

PUTTING STUDENTS FIRST



TeaTime
A Resource for District
Treasurers
June 2023

State Aid and Financial Planning Service



Review of Plan for **TeaTime**



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We will have periodic webinars that will be geared towards Treasurers

Webinars will be recorded and posted on our website

Additional resources will be added to our website for certain standard tasks throughout the year under the Resource tab

Webinars will be geared to be more interactive – questions will be read out loud and answered live



Resources Available Now

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- ☑ State Aid reconciliation
- ☑ Cash flow template
- ☑ Fund balance reserves guidance
- ☑ GASB 87 lease present value and amortization schedule template
- ☑ Guidebook on Fund Balance Reserve accounting
- ☑ Recorded webinar on how to prepare the ST-3 including Supplemental Schedules SS1-SS8
- ☑ Guidebook and recorded webinar on how to prepare Supplemental Schedules SS10-SS16



Areas to be Discussed Today

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- ❑ Food Service Bad Debts and Subsequent Collections
- ❑ Accounting for Bus Bond Anticipation Notes
- ❑ Accounting for Fund Balance Reserves Activity

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Food Service Bad Debts and Subsequent Collections

Outstanding Balances at Year-End





Food Service Fund – Outstanding Balances

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- ❑ Education Law §908 related to Meal Shaming was approved effective for the 18/19 school year.
- ❑ Requires that at year-end, any receivables for meals provided during the year that haven't been collected are to be treated as “bad debts”.
- ❑ Bad debts are not eligible expenditures under the NSLP thus the General Fund must make an Interfund Transfer to Food Service to cover the bad debts.



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Office of P-20 Education Policy

Child Nutrition Program Administration

89 Washington Avenue, Room 375 EBA, Albany, NY 12234

Phone: (518) 473-8781 Fax: (518) 473-0018

<https://cn.nysed.gov/content/revised-prohibition-against-meal-shaming>

To: Public School Food Authorities; Non-Public School Food Authorities; Charter School Food Authorities

From: Paula Tyner-Doyle, Coordinator

Date: Friday, June 8, 2018

Subject: Revised - New York State Legislation: Prohibition Against Meal Shaming

**Education Law 908
– Effective beginning
18/19 Year**

The Prohibition Against Meal Shaming legislation does not intend to allow for the unlimited accrual of debt. SFAs must include a clear explanation in their plan describing the collection procedures that will be implemented to recoup unpaid meal charges. The SFAs procedures shall be directed to the parent or guardian and if possible should provide repayment options. SFAs cannot use a debt collector as defined in section eight hundred three of the federal consumer credit protection act, 15 U.S.C. Sec. 1692a to engage in collection activities on behalf of the SFA. **The SFA must also ensure that the SFA's non-profit foodservice account is reimbursed for all outstanding meal charges by no later than June 30th of each school year.**

Funds used to reimburse the foodservice account must be taken from a non-federal source such as the school's general fund. All funds recouped after the non-profit foodservice account is made whole should be deposited into the general fund or other account used to replenish the school foodservice account. The SFA must maintain adequate documentation to substantiate the transfer of funds for the equivalent of all unpaid meal debt to the school food service account each year.

This Requirement Could Cause Journal Entries at Year-End

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- Example: Sample School District has \$5,000 recorded as Accounts Receivable (C380) at year-end from parents for meals served during the year to their children.
 - 1) At year-end the Accounts Receivable is deemed a bad debt.
 - 2) At this time the receivable should be written off.
 - 3) At the same time an Interfund Transfer from the General Fund should be recorded.



Recording the Bad Debt

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First step in recording the bad debt is to see if you actually are showing the outstanding receivable in your accounting records as such.

Often, the report that shows the remaining positive balances, by student account, has these receivables listed as negative balances, thus they are being netted against Deferred Inflows of Resources:

To separate them into their proper accounts:

	<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
C380 - Accounts Receivable -Unpaid Meals		\$ 5,000.00	
	C691-Deferred Inflows of Resources		\$ 5,000.00



Recording the Bad Debt

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Second step is to write off the bad debt.

C980 - Revenue Control				\$ 5,000.00	
		C1440 - Sale of Reimbursable Meals	\$ 5,000.00		
		C380 - Accounts Receivable - Unpaid Meals			\$ 5,000.00

Note: Sale of Reimbursable Meals revenue was recognized at the time the meal was served.



