

MSBO School Finance Services Committee Northern Michigan Workshop October 10, 2025

Accounting and Auditing Update

Presented By

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A&A Topics Impacting K12

- K12 “issues of the day”
- GASB Update
- Federal Grants, the Compliance Supplement and the Single Audit
- 1022 manual - helpful hints
- Bond and Sinking Fund Audits



K12 Issues of the Day

what's hot or not?



Report Filing

- Financial Statements, Single Audit Package, Management Letter (audit results letter to Board of Education) to ISD/MDE by November 1
 - Notify Office of Audits when Data Collection Form (DCF) is certified
 - DCF form – complicated, lots of q's and boxes and numbers!
 - District must electronically certify DCF (now with GSA), understand what is included! Note no email reminders sent from GSA
- Financial Statements and Audit Results Letter (AUC 260) to Treasury within 120 days of year end
 - Covered by filing on MDE site
- Financial Statements, Single Audit, Corrective Action Plan, Schedule of Prior Audit Findings, and Data Collection to Clearinghouse
- Bond Financial Report (new guidance in 2024)
- MDE submission will cover most state level submissions
- PDF submissions required

WARNING: What if reports cannot be issued if Compliance Supplement not issued in time?...answer – see next slide!



Report Filing

- Filing Requirements with MDE – **BIG CHANGE!**

Sec. 18. Financial Reporting – REVISED

Conference adds that if the issuance of a Federal Compliance Supplement is delayed, the single audit portion of a district or ISD's audit may be postponed to within 30 days of the Compliance Supplement issuance.

- This means that if the CS is not issued until after the shut down, the SA report can be delayed in filing with MDE
- **RESULT** – for 11.1.25 the FS report can be filed when audit is complete. If filed timely state aid will NOT be withheld.
- “Problem” – your audit is not over...until its over! And it might take a while!



Auditing Standards

- Question – why did the audit feel different these last 2 years?
- Answer – audit requirements changed!
- Statement of Auditing Standards (SAS) and Government Auditing Standards (GAS)
 - Defines how the audit is done
 - Specifies certain communications and certain references within the auditor's opinion.
 - report letters recently updated! (opinion is in first paragraph!)
- AUC 260, AUC 265 – Letters to Board
 - 260 – discusses audit process and results
 - 265 – internal control matters, covered by GAS reporting
- Independence Standards (AICPA and Government Auditing Standards (GAS))
 - Revised periodically, recently updated
- Implications
 - More focus on Risk Assessment (SAS 145) creating more focused audit approach
 - Key focus on internal controls, more control findings?
 - Independence is key focus area
 - Non audit services, statement preparation
 - School Accounting Manual guidelines
 - Need for business office SKE
 - NEXT YEAR – single audit will feel much different. Audit Guide updates significantly change the single audit process.
 - More time with Auditor (now that is “FUN”!)



Single Audit Guide Changes

A Visual of the 2024 GAS-SA Guide vs. Reorganized Guide

Ch #	2024 GAS-SA Guide Chapter Title	Ch #	2025 Appendix Chapter Title
1 - 4	Same as today (cover <i>Government Auditing Standards</i>)	1 - 4	Same as today (cover <i>Government Auditing Standards</i>)
5	Single Audit Act, Uniform Guidance Audit Requirements, Compliance Supplement	5	Overview of Uniform Guidance Audit Requirements
6	Auditor Planning Considerations Under the Uniform Guidance	6	Compliance Supplement
7	Schedule of Expenditures of Federal Awards	7	Preliminary Engagement Activities
8	Determination of Major Programs	8	Planning Consideration
9	Consideration of Internal Control Over Compliance for Major Programs	9	Schedule of Expenditures of Federal Awards
10	Compliance Auditing Applicable to Major Programs	10	Determination of Major Programs
11	Audit Sampling Considerations of Uniform Guidance Compliance Audits	11	Performing Entity-Wide Procedures
12	Audit Considerations of Pass-Through Entities and Subrecipients	12	Identification and Assessment of Risks of Material Noncompliance
13	Auditor Reporting Requirements and Other Communication Considerations in a Single Audit	13	Testing Internal Control Over Compliance For Each Major Program
14	Program-Specific Audits	14	Testing Compliance Applicable to Each Major Program
		15	Evaluation and Reporting of Findings
		16	Reporting
		17	Completion
		18	Post Audit Considerations
		19	Program-Specific Audits



