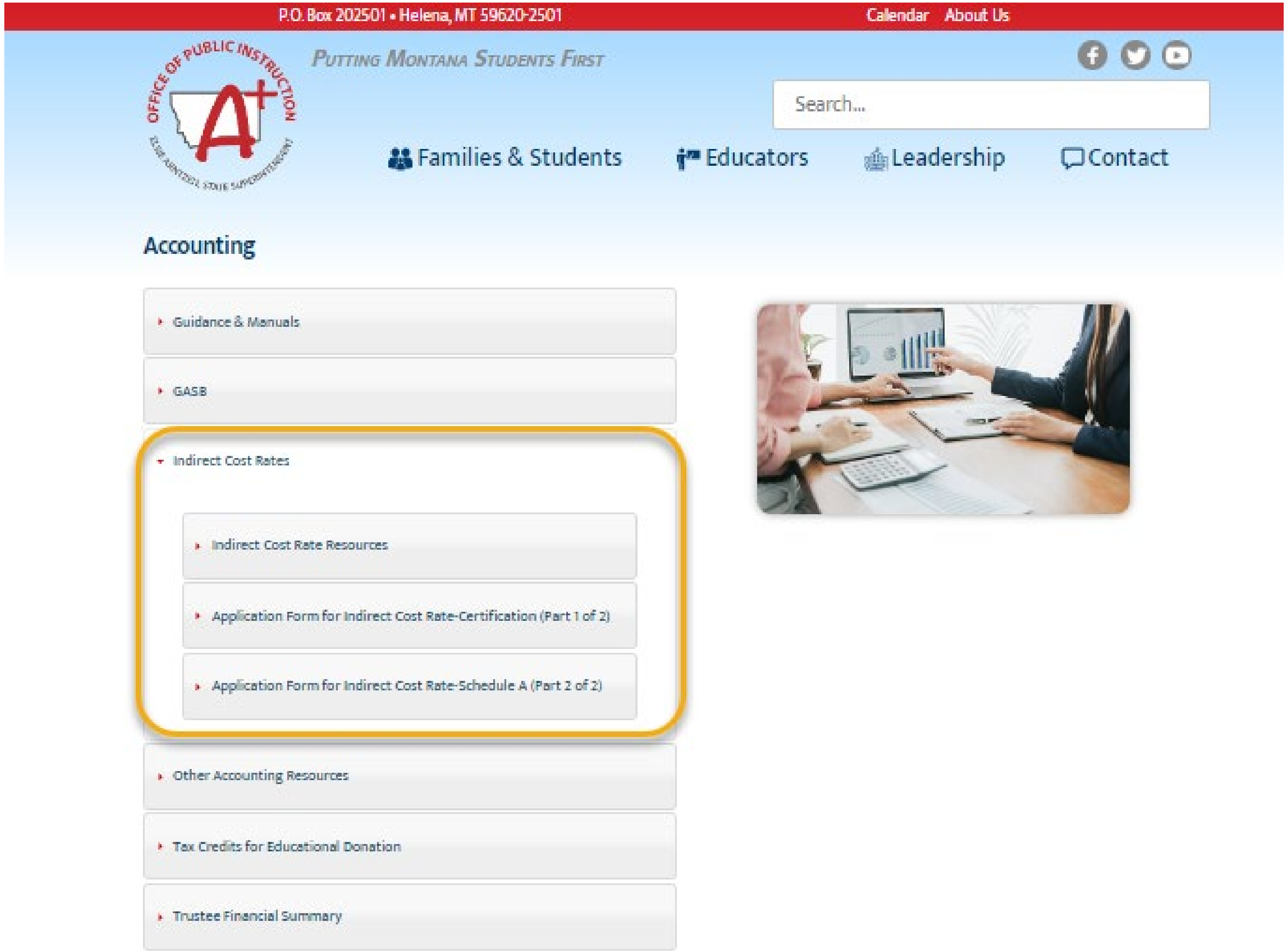
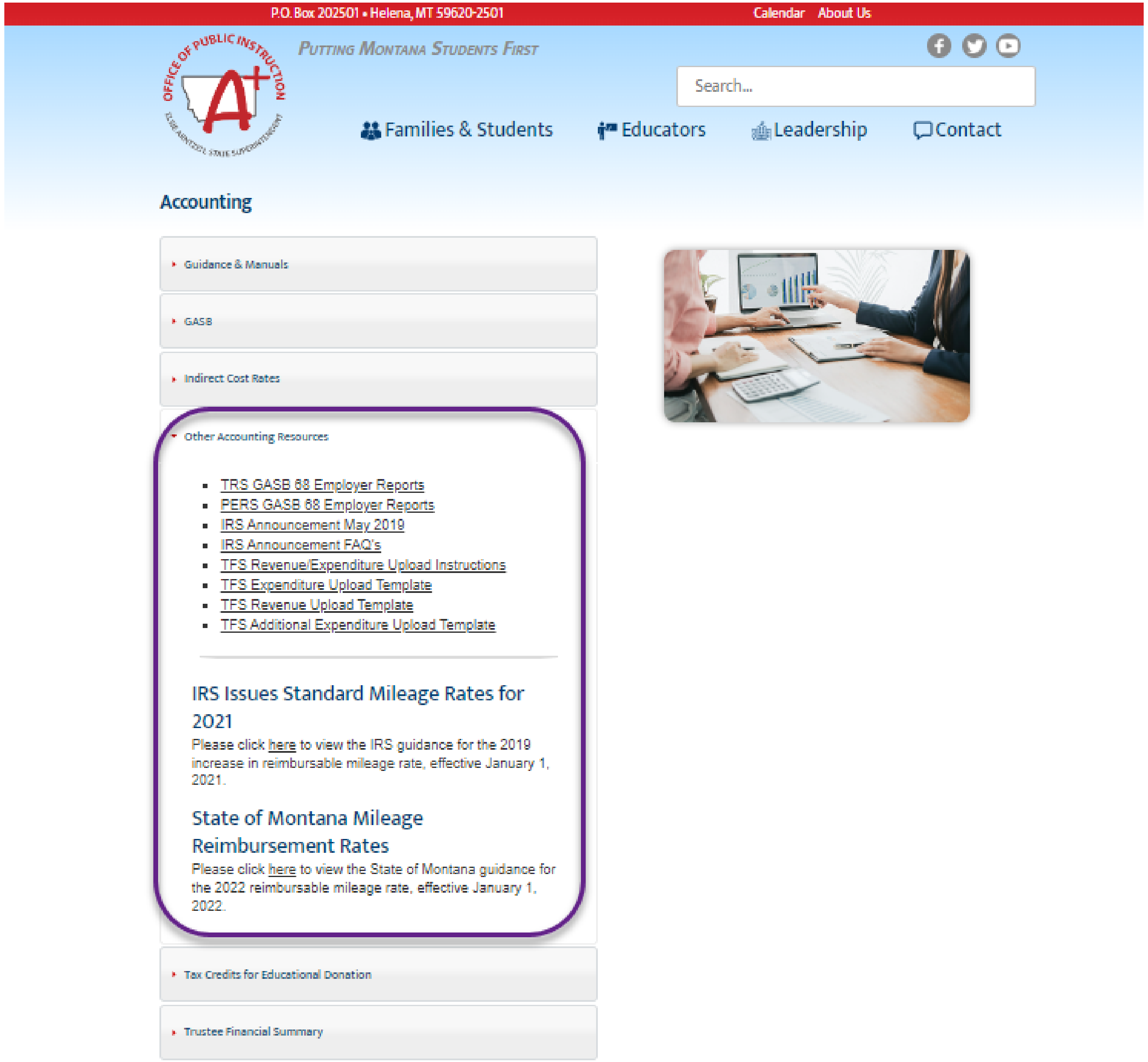
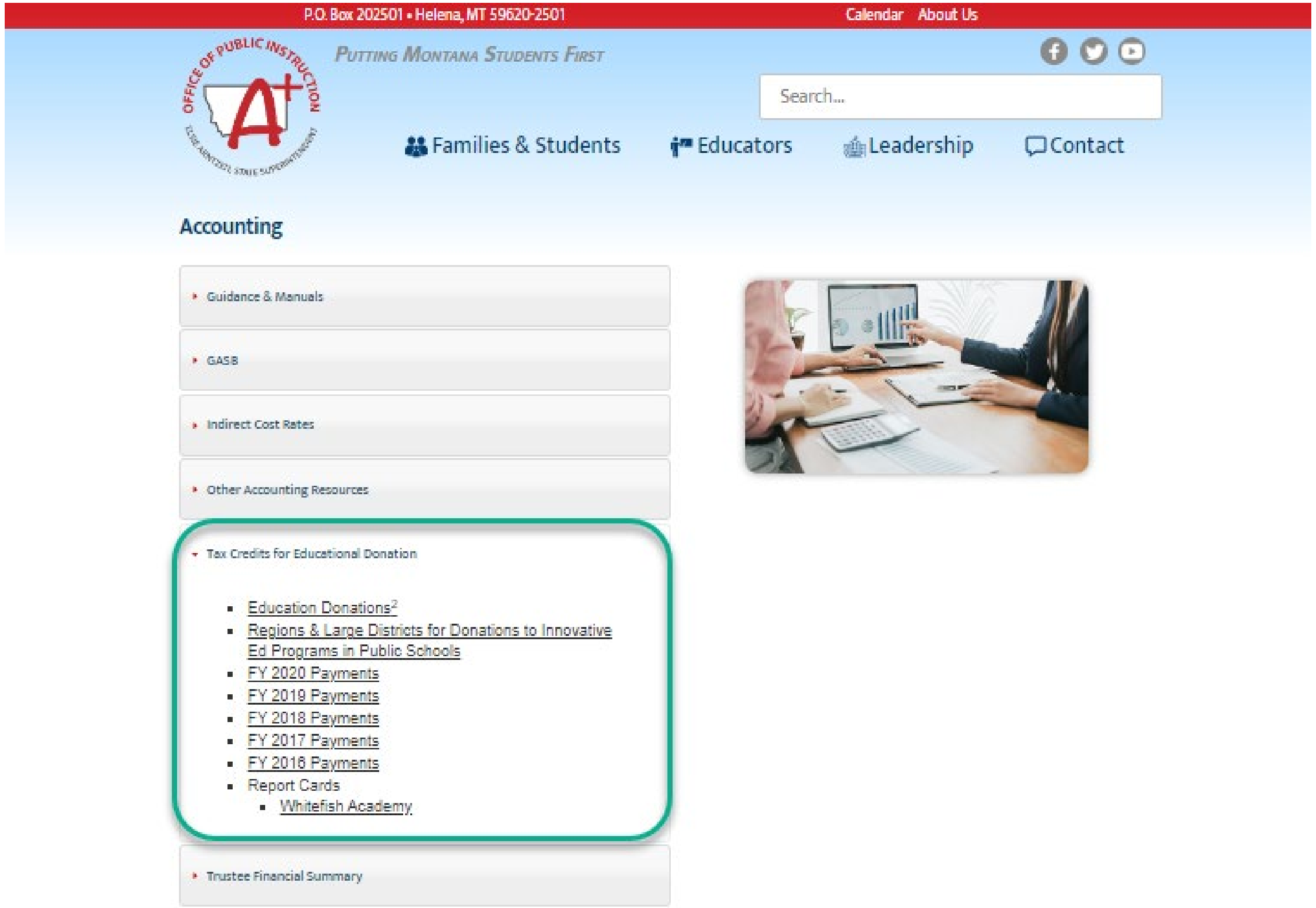
