



# Accounting Manual and Chart of Accounts

Christopher May, CFO, CGFM – MDE Office of  
Financial Management

Sharon Raschke, CFO – Dexter Community Schools

# Introduction

- ▶ Introduction
- ▶ Content of today's presentation
- ▶ Audience
  
- ▶ Q&A

# Introduction (cont.)

## ► Outline:

- Background and authority of Accounting Manual
- Overview of each section of the manual
- Explanation of coding dimensions found in typical records
- Tips for maintaining and submitting quality financial data
- “I clicked submit, now what?”
- What’s new and upcoming?
- LOTS of questions!!!

# Introduction (cont.)

- ▶ What we hope you'll take away:
  - ▶ A new or better understanding of the accounting manual
  - ▶ “Quick reference” material from the presentation to help you find information in the future
  - ▶ The importance of proper coding at all levels of the district
  - ▶ How properly (or improperly) coded data is used and its impacts
  - ▶ Update on current accounting topics and the upcoming changes



# Michigan Public School Accounting Manual

- ▶ Also known as “Bulletin 1022”
- ▶ Adopted in 1963
  - ▶ Major revisions in 1976, 1988, and 2004
- ▶ Legislatively mandated by the State School Aid Act
  - ▶ Section 18 (MCL 388.1618)
- ▶ Conforms to Financial Accounting for Local and State School Systems (federal manual equivalent)
  - ▶ Some differences

# Basis of Accounting

- ▶ Modified Accrual (fund-level)
  - ▶ \*Most funds
  - ▶ How this compares to regular Accrual
- ▶ Standard fiscal year for all school districts (July 1 – June 30)
- ▶ Uniform Budgeting and Accounting Act (UBAA)

## Cash Basis

Transactions recorded when cash is exchanged

Not GAAP

## Modified Accrual

Revenues recognized when measurable and available; expenditures when incurred

Unique to state and local governments

## Accrual Basis

Records effects of transactions/events when they occur, regardless of the timing of related cash flows

Used by private sector businesses; GAAP compliant





# Budgeting

- ▶ Must be adopted by Board by July 1st or prior to spending any funds
- ▶ Municipal Finance Act Section 141.436 – “The General Appropriations Act shall be consistent with the uniform chart of accounts prescribed....”
- ▶ Violations in absence of reasonable procedures in place to detect such violations shall be disclosed in the audit

# Budgeting – Minimum Level of Detail

- ▶ Revenue
  - ▶ Local
  - ▶ Other Political Subdivisions (Not ISDs)
  - ▶ State
  - ▶ Federal
  - ▶ Other Financing Source
  - ▶ Fund Modifications

# Budgeting - Minimum Level of Detail (cont.)

- ▶ Instruction
- ▶ Pupil Support
- ▶ Instr. Staff Support
- ▶ General Adm.
- ▶ Principal's Office
- ▶ Business Office
- ▶ Opns. & Maint.
- ▶ Transportation
- ▶ Other Central
- ▶ Student Services
- ▶ Community Services
- ▶ Facility Acquisition
- ▶ Other Financing Uses
- ▶ Fund Modifications

# Budgeting – Fund Balances

- ▶ DEFICIT FUND BALANCES PROHIBITED
  - ▶ Exception: Special Revenue Funds if sufficient fund balance exists in General Fund to cover deficit
- ▶ State School Aid Act, Section 102
  - ▶ Deficit Elimination Plan (DEP) requirement
- ▶ MDE and TREASURY CLOSELY MONITOR
- ▶ Will continue to be determined on a fund by fund basis, not on district-wide net position, which is often negative



# Accounting Manual Revisions

- ▶ Generally made on a semi-annual basis
- ▶ Michigan Public School Accounting Manual Referent Group
  - ▶ Business Managers, CPAs, State-level representation
- ▶ Change Notices
  - ▶ Grant Codes often added throughout the year

# State School Aid Act Excerpts

- ▶ **18(4)(d)** ...The pupil and financial accounting records and reports, audits, and management letters are subject to requirements established in the auditing and accounting manuals approved and published by the department...
- ▶ **18(5)** ...The department shall ensure that the prescribed Michigan public school accounting manual chart of accounts includes standard conventions to distinguish expenditures by allowable fund function and object...

# Financial Reporting Requirements

- ▶ Section 18(10) requires the submission of audited financial statements and financial data through the Financial Information Database (FID) to the State
  - ▶ By November 1<sup>st</sup> of each year
  - ▶ State Aid withholding if late
- ▶ Recent addition to Section 18(10): FID consistency with audited financial statements
  - ▶ State Aid withholding if inconsistent (and unable to be resolved with district in timely manner)

# General Fund

- ▶ All transactions related to the operation of the school, EXCEPT those required by law to be entered in other funds
- ▶ Revenues - State School Aid Foundation Allowance, Local Taxes, Fund Raisers, Investment Earnings
- ▶ Expenditures - Instructional, Operations, Transportation, Administration, and Athletic programs that derive a substantial portion of support from general fund revenues.



# Special Revenue Funds

- ▶ Beginning with FISCAL YEAR 2010-11, GASB #54 requires that governmental entities use Special Revenue funds only when there is a need to report for the proceeds of specific revenue sources that are “restricted” or “committed” to expenditures for specified purposes.
- ▶ Examples, School Meals Programs, Community Recreation or Athletics that is substantially paid for with user fees or gate receipts.
- ▶ This includes most activities – (non-instructional) where there is a fee involved to participate, and
- ▶ The fee charged is **sufficient to cover the cost of operating** the program/activity

# Debt Service Funds

- ▶ The receipt of funds for the payment of interest, principal, and other expenditures on long-term bonded debt are recorded in the Debt Service Fund. Primary sources of revenue for this fund are debt retirement tax levies and earned interest.

# Capital Projects Funds

- ▶ The purpose of a Capital Project Fund is to account for the receipt of Capital Assets, including equipment acquisition
- ▶ Other non-routine items, buildings, improvements, capital leases
- ▶ 20 % of State School Aid may be transferred from General Fund
  - ▶ Exception: Local Revenues
- ▶ Capital Projects paid for by Bond issues
- ▶ Sinking Funds - levy up to 5 mills for up to 20 yrs.

