**ON-BEHALF**

**PAYMENT**

**INSTRUCTIONS**

Dated: 6/27/23

Kentucky Department of Education

Office of Finance & Operations

District Financial Management Branch

# **On-Behalf Payment Instructions**

Various state agencies make payments on behalf of school districts for the employer’s portion of Health Benefits, Teachers’ Retirement System (TRS), Technology, Debt Services, and Kentucky Inter-local School Transportation Association (KISTA) Energy Savings Capital Leases. Districts issue Federal Reimbursement payments to the Kentucky Department of Education (KDE) for the employer’s portion of health benefits that were initially paid by the department for federally funded district employees.

The KDE, Division of District Support posts the **on-behalf payments** on the web for the school districts to use in their Annual Financial Reports (AFRs) and for the auditors to use in the districts’ financial audit. See link below:

There are five main categories of on-behalf payments made for the districts. They are health benefits, TRS, technology, debt service and KISTA energy savings capital leases. The “On-Behalf Payments Summary Report” is a summary of the districts’ combined payments paid by the KDE, TRS and School Facilities Construction Commission (SFCC) on behalf of the districts. Each category is listed below with more details.

# **Health Benefits On-Behalf Payments**

There are four tabs inside the “**Health Benefits On-Behalf Payments**” spreadsheet reflecting each type of Health Benefit On-Behalf Payment: Health Insurance (HI), Life Insurance, Administrative Fee, and Health Reimbursement Account (HRA) and Dental/Vision Waiver (DVW). These amounts must be combined and **reduced** by the amount the district paid for federally funded employees in the “**Federal Reimbursement of Health Benefits On-Behalf Payments**” spreadsheet, allocating the remaining amount for all district employees except those recorded in Fund 2.

The following org/object codes may be used for recording the Health Insurance, Life Insurance, Administrative Fee, and HRA/DVW revenues and expenditures. KDE encourages recording expenditures to unit number (location) for reporting purposes. The “Maintenance of Effort” report, unit number (location) should not only be 000 – District Wide or 001 – Central Office because districts have employees working in other unit numbers and those must be reflected. Follow the steps below to determine the debits for the expenditures:

1. Credit: ORG 110-3900 in fund 1 or ORG 510-3900 in fund 51 (the applicable amount for each fund) ensuring the total reflects the amount from the report on the web titled “On-Behalf Payments Summary Report” using the “total” column.
2. Expenditures: Calculate fund 1 and 51 salary expenditures by unit number (location) and when necessary to program level 200 for the maintenance of effort (Note: fund 1 and 51 salaries by unit number (location) should equal the total salaries for the district).
3. Percentage: Divide (B) by (A) = percentage (Note: All percentages by unit number (location) should equal 100%).
4. Debit by unit number (location): Multiply A \* C = (D) (Note: the total for D, by unit number (location) should equal the total revenues for on behalf health).
5. Instruction (function 1xxx) use one or all sets of ORGs below if these costs are paid with general fund monies.
	1. Instructional SBDM

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1118-0280 | 1100 | Regular Instruction program 100 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

* 1. Other Instruction Non-SBDM will use as many of the ORGs below as needed, to show the separate instructional levels for Special Education

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1006-0280 | 1900 | Other Instr. Spec. Ed. Instr. Level 11 |
| Debit | ###1008-0280 | 1900 | Other Instr. Spec. Ed. Instr. Level 19 |
| Debit | ###1121-0280 | 1900 | Other Instr. Spec. Ed. Instr. Level ## |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Student Support Services (function 21xx) will use one or both sets of ORGs below if these costs are paid with general fund monies.
	1. Student Support

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1271-0280 | 2190 | Student Support program code 470 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

* 1. Student Support Special Education

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1038-0280 | 2134 | Student Support Services program 200 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Instructional Staff Support (function 22xx) will use one or both set of ORGs below if these costs are paid with general fund monies.
	1. Instructional Staff

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1220-0280 | 2290 | Instructional Staff program 490 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

* 1. Instructional Staff Special Education

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1123-0280 | 2211 | Instr. Staff Spec. Ed. program 200 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. District Administrative Support (function 23xx) will use the ORG below if these costs are paid with general fund monies.

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 0011071-0280 | 2311 | District Admin.  |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. School Administrative Support (function 24xx) will use the ORG below if these costs are paid with general fund monies.

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1077-0280 | 2410 | Sch. Admin. Support |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Business Support (function 25xx) will use the ORG below if these costs are paid with general fund monies.

