



F13 – School District Audit and Financial Statements MSBO Annual Conference – April 23, 2026



Today's Presenters

Philip Norris, CPA

Manager

Philip.Norris@plantemoran.com

Christy Mannino, CPA

Manager

Christy.Mannino@plantemoran.com



Today's Goal

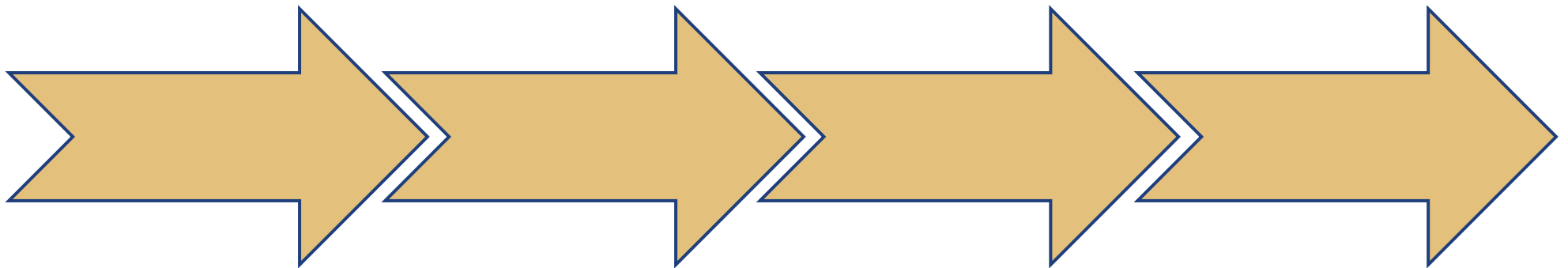
Understand the audit process as well as the requirements placed on the business office. Learn how to best prepare for your audit and key items to review in your financial statements.



Understand the Audit Process

Audit Phases

- Planning Phase
- Interim Fieldwork
- Year End Fieldwork
- Wrap Up Phase
- Board Meetings





Understanding the Audit Process

Planning Phase

- Client/Auditor planning meeting
 - Map out timing – start to finish
 - Discuss any new transactions or changes at the district
 - New accounting standards? District need help?
 - Discuss YTD results of the year compared to budget and last year
 - Prior year pain-points/findings and how has district addressed?
 - Audit engagement letter



Understanding the Audit Process

Interim Phase

- Typically, May through early July
- May focus on
 - Internal control walkthroughs
 - Bond/sinking fund testing
 - Grant transaction testing
 - Audit new agreements
 - Test of transactions
 - Complete audit planning sections



Understanding the Audit Process

Year End Fieldwork Phase

- Typically, late July through mid September
- Bulk of the testing occurs during this phase – testing of yearend balance, grants, and preparing/reviewing the financial statements/SEFA.
- Having all audit requests ready on day 1 is critical
- Making sure your district team is mostly available during scheduled fieldwork



Understanding the Audit Process

Wrap Up Phase

- September/October
- Provide audit open items
- Review of final deliverables
- Discuss audit results
- Prepare for board meeting(s) and discuss presentation
- Data collection form



Understanding the Audit Process

Board Meetings

- Review of draft slides with auditor, before the meeting
- Providing copies in advance
- Finance Committee meeting?
- Public Board Presentation
- Timing – Not required to have, before 11/1
- What is your districts' policy or procedure?



Business Office Requirements

General Pointers for Success

- Communication is key
- Designate one person that will be primary audit contact
- Sticking to timelines



Internal Controls

Internal Control Considerations

- SAS 145 – Was new in 2024 and will continue to be a focus area, including for grants
- Any findings from last year? Has the district addressed them?
- Auditors are required to assess your internal controls and determine if any significant deficiencies or material weaknesses exist (findings). In grant testing, we test and opine on internal controls
- Findings are required to be reported in the audit deliverables.
- Evaluate your internal controls in advance to help avoid findings.
- Reminder – auditor proposed adjustments may be indicative of a finding. Another reason to have your books and records 100% ready before the audit starts!