# Trust Funds

- ▶ Trust Funds are used for assets under the administrative control of the school functioning in a “Trustee” capacity
- ▶ The district typically exercises discretionary authority over the investment of the trust fund assets, and as trustee must take responsibility for the expenditures of assets for their intended purpose.
- ▶ Examples - Endowments, Gifts and Bequests, Foundations



# Agency Funds

- ▶ Agency Funds are custodial in nature. They are used to report assets received and disbursed for student groups. The school acts as the receiving and paying agent for those groups
- ▶ Agency Funds do not generate revenues or expenditures since they do not conduct operations
- ▶ All funds in an agency fund are liabilities to the school. Every dollar the school receives from the student group is due back to that student group along with any interest accrued to that dollar.
- ▶ **Treatment of certain Agency Funds will change with GASB #84**

# Proprietary Funds - Enterprise

- ▶ This fund type may be used to report an activity for which a fee is charged to external users for goods and services.
- ▶ We encourage districts to check with Generally Accepted Accounting and Reporting for governmental units and their local school district auditor before establishing an enterprise fund as this type of fund utilizes different accounting and reporting standards.

# Proprietary Funds - Internal Service

- ▶ Used to account for activities that involve the governmental entity providing goods or services to other funds or activities of the school district.
- ▶ Some examples may include a district wide print shop operation or a self-funded insurance program.
- ▶ We encourage districts to check with Generally Accepted Accounting and Reporting for governmental units and their local school district auditor before establishing an internal fund as this type of fund utilizes different accounting and reporting standards.

# District-Wide Funds – Capital Assets

- ▶ This account group is used to account for capital assets (land, buildings, vehicles and equipment) owned by the school district.
- ▶ Capital assets do not represent financial resources available for expenditure but are items for which financial resources have been used.
- ▶ The cost of capital assets acquired are charged as expenditures in another governmental fund as incurred while accountability for those assets should be maintained in the Capital Asset Account Group throughout the life of the asset.



# District-Wide Funds – Long-term Liabilities

- ▶ This account group is used to account for the unmatured principal of bonds, notes and other forms of non-current liabilities or long-term general obligation indebtedness that is not a specific liability of any other fund.
  - ▶ Unmatured principal of bonds
  - ▶ Compensated absence liability
  - ▶ Self Insurance
  - ▶ Capital Leases
  - ▶ NEW – Net Pension Liability (GASB #68)
  - ▶ NEW – Other Post-Employment Benefits (OPEB) Liability (GASB #75)

# Accounting Manual Contents

- ▶ Section I - Introduction
  - ▶ History, purpose, and usage
  - ▶ Distribution and revision
  - ▶ Management Information
    - ▶ Previously a separate section

# Accounting Manual Contents

- ▶ Section II - Requirements
  - ▶ Section A – Accounting Principles and Basis of Accounting
    - ▶ GAAP, transparency, compliance, internal controls
  - ▶ Section B – Fund Accounting
    - ▶ “Modified Accrual” basis of accounting
    - ▶ Several references and examples (one page)

# Accounting Manual Contents

- ▶ Section II – Requirements (cont.)
  - ▶ Section B – Fund Accounting (cont.)
    - ▶ **Types of Funds**
      - ▶ Descriptions of all fund types
      - ▶ Special guidelines for Special Revenue, Agency, and Proprietary Funds

# Accounting Manual Contents

- ▶ Section II – Requirements (cont.)
  - ▶ Section C – State Requirements
    - ▶ Accounting, Auditing, Budgeting, and Reporting
    - ▶ Millage Levies & Headlee Amendment
    - ▶ Budget Transparency Guidance & Requirements
  - ▶ Section D – Federal Requirements
    - ▶ Accounting records and supporting documentation
    - ▶ Single audit requirements (including SEFA)



# Accounting Manual Contents

- ▶ Section II – Requirements (cont.)

- ▶ Section E – Accounting Issues

- ▶ Frequently updated with new sections on current accounting issues

- ▶ Most frequently referenced include:

- ▶ Indirect cost recovery accounting
  - ▶ Fund balance definitions
  - ▶ Internal service funds
  - ▶ Supplies vs. Equipment
  - ▶ GASB #68 guidance

# Accounting Manual Contents

- ▶ Section III – Coding Structure
  - ▶ Definitions and structure of each coding dimension
    - ▶ Balance Sheet, Revenue, Expenditure
  - ▶ Numerous examples of frequent accounting entries along with those requiring special treatment
    - ▶ Bus purchases, compensated absences, long-term debt, and capital asset transactions

# Accounting Manual Contents

- ▶ Section IV – Budget Preparation and Management
  - ▶ Compliance and state law requirements pertaining to budgeting
    - ▶ Calendar, timelines, amendments, deficits
  - ▶ Budgeting best practices including several examples

# Accounting Manual Contents

- ▶ Section V – Internal Controls
  - ▶ Brief section on favorable control environments, assessing risk, responsibilities of the Board, and fraud prevention
- ▶ Section VI – Program Cost Systems
  - ▶ Cost accounting; measuring and comparing expenditures, program and non-program costs, and program requirements
  - ▶ Several templates included for analysis

# Accounting Manual Contents

- ▶ Section VII – Financial Reporting
  - ▶ Types and purpose of various internal and external financial reporting
  - ▶ Financial Statements
    - ▶ Fund-level
    - ▶ Government-Wide level
    - ▶ Notes & Required Supplementary Information (RSI)



# Accounting Manual Contents

- ▶ Appendix – Definitions of Account Codes
  - ▶ Most commonly referenced section of the manual
  - ▶ Recap of coding dimension definitions and structures (3)

Balance Sheet	Revenue	Expenditure
Fund	Fund	Fund
Major Class	Major Class	Function
	Suffix	Object
	Grant*	Program*
		Grant*

# Fund Codes

- ▶ 11 – General Fund
- ▶ 2x – Special Revenue Funds
  - ▶ 25 – Food Service
  - ▶ 27 – Cooperative Activities
  - ▶ \*22 – Special Education, \*26 – Vocational Education
- ▶ 3x – Debt Service
- ▶ 4x – Capital Projects
- ▶ 9x – Government-Wide (Capital Assets, Long-Term Liabilities)

# Balance Sheet Account Codes

## ▶ Major Class Code

- ▶ 1xx – Current Assets (Cash, Receivables, “Due From’s”, Inventory)
- ▶ 2xx – Fixed Assets (Land, Buildings, Equipment, Vehicles)
- ▶ 4xx – Current Payables (AP, “Due To’s”, Unearned Revenue)
- ▶ 5xx – Long-Term Liabilities (Bonds, Loans, Capital Leases)
- ▶ **7xx – Fund Balance** (Restricted, Committed, Assigned, Unassigned)
  - ▶ Unassigned fund balance to be used for reporting deficit in any fund

# Revenue Account Codes

## ► Major Class Codes

- 1xx – Local Revenue
- 2xx – Non-Educational Entity or Political Subdivision Revenue
- 3xx – State Revenue (incl. rec'd through another district)
- 4xx – Federal Revenue (incl. rec'd through State or another district)
- 51x – Local Revenue Received from Other District (tuition, ISD millage, payment for services)
- 5xx – Other Transactions (extra-ordinary revenue, (+) prior period adjustments, loan/bond proceeds)
- 6xx – Fund Transfers

