



Fund Level & District Wide Financial Statements

Andrea Edwards, CPA
and
Melissa Day, CPA
Plante & Moran, PLLC

	<p style="text-align: center;">Fund Level & District Wide Financial Statements</p> <p style="text-align: center;">Preparing the Reconciliations</p> <p>Andrea Edwards, CPA, Plante & Moran Melissa Day, CPA, Plante & Moran</p>
--	---

	<p style="text-align: center;">Presentation Objectives</p> <p>To give you a better understanding of:</p> <ul style="list-style-type: none">- Full accrual statements- Fund level statements- Fund level components which are converted to full accrual (i.e. reconciling items)- Additional components required in full accrual statements
--	--

	<p style="text-align: center;">Background: What makes the differences?</p> <ul style="list-style-type: none">■ Two accounting methods being used■ Differences arise in treatment of items as a result of 2 different methods■ Examples:<ul style="list-style-type: none">- Expenditure could become an asset- Revenue could become a liability- Short term vs. long term focus
--	---

	Why Two Methods?
	<ul style="list-style-type: none">■ Fund accounting uses modified accrual basis<ul style="list-style-type: none">- Answers the question: "What did you do with the money received <u>this year</u>?"■ Full accrual method answers the question:<ul style="list-style-type: none">- "As a whole, what does the District own (assets) compared to the obligations of the District (liabilities) and what is the full cost of services delivered this year"

	District Wide Statements (Full Accrual)
	<ul style="list-style-type: none">■ Statement of Net Assets (Exhibit A)■ Statement of Activities (Exhibit B)

	Fund Level Statements (Fund accounting)
	<ul style="list-style-type: none">■ Balance Sheet (Exhibit C)■ Statement of Revenue, Expenditures and Changes in Fund Balance (Exhibit D)

	Reconciliation Statements
	<ul style="list-style-type: none">■ Reconciliation of the Balance Sheet to the Statement of Net Assets (Exhibit E)■ Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit F)

	Concept of Major Fund
	<ul style="list-style-type: none">■ Concept of Major Funds<ul style="list-style-type: none">- General Fund <u>always</u> major- 10% of total governmental funds from any category (A, L, R or E)- Major fund presented separately- Nonmajor funds – shown in one total column

	Major Fund Determination Exercise

	Overview of Conversion
	<ul style="list-style-type: none"> ■ Complete the fund level statements ■ Work from the governmental totals ■ Identify eliminations ■ Identify modified accrual to full accrual changes ■ Post changes to create the district wide statement of net assets and statement of activities ■ Net asset issues

	4 Key Items "Converted" to Full Accrual
	<ul style="list-style-type: none"> ■ Capital Outlay ■ Payments on Long-term Debt ■ Receivables ■ Interfunds

	Capital Outlay
	<ul style="list-style-type: none"> ■ What is capital outlay? <ul style="list-style-type: none"> - Assets purchased by the District - Recorded as expenditure ■ Under FULL ACCRUAL: <ul style="list-style-type: none"> - Not all cost is expense → most costs are capitalized and converted to an asset - Capitalization based on District's policy ■ Capital Asset Footnote (Exhibit G) <ul style="list-style-type: none"> - Difference between "Additions" and "Capital Outlay Expenditure" total

	<h2 style="text-align: center;">Capital Assets</h2>
	<p>Do not represent financial resources available for expenditure, but are items for which financial resources have been used.</p> <ul style="list-style-type: none"> ■ Purchased from General or Capital Projects Funds ■ Land, Buildings, Equipment ■ Historical Costs only ■ Need to Depreciate ■ Valuation Methods ■ Management Software

	<h2 style="text-align: center;">Reconciling Capital Outlay and Fixed Assets</h2>
	<ul style="list-style-type: none"> ■ Capital Assets <ul style="list-style-type: none"> – Net Capital Assets (Cost less Accum. Depreciation) to STMT. OF NET ASSETS – Depreciation Expense to STMT. OF ACTIVITIES – Remove proceeds from fixed asset sales from fund level – Add gain/loss on sale (Cost-Accum. Depreciation plus proceeds (if any))

	<h2 style="text-align: center;">Payments on Long-term Debt</h2>
	<ul style="list-style-type: none"> ■ Fund level statements reflect payments of principal and interest on bonded debt or notes payable ■ Compensated Absences – payments are recorded as an expenditure in the funds ■ Early retirement incentive payments ■ Leases