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 0011080-0280 | 2511 | Business Support |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Plant Operation and Maintenance (function 26xx) will use the ORG below if these costs are paid with general fund monies.

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1407-0280 | 2610 | Plant Operations and Maintenance |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Student Transportation (function 27xx) will use one or both sets of the ORGs below if these costs are paid with general fund monies.
2. Student Transportation

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 9011092-0280 | 2720 | Student Transportation program 100 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

1. Student Transportation Special Education

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1093-0280 | 2720 | Sch. Admin. Support program 200 |
| Credit | 110-3900 | 0000 | on-behalf revenue |

In Fund 5X, credit for the following: Food Service 5110-3900, Day Care 520-3900, and Adult Ed 540-3900. Debit the appropriate funds by unit number using the following org/object codes:

1. Food Service Operations

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###5101-0280 | 3100 | Food Services |
| Credit | 510-3900 | 0000 | on-behalf revenue |

1. Day Care Operations

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###5203-0280 | 3200 | Day Care Operations |
| Credit | 520-3900 | 0000 | on-behalf revenue |

1. Adult Education Operations

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###5521-0280 | 3400 | Day Care Operations |
| Credit | 540-3900 | 0000 | on-behalf revenue |

**\*NOTE:** Unit number should not only be 000 - District Wide, or 001 - Central Office, because school numbers should also be reflected.

Using the suggested org codes above, the entry to record the on-behalf health benefit payments should follow this format:

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | ###1118-0280 | 1100 | regular instruction on-behalf payments |
| Debit | ###1271-0280 | 2190 | student support services on-behalf payments |
| Debit | ###1220-0280 | 2290 | instructional staff on-behalf payments |
| Debit  | 0011071-0280 | 2311 | district administration on-behalf payments |
| Credit | 110-3900 | 0000 | on-behalf revenue |

These entries shall be recorded in MUNIS so they will be reflected on both the unaudited AFR (submitted by July 25 each year) and the audited AFR (submitted after the district’s audit has been completed). If the expenditures and revenues are not submitted by the district or there are no school numbers submitted in the unaudited and audited AFR submissions, the district will receive an error message and will be required to correct the missing information prior to submission. These entries do not have to be reversed in the subsequent fiscal year. The recording of these entries to all unit numbers or locations who have employees receiving benefits shown above, must be completed to provide the most transparent reporting which agrees with the audited statements. The revenue and expenditure amounts are equal and will not affect your fund balance.

# **Teachers’ Retirement System On-Behalf Payments**

The TRS On-Behalf Payments, should be recorded in the district’s governmental funds financial statements in object code 0280. The districts have the option to combine the TRS totals when reporting the on-behalf payment. KDE will only accept the “Schedule of Employer Allocations” totals from the **state contributions** column recorded in "GASB 68 and GASB 75 Auditor's Report as of June 30, 20\*\*" in [Teachers' Retirement System Kentucky, Financial Reports, Investment Returns & Plan Information - https://trs.ky.gov/financial-reports-information/](https://trs.ky.gov/financial-reports-information/). **NOTE:** The FY for this report follows the FY of the financial audit. This amount should be allocated to various org codes and may be the same ones used to record the TRS employer portion. The object code which can be used for the recording of TRS, is 0231. The object codes which can be used for the recording of CERS are 0232O (OPEB Liability) or 0232P (Pension Liability). The **TRS On-Behalf Payments amount** is required to be recorded in **Munis**, and in the district audit report’s **financial statements** and **Notes to the Financial Statements**.

**Net Pension & OPEB Liabilities**

Use the “**state’s proportionate share of net pension & OPEB liability”** totalsfrom the “Schedule of Pension Amounts by Employer” section recorded in the most current "GASB 68 and 75 Auditor's Report as of June 30, 20\*\*" (see link above) to record the amount in the audit report’s **Required Supplementary Information (RSI) section only**.

The districts’ Audit Reports and Audited AFRs are due to KDE on or before **November 15th**, and should include on-behalf payments, net pension & OPEB liabilities and RSI figures as referenced above. If the TRS amounts are delayed and are not available when the unaudited AFR is submitted, please note you have the option to estimate or leave the amount blank. If the estimated amount isn’t material, your audited AFR will be fine.

Please forward **TRS** On-Behalf Payments information questions to the following TRS representatives: Heidi Yates at Heidi.Yates@trs.ky.gov or Mark Whelan at mark.whelan@trs.ky.gov or (888) 891-2696.