Recording Interfund Transfer From General Fund

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Third step is to have the General Fund make the Food Service Fund whole for the amount of the bad debts:

C391 - Due from General Fund			\$ 5,000.00	
	C980 - Revenue Control			\$ 5,000.00
	C5031 - Interfund Transfer Revenue From General Fund	\$ 5,000.00		
A522 - Expenditure Control			\$ 5,000.00	
	A9901.93 - Interfund Transfer Expense to Food Service Fund	\$ 5,000.00		
	A630 - Due to Food Service Fund			\$ 5,000.00

What Happens in the Following Year?

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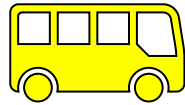
- Districts are still able to pursue collecting the amount due
 - ▣ Education Law §908 should be referenced as there are restrictions on how collection efforts are done
- Who gets the money collected from the prior year?
 - ▣ General Fund – as they have already fully satisfied outstanding balance (A2703)
 - ▣ Food Service may be the one receiving the money so coordination of these deposits, if any, may be necessary

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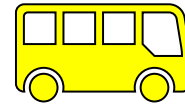
Accounting For Bus BANs

Original Issuance and Renewals





Bus BAN



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- ❑ Often buses are financed with bond anticipation notes (BANs)
- ❑ BANs are typically one year or less, single fixed rate debt obligations, renewable annually at maturity at then current interest rates
- ❑ Principal and interest are due at maturity
- ❑ Financing must convert from BANs to bonds no later than the fifth anniversary date after the first BAN
 - ▣ This was temporarily extended during COVID
 - ▣ Generally, buses are paid off over the 5 years

Recording a Bus BAN

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- ❑ First step is to determine where the BAN proceeds will be/were deposited
- ❑ Need to give the fiscal advisor a bank account number that you don't have a block on incoming/outgoing wires
- ❑ For the initial BAN, the money should be deposited into the Capital Projects Fund
- ❑ Once issued, you need to know the amount of the BAN proceeds and any premium paid
- ❑ Premiums can only be used to pay back the principal and interest on the BAN

Want More Information About Financing?

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Bond Basics for School Districts in New York State



<https://www.orrick.com/en/Insights/2009/10/Bond-Basics-for-School-Districts-in-New-York-State>

DOUGLAS E. GOODFRIEND and THOMAS E. MYERS



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Recording Original BAN

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- ❑ Voters approve purchasing up to \$800,000 in new buses during the May 2022 budget vote. The district sells a BAN in 8/22 for \$800,000 with a 2.0% interest rate and receives a \$20,000 premium. The Debt Service Fund is responsible to pay off this BAN.

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H200-Cash			\$ 820,000	
	H626-BAN Payable			\$ 800,000
	H630-Due to Debt Service Fund			\$ 20,000
V391-Due from Capital Fund			\$ 20,000	
	V980-Revenue Control			\$ 20,000
	V2710-Premium on Obligations	\$ 20,000		



Interest Earned on BAN

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- Assume the BAN proceeds were deposited in the Capital Fund and earned \$4,000 of interest earnings before being used to purchase the buses.

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H200-Cash			\$ 4,000	
	H630-Due to Debt Service Fund			\$ 4,000
V391-Due from Capital Fund			\$ 4,000	
	V980-Revenue Control			\$ 4,000
	V2401-Interest Earnings	\$ 4,000		



Bus Purchase Project Closed

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- Assume the cost of the buses purchased was \$799,000, leaving \$1,000 in unused proceeds. The BOE closed this project out in May 2023.

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H522- Expenditure Control			\$ 799,000	
	H5510.210-Buses	\$ 799,000		
	H200-Cash			\$ 799,000
H522- Expenditure Control			\$ 1,000	
	H9901.96-Transfer to Debt Service Fund	\$ 1,000		
	H630-Due to Debt Service Fund			1,000
V391-Due from Capital Fund			1,000	
	V980-Revenue Control			1,000
	V5031-Interfund Transfer from Capital	1,000		



At Year-End, Year 1

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In the Debt Service Fund (or General Fund for those districts servicing debt through the General Fund), the Premium on Obligations (\$20,000), any interest earned on the BAN in the Capital Fund (\$4,000) and the unused proceeds of debt (\$1,000) on the closed project must be closed at year-end to the Reserve for Debt. These funds can only be used to pay off the principal and interest on the obligations outstanding.