INDIRECT COST RATES



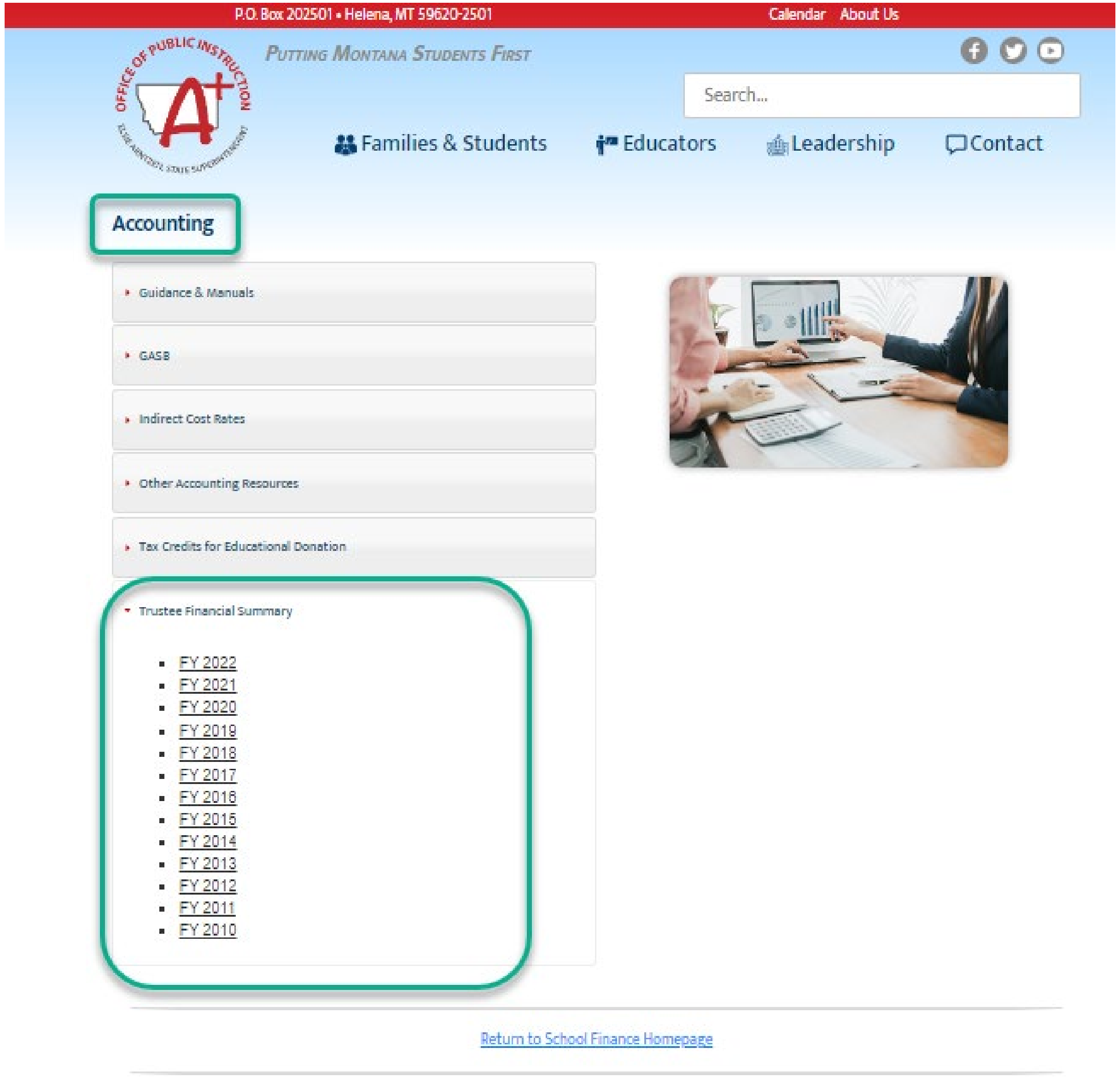
OTHER ACCOUNTING RESOURCES