Audit Preparation - Balance Sheet Reconciliations

Importance of Reconciliations

- All significant balance sheet accounts – expect to provide one for all accruals and key balances
- Reconcile beyond just GL detail
- Deferred revenue and receivables – SEFA
- Important – someone should be reviewing all reconciliations after they are prepared (control)



Audit Preparation - Balance Sheet Reconciliations

Typical K12 Accruals to Consider at June 30

Payroll Accruals

- 12-month EE's – For all work performed through 6/30, but not yet paid
- 10-month EE's – Depending on contract language, generally expect that for 24/26 pay elections the pay periods after 6/30 will be accrued for at 6/30
- Health Benefits – Consider need for accrual of July/August benefits for 10-month employees
- MPSERS – Accrual at June 30 should include:
 - Amounts not yet remitted to ORS for all pay periods through June 30
 - 147c(1) and (2) - June ORS invoice, if not paid by June 30. Include also the July/August expected amounts
 - MPSERS accrual should also be recorded on any balance of contract payroll accrual reported at June 30
- Retirements – Consider if any payout of PTO/FTO should be accrued for in the General Fund at 6/30. Contract language may dictate as the fund liability is driven by "when" the amount is owed to the employee.
- Full Accrual – GASB 101 – Compensated Absences



Audit Preparation - Balance Sheet Reconciliations

Typical K12 Accruals to Consider at June 30

- State Aid Receivable – For the July and August payments to be received
- Accounts payable – Consideration of how long to keep the period open for before closing the books
- Unavailable revenue – For any receivables not collected within generally 60 days of yearend, the revenue should be reversed and deferred
- Deferred revenue – Consider categorical grants and other cash resources received before you have actually "earned" it. Should any amounts be reported as deferred revenue?



Audit Preparation – Fixed Assets

Ensuring Fixed Assets are Ready

- Start early, spend ample time on fixed assets
- Check figure: additions should not exceed capital outlay
- Track CIP (Construction in Progress) within roll forward
- Consider adjustments for sale of assets/deletions
- Depreciation
- Excel vs. software



Audit Preparation – Fixed Assets

Close out Capital Project Activity

- Sinking Fund and Bond Fund testing – implement process to capture any necessary accruals at year end
- Accrue for invoices not yet received if the work has been performed
- Accrue for retainage
- Get capital outlay in a good spot before determining amounts to capitalize.



Bond/Sinking Fund Compliance Reporting

Compliance Reporting Requirements

- Numbered Letter 2023-01 replaced Bulletin 7, starting in 2024
- Reminder that each year OR at the end of a bond project, an auditor must test your expenditures for compliance
- Bid testing
- Substantial completion close-out reporting replaced with annual transmittal letter to be sent to the MI Dept. of Treasury
- Unique disclosures required in your financial statements
- Change in determination of “completion” date of bond projects



Audit Preparation - GASB 54 Classifications

Understanding GASB 54 Requirements

- Nonspendable – (e.g. Inventory, Prepaid Expenses)
- Restricted – legally restricted type funds
 - Bonds/Sinking Funds
 - Debt Service
- Committed – made by board via resolution
 - Must be committed by June 30
 - Examples
- Assigned - Made by authorized personnel with board authority for specific uses
 - Can be done after year-end
- Unassigned
 - Deficits in other funds would offset the unassigned general fund balance



More Recently Adopted GASBs – Could impact K12s

To Consider

- GASB 87 - Leases
- GASB 96 - SBITDAs
- GASB 101 - Compensated Absences
- GASB 103 – Financial Reporting Model Improvements
- GASB 104 – Disclosure of Certain Capital Assets



Audit Preparation – Schedule of Expenditures of Federal Awards (SEFA)

High-Level Checks for SEFA

- Start with prior year audit report version
- Beginning accounts receivable should match prior year ending balance from the prior year SEFA
- Total federal expenditures should match federal revenues (reconciling items?)
- Do NOT hard enter ending accounts receivable
- Avoid inputting "pennies" in the SEFA as this ends up creating footing errors in your final report
- Proper reporting of expenditures within grant codes
- Any amounts passed through to sub-recipients? Be sure to report this for each grant in the SEFA.
- Pull down resources from state and ISD sources



Key Items to Review in the Financial Statements

Focus on MD&A, Fund Balance, and Budgetary Schedules

- MD&A - provide management commentary on financial results and performance
- Monitoring fund balance and early warning thresholds
- Consistency with FID (Financial Information Database) submission and your general ledger.
- Budgetary schedules should align with detail and board resolutions
 - Consistency with the face of the financial statements



Top 3 Ways to Prevent Delayed Issuance of Financial Statements

Communicate

- To avoid surprises, communicate with auditors, ask questions throughout the year, bring up items that are new to the district

Prepare

- Make sure that your trial balances have been reviewed and accruals have been reconciled
- Ensure that the appropriate resources have availability during the week of fieldwork

Provide

- Push to have all reconciliations and requests to the auditors prior to fieldwork starting



Questions & Discussion



Thank You



Philip Norris, CPA

Manager

Philip.Norris@plantemoran.com



Christy Mannino, CPA

Manager

Christy.Mannino@plantemoran.com