Assume revenue and expenditures controls are closed against V915 at year-end. The correcting entry would be:

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
V915-Assigned Unappropriated Fund Balance			\$ 25,000	
	V884-Reserve for Debt			\$ 25,000



Year Two – Paying Off BAN and Partially Renewing BAN

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In August 2023, the original BAN matures. The interest due will be \$16,000 ($\$800,000 \times 2\%$). The District budgeted \$160,000 in the 23-24 Debt Service Fund budget to pay off part of the principal on this obligation. They plan on renewing the BAN for \$640,000 (balance remaining).

This BAN was part of the district's total debt service expenditures of \$751,000, as follows:

BAN Principal	\$160,000
BAN Interest	\$ 16,000

Bond Principal	\$400,000
Bond Interest	\$175,000

The General Fund budgeted an Interfund Transfer to the Debt Service Fund for \$751,000 to pay for these obligations.



Year Two – Transferring Money from the General Fund

22

The General Fund needs to make an Interfund Transfer to the Debt Service Fund of \$751,000 per the 23-24 General Fund budget:

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A522-Expenditure Control			\$ 751,000	
	A9901.96 - Transfer to Debt Service Fund	751,000		
	A630-Due to Debt Service Fund			\$ 751,000
V391-Due From General Fund			\$ 751,000	
	V980-Revenue Control			\$ 751,000
	V5031-Interfund Transfer From General Fund	\$ 751,000		



Year Two – Paying off Original BAN and Issuing New BAN

23

The original BAN is scheduled to come due 8/16/23. The district issues the renewal BAN on 8/15/23. This is done so there will be sufficient cash available to pay off the first BAN in full.

Assume the new BAN and old BAN monies are handled in the Debt Service bank account:

NEW

OLD

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
V200-Cash			\$ 640,000	
V522-Expenditure Control				\$ 640,000
	V9732.6 BAN-Bus Principal	640,000		
V522-Expenditure Control			\$ 816,000	
	V9732.6 BAN-Bus Principal	800,000		
	V9732.7 BAN-Bus Interest	16,000		
V200-Cash				\$ 816,000

Nets to
\$160,000



Year Two – Paying off Original BAN and Issuing New BAN

24

Since the Debt Service Fund paid down on the BAN in the Capital Fund, the Capital Fund recognizes revenue for the amount of principal payments made. This entry should be made when the BANs are paid/issued:

			<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H626-BANs Payable				\$ 160,000	
	H980-Revenue Control				\$ 160,000
		H5731-BANs Redeemed from Appropriations	160,000		

*Balance remaining in H626-BANs Payable is \$640,000 (\$800,000-\$160,000)



Year Two – *Example #2* – Renewal BAN included \$150,000 of New Funding

25

Original BAN was \$800,000, district budgeted \$160,000 in BAN principal payments, and new BAN is for \$790,000 so district has new funding of \$150,000 (\$800,000-\$160,000 + \$150,000)

NEW

OLD

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
V200-Cash			\$ 790,000	
V522-Expenditure Control				\$ 640,000
V9732.6 BAN-Bus Principal	640,000			
V630-Due to Capital Fund				\$ 150,000
V522-Expenditure Control			\$ 816,000	
V9732.6 BAN-Bus Principal	800,000			
V9732.7 BAN-Bus Interest	16,000			
V200-Cash				\$ 816,000

Nets to
\$160,000



Year Two – *Example #2* – Renewal BAN included \$150,000 of New Funding (con't)

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Original BAN was \$800,000, district budgeted \$160,000 in BAN principal payments, and new BAN is for \$790,000 so district has new funding of \$150,000 ($\$800,000 - \$160,000 + \$150,000$)

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H391-Due from Debt Service Fund			\$ 150,000	
H626-BANs Payable				\$ 150,000

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
H626-BANs Payable			\$ 160,000	
H980-Revenue Control				\$ 160,000
H5731-BANs Redeemed from Appropriations		160,000		

*Balance remaining in H626-BANs Payable is \$790,000 ($\$800,000 + \$150,000 - \$160,000$)



Common Issues

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- Communications! Everyone involved needs to understand the financing plan.... Not just the fiscal advisor!
- We often hear from Treasurers that BAN related monies were deposited in their XXXX bank account, but they are unsure of what it is for. You need:
 - Wiring instructions to pay off the old BAN,
 - Principal and interest due on the old BAN,
 - Amount of the new BAN,
 - Interest rate of the new BAN,
 - Length of the new BAN,
 - Premium on the new BAN,
 - Any new funding included in the new BAN,
 - How much was budgeted for BAN principal and interest in (A) or (V) for this borrowing?