# Revenue Account Codes (cont.)

## ▶ Suffix Codes

- ▶ 0010 – State Aid Foundation
- ▶ 0120 – Special Education
- ▶ 0160 – Career & Technical Education
- ▶ 0140 – Title I
- ▶ 0150 – Title V
- ▶ **0000 – Not associated with any defined Suffix Code**



# Expenditure Account Codes

## ► Function Codes

- 1xx – Instruction (basic programs, added needs, adult education)
- 2xx – Support Services (pupil, staff, and district)
- 3xx – Community Services (community programs, recreation, child care)
  - Includes instructional programs for students not in school system
- 41x – Subgrantee/Flowthrough Payments
- 45x – Facilities Acquisition, Construction, Improvements
- 51x – Long-Term Debt Service
- 6xx – Fund Transfers

# Expenditure Account Codes (cont.)

## ► Object Codes

- 1xxx – Salaries
- 2xxx – Benefits
- 3xxx & 4xxx – Purchased Services
- 5xxx – Supplies
- 6xxx – Capital Outlay
- 7xxx – Other (debt, interest, depreciation, “miscellaneous”)
- 82xx – Payments to Other Districts

# Expenditure Account Codes (cont.)

- ▶ School/Building Code
  - ▶ Unique 5-digit code assigned to every school building in state
  - ▶ Key role in new school-level expenditure reporting under the Every Student Succeeds Act (ESSA)
- ▶ Required to be used with Functions 11x, 12x, and 24x
  - ▶ Some exclusions
  - ▶ Highly encouraged to be used in other Functions when able

# Expenditure Account Codes (cont.)

- ▶ Program Codes

- ▶ Used to define expenditures attributable to certain Special Education and Career & Technical Education areas

# Expenditure Account Codes (cont.)

- ▶ Grant Codes
  - ▶ 100-399 – State Programs
  - ▶ 400-899 – Federal Programs
  - ▶ 9xx – Local Tracking of Revenues (make your own)
- ▶ Grant Codes are four digits long – last digit can be used for internal tracking purposes (most commonly for fiscal year)
- ▶ Grant Codes are required when expending any type of restricted revenue source, optional for unrestricted.
  - ▶ Exception: Section 147 funds



# Expenditure Grant Codes

- ▶ Most updated coding dimension, typical update slide:
  - ▶ Several new categoricals added in the [FY24 State School Aid Act](#)
  - ▶ Grant Codes for all new categoricals to multiple districts have been assigned a Grant Code in the [Appendix](#) and added to [Accounting for State School Aid Revenues](#)
- NEW:** Grant Code 399x is to be used for (the many) “designated” (single-district) grants this year
- ▶ Advise using fourth digit of Grant Code to separate from other funding sources currently in 399

# Revenue Reconciliation

- ▶ Local Revenue

- ▶ Taxable Values
- ▶ Millage Rates

- ▶ State School Aid Payment

- ▶ State School Aid Act
- ▶ State Aid Status Reports
- ▶ State Aid Updates
- ▶ Spreadsheet on PY Adj.
- ▶ Foundation Allowance
- ▶ Non-Resident Pupils

- ▶ Federal Revenue

- ▶ MEGS
- ▶ CMS
- ▶ Medicaid

- ▶ Other Financing Sources

- ▶ ISD
- ▶ Other Public Schools

# Additional Resources

- ▶ Accounting Manual FAQ document
- ▶ Accounting for State School Aid Revenues
  - ▶ Both updated frequently and available on accounting manual webpage

Accounting for State School Aid Revenues Last Updated 03/12/2018

Current Year State Aid Section	DESCRIPTION	Fund	Protected	Major Class Code	Revenue Suffix Code	Grant/ State Code
11(3)	PSA Protected	General	Yes	311	0010	101x
11j	School Bond Redemption	Debt	No	312	0000	308x
20f	Hold Harmless Provision	General/Special Revenue	No	311	0010	101x
20g	District Dissolution Transition	General	No	311	0010	101x
20m	Foundation Allowance Supplemental Payments	General	No	311	0010	101x
21	State School Reform/Redesign	General	No	311	0000	361x
21h	Partnership Model Districts	General	No	312	0000	213x
21j	Competency-Based Education Districts	General	No	312	0000	214x
22a	Proposal A Obligation	General	Yes	311	0010	101x
22b	Discretionary Payment	General	No	311	0010	101x
22d	Isolated District	General	No	311	0010	101x
22m	Tech. Regional Data Hubs	General/Special Revenue	No	312	0000	215x
22n	HS Per-Pupil Bonus	General	No	311	0010	216x
24	Court Placed Children	General/Special Ed	No	312	0000	103x
24a	Juvenile Detention Facilities	General/Special Ed	No	312	0000	103x
24c	Challenge Program	General/Special Ed	No	312	0000	103x
25f	Strict Discipline Academies	General	No	311	0010	101x
25g	Pupil Exceeding 1.0 FTE	General	No	311	0010	101x
26a	Renaissance Zone	General/ Voc Ed/Spec Ed	No	321	0000	105x
26c	Promise Zone	General	No	311	0010	108x
31a	At Risk Children	General/Food Service	No	312	0020	306x
31a(7)	Teen Health Centers	General	No	312	0000	371x
31a(8)	Vision/Hearing Screening	General	No	312	0000	372x
31b	Year Round Schools Pilot Program	General/Capital Projects Fund	No	312	0000	313x
31c	Gang Prevention	General	No	312	0000	353x
31d	School Lunch Programs	Food Service	Yes	312	0110	310x
31f	School Breakfast	Food Service	No	312	0110	311x
31h	Cooperative Education	General	No	312	0000	354x
31j	Local Produce in School Meals	Food Service	No	312	0110	373x
32d	Great Start ISD 0-5	General	No	312,317, 518	0100	340x
32p	Early Childhood Block Grant	General	No	312,317, 518	0100	343x
35a(2)	Early Literacy Professional Development	General	No	312, 317, 518	0000	363x
35a(3)	Early Literacy Acceptable Tools	General	No	312	0000	364x
35a(4)	Early Literacy Coaches	General	No	312	0000	365x
35a(5)	Early Literacy Additional Instructional Time	General	No	312	0000	366x
41	Bilingual Education	General	No	312	0040	307x
51a(2)	Special Ed Foundations ISD	Special Ed	No	312	0120	202x
51a(3)	Special Ed Hold Member ISD	Special Ed	No	312	0120	202x