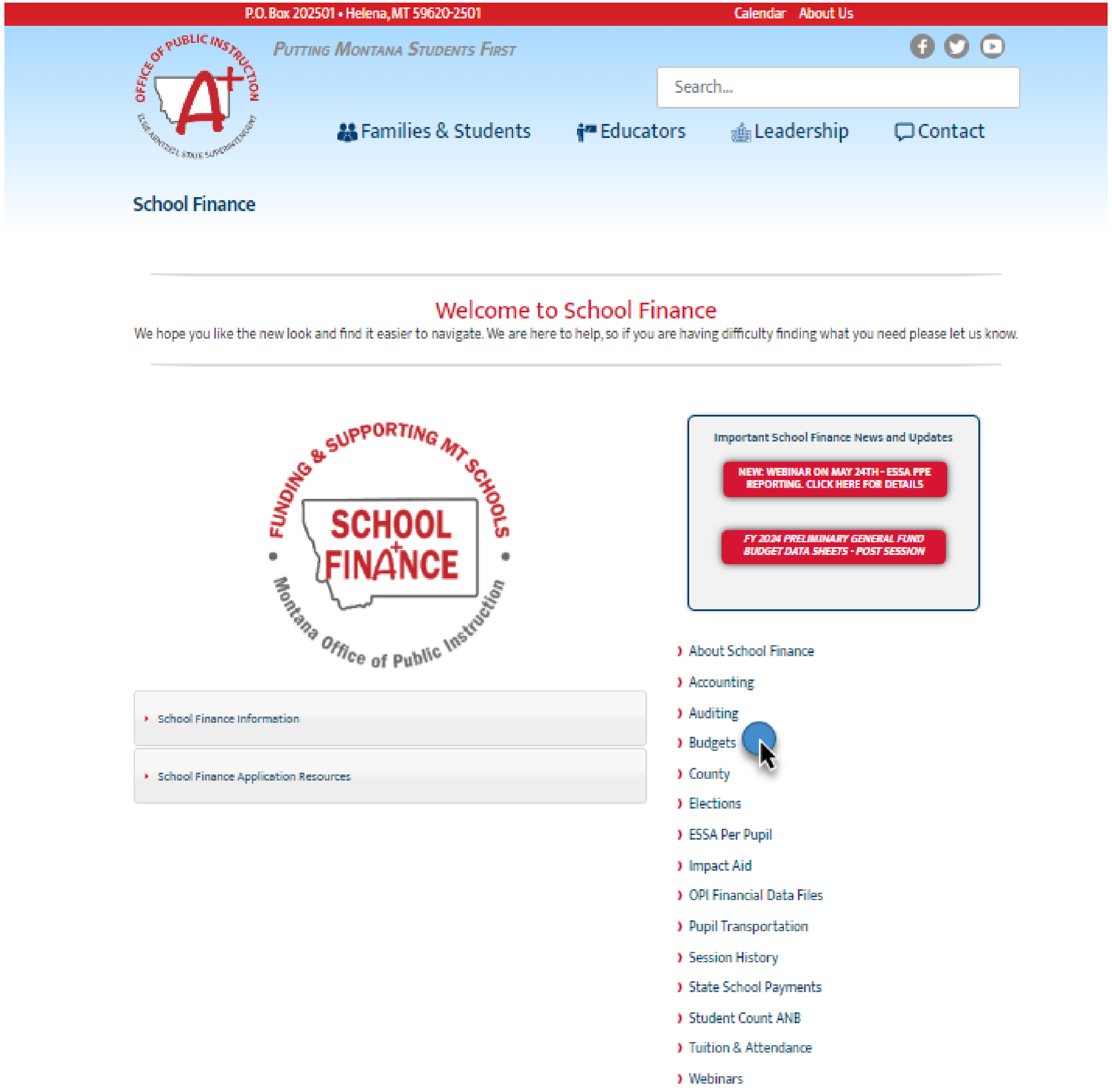
TAX CREDITS FOR EDUCATIONAL DONATION



