



# Accounting Manual & School Expenses Overview

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*Abbreviated version of  
MSBO **Accounting Manual  
and Chart of Accounts**  
certification course*

# Basis of Accounting

- ▶ Modified Accrual (fund-level, \*most funds)
  - ▶ Revenue measurable and available
  - ▶ Current financial resources
- ▶ Standard fiscal year for all school districts (July 1 – June 30)
  - ▶ State fiscal year October 1 – September 30
- ▶ Uniform Budgeting and Accounting Act (UBAA)
- ▶ Revised School Code
- ▶ Administrative Rule (force of law)
  - ▶ Addresses both basis of accounting and chart of accounts

# Accounting Manual Revisions

- ▶ Generally made on an annual or semi-annual basis
  - ▶ Governmental Accounting Standards Board (GASB) pronouncements and implementation guides
  - ▶ New programs/categoricals developing unique accounting issues
  - ▶ FAQs from the field
- ▶ Michigan Public School Accounting Manual Referent Group
  - ▶ Business Managers, Auditors, 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...
- ▶ Also Administrative Rules 340.851-853
  - ▶ Accounting records, charts of accounts, systems of accounting

# Accounting Manual Contents

- ▶ Section I – Introduction
- ▶ **Section II – Requirements**
  - ▶ Includes publication of periodic guidance (GASB statements, etc.)
- ▶ Section III – Coding Structure
- ▶ **Section IV – Budget Preparation and Management**
- ▶ Section V – Internal Controls
- ▶ Section VI – Program Cost Systems
- ▶ Section VII – Financial Reporting
- ▶ **Appendix – Definitions of Account Codes**

# 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 Fiduciary Funds
  - ▶ Section C – State Requirements
  - ▶ Section D – Federal Requirements

# 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 Statements

# Accounting Manual Contents

## ▶ Appendix – Definitions of Account Codes

- ▶ Most referenced section of the manual
- ▶ Recap of coding dimension definitions and structures (digits)

Balance Sheet	Revenue	Expenditure
Fund (2)	Fund (2)	Fund (2)
Major Class (3)	Major Class (3)	Function (3)
	Suffix (4)	Object (4)
	Grant* (3-4)	School/Building (5)
		Program* (3)
		Grant* (3-4)

- ▶ *District-level budgeting requirements do not include all coding dimensions*

# Building New Account Numbers

- **Start with what you know**
  - Scenario: LEA staff member comes to you and asks where to code the supplies they purchased with Title I funds. You know the staff member “works” in the general fund.
    - 11-xxx-xxxx-xxx-xxx-xxxx
  - Supplies = Most commonly Object code 5110 (teaching/testing supplies) or Object code 5910 (office supplies)
    - Who is the end user of the supplies?
    - The end user of the supply purchase drives the next portion of the account structure.
      - The end users of the supplies are students. You clarify grade level to be elementary and the teacher works in School Code 01234 (required for Instruction and School Administration Functions!).
  - **Answer: 11-111-5110-000-01234-6010**

Account: 11-122-1240-303-193-2020 || Description: ASD - TEACHER SALARY || Status: Active

**Overview** | History

Description: ASD - TEACHER SALARY

Alpha Fund: G - GENERAL FUND

Account Class: E - Expense

Resp Code: SPE - SPECIAL EDUCATION

FID Number: Fund: 11, Cls-Fnc-Obj: 11221240, Building: 00965, Program: 000, Cost: 2020

Project Date:

Allow off sign budget

Status: Active

**Account Type**

Major Function:

Minor Function:

Major Object:

Minor Object:

**User**

User1:

User2:

User3:

**1022 Conformity**

Current Year		Next Year		Prior Year	
Original Budget:	\$0.00	ForeCast Budget:	\$0.00	Last Budget:	\$0.00
YTD Budget:	\$0.00	Next Fiscal PO:	\$0.00	Last Actual:	\$0.00
YTD Actual:	\$0.00	Next Req Reserve:	\$0.00		
YTD Encumbrance:	\$0.00	Remaining Forecast:	\$0.00		

# District Software Example

- Use your finance software to the fullest extent possible
  - Identify 1022 violations early and often (many systems have this functionality built-in for checks throughout the year)
  - Watch for 1022 updates (both new codes and guidance)
- The best time to fix an error is when you become aware of it. A few minutes spent in the beginning will save you hours at reporting time!