# Additional Resources (sample)

XX-	1-XXX-	XXXX-	XXX-	XXXX-	XXXX-	XXXX-	
Fund	Function	Object	Program	State	Funding Type	Facility	
11 General Fund	111 Elementary Instruction	1000 Salaries/ Wages	000 None specified	0000	None specified	00000	District
23 Community Services	112 Middle School Instruction	1240 Teaching	011 SpEd-OT	2020	Special Ed	02362	Jenkins Early Chld
(Includes Athletics)	113 High School Instruction	1620 Clerical	013 SpEd-PT	2030	Court Placed	08989	Bates-K-2
25 Food Services	122 Special Education	1630 Aides	015 Nurse	2070	Best Practices	08040	Cornerstone-K-2
30 Debt Retirement	125 Grants	1760 Term Pay	021 SpEd-Psych	2080	MPSERS Offset	00214	Wylie 3-4
35 Durant Debt	127 Career Education	1870 Temp Teaching	031 SpEd-Speech	2100	Tech Infrastruct	04609	Creekside 5-6
48 Capital Projects	212 Guidance Counselors	2000 Benefits	041 SpEd-Social	3060	At Risk	08039	Mill Creek 7-8
66 Internal Activity	213 Health Services	2130 Ben Insurances	061 SpEd-TC-MI	3090	Durant 11g	00913	High School 9-12
	214 Psychology Services	2820 Ben Retirement	062 SpEd-TC-EI	3400	GSRP 32d	02949	Alternative Ed
	215 Speech Services	2830 Ben FICA	063 SpEd-TC-LD	3440	Voc Ed 61	09078	Transportation
	216 Social Work Services	3000 Purchased Services	194 SpEd-Res Rm	3490	Robotics 99h	09079	B&G
	218 Teacher Consultant	3110 Instructional Sv	196 SpEd-LRE	3700	Data Collection	09931	Copeland
	219 General Education	3130 Pupil Services	400 IB - Int'l	4900	Title IID	06147	WISD (F&N)
	221 Improvement of Instruction	3210 Travel	Baccalaureate	6010	Title I		
	222 Media Services	3220 Worksh/Conf	500 Virtual learning	6011	Title I-carryovr		
	225 Technology	4000 3450 Software Lic		6380	ARRA-IDEA		
	226 Special Education	Repairs/Maintenance		6390	ARRA-Presch		
	229 Consortium	5000 4120 Maint Equip		6400	ARRA-Early on		
	231 Board of Education	Supplies		6410	ARRA-Stabiliz		
	232 Superintendent/Asst	5110 Teaching Sup		6460	ARRA-EDJobs		
	241 Building Principals	5210 Textbooks		6990	Drug Free		
	252 Business Office	5610 Food		6840	Title III-ESL		
	259 Other Business Costs	5910 Office Supplies		7570	IDEA-Early On		
	261 Building Operations/Maintenance	6000 5990 Other Supplies		7630	Title IIA-carryovr		
	266 Security Services	Capital Outlay		7640	Title IIA-PD		
	271 Transportation Services	7000 6420 Equipment		8010	IDEA-Flowthr		
	283 Personnel	Other Expenses		8050	IDEA-Presch		
	297 Food Services	8000 7410 Dues and Fees					
	311 Community Services	Transfers					
	321 Community Recreation						
	354 Child Care						



# Additional Resources (sample)

XX-	1-XXX-	XXXX-	XXX-	XXXX-	XXXX-	XXXX-
Fund	Function	Object	Program	Sport AND Internal 66-2431-xxxx	Facility	
11 General Fund	111 Elementary Instruction	1000 Salaries/ Wages	000 None specified	9100 Athletic Administration	00000 District	
23 Community Services (Includes Athletics)	112 Middle School Instruction	1160 Program Mgr	011 SpEd-OT	9102 Athletic Programs	02362 Jenkins Early Chld	
	113 High School Instruction	1170 Dept Mgr	013 SpEd-PT	9118 Fall Cheerleading Girls	08989 Bates-K-2	
25 Food Services	122 Special Education	1240 Teaching	015 Nurse	9121 Fall Cross Country Boys	08040 Cornerstone-K-2	
30 Debt Retirement	125 Grants	1560 Coaches/Rec	021 SpEd-Psych	9122 Fall Cross Country Girls	00214 Wylie 3-4	
35 Durant Debt	127 Career Education	1620 Clerical	031 SpEd-Speech	9124 Fall Equestrian Girls	04609 Creekside 5-6	
48 Capital Projects	212 Guidance Counselors	1630 Aides	041 SpEd-Social	9126 Fall Field Hockey Girls	08039 Mill Creek 7-8	
66 Internal Activity	213 Health Services	1760 Term Pay	061 SpEd-TC-MI	9129 Fall Football Boys	00913 High School 9-12	
	214 Psychology Services	1870 Temp Teaching	062 SpEd-TC-EI	9132 Fall Golf Girls	02949 Alternative Ed	
	215 Speech Services	2000 Benefits	063 SpEd-TC-LD	9141 Fall Soccer Boys	09078 Transportation	
	216 Social Work Services	2130 Ben Insurances	194 SpEd-Res Rm	9146 Fall Swim & Dive Girls	09079 B&G	
	218 Teacher Consultant	2820 Ben Retirement	196 SpEd-LRE	9149 Fall Tennis Boys	09931 Copeland	
	219 General Education	2830 Ben FICA	400 IB - Int'l	9154 Fall Volleyball Girls	06147 WISD (F&N)	
	221 Improvement of Instruction	3000 Purchased Services	Baccalaureate	9155 Fall Water Polo Boys		
	222 Media Services	3110 Instructional Sv	500 Virtual learning	9213 Winter Basketball Boys		
	225 Technology	3130 Pupil Services	991 Athletics	9214 Winter Basketball Girls		
	226 Special Education	3150 Edustaff Coach		9218 Winter Cheerleading Girls		
	229 Consortium	3160 Security		9235 Winter Ice Hockey Boys		
	231 Board of Education	3190 Officials/Trainer/ Sub		9245 Winter Swim & Dive Boys		
	232 Superintendent/Asst	3220 Worksh/Conf		9257 Winter Wrestling Boys		
	241 Building Principals	3310 Transportation		9311 Spring Baseball Boys		
	252 Business Office	3450 Software Lic		9331 Spring Golf Boys		
	259 Other Business Costs	4000 Repairs/Maintenance		9337 Spring Lacrosse Boys		
	261 Building Operations/Maintenance	4110 Building		9338 Spring Lacrosse Girls		
	266 Security Services	4120 Equipment		9342 Spring Soccer Girls		
	271 Transportation Services	5000 Supplies		9344 Spring Softball Girls		
	283 Personnel	5110 Teaching Sup		9350 Spring Tennis Girls		
	291 Athletics	5210 Textbooks		9351 Spring Track & Field (Use as Coed)		
	297 Food Services	5610 Food		9352 Spring Track & Field Girls		
	311 Community Services	5910 Office Supplies		9421 Middle School		
	321 Community Recreation	5990 Other Supplies				