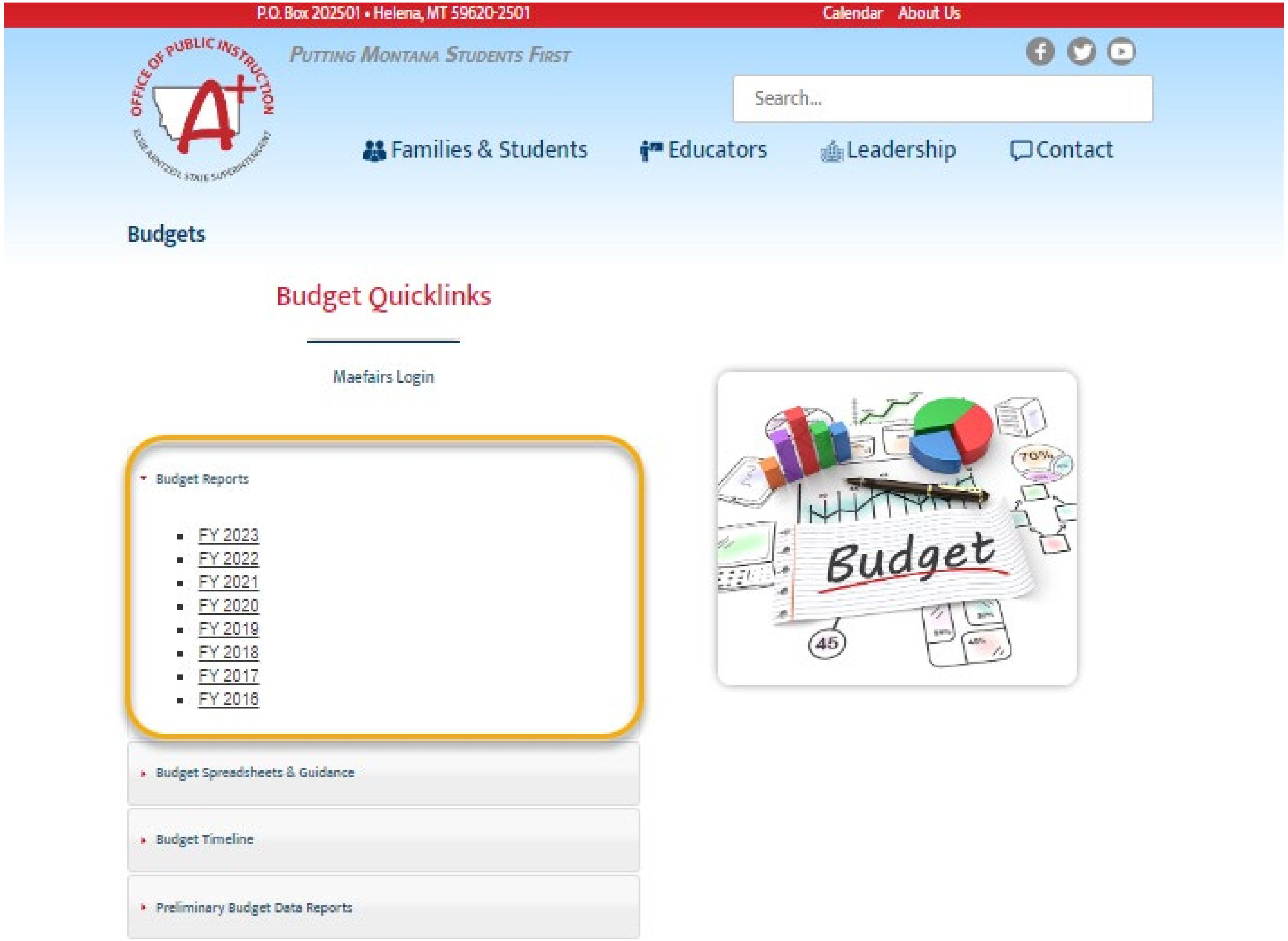
PRIOR YEAR TFS



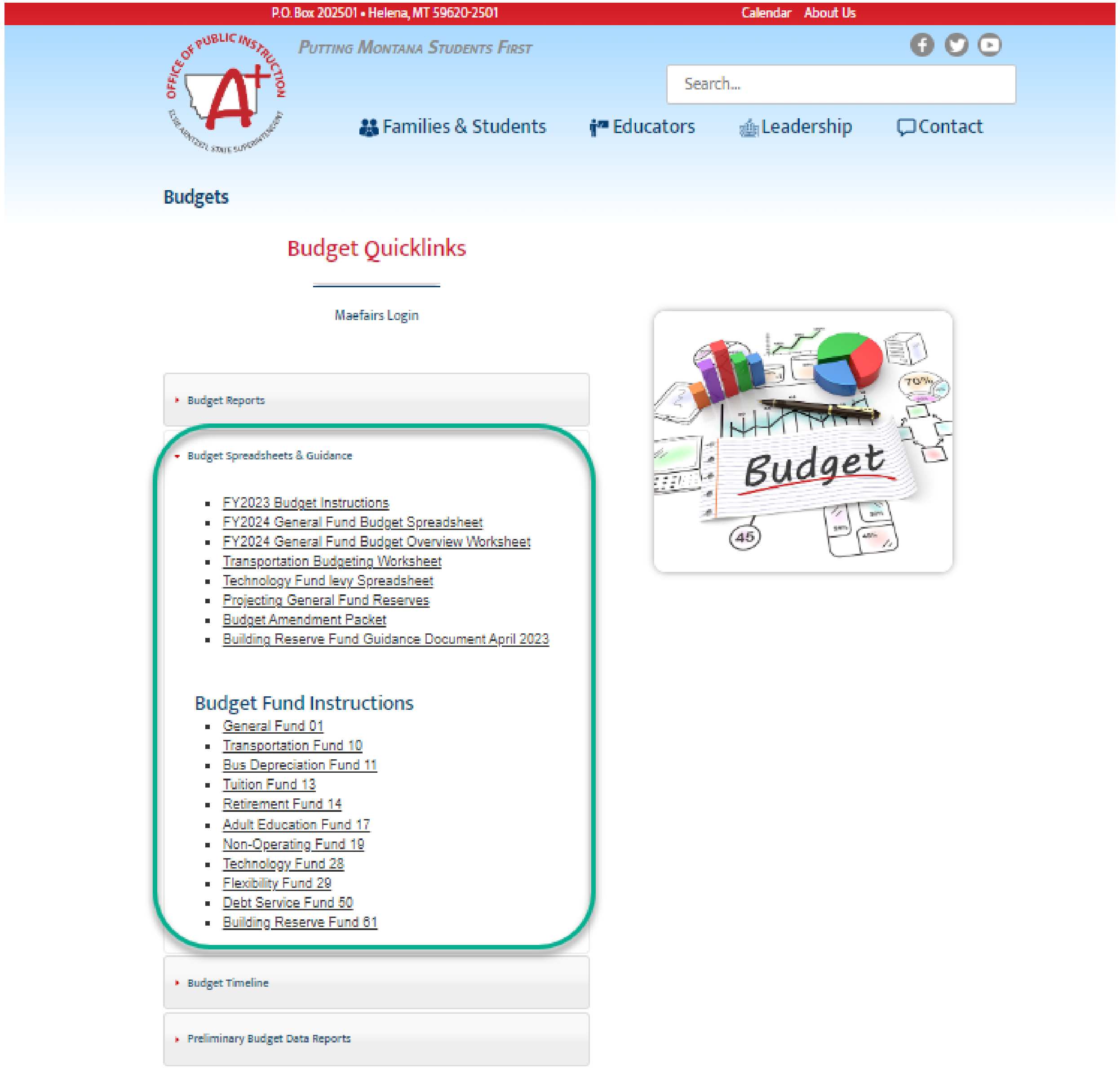
BUDGET RESOURCES