A&A Topics Impacting K12

In-class homework

- **1 – Table discussion:**
 - Identify 1 thing about this year's audit that was difficult
 - Identify 1 thing you wish you understood better
 - identify 1 thing that went better this year
- **2- Report out/group discussion**
- **3 – Ask questions as we go!**



GASB UPDATE

Gee...what now?



GASB UPDATE

Key GASB's Impacting K12...rear view mirror!

GASB 100 - Accounting Changes/Error Corrections

- Answers “When is something a prior period adjustment and when is it applied from this period forward”
- Change in major fund must be displayed on face of statements

Implementation Guide Update—2025

- **New questions related to:**
 - Statement 103 – reporting model
 - Statement 101 – comp absences
 - Statement 100 – accounting change/correction
 - Statement 91 - Conduit Debt Obligations
 - Statement 87 - leases
- **Amendments to existing questions related to:**
 - Capital assets (7.9.6 in Implementation Guide 2015-1)
 - Special revenue funds (Z.54.30 in Implementation Guide 2015-1)
- **Issued in June 2025 (Question 4.16 effective upon issuance).**
- **Currently considering the need for a 2026 update.**



GASB UPDATE

Key GASB's Impacting K12...rear view mirror!

Key issue from implementation guide -Capitalization policy

5.1. Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.





GASB UPDATE

Key GASB's Impacting K12...rear view mirror!

87/96 Agreements (Leases and SBITA's)

- General concept – similar to fixed assets, aka financing a bus!
- Fund level “modified accrual” impact – capital asset and debt
- Governmentwide Impact – recognizing right to use asset and long term liability
- Management suggestions:
 - What Accounting policies selected/applied? (capitalization thresholds)
 - Identifying new leases/agreements, tracking old ones
 - Working threshold for assessing materiality
 - Process to evaluate terms of lease/agreement (tools/spreadsheets calculations)
 - Do transactions can have components that are operating and should not be capitalized?
Process for allocating”
 - Valuing the asset, amortization period, and liability
 - Tools are similar for Leases and SBITA's
- Lease/SBITA inventory – what are you leasing/subscribing to and where are the contracts? Understand terms to apply recognition criteria.
- Standard excludes certain arrangements – ex intangible assets (copyrights, software), inventory, power purchase agreements)
- What if you are leasing to others? Creates lease receivable!



GASB UPDATE

Key GASB's Impacting K12...rear view mirror!

GASB 101 Compensated Absences – you just did this 😊

Key Concepts

- Required data aggregation to create assumptions
- Vested leave and an estimated amount of nonvested leave based on *more likely than not use for time off, or future retirement*.
- Likely created higher compensated absence liabilities reported.
- Less rules, more applied concepts approach.
- *probability of retirement* no longer important
- Debate – FIFO vs LIFO flow assumption for use of compensated absences (whatever you picked you are stuck with going forward!)

Note – **accounting** for the liability under modified accrual and full accrual is **not changing**. Only the valuation of the liability, and presentation in the footnotes!



Compensated Absences- measurement of liability



Use employee's pay rate as of the date of the financial statements *unless*:



Amount will be paid out at a different rate
(like at half their pay rate)



If settled through noncash means, measured based on amount for which it's
more likely than not to be settled



Consider salary-related payments (like the employer share
of Social Security or Medicare taxes)



GASB UPDATE

Key GASB's Impacting K12...rear view mirror!

GASB 102 Certain Risk Disclosures– you just did this ☺... but likely nothing!