# Where Do I Go With Questions?

- ▶ Accounting for State School Aid Revenues document:  
[http://www.michigan.gov/documents/saacct03\\_45776\\_7.pdf](http://www.michigan.gov/documents/saacct03_45776_7.pdf)
- ▶ State Aid “Who to Call” List:  
[http://www.michigan.gov/documents/mde/Who\\_To\\_Call\\_List\\_614563\\_7.xlsx](http://www.michigan.gov/documents/mde/Who_To_Call_List_614563_7.xlsx)
- ▶ MSBO
- ▶ Talk to your MDE consultants & program offices
- ▶ Call or email Chris with any coding questions

# How to Perfect Financial Reporting

- ▶ Consistency with audited financial statements is #1!
  - ▶ General Fund Balance
  - ▶ Total Federal Revenue
  - ▶ USDA Entitlement and Bonus Commodities
  - ▶ Net Pension Liability

# How to Perfect Financial Reporting

- ▶ Reconcile state revenues (including proper suffix codes) with your State Aid Status Report
- ▶ Ensure average teacher salary, current operating expenditures, etc. are accurate and **reasonable**
- ▶ Review all warnings prior to submission
- ▶ MDE Program Offices (Food Service, Special Education, etc.)

# Audit vs. FID Examples

## Balance Sheet

Governmental Funds

June 30, 2017

	General Fund
<b>Assets</b>	
Cash and investments	\$ 2,035,066
Accounts receivable	16,228
Due from other governments	4,285,940
Due from other funds	-
Inventories	19,825
Prepaid items	57,485
<b>Total assets</b>	<b>\$ 6,414,544</b>

## FUND : 11 - General Fund

Major Class	Major Class Description	Ending Balance
10	Cash Accounts	\$ 2,035,066.35
12	Accounts Receivable	\$ 16,227.92
14	Due From Other Governmental Units	\$ 4,285,939.55
17	Inventory	\$ 19,824.58
19	Other Current Assets	\$ 57,484.92

# Audit vs. FID Examples

## Fund balances

### Nonspendable:

Inventories	19,825
Prepaid items	57,485

### Restricted:

Debt service	-
Food service	-

### Committed:

Capital projects	-
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### Assigned:

Childcare program	39,300
Student technology	70,211

Unassigned	3,096,883
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71	Non-Spendable Fund Balance	\$	-77,309.50
74	Assigned Fund Balance	\$	-109,511.31
75	Unassigned Fund Balance	\$	-3,096,881.59



# Audit vs. FID Examples



## Revenues

### Local sources:

Property taxes

Other sources

State sources

Federal sources

### Total revenues

## General Fund

\$	1,885,064
	2,286,536
	23,060,836
	500,795
	<hr/>
	27,733,231

Major Class	Suffix Code	Major Class Description	Amount
111	0000	Property Tax Levy	-1,877,872.32
119	0000	Penalties and Interest on Delinquent Taxes	-7,193.17
131	0000	Tuition	-6,235.81
141	0000	Transportation Fees	-41,322.06
151	0000	Earnings on Investments and Deposits	-900.97
171	0000	Admissions	-104,789.13
181	0000	Revenue from Community Service Activities	-292,561.15
191	0000	Rentals	-43,594.28
192	0000	Private Sources (Contributions)	-30,814.76
199	0000	Miscellaneous Local Revenues	-80,005.75
311	0000	Unrestricted State Revenues	-41,062.44
311	0010	Unrestricted State Revenues	-19,234,940.80
312	0000	Restricted State Revenues	-2,040,366.33
312	0020	Restricted State Revenues	-603,671.51
312	0100	Restricted State Revenues	-113,135.30
312	0120	Restricted State Revenues	-1,009,081.47
317	0000	Restricted State Revenues received through another Michigan Public School	-11,163.55
321	0000	State Payments in Lieu of Taxes	-20,830.10
414	0140	Restricted Received from Federal Government Through the State	-424,160.90
414	0210	Restricted Received from Federal Government Through the State	-65,126.18
415	0000	Restricted Revenue received from Federal Govt through another Govt agency	-6,710.00
417	0000	Restricted Revenue received from Federal Govt through another Public School	-4,798.26
513	0000	County Special Education Tax received from Other Public Schools (ISDs)	-1,621,014.00
519	0000	Other distributions received from Other Public Schools (LEAs, ISDs, PSAs)	-51,876.54
593	0000	Proceeds from the Sale of Capital Assets	-67,280.12
Total for 11 - General Fund			<hr/> -27,800,506.90

# Audit vs. FID Examples

## Expenditures

Instruction:	
Basic programs	14,427,084
Added needs	4,262,728
Total instruction	18,689,812
Support services:	
Pupil	803,495
Instructional services	393,441
General administration	368,144
School administration	1,790,759
Business	500,518
Maintenance	1,629,302
Transportation	1,316,287
Central services	865,540
Athletics	714,229
Food service	-
Total support services	8,381,715
Community services	302,918
Debt service:	
Principal	-
Interest and fiscal charges	-
Total debt service	-
Capital outlay	361,100
Total expenditures	27,735,545

## Fund: 11 - General Fund

### Function: 111 - Elementary

Object	Object Description	Grant Code	Program Code	Amount
12	Salary, Professional Ed	101		\$3,385,871.69
16	Salary, Operations	101		\$52,413.44
18	Salary, Temporary	101		\$17,218.56
21	Benefits, Insurance	101		\$779,118.51
28	Benefits, Mandatory Coverage	101		\$259,990.95
28	Benefits, Mandatory Coverage	208		\$1,297,365.31
29	Benefits, Other	101		\$46,850.00
31	Purchased Services, Professional-Technical	101		\$65,505.19
31	Purchased Services, Professional-Technical	635		\$410.00
51	Supplies, Teacher/Testing			\$1,460.61
51	Supplies, Teacher/Testing	101		\$117,366.86
51	Supplies, Teacher/Testing	359		\$8,459.34
64	Capital Outlay, Equipment & Furniture	101		\$1,713.05
Function Total: 111 - Elementary				\$6,033,743.51

# Cash vs. Fund Balance

- ▶ A district could be considered “in deficit” and still have cash/other current assets

Fund balances (deficits) (Note 9)	
Nonspendable	2,252,428
Restricted	925,808
Unassigned	<u>(219,110,153)</u>
<b>Total fund balances (deficits)</b>	<b><u>(215,931,917)</u></b>

General Fund	
Assets	
Cash and cash equivalents	\$ 44,696,265
Receivables (Note 4):	
Due from other governmental units	94,988,283
Taxes	8,318,139
Land contract	2,836,353
Other	6,369,109
Due from other funds (Note 6)	-
Prepays	2,252,428
Restricted assets: (Note 8)	
Cash and cash equivalents (Note 3)	<u>17,617</u>
<b>Total assets</b>	<b><u>\$ 159,478,194</u></b>

- ▶ Similarly, a district could theoretically have zero cash and a positive fund balance

“I Clicked Submit, Now What?”