# **Technology On-Behalf Payments**

The Office of Knowledge, Information & Data Services (KIDS) provides the document entitled "**Technology On-Behalf Payments**" which summarizes the amounts paid on behalf of districts for technology services including the Kentucky Educational Network (KEN), AT&T Firewall Services, MUNIS Financial Management, and McAfee Virus Protection software and services. If districts decide to record the Munis and McAfee Virus Protection separately from the old way and use the new expenditure object code 0653 an example is presented below.

The technology services paid by the state on behalf of school districts are required to be posted in the unaudited and audited AFRs to accurately reflect expenses of the districts. These technology payments will be reflected on the KDE webpage with the other on-behalf payments. Use the information below to record the technology on-behalf payments:

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 0011199-0533-16MX | 2585 | network support for on-line network |
| Debit | 0011199-0653-16MX | 2585 | Software Licenses ERP Munis McAfee |
| Credit | 1110-3900-16MX | 0000 | on-behalf revenue |

**NOTE:** The “**Technology On-Behalf Payments**” spreadsheet contains four columns for the KEN, AT&T Firewall Services, MUNIS Financial Management and McAfee Virus Protection costs that are paid by the state on behalf of the districts. The columns should be totaled with the entire amount being posted to 0011199-0533-16MX (network support for on-line network) and the project 16MX should be used or if districts choose to report Munis Financial Management and McAfee Virus protection costs under the new expenditure object code then post to 0011199-0653-16MX (software technology related). The X **does not** stand for the year. Since this account is in the general fund, it will be used every year and there is no need for a unique project code each year. Districts using the above ORG should confirm the function is **2585** when using 16MX.

# **Debt Service On-Behalf Payments**

The School Facilities Construction Commission (SFCC) provides the document entitled "**Debt Service On-Behalf Payments**" that details the debt service payments made by SFCC for bonds on behalf of school districts. Payments are made directly to the district’s debt service account at the bank financing the bond by SFCC. The on-behalf payments shall be recorded as on-behalf revenue in the debt service fund by crediting revenue object **3900**. The bond payments made by SFCC on behalf of the districts are required to be posted to the unaudited and audited AFRs in each fiscal year to accurately reflect revenues and expenditures of the districts.

KDE recommends the use of project numbers for all debt recorded in the debt service fund to separate payment by type and bond issuance.

To record the SFCC on-behalf payment, use project code SFXX, replacing XX with the last two digits of the fiscal year in which the bond was originally sold. For example, the project code for a 2001 bond issuance would be SF01. If more than one bond is issued in a fiscal year, attach a number to the end of the project number (i.e., SFXX1, SFXX2).

The following org codes and expenditure object codes shall be used for the principal and interest payments made by SFCC on behalf of a school district:

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 0004112-0831-SFXX | 5100 | principal |
| Debit | 0004112-0832-SFXX | 5100 | interest |
| Credit | 400-3900-SFXX  | 0000 | on-behalf revenue  |

Districts should not be using revenue object 3200 for this section due to a reporting change by KDE.

# **KISTA Energy Savings Capital Leases On-Behalf Payments**

The School Facilities Construction Commission (SFCC) provides the document entitled "**KISTA Energy Savings Capital Leases On-Behalf Payments**" that details the KISTA energy saving capital lease payments made on behalf of school districts by SFCC. Payments are made directly by SFCC to the district’s KISTA energy savings capital lease account at the bank financing the lease. The revenues and expenditures for the lease payments made by SFCC on behalf of the districts are required to be posted to the unaudited and audited AFRs in each fiscal year to accurately reflect revenues and expenditures using the orgs below.

| **Debit/Credit** | **Org/object code** | **Function** | **Purpose** |
| --- | --- | --- | --- |
| Debit | 0004112-0838-ENE | 5100 | KISTA principal |
| Debit | 0004112-0839-ENE | 5100 | KISTA interest |
| Credit | 400-3900-ENE | 0000 | on-behalf revenue |

The districts are required to use these entries. Please **do not** use any old codes from prior fiscal years to record the Energy Savings Capital Leases. The use of old codes will result in the district’s AFR file not passing the AFR submission process.

**\*\*NOTE:** Districts should use project code ENE for capital lease payments for energy savings capital leases.

**KDE USE:** F:\audits\_trans\health\_ins\On\_behalf\_Payments\On-Behalf Payment Instructions FY2022-2023