PRIOR BUDGET REPORTS

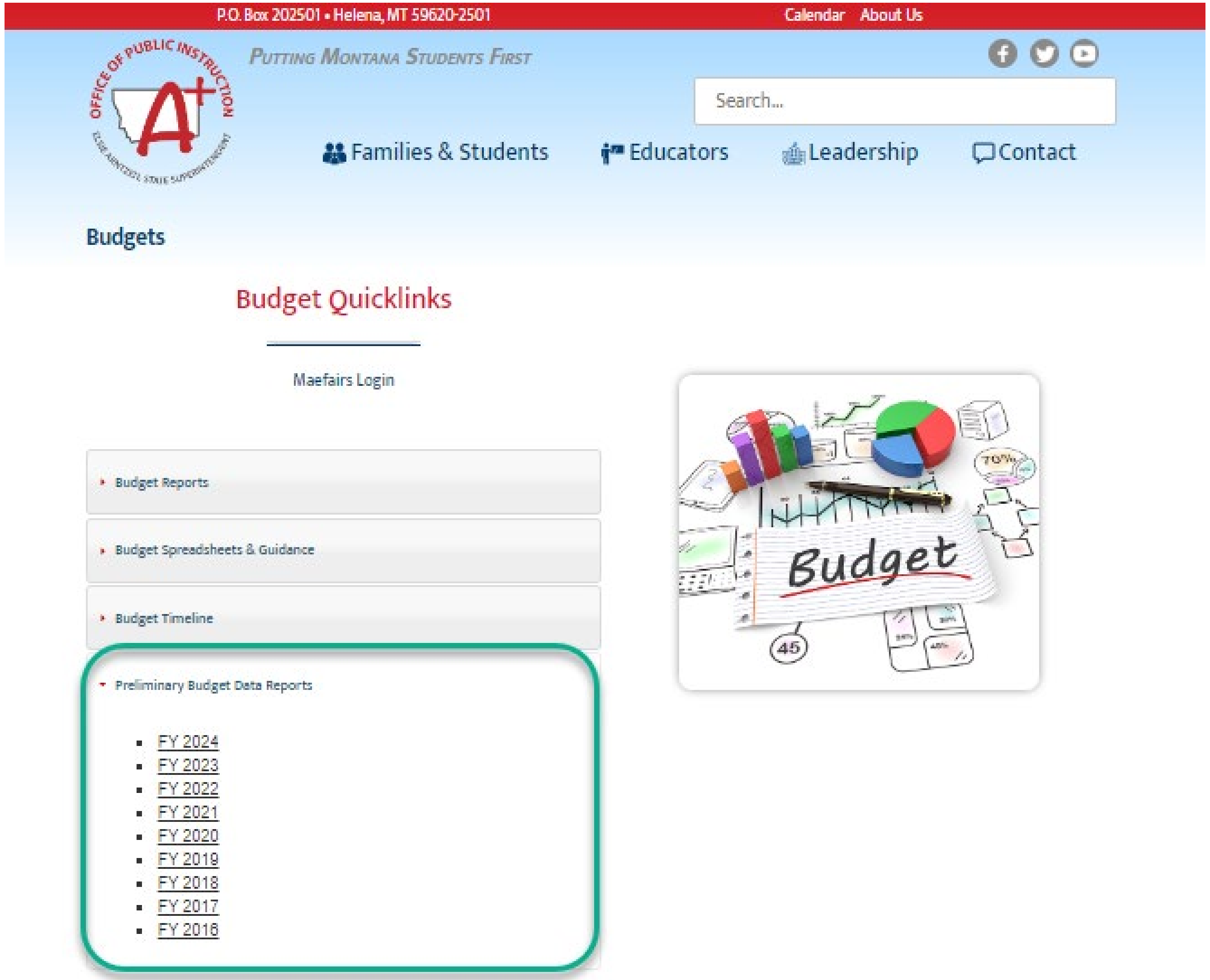


BUDGET SPREADSHEETS AND GUIDANCE



