2017 MASBO Spring Conference

STATE AIDS & TAXES RECEIVABLES OVERVIEW

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OBJECTIVES OF PRESENTATION

• Review concepts of State Aid Revenue payments and projected State Aids Receivable
• Review MDE documents and local reports to help set up State Aid receivables
• Review when levy revenues are recorded
• Review common taxes receivable entry

DISCLAIMER

• Not all counties report information using the same format or verbiage and may do things unique to their county.
• Not all auditors balance taxes using the same method. You should always check with your auditors before making final adjustments.
• We are focusing on concepts and the general reconciliation process. Districts are responsible for their own tax entries and adjustments.
State Aids

- State Aids are Estimated at the beginning of each fiscal year and estimates may be updated periodically throughout the year.
- MDE meters the payments 2 times per month based on a payment schedule in Statute (127A.45).
- Most State Aids are distributed 90% in the current year and 10% in the subsequent year including final adjustments.
- Districts will estimate their final entitlements, compare that to the State Aid payments received and then record the difference as revenue and set up a STATE AID RECEIVABLE.

State Aids

- Since many of the State Aids received by the district are based on pupil counts, the state aid receivable created will often be an estimate since school district audits occur before the final student counts are published by MDE.
- Your auditors will review pupil estimates and state aid estimates for reasonableness.

State Aids

STEP 1: Determine Projected State Aid Revenue

- Use IDEAS Combined Payment Reports
- MDE’s Revenue Simulation or What If Models

IDEAS Combined Payment Report

Use the June 30 report (Payment #24) to determine what state aid revenue has been received to date.

NOTE: This total may be different than cash receipted due to MDE adjustments hitting IDEAS.

WHAT IF Model

Districts should calculate an updated General Education Aid total and NOT use IDEAS.
Where to Find IDEAS & What If Report

• The IDEAS Combined Payment Reports can be found in MFR in the Data Reports & Analytics section of the MDE website.

Scroll down to…

Where to Find IDEAS & What If Reports

• The What IF can be found in MFR in the Data Reports & Analytics section of the MDE website.

Scroll down to…

What If – Gen Ed AID
IDEAS Gross Aid

- Updated, calculated General Education Aid Entitlement (What If): $3,721,065.88
- LESS: County Apportionment reported to MDE (actual is on 8/30 IDEAS report of the next FY) - $20,936.61
- Gross Aid Received (from IDEAS Combined Pmt. Rpt 6/30): $3,308,910.01
- Receivable (revenue still owed to district) – district will record revenue as if it is in the current FY: $391,219.26

General Education Receivable

- Balance sheet B-xx-121-000 is Due from the Dept. of Education (MDE)
- In the current Fiscal Year MORE Revenue will be recorded:
  - R-01-005-000-000-000-211 Credit $391,219.26
  - B-01-121-000 Debit $391,219.26

This entry is REVERSED in the next year to recognize the revenue was recorded in the prior fiscal year (this may be done by recording prior year revenues right to the B-121 bal. code).
The “Over/Under”

• The prior example was used with final FY16 amounts – using the What If and IDEAS. But at the time you are completing these entries for FY17 your pupil counts will still be estimates and your projected General Education Revenue may be higher or lower than the final. That “over/under” stays in the fiscal year it is in but can be noted in case there is a variance in what was expected for the current year.

Other State Receivables

• Similar to the General Education Example, other State Aids may need a receivable calculation. Using the IDEAS Combined Payment Report from June 30, both the UFARS Entitlement and Gross Aid to Date are used to calculate the receivable. In many cases it will calculate to exactly 10% of the Entitlement.

State Receivables

• Reminders!
  - Always look for the “latest & greatest” entitlement amounts, which may include doing calculations such as the What If.
  - Make sure you are using the June 30 IDEAS report for total aid paid to date.
  - When doing entries, remember they must REVERSE in the prior year...either by making a reversing entry OR by recording the prior year payments directly to the balance sheet.
  - It’s helpful to have a $0 balance in your Receivable balance sheet before starting Receivable entries.
** Levy Limitation and Certification Process **

**The Levy Cycle**

School Districts start the levy process 6 months before the calendar year the taxes are collected in and one year before the Fiscal Year the taxes are recorded in. The Minnesota Dept. of Education creates the Levy document.

- District Board adopts Final Levy in December 2015 – Levy process actually starts in July 2015 (Summer Levy)
- Property Owners pay Taxes in May 2016 and October 2016 based on the levy certified in December 2015
- Reconciliation entries are required since tax receipts fall into 2 different Fiscal Years and must be in FY17.

Certified in 2015 | PAY 2016 for FY 2017

**Recording Tax Revenue**

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**Recording Tax Revenue**

- During FY17 you received tax payments from your County Auditor. Payments that correlate to your levy certification (RE & PP or NTC or RMV Tax Payments) are received in July, October, November, December, January, May, and June.
- Counties work on calendar years, so the payments received may not match the school district fiscal years they need to be in.

**Recording Tax Revenue**

- Your Statements of Remittance (Form 52) details out what revenues you have received from the county. There are other revenues besides taxes owed from the levy certification that you receive along with your taxes received. The statement of remittance will tell you how to code those revenues.

**Recording Tax Revenue**

- Before any year end entries are made, you should have the following tax revenues in SRC 001 (using your Stmts. of Remittance).
  - October 2016 First Advance
  - November 2016 Second Advance
  - December 2016 Clean Up
  - January 2017 Payment
  - May 2017 First Advance
  - June 2017 Second Advance
  - You may also have a July 2016 Clean Up Payment in SRC001 – this will get cleaned out by a reversing entry from FY16.
  - You may also have a July 2017 Clean Up Payment coming and that may be set up as a receivable into FY17 in order to reconcile your May/June Statement of Remittance.
Recording Tax Revenue

• Step 1: Taxes Receivable
  – When the May/June 2017 revenue come in, they will be in the wrong fiscal year – those belong in FY18. The Taxes Receivable entry will estimate how much tax is still owed for Oct/Nov. 2017 by taking the Pay17 (using your School Tax Report received in April) Levy less the May/June payments already made and then move the remaining taxes owed into FY17.
  