- Disclosures vulnerabilities that limit a government's ability to acquire resources or control spending
- Concentration: Lack of diversity related to an aspect of a significant inflow of resources or outflow of resources
- Constraint: Limitation imposed by an external party or by formal action of a government's highest level of decision-making authority

Key question -is “matter” communicated elsewhere in the FS? (ex property tax, state aid).

Trigger questions - Disclosures required if **ALL** of the following are met:

- Item is known prior to the issuance of the FS
- Item makes the reporting unit vulnerable to the risk of a **substantial impact**
- Event or events associated with item that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the FS are issued



GASB UPDATE

Key GASB's Impacting K12...into the future

Project Implementation Timeline

2026

- Statement 103—Financial Reporting Model Improvements
- Statement 104—Classification of Certain Capital Assets
- IG 2025-1*—*Implementation Guidance Update—2025*



GASB 103 Financial Reporting Model

OBJECTIVE

Enhance key components of financial reporting model in providing information that is essential for decision-making and assessing a government's accountability.

Good news – MUCH LESS than originally planned!

- MD&A
- Operating vs. nonoperating (proprietary funds)
- Presentation of proprietary funds
- Budgetary comparisons
- Unusual or infrequent items
- Major component unit presentation
- Statistical section
- GASB removed potential changes to the governmental funds measurement focus from project. If the GASB proceeds with changes to governmental funds, it will be as a separate project.



GASB 104 Disclosure of Certain Capital Assets

- Objective- reconsider the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets - aka leases and SBITA's)
- Goals
 - (1) assets are classified in a way that provides most relevant financial information and
 - (2) the definitions of classifications are understandable and appropriate to meet financial reporting objectives.
- Disclosure guidance considers:
 - Lease assets, by major class of underlying asset (as already required by Statement 87)
 - Public-public partnership assets, by major class of underlying asset
 - Subscription assets in the aggregate (as already required by Statement 96)
 - Other intangible assets, by major class of asset.
- Standard does NOT reexamine recognition or measurement of nonfinancial assets
- IMPACT “Capital Asset” footnote will be expanded significantly



GASB Statements - level of effort

Statement and FY Effective		Potential Level of Effort*						
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GASB 99 – Omnibus (multiple effective dates)	Various	Small						
GASB 100 – Accounting Changes and Error Corrections	2024			Small				
GASB 101 – Compensated Absences	2025				MEDIUM			
GASB 102 – Certain Risk Disclosures	2025				Small			
GASB 103 – Financial Reporting Model Improvements	2026					MEDIUM		
GASB 104 – Disclosure of Certain Capital Assets	2026						Small	

*Based on June 30 fiscal years

GASB is trying to limit the extent of new standards and the potential “lift” to adopt. Most standards on the horizon are not expected to be “huge changes”... except revenue and expense project!



GASB UPDATE

"Future GASB's" Impacting K12

GASB Technical Plan Overview

- **Comprehensive Projects**
 - Revenue and Expense Recognition (ED 26)
- **Major Projects:**
 - Going Concern / Severe Financial Stress (ED June 26)
 - Infrastructure Assets (ED February 26)
- **Practice Issues:**
 - Implementation Guide—Update (considering for 26)
 - Subsequent Events (Final December 25)
- **Technology Project:**
 - Voluntary Digital Financial Reporting
- **Research Activities:**
 - Cybersecurity Risk Disclosures
 - Revenue and Expense – Note Disclosures
 - GAAP Structure
 - Pension & OPEB Disclosures – Concepts Statement 7



GASB UPDATE

"Future GASB's" Impacting K12

- Revenue and Expense Recognition - PV 2020, ED expected 2025
 - project objective - Develop a comprehensive, principles-based model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that has not been specifically addressed in the current literature. (pretty much all transactions!)
 - Purpose:
 - (1) to improve revenues and expenses information that users need to make decisions and assess accountability,
 - (2) to provide guidance regarding exchange and exchange-like transactions not specifically addressed in GASB 33 and 36,
 - (3) to evaluate revenue and expense recognition in context of the conceptual framework,
 - (4) to address application issues identified in practice.