BUDGET TIMELINE

PRELIMINARY BUDGET DATA REPORTS



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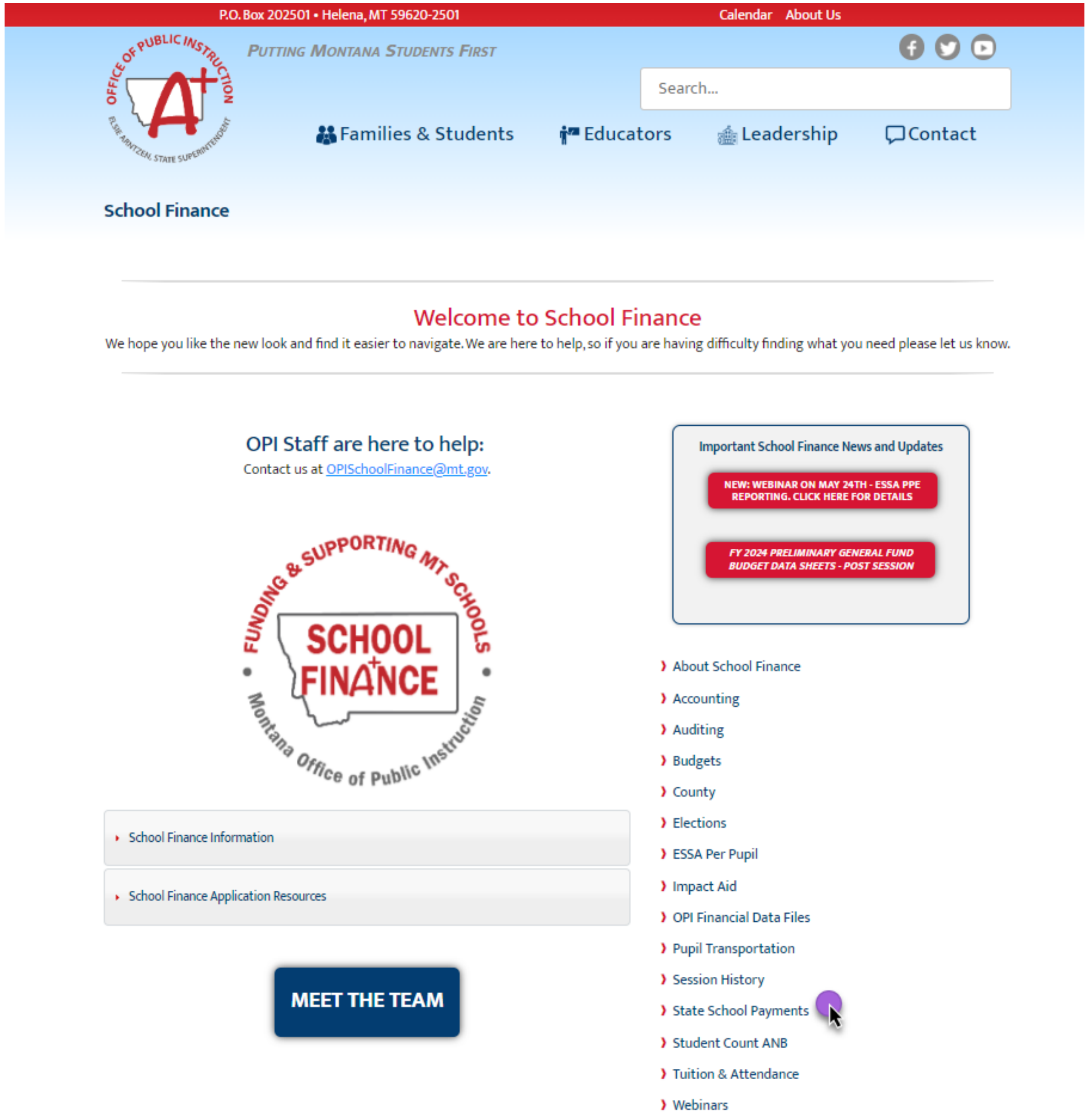
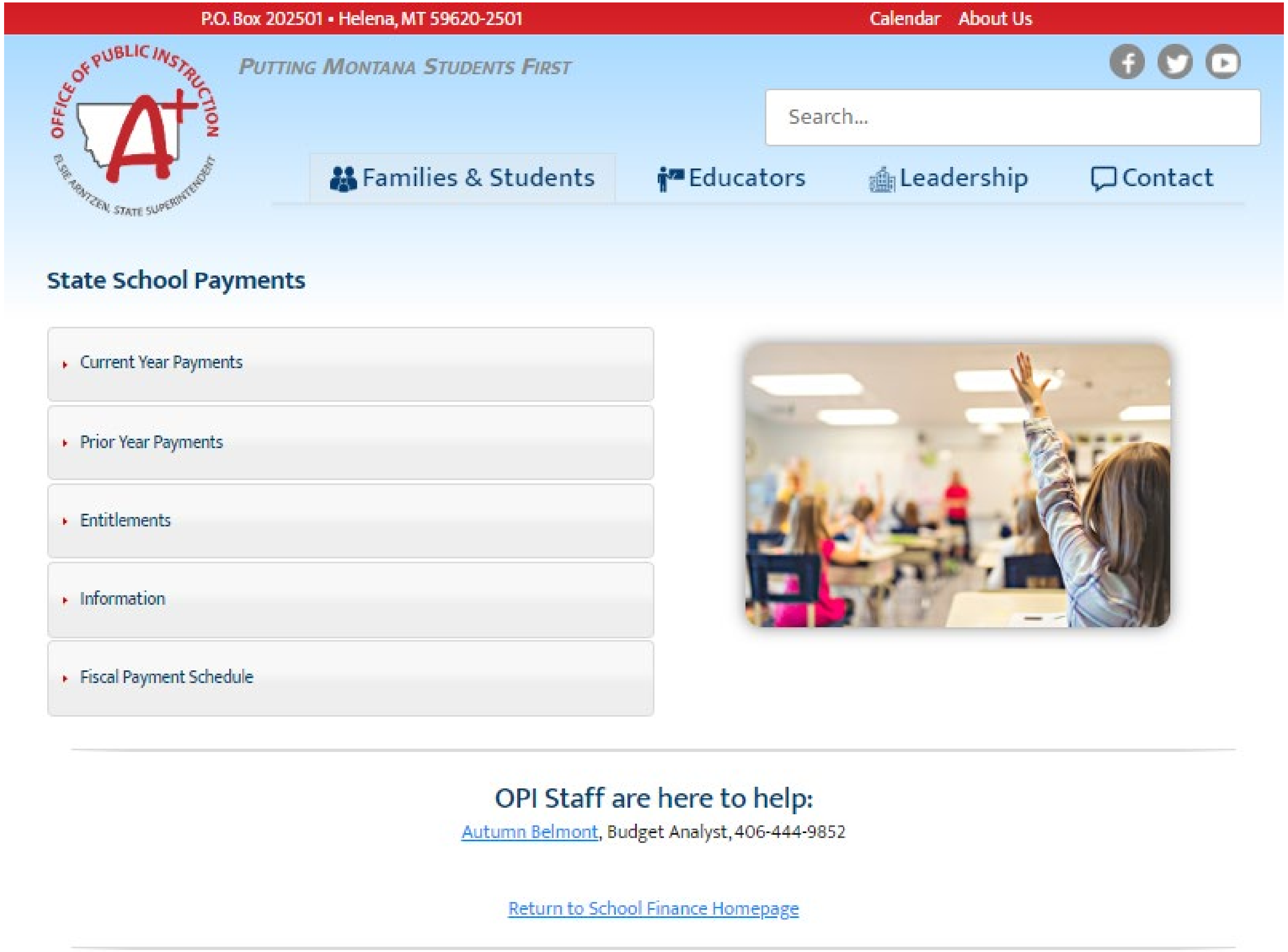
STATE SCHOOL PAYMENTS



STATE SCHOOL PAYMENTS



QUESTIONS?

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