  – You will debit Balance Sheet 110 (taxes receivable) for all applicable funds, and credit tax revenue SRC 001. (This total due will include any tax credits you will receive in FY18 in replace of taxes, or you can deduct the estimated credits if any)
  
  – We now have all of FY18’s Tax Revenue sitting in FY17 (SRC 001). HEY, that’s the WRONG YEAR!
  
  – You will also want to reverse your FY16 taxes receivable entry, if you made one (some districts may record those revenues right to the balance sheet). That removes the Oct./Nov. estimated taxes that were set up last year because now the actual revenues have been received and recorded.

Recording Tax Revenue

• Step 2: Taxes For Subsequent Years
  – An entry is now made to move all of that FY18 revenue into FY18 by taking the total levy amount from the Pay17 Levy (or School Tax Report Pay17) and setting it up in Balance Sheet 235 in all applicable funds and lowering tax revenue SRC 001.
  
  – Be sure to check that the Prior Year’s Taxes for Subsequent Years entry was reversed. When you make the entry for this year, your BAL 235 should equal your Pay17 levy (temporarily).

Quick Stop...

• Taxes Receivable:
  – May/June/July Revenue comes in…it’s sitting in SRC 001. (It’s tied to FY18 but it’s in FY17)
  
  – We know the levy total for FY18 (It’s Pay 17)…so we figure out what is coming in the Fall of 2017 and make THAT a receivable and move it into FY17 (seems wrong, but we’re doing it!)

  Levy = $1,000,000  May/June/July SRC 001 = $450,000
  R-xx-000-000-000-000-001 CREDIT $550,000
  B-xx-110-000 DEBIT $550,000

  (now we have $1 million in FY17 for FY18)
Quick Stop...

- Taxes for Subsequent Years
  - This is how we get that money out of the SRC 001 Revenue Code.
  
  \[
  \text{R-xx-000-000-000-001 \ DEBIT 1,000,000}
  \]
  \[
  \text{B-xx-235-000 \ CREDIT 1,000,000 (a holding account (liability) which will reverse in FY18)}
  \]

Recording Tax Revenue

- Step 3: Tax Shift Entry from MDE
  - Now that all of FY18 revenue has been moved to FY18 through the Taxes for Subsequent Year’s Entry (it’s sitting in B-235 has a holding for now), we need to move part of that money back into FY17. The Pay17 levy (for FY18) includes some tax revenues that need to be recognized in FY17 – these are early recognition items.
  - The MDE creates a spreadsheet that provides each district with the entry they need to make to move the appropriate revenue back into FY17.

Recording Tax Revenue

- The Tax Shift that districts experienced over the past few fiscal years is now over. The Tax Shift required a school district to recognize spring tax receipts that really belonged in the next fiscal year as revenue in the current fiscal year. This allowed the MDE to withhold General Education Aid payments in that same amount. The tax revenue replaced the aid amount so the net revenue the district received did not change.
- The district was “Owed” the amount of General Education Aid withheld from MDE, and those payments were may on June 20, 2014 via IDEAS.
Receivables are just part of the story...

- The prior slides show how we moved money received into the right fiscal year, but you also want to make sure entries done last year are properly reversed (if needed) or prior year revenues were coded to the proper balance sheet.
- You will also need to adjust delinquent taxes, spread taxes to the proper finance codes, and check to make sure other miscellaneous local revenues have been recorded correctly.
- It’s always best to follow the entries from the prior year so current year entries will flow correctly.
- Consult your auditors for work papers and other entry guidance.

Revenue Reconciliation

- It is often helpful to print of finance reports after each step of the reconciliation process so you can track your entries and balances as you go.
- Errors can be made on County reports, and reconciling can help find those.

Summary

- Because we don’t always get our revenues in the Fiscal Year they belong in, sometimes we need to make some adjusting entries to accurately reflect the revenue that should be in the Fiscal Year even if we haven’t actually receipted them yet.
- Using the Receivables journal entry options, revenues are moved even though the “cash” is coming at a later time.
- There can be times, when receivables are based on estimates, that the amount of revenue moved does not equal the actual amount calculated. Since the prior year is already closed, we don’t go back and change it but we note the differences so we can explain a variance in our current year revenues.
SUMMARY

• Part of the tax revenues a district receives may come in the form of credits instead of property tax collections. Districts will also receive prior year payments that were considered delinquent.
• Because districts are on Fiscal Years (July-June) and counties are on Calendar Years (Jan-Dec) adjusting entries must be made to record revenues in the right fiscal years.
• The MDE requires a Tax Shift entry to recognize certain revenues in prior fiscal years. The tax shift is now over and only Early Recognition Items are being adjusted into the Prior Fiscal Year.
• Districts can test their revenues, credits and adjustments to their levy to make sure they have recorded funds correctly.

SUMMARY

• Remember to check the current balances in your receivables fund balances before starting your current year-end entries.

Other revenues will also need receivables entries, such as Federal Programs, Tuition Billings, and others. Use the UFARS manual as guidance on which Balance Sheet codes apply and reference prior year work papers and activity for comparisons.

This session was just a broad overview of items you may need to address as part of your year end closing entries…and it’s just around the corner!

ANY QUESTIONS??

Thank You for your Time!
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