# “I Clicked Submit, Now What?”

- ▶ MDE begins analysis of data, contacting districts with questions about coding, consistency, etc.
  - ▶ November-December
  - ▶ Timely response/correction is critical (**Section 18(10)**)
- ▶ Data typically made public late January
- ▶ Publications such as the Bulletins 1011 and 1014 are typically published in February
- ▶ Federal survey reporting due mid-March



# “I Clicked Submit, Now What?”

- ▶ Uses of financial data:
  - ▶ Bulletins 1011 & 1014 (media and researchers)
  - ▶ Federal surveys – National Public Education Finance Survey & Annual Survey of School System Finances
    - ▶ These play a role in future Title I and other federal funding!!
  - ▶ Indirect Cost Rates
  - ▶ Maintenance of Effort compliance
  - ▶ Special Education, School Nutrition, and other MDE program office monitoring and compliance
  - ▶ Deficit and Early Warning monitoring

# Who Uses Our Financial Data?

- ▶ State Agencies & Legislators (policy decisions)
- ▶ Federal Government (future funding implications)
- ▶ Realtors
- ▶ Constituents
- ▶ PSA Chartering Agents
- ▶ Researchers – Education, Public Policy, etc.

# New Developments in Accounting and Financial Reporting

## SCHOOL-LEVEL EXPENDITURE REPORTING

AS REQUIRED BY ESSA

UPCOMING EXPANSION OF SEA  
REPORTING

GASB #68 – PENSIONS

GASB #75 – OPEB

GASB #84 – CUSTODIAL FUNDS

GASB #87 – LEASES

GASB #96 – SUBSCRIPTION-BASED  
INFORMATION TECHNOLOGY  
ARRANGEMENTS

**COVID-19 FUNDING**

# ESSA School-Level Expenditure Reporting

- ▶ Required on State and LEA ESSA Report Cards:
  - ▶ The per-pupil expenditures of Federal, State, and local funds, including actual personnel and actual nonpersonnel expenditures of Federal, State, and local funds disaggregated by source of funds, for each local education agency **and each school** in the State for the preceding fiscal year.



# ESSA School-Level Expenditure Reporting

- ▶ Previous US DOE guidance repealed as a result of a Congressional Review Act (CRA) action
  - ▶ Revised guidance was expected by end of 2017
  - ▶ Feedback submitted to give States flexibility to determine what makes sense to require and report at building-level



# ESSA School-Level Expenditure Reporting

- ▶ Enhanced reporting beginning 2017-18
  - ▶ Error check - 100% of Function Code 11x, 12x, and 24x expenditures must include school code



Building Level Expenditures are Reported for the Required Functions.

Functions 1XX and 24X must be reported at the building level. A valid building code must be reported with these expenditures

- ▶ **Excludes Capital Outlay (6xxx) and Payments to Other Districts (82xx) Object Codes**
  - ▶ Additional Function Codes at building level (support services) may be required in the future
  - ▶ “Comparability over Complexity”

• District 1 •

Criteria		Elementary School #11	Elementary School #12	Middle School #17
<b>A</b>	Enrollment	375	511	992
<b>Site-Level Expenditures</b>				
<b>B</b>	Federal	\$456	\$209	\$164
<b>C</b>	State/Local	\$6,111	\$4,756	\$5,998
<b>D</b>	Site-Level Total (Sum of B+C)	<b>\$6,567</b>	<b>\$4,965</b>	<b>\$6,162</b>
<b>Site Share of Central Expenditures</b>				
<b>E</b>	Federal	\$161	\$161	\$161
<b>F</b>	State/Local	\$5,378	\$5,378	\$5,378
<b>G</b>	Site Share of Central Total (Sum of E+F)	<b>\$5,539</b>	<b>\$5,539</b>	<b>\$5,539</b>
<b>H</b>	Total School Expenditures (Sum of D+G)	<b>\$12,106</b>	<b>\$10,504</b>	<b>\$11,701</b>

Expenditure Report

Comparison Options

School Year

2019-20

Select District

Dexter Community School District (81050)

Select School

All

Reset Selection

## Dexter Community School District for 2019-20

### Expenditures Report

Change Layout

#### Per-Pupil Expenditures



	Bates	Creekside Intermediate School	Dexter Alternative School	Dexter Early Elementary Complex	Dexter High School	Mill Creek Middle School	Wylie Elementary School
Enrollment	7.00	521.97	10.00	818.89	1182.53	578.96	495.06
Federal Expenditures Per-Pupil	\$0.00	\$4.32	\$0.00	\$495.59	\$511.46	\$0.00	\$190.24
State/Local Expenditures Per-Pupil	\$4,121.52	\$9,666.48	\$32,000.68	\$9,633.25	\$7,784.12	\$9,379.81	\$8,112.32
Total Site-Level Expenditures Per-Pupil	\$4,121.52	\$9,670.80	\$32,000.68	\$10,128.83	\$8,295.57	\$9,379.81	\$8,302.56
Districtwide Federal Expenditures Per-Pupil	\$378.56	\$378.56	\$378.56	\$378.56	\$378.56	\$378.56	\$378.56
Districtwide State/Local Expenditures Per-Pupil	\$2,462.84	\$2,462.84	\$2,462.84	\$2,462.84	\$2,462.84	\$2,462.84	\$2,462.84
Total Districtwide Expenditures Per-Pupil	\$2,841.40	\$2,841.40	\$2,841.40	\$2,841.40	\$2,841.40	\$2,841.40	\$2,841.40
Total Expenditures Per-Pupil	\$6,962.92	\$12,512.20	\$34,842.08	\$12,970.23	\$11,136.97	\$12,221.21	\$11,143.96

#### District-Level Exclusions

Exclusions Help

District	Excluded Expenditures	Preschool Instructional Expenditures	Nonpublic Expenditures	Other School's Expenditures
Dexter Community School District	\$24,006,325.96	\$90,262.24	\$0.00	\$0.00