Fund Balance Reserves

Journal Entries to Adjust Balances at Year-End



Fund Balance Reserves

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- What changes to Reserves were included in the General Fund Budget and/or approved by the BOE and/or voters during the year?
 - ▣ Disbursements approved to be funded from Reserves – BOE and/or Voters
 - ▣ Additions approved to be added to Reserves
 - ▣ Establishment of new Reserves
- Other Changes?
 - ▣ Interest earnings
- Let's walk through some examples



22-23 Budget Included Use of Reserve for Some Expenditure

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Example: 22-23 Budget included appropriation of the Workers Compensation Reserve to pay for up to \$100,000 of Workers Compensation claims.

Considerations:

#1. How much did you actually spend on Workers Compensation claims in 22-23?

A: Say it was \$90,000.

#2. Did you have a loss or gain overall this year?

A: Say it was a loss of \$200,000.

#3. What does your Fund Balance Policy say about how losses are applied to the various types of fund balance?

A: Say it allows the SBO to decide. She decides to use the Workers Compensation Reserve as budgeted.



22-23 Workers Compensation Reserve

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Example: Budget included appropriation of the Workers Compensation Reserve to pay for up to \$100,000 of Workers Compensation claims. Actual expenditures were \$90,000. Revenues and expenditures are closed to the A915/A909 account:

	<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A814-Workers Compensation Reserve		\$ 90,000	
A915/909-Unassigned Fund Balance			\$ 90,000

If the actual claims were \$120,000:

	<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A814-Workers Compensation Reserve		\$ 100,000	
A915/909-Unassigned Fund Balance			\$ 100,000

Limited to the lower of the actual expenditures or the amount appropriated.

Note: Fund Balance Codes

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From OSC's *School District Accounting and Reporting Manual*:

NOTE: A912 Unrestricted Fund Balance is used for budgeting and accounting only, not for reporting purposes. It will be allocated to A913 Committed, A915 Assigned or A917 Unassigned Fund Balances for reporting purposes, as appropriate. Districts may use A913, A915 or A917 directly for budgeting and accounting purposes instead of A912.

For the sample journal entries today, we will be using 915/909. 909 was the account code for unassigned fund balance before GASB 54 became effective and many districts still use it internally.

May 16, 2023 Voters Approved Use of a Capital Reserve

33

Example:

CAPITAL PROJECT RESOLUTION

SHALL THE FOLLOWING RESOLUTION BE ADOPTED:

Shall the Board of Education of the [REDACTED] Central School District, [REDACTED] Counties, New York (the "District") be authorized to undertake a capital improvement project consisting of alterations, renovations and improvements to the District's school buildings and associated facilities, including improvements to the District's [REDACTED] Road Middle School, [REDACTED] High School, [REDACTED] Road Middle School [REDACTED] High School, [REDACTED] Elementary School, [REDACTED] Elementary School, [REDACTED] Elementary School, [REDACTED] Elementary School, [REDACTED] Elementary School, the District's Transportation and Maintenance facility, the [REDACTED] Building, outdoor playground facilities, site improvements for various school purposes, and other appurtenant and related improvements, and the acquisition and installation in and around the foregoing improvements of original furnishings, equipment, machinery, apparatus and technology improvements, and preliminary and incidental costs related thereto; for a total aggregate maximum cost of \$69,822,169, with such cost being raised by the expenditure of \$14,000,000 from the District's existing "Capital Project Reserve" capital reserve fund (said fund being established pursuant to a proposition approved by the qualified voters of the District on May 18, 2021), and with the balance thereof, not to exceed \$55,822,169, being raised by a tax upon the taxable property of the District to be levied and collected in annual installments as provided in Section 416 of the Education Law, with such tax to be offset by State aid available therefore, and in anticipation of such tax, by obligations of the District as may be necessary?



