



Notes to the Financial Statements

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	Fund Level & District Wide Financial Statements
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	Presentation Objectives
	To give you a better understanding of: <ul style="list-style-type: none"> - The format of the financial statements - Where information is derived for the notes to the financial statements - Where to obtain guidance on preparing and reviewing the notes - GASB 54, which is effective for the June 30, 2011 year end statements - The <u>S</u>chedule of <u>E</u>xpenditures of <u>F</u>ederal <u>A</u>wards (<u>SEFA</u>) and federal awards report

	Bringing it Together – Format of the Financial Statements
	<ul style="list-style-type: none"> - <u>M</u>anagement <u>D</u>iscussion and <u>A</u>nalysis (<u>MD&A</u>) - Independent Auditor's Report - Statements – District Wide Level and Fund Level, including reconciliations - Notes to the Financial Statements - Required Supplemental Information - Other Supplemental Information

	<p>Notes to the Financial Statements</p>
	<p>Common Footnotes</p> <ul style="list-style-type: none"> - Note 1 - Summary of Significant Accounting Policies - Note 2 – Stewardship, Compliance, and Accountability - Note 3 – Deposits and Investments - Note 4 – Receivables, including components of deferred revenue (unavailable, unearned) - Note 5 – Capital Assets - Note 6 – Interfund Receivables and Payables - Note 7 – Long-term Debt - Note 8 – Risk Management, if applicable - Note 9 – Defined Benefit Pension Plan and Postemployment Benefits (MPERS)

	<p>Where to go for Guidance</p>
	<ul style="list-style-type: none"> - GASB 34 Report Checklist - MDE 1022 Michigan School Accounting Manual - Your Auditor!!!

	<p>GASB 54 – Fund Balances and Fund Type</p>

	GASB 54, Fund Balance and Fund Type
	<ul style="list-style-type: none"> ■ Purpose: <ul style="list-style-type: none"> – Revises the definition of special revenue funds and clarifies the definition of debt service, capital project and permanent fund types – Replaces the current classifications of fund balances into five new components

	GASB 54, Fund Balance and Fund Type
	<ul style="list-style-type: none"> ■ Five New Fund Balance Components: <ul style="list-style-type: none"> – Nonspendable fund balance – Restricted fund balance – Committed fund balance – Assigned fund balance – Unassigned fund balance

	GASB 54 – Before and After																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 35%; text-align: center;">Before GASB 54</th> <th style="width: 40%; text-align: center;">After GASB 54</th> </tr> </thead> <tbody> <tr> <td>Prepaid expenses</td> <td>Accounting policy would dictate whether amts are shown as reserved</td> <td>Categorize as NONSPENDABLE</td> </tr> <tr> <td>Designations</td> <td>Could be created by management (finance director or equivalent)</td> <td>Individual authorized to ASSIGN fund balance will need to be authorized specifically to do so (written)</td> </tr> <tr> <td>Encumbrances</td> <td>Reserve for encumbrances</td> <td>Reported within restricted, committed or assigned categories</td> </tr> <tr> <td>Fund balance projected to be used in subsequent year's budget</td> <td>Designation</td> <td>Assignment</td> </tr> <tr> <td>Working capital</td> <td>Designation</td> <td>Unassigned; footnote disclosure</td> </tr> </tbody> </table>		Before GASB 54	After GASB 54	Prepaid expenses	Accounting policy would dictate whether amts are shown as reserved	Categorize as NONSPENDABLE	Designations	Could be created by management (finance director or equivalent)	Individual authorized to ASSIGN fund balance will need to be authorized specifically to do so (written)	Encumbrances	Reserve for encumbrances	Reported within restricted, committed or assigned categories	Fund balance projected to be used in subsequent year's budget	Designation	Assignment	Working capital	Designation	Unassigned; footnote disclosure
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	<h2 style="margin: 0;">GASB 54 – Fund Definitions</h2>
	<ul style="list-style-type: none"> ■ Special Revenue Funds are only allowed to be reported if they are used to account for activities that are substantially funded by a specific external revenue source that is <u>restricted</u> or <u>committed</u> to a specific purpose <ul style="list-style-type: none"> – Comprise a “substantial portion of the inflows” – What if there are no current inflows? – Investment earnings and transfers are still allowed in a SRF if restricted, committed or assigned to that specific purpose

	<h2 style="margin: 0;">Special Revenue Funds under GASB 54</h2>
	<ul style="list-style-type: none"> ■ Governments should discontinue reporting a special revenue fund, and instead report the resources and expenditures in the general fund, if the government no longer expects that <u>a substantial portion</u> of revenues will be derived from restricted or committed revenue sources ■ Disclosure: Purpose of each major special revenue fund and each revenue source or other resources authorized to be reported in each

	<h2 style="margin: 0;">Schedule of Expenditures of Federal Awards (SEFA) and Federal Awards Audit</h2>
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	Summary of Discussion
	<ul style="list-style-type: none"> ■ Report Format and Content ■ Schedule of Expenditures of Federal Awards ■ Data Collection Form

	Report Format and Content
	<ul style="list-style-type: none"> ■ Report includes: <ul style="list-style-type: none"> ■ 3 Report Letters ■ Schedule of Expenditures of Federal Awards (SEFA) ■ Notes to SEFA ■ Schedule of Findings and Questioned Costs

	Report Letters
	<ul style="list-style-type: none"> ■ Independent Auditor's Report ("Opinion Letter") ■ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ("GAGAS Letter") ■ Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance with OMB Circular A-133 ("A133 Letter")

	SEFA
	<ul style="list-style-type: none"> ■ Listing of all Federal Grants that had activity in the current year ■ CFDA # (Catalog of Federal Domestic Assistance) ■ Award Amount ■ Cash Received ■ Expenditures ■ See tips sheet provided for guide to <u>prepare</u> (Yes – the District should prepare)

	Notes to SEFA
	<ul style="list-style-type: none"> ■ Standard Footnotes <ul style="list-style-type: none"> ■ Significant Accounting Policies ■ Noncash Assistance ■ Grant Section Auditor's Report ■ Adjustments Footnote <ul style="list-style-type: none"> ■ The purpose of amounts in the Adjustments/Transfer column of SEFA must be disclosed

	Schedule of Findings & Questioned Costs
	<ul style="list-style-type: none"> ■ Section I – Summary of Auditor's Results <ul style="list-style-type: none"> – 2 Subsections <ul style="list-style-type: none"> ■ (1) Financial Statements ■ (2) Federal Awards – Discloses what audit opinion rendered – Identifies if there were internal control issues – Identification of Major Programs – Was auditee considered Low Risk?

	Schedule of Findings & Questioned Costs (Cont'd)
	<ul style="list-style-type: none"> ■ Section II – Financial Statement Audit Findings <ul style="list-style-type: none"> – Listing of finding identified in audit of <u>Basic Financial Statements</u> ■ Section III – Federal Program Audit Findings <ul style="list-style-type: none"> – Listing of findings identified in audit of <u>Federal Major Programs</u>

	Data Collection Form
	<ul style="list-style-type: none"> ■ Form is required by law ■ Must contain same data as the SEFA ■ How does it get processed? ■ What is the District's role?

	Resources
	<ul style="list-style-type: none"> ■ MDE School Audit Manual ■ Catalog of Federal Domestic Assistance www.cfda.gov/ ■ Federal Audit Clearinghouse http://harvester.census.gov/sac/ ■ Compliance Supplement: US Office of Management and Budget www.whitehouse.gov/OMB ■ List of Parties Excluded From Federal Procurement or Non- Procurement Programs http://epls.arnet.gov

	Questions?
	THANK YOU!!!