Federal Grants



Federal Grants

- DCF (Data Collection Form)
 - Filing with GSA – year 3
 - Under this process likely you are reviewing an excel workbook (vs a form on the clearinghouse web site)
 - Form essentially the same as last year
 - Accuracy is essential
 - 30 day window APPLIES!
 - You must submit right after auditor lets you know DCF is read for review
 - You will NOT get a notice from the clearinghouse that the form is ready for review.
 - Failure to submit timely means cannot be low risk auditee next year
 - Result likely **more audit work, and more fees!**
 - MDE to be notified when dcf is filed



Federal Grants

- Delay in Compliance Supplement issuance
 - OMB did not issue CS timely (further delayed with government shut down!)
Certain will NOT be issued until After shutdown is OVER!
 - OMB issued a draft for review
 - AICPA issued guidance stating audits cannot be issued until with CS is used.
 - Implication:
 - Auditors performed testing using draft CS
 - Auditors MUST compare final CS to draft and modify tests as necessary to comply
 - Auditors cannot finalize reports until tests complete
 - Auditors could issue the financial statements separate from the SA. But submitting the FS only is not a complete filing based on historical position of MDE. An incomplete submission leads to holding state aid.
 - MDE aware of “problem” and may be looking for solutions.
 - **Reality check**– Can auditors issue 700 plus audit reports within a few weeks? (assuming a CS was available soon)



Reporting Package

Submitted to the
FAC as part of the
Data Collection
Form submission



MDE will access from the FAC site

Auditee Responsibility

Financial Statements
and SEFA

Corrective Action Plan
(CAP)*

Summary Schedule of
Prior Audit Findings
(SSPAF)*

Auditor Responsibility

Opinions: Financial
Statement, GAGAS, IRT
SEFA, Report on
Compliance

Schedule of Findings
and Questioned Costs
(SFQC)

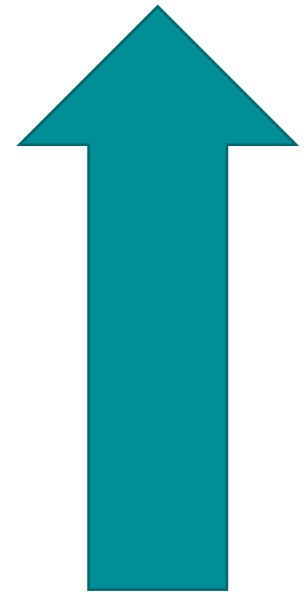


Single Audit and UG Changes

Increased thresholds - **beginning on or after Oct. 1, 2024**

(starting with 9/30/2025 year ends, 6/30/2026 for K12).

- Increased audit threshold from \$750,000 to \$1,000,000 for auditee fiscal years Increased
- Major Program threshold from \$750,000 to \$1,000,000
- Potential results:
 - fewer single audits completed for K12 impacting “smaller” K12 entities
 - Potentially fewer Type A programs tested but auditor will still be required to meet minimum thresholds





Single Audit and UG Changes

Changes to UG requirements (not all inclusion)

- General criteria for allowability (and “direct costs” related procedures) added administrative closeout costs.
- “Selected Items of Cost” exhibit updated
- Indirect Cost Rate section modified for changes made including the de minimis rate of “up to 15%”
- Removal of prior approval related to certain selected items of cost and changes to supplies and equipment thresholds (\$10,000 or entity threshold if less)
- Changed “small purchases” to “simplified acquisitions” guidance
- Revised finding requirements - requires description of how known questioned costs are computed.
- Revised audit finding requirements when auditor reports dollar amount of known questioned costs is undeterminable or otherwise could not be reported. A description of “why” must be included



2025 Compliance Supplement

Summary of expected changes



Compliance Supplement – Auditor use



External audit guide used to complete audits in accordance with Subpart F of 2 CFR 200 (Uniform Guidance)