# District Internal Communications

- Do staff members have access to view accounts, budgets and enter purchase requests?
  - If so, how do they know what to do?
- 1. Educate with regular updates (trainings, communications, etc.)
- 2. Provide individualized training
- 3. Pull building specific financial information and walk through what each line is dedicated to
- 4. Use snippets of the 1022 bulletin to provide additional information
- 5. Create visual aids/instructions

# Budget Monitoring Example

BC- Transaction Analysis

File View Actions Help

Name: -- Not Specified --

Status:  Active  Inactive  Frozen  Prefrozen Fiscal Year: 2021 - 2022

	Fund	Class	Function	Object	Building	Program	Cost	Resp Code	Alpha Fund	Exclude
<b>Add</b>	1	1	111	1__	301		0000			<input checked="" type="checkbox"/>
<b>Remove</b>	1	1	111	2__	301		0000			<input checked="" type="checkbox"/>
	1	1	111		301		0000			<input type="checkbox"/>

Account	Description	Resp	FC	AC	YTD Budget	YTD Actual	YTD Encum	Req Reserve	Balance	LastActual	Forecast Budget	Original B
▶ 11-111-3110-301-000-0000	EDUSTAFF SUBS AJK	AJK	G	E	\$18,500.00	\$6,106.50	\$0.00	\$0.00	\$12,393.50	\$18,610.22	\$18,500.00	\$18
11-111-3111-301-000-0000	LONG TERM SUB AJK	AJK	G	E	\$28,072.00	\$34,007.60	\$0.00	\$0.00	(\$5,935.60)	\$25,600.15	\$28,072.00	\$28
11-111-3210-301-000-0000	LOCAL TRAVEL	AJK	G	E	\$0.00	\$32.47	\$0.00	\$0.00	(\$32.47)	\$0.00	\$0.00	
11-111-4120-301-000-0000	EQUIP REPAIR AJ	AJK	G	E	\$2,000.00	\$207.05	\$0.00	\$0.00	\$1,792.95	\$1,284.30	\$2,000.00	\$2
11-111-5110-301-000-0000	TEACHING SUPP AJ	AJK	G	E	\$6,475.00	\$2,048.04	\$1,493.55	\$0.00	\$2,933.41	\$6,238.57	\$6,475.00	\$6
					\$55,047.00	\$42,401.66	\$1,493.55	\$0.00	\$11,151.79	\$51,733.24	\$55,047.00	\$55

# Revenue Reconciliation Resources

- ▶ 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/GEMS/MARS/NexSys
  - ▶ Medicaid
- ▶ Other Financing Sources
  - ▶ ISD
  - ▶ Other Public Schools
  - ▶ Private sources
  - ▶ Student/School Activity Funds

# 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

# Where Do I Go With Questions?

- ▶ Accounting for State School Aid Revenues document: <https://www.michigan.gov/mde/-/media/Project/Websites/mde/OFM/State-Aid/Bulletin-1022/saacct03.pdf>
- ▶ State Aid “Who to Call” List: [https://www.michigan.gov/mde/-/media/Project/Websites/mde/2018/07/23/Who\\_To\\_Call\\_List.xlsx?rev=dbcc64945fcc44b7bb2f92307795c15e&hash=A8A05332E6D91FE52417BD41FC52513D](https://www.michigan.gov/mde/-/media/Project/Websites/mde/2018/07/23/Who_To_Call_List.xlsx?rev=dbcc64945fcc44b7bb2f92307795c15e&hash=A8A05332E6D91FE52417BD41FC52513D)
- ▶ MSBO
- ▶ Talk to your MDE consultants & program offices
- ▶ Call or email Chris with any coding questions

# 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 or if FID is inconsistent with audited financial statements

# “I Clicked Submit, Now What?”

- ▶ MDE begins analysis of data, contacting districts with questions about coding, consistency, etc.
  - ▶ Throughout November
  - ▶ Timely response/correction is critical (**Section 18(10)**)
- ▶ Data typically made public by early January
- ▶ Publications such as the Bulletins 1011 and 1014 are typically published in February
- ▶ Federal survey reporting due by MDE mid-March
  - ▶ No district action needed for Bulletins or federal surveys

# “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

# Contact Information

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