May 16, 2023 Voters Approved Use of a Capital Reserve (con't)

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Based on the approval of the Proposition, the voters have approved a budget amendment for 2022-23 to make an Interfund Transfer to Capital for \$14,000,000 funded from the Reserve:

	BUDGET ENTRY	<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A511-Appropriated Reserves - Capital			\$ 14,000,000	
A960-Appropriations				\$ 14,000,000
A9950.9-Transfer to Capital Fund		\$ 14,000,000		

This authorization is for **22-23**, so Interfund Transfer should be made by 6/30:

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A522-Expenditure Control			\$ 14,000,000	
A9950.9-Transfer to Capital Fund		\$ 14,000,000		
A630-Due to Capital Fund				\$ 14,000,000



May 16, 2023 Voters Approved Use of a Capital Reserve (con't)

35

In the Capital Fund:

H391-Due from General Fund			\$ 14,000,000	
	H980-Revenue Control			\$ 14,000,000
	HR5031-Interfund			
	Transfer from General	\$ 14,000,000		

Then, at year-end, for General and Capital Funds:

			<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A878-Capital Reserve				\$ 14,000,000	
	A915/909-Unassigned Fund Balance				\$ 14,000,000
H915/909-Assigned Unappropriated Fund Balance				\$ 14,000,000	
	H878-Capital Reserve				\$ 14,000,000



June 1, 2023 Board Meeting Board Approved Increasing the ERS Reserve

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Example: Board approved increasing the ERS Reserve by \$500,000 from Unassigned Fund Balance as of 6/30/23.

Considerations:

#1. Did the Board approve the increase by June 30th?

A: Yes.

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A915/909-Unassigned Fund Balance			\$ 500,000	
	A827-Employee Retirement System Reserve			\$ 500,000



April 17, 2023 Board Meeting Board Approved Establishment of Tax Certiorari Reserve

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Example: Board approved establishment of a Tax Certiorari Reserve based on pending claims for \$600,000.

Considerations:

#1. Did the Board approve the increase by June 30th?

A: Yes.

#2. Are there pending tax cert claims outstanding for \$600,000?

A: Yes.

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A915/909-Unassigned Fund Balance			\$ 600,000	
	A864-Reserve for Tax Certiorari			\$ 600,000

Interest Earned During the Year on Reserves

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Example: District has one investment account that holds the Tax Cert Reserve (\$4,000,000) and the Capital Reserve (10,000,000). The average interest rates were between .25% and 4% during 2022-23, as follows:

Month	Rate	Interest	Month	Rate	Interest
July 22	.25	2,917	Jan 23	1.25	14,583
Aug 22	.25	2,917	Feb 23	2.25	26,250
Sept 22	.30	3,500	Mar 23	2.75	32,083
Oct 22	.35	4,083	Apr 23	3.00	35,000
Nov 22	.50	5,833	May 23	3.50	40,833
Dec 22	.55	6,417	June 23	4.00	46,667
			Total		221,083

Split:	Amount
Tax Cert (\$4M/\$14M) x Interest	63,167
Capital Res (\$10M/\$14M) x Interest	157,916
Total	221,083



Interest Earned During the Year on Reserves (con't)

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Example: At year-end, interest earned on Reserves should be closed to the individual Reserves, regardless if the funds had been commingled with operating funds of the district.

With the sharp change in interest rates, more care may be needed to determine the interest earn on each reserve this year.

Assume Interest Earnings automatically closes against Unassigned Fund Balance, the following is necessary:

		<u>Sub Acct</u>	<u>Debit</u>	<u>Credit</u>
A915/909-Unassigned Fund Balance			\$ 221,083	
	A864-Reserve for Tax Certiorari			\$ 63,167
	A878-Capital Reserve			\$ 157,916



Conclusion



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- ✓ At year-end, review status of unpaid meals in (C) and make necessary Interfund Transfer from General.
- ✓ Make sure that the fiscal advisor provides the details that you will need to record the issuance and subsequent payment of any BANs.
- ✓ Make sure that any Reserve activity approved by the Board, the budget and/or the voters is properly accounted for by year-end.



Questions?



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