	<h3>Payments on Long-term Debt (cont'd)</h3>
	<ul style="list-style-type: none"> ■ Under FULL ACCRUAL: <ul style="list-style-type: none"> - Payments on debt → converted from an expenditure to a liability reduction ■ Long Term Debt Footnote <ul style="list-style-type: none"> - Principal payments shown as reduction of long term liabilities ■ New debt issues <ul style="list-style-type: none"> - Funds reflect this as revenue (other financing source) - Full accrual reflects this as increase in liability

	<h3>Reconciling Items in Long Term Debt</h3>
	<ul style="list-style-type: none"> ■ Long-term Debt <ul style="list-style-type: none"> - "Proceeds from debt issuance" becomes an addition to long term debt - "Principal payments on debt" becomes a reduction to long term debt - Accrued interest - Interest expense = Amt. per funds + change in accrued interest from PY to CY

	<h3>Compensated Absences</h3>
	<p>Key considerations for determining if a liability exists for sick and vacation time:</p> <ul style="list-style-type: none"> •Current Employees: <ul style="list-style-type: none"> •Fund Level - Liability at the time it comes due for payment (i.e. when days are taken) •District Wide: <ul style="list-style-type: none"> •Evaluate how vacation and sick time is earned? •Allowed to be carried over from year to year? Is there a cap? •Terminated/Retired Employees: <ul style="list-style-type: none"> •Fund Level - Record the vested sick and vacation at the retirement/termination date (or pay out date as stipulated by contract) •District Wide: <ul style="list-style-type: none"> •Evaluate how vacation and sick time is earned? •Allowed to be carried over from year to year? Is there a cap?

	<h2>Receivables</h2>
	<ul style="list-style-type: none"> ■ Most common receivables <ul style="list-style-type: none"> - Property taxes - Due from other governmental units ■ Fund accounting – 60 day rule <ul style="list-style-type: none"> - RULE: if the cash is not received within 60 days of year end, it is not considered available for use → therefore becomes Deferred Revenue (vs. Revenue) ■ Full accrual → NO 60 day rule

	<h2>Interfunds</h2>
	<ul style="list-style-type: none"> ■ Operating Transfers <ul style="list-style-type: none"> - Transfers in = Transfer out - Net effect in total = 0, therefore eliminated when converted to full accrual ■ Due To and Due From <ul style="list-style-type: none"> - Eliminate when converted to full accrual - If they do not equal, likely relates to Trust & Agency receivable/payable

	<h2>DISTRICT WIDE: Statement of Net Assets</h2>
	<ul style="list-style-type: none"> ■ Total from Governmental Funds Balance Sheet PLUS Internal Service Fund (if applicable) ■ Capital Assets ■ Long term debt ■ Certain accrued liabilities

	<p>DISTRICT WIDE: Statement of Net Assets</p>
	<ul style="list-style-type: none"> ■ Net Assets Broken into 3 pieces <ul style="list-style-type: none"> - Invested in capital assets net of related debt: Net fixed assets less outstanding debt, such as bonded debt, bus notes, capital leases - Restricted Net Assets: Externally imposed restriction of Net Assets such as construction contracts and debt millage - Unrestricted: Remainder

	<p>DISTRICT WIDE: Statement of Activities</p>
	<ul style="list-style-type: none"> ■ Presented on functional level ■ All expenses in one column ■ Revenue is broken out into 3 categories: <ul style="list-style-type: none"> - Charges for services - Operating Grants/Contributions - General revenues

	<p>STATEMENT OF ACTIVITIES FUNCTIONS</p>
	<ul style="list-style-type: none"> ■ Instruction ■ Support Service ■ Community Service ■ Food Service ■ Athletics ■ Interest ■ Depreciation (unallocated)

	Reconciliation Statements
	<ul style="list-style-type: none"> ■ Balance Sheet to Statement of Net Assets <ul style="list-style-type: none"> – Begins with FUND BALANCE – Capital assets net of accumulated depreciation are added Long term liabilities are subtracted – Accrued interest payable is subtracted – Reconciles to NET ASSETS – Hint: Reconciling amounts come from footnotes

	Reconciliation Statements
	<ul style="list-style-type: none"> ■ Statement of Rev., Expen., and Change in FB to Statement of Activities <ul style="list-style-type: none"> – Begins with Net Change in Fund Balance – Depreciation expense subtracted – Capitalized capital outlay added – Payments on debt added – Compensated absences (may be added or subtracted)

	Key Take Aways
	<ul style="list-style-type: none"> ■ An understanding of the following: <ul style="list-style-type: none"> – 4 "typical" reconciling items – Differentiate between fund level and district wide financial statements – 2 different accounting methods ■ Tools available for reference

	QUESTIONS