# Upcoming Expansion of School-Level Expenditure Reporting Requirements

- ▶ **School Level Finance Survey (SLFS)**
- ▶ Pilot, optional, state-level survey for many years as practicality and usability was measured
  - ▶ MDE has submitted *some* SLFS data variables since 2014
  - ▶ Data from Instruction (1xx), School Administration (24x) Functions
- ▶ Office of Management and Budget (OMB – federal level) recently approved SLFS to be mandatory in upcoming years
  - ▶ Improved format, less “missing” data, flexible implementation timeline, likely to replace LEAs’ “Civil Rights Data Collection”
  - ▶ However, this will require addition of expenditure Functions that require a School Code:
    - ▶ **Pupil Support Services (21x)**
    - ▶ **Instructional Staff Support Services (22x)**

# Upcoming Expansion of School-Level Expenditure Reporting Requirements

- ▶ *Tentative* phase-in plan for SLFS compliance:
- ▶ **Current** school-level reporting requirements:
  - ▶ Functions 11x, 12x, and 24x require a valid School Code
- ▶ **FY24** FID reporting
  - ▶ Above requirements PLUS **Warning** for School Codes missing from **21x and 22x Functions**
- ▶ **FY25** (and following) FID reporting
  - ▶ Above requirements PLUS **Error** for School Codes missing from **21x and 22x Functions**
- ▶ Submission of SLFS will remain a state-level responsibility
- ▶ Additional Functions may be added in the future, but hoping to keep remainder of expenditures at “district-level”



# GASB #68 – Pension Liability

- ▶ Pronouncement requiring additional disclosures related to public pension liabilities (MPERS).
- ▶ 2014-15 implementation
- ▶ Resulted in several new pages of information in audited financial statements and additional reporting in FID
  - ▶ Net Pension Liability
  - ▶ Deferred Outflows
  - ▶ Deferred Inflows
- ▶ Significantly impacts government-wide net position (doesn't affect deficit determinations)



# GASB #75 – OPEB Liability

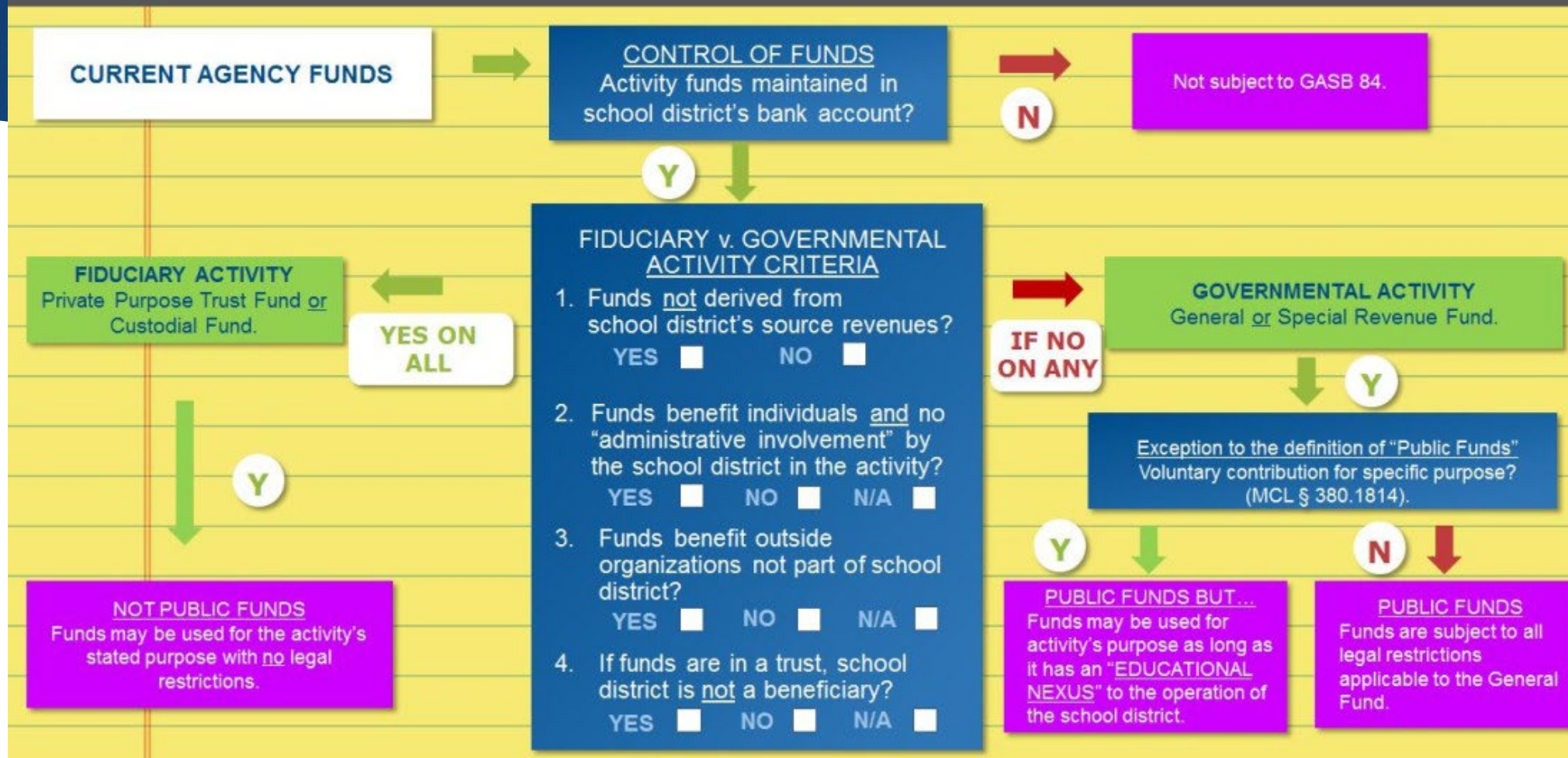
- ▶ Pronouncement requiring additional disclosures related to Other Post-Employment Benefit (OPEB) liabilities
- ▶ 2017-18 implementation
- ▶ Very similar to GASB #68
- ▶ Resulted in several new pages of information in audited financial statements and additional reporting in FID
  - ▶ OPEB Liability
  - ▶ Deferred Outflows (OPEB)
  - ▶ Deferred Inflows (OPEB)

# GASB #84 – Fiduciary Activities/Custodial Funds

- ▶ Pronouncement redefining and changing the treatment of activities previously reported as Agency Funds
- ▶ “~~Agency Funds~~” now “**Fiduciary Funds**”
- ▶ 2019-20 implementation (GASB #95 extended to 2020-21)
- ▶ Administrative “control” of funds and source of revenue plays significant role in determining classification
- ▶ MDE guidance included in accounting manual on specifics of accounting and financial reporting changes, classification considerations, etc.
  - ▶ Implementation and ongoing “new” funds/activities require working closely with auditor and/or legal counsel as needed
  - ▶ Most “student activity” and “building accounts” are now reported as governmental funds



# GASB 84: Legal Considerations for Public Schools



► Source: Miller Canfield

► \*Not formal MDE guidance, seek assistance from auditor/legal counsel as needed

# GASB #87 – Leases

- ▶ Effective beginning in **FY22** audits and FID reporting
- ▶ In summary, most\* leases now fall under a single model approach similar to financing an asset (“right to use asset”)
  - ▶ Capital outlay, principal, interest, governmentwide assets & liabilities
  - ▶ Exceptions – 12 months or less, and/or contracts that transfer ownership
- ▶ Guidance and numerous new account codes added to the accounting manual in Change Notice #32 (June 2022)
- ▶ GASB #87 impacts lessor arrangements as well – separate codes and guidance



# GASB #96 – Subscription-Based Information Technology Arrangements

1. Defines a SBITA
2. Establishes that a SBITA results in a right-to-use subscription asset (intangible) and subscription liability
3. Establishes capitalization criteria for outlays other than subscription payments (i.e. implementation costs)
4. Requires note disclosures related to SBITAs

**Implementation year – FY23**

# GASB #96 – Subscription-Based Information Technology Arrangements

- ▶ In many ways mirrors GASB #87 language, but SBITAs not included in #87 because intangible assets were out of its scope
- ▶ Same as Statement #87:
  - ▶ Classification/considerations related to lease/subscription term
  - ▶ Exclusion of short-term leases/subscriptions
  - ▶ General recognition and measurement
- ▶ Short-term Leases and SBITAs
  - ▶ If 12 months or less (including one-party options to extend, but not cancellable periods), record revenues (lessor) and expenditures (lessees), no asset/liability implications under these Statements

# GASB #96 – SBITA vs. GASB #87 Lease

- ▶ All SBITAs are now technically “leases” (of the right to use an **intangible** asset)
- ▶ No more “prepaid expenditure” assets if paying multiple years of a SBITA in year 1.
  - ▶ SBITAs starting before FY23 with prepaid expenditure entries will require adjustments to fund balance
- ▶ Determining whether an agreement is a lease or a SBITA
  - ▶ Tangible capital assets alone – Lease (#87)
  - ▶ IT software alone – SBITA (#96)
  - ▶ Combination of IT software and tangible capital assets under the same agreement:
    - ▶ Depends on “significance” of IT component of agreement.
    - ▶ Insignificant – Lease (#87)
    - ▶ Significant – SBITA (#96)

# GASB #96 – Accounting for SBITAs

- ▶ Additional SBITA-specific account codes and additions to Michigan Public School Accounting Manual Section II guidance made in December 2022
- ▶ Numerous fixed/capital asset codes added with GASB #87 due to the many areas leases could occur
  - ▶ Less coding changes and additions for SBITAs, but more widespread impact across districts
- ▶ MDE recommendation was to begin a thorough review and documentation of existing and new (FY23) agreements that may fall under Statement #96 and begin assigning these new codes to balances, revenues, and expenditures. During FY23 audit, work closely with your auditor to ensure proper classification of SBITAs



# GASB #96 – Other Considerations

- ▶ Consumption Method vs. Purchase Method
  - ▶ District policies
- ▶ SBITAs covered by grant funds
  - ▶ Grant period and allowability to pay for subscription periods beyond that, examples:
    - ▶ 5-year subscription to be covered by ESSER? If unallowable, initial capital outlay entry may need to be split
    - ▶ Example – Single-year Benchmark Assessment funding – incurring the capital outlay expense of a multi-year SBITA in year 1 may impact your ability to charge future periods of the SBITA to future grants



# GASB #96 – Guidance in Accounting Manual

- ▶ Added to existing Section II E.20 GASB #96 guidance in July 2023:
  - ▶ Key terminology section
  - ▶ Additional hypothetical scenarios, including those related to SBITAs covered by grant funds
  - ▶ FAQ section
- ▶ “Is this a SBITA?” and other remaining questions not answered by this guidance related to your specific software agreements are best directed to your auditor.

# COVID-19

- ▶ Numerous new state and federal funding sources
  - ▶ Increased revenues, more expenditures (**over multiple years**), new accounting implications
- ▶ ESSER I, II, & III
- ▶ GEER I & II
- ▶ Coronavirus Relief Funds (CRF)
- ▶ School nutrition (additional funding and new programs)
- ▶ Child care (substantially increased funding and new programs)
- ▶ State grants/categoricals/equalization payments



# COVID-19 (cont.)

- ▶ MDE Financial Accounting Guidance During the COVID-19 Pandemic
- ▶ [http://www.michigan.gov/documents/mde/COVID-19\\_Accounting\\_Guidance\\_691616\\_7.pdf](http://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf)
- ▶ Was frequently updated to include later-introduced programs/questions:
  - ▶ Emergency Connectivity Fund (ECF) accounting
  - ▶ New Fall 2021 Child Care Relief
  - ▶ Accounting for new school nutrition funds (Emergency Operations, Seamless Summer Option, Pandemic EBT Local Costs, etc.)
  - ▶ Revenue recognition/reclassifying expenditures
- ▶ Updates will continue as additional guidance is needed on new and existing funding sources, unique accounting situations, etc.
- ▶ **Bookmark and reference frequently**

# Resources

## Financial Accounting Guidance During the COVID-19 Pandemic

- ▶ No recent updates, but will be added to as needed

## Michigan Public School Accounting Manual

- ▶ Chart of Accounts (Appendix) and other guidance
- ▶ Change Notices

## Accounting for State School Aid Revenues

- ▶ Updated with new FY24 categoricals



# Conclusion

- ▶ What we hope you'll take away:
  - ▶ A new or better understanding of the accounting manual
  - ▶ “Quick reference” material from the presentation to help you find information in the future
  - ▶ The importance of proper coding and how to catch mistakes before data submission
  - ▶ How properly (or improperly) coded data is used and its impacts
  - ▶ Update on current accounting topics and upcoming changes



# Contact Information

**Christopher May, CFO, CGFM**

Financial Specialist

Office of Financial Management

Michigan Department of Education

[MayC@michigan.gov](mailto:MayC@michigan.gov)

517-335-1263

**Sharon Raschke, CFO**

Chief Financial Officer

Dexter Community Schools

[raschkes@dexterschools.org](mailto:raschkes@dexterschools.org)

734-424-4107