Outlines key rules and regulations and required audit testing for each compliance category



For specifically-identified federal programs, establishes which compliance requirements are subject to testing



Identifies clusters of programs for purpose of major program determination



Includes other alerts/directives that are critical for auditors to understand in planning and executing a single audit



Compliance Supplement – Auditee use



Handy summary of compliance requirements, including specific UG references to dive deeper



Only source for cluster information that's necessary to consider when preparing the SEFA



Includes important annual updates for other SEFA presentation and DCF reporting



Internal control guidance



Helpful resource for audit preparation



Structure of the Compliance Supplement

Part 1 – Background, purpose, and applicability

Part 2 – Matrix of compliance requirements

Part 3 – Compliance requirements

Part 4 – Agency program requirements



Structure of the Compliance Supplement

Part 5 – Clusters of programs

Part 6 – Internal controls

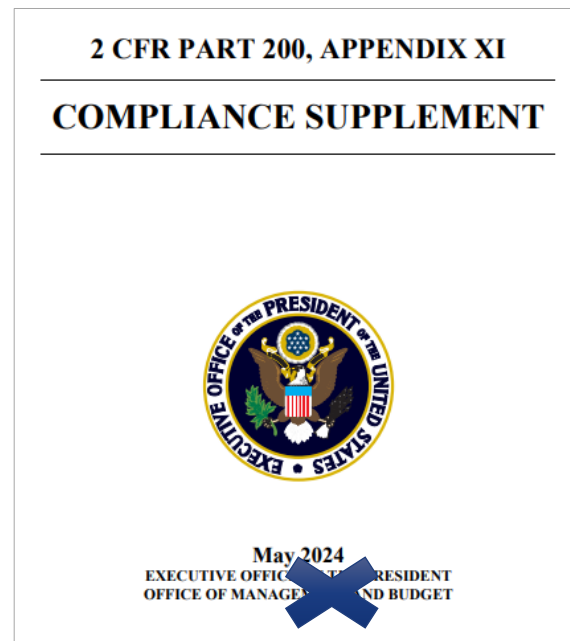
Part 7 – Guidance for auditing programs not included in the supplement

Appendices



Compliance Supplement – 2025

- Issue Date – after shutdown! 🤔
- Effective for audits of fiscal years beginning after June 30, 2024 (6/30/2025 YEs and after)
- Will be released on the OMB website
- NOTE – audits can't be issued until its finalized!



COMING SOON



Proceed with CAUTION!



The following information is
based on the review of a DRAFT
2025 Compliance Supplement



Review the 2025
Compliance Supplement
when issued by the OMB



2025 CS: Part 2 - Matrix

- Pick Six Changes – So what?
- A Y means auditor must determine if it should be tested

14.195 /14.249/ 14.856 (Section 8 Project- Based Cluster)	Y	Y	Y	Y	N	N	N	N	N	Y	N	Y
14.218/14.225 (CDBG– Entitlement Cluster)	Y	Y	N	N	Y	N	Y	N	Y	Y	N	Y
14.228	Y	Y	N	N	Y	Y	N	N	Y	Y	N	Y
14.231	Y	Y	N	N	N	Y	Y	Y	N	N	Y	Y
14.239	Y	Y	N	Y	N	N	N	N	Y	N	Y	Y
14.241	Y	Y	N	Y	N	N	N	N	N	Y	N	Y
14.256	Y	Y	N	N	N	N	Y	N	Y	Y	N	Y
14.267	Y	Y	N	N	Y	Y	Y	Y	N	N	N	Y
14.269/14.272 (CDBG– Disaster Recovery Cluster)	Y	Y	N	N	N	Y	N	N	Y	Y	N	Y
14.275	Y	Y	N	Y	N	Y	N	N	Y	Y	N	Y



2025 CS: Part 3 – Compliance requirements

- **Introduction**
 - Considerations related to 2024 UG revisions that start Oct. 1, 2024
- **Part 3.1**
 - For existing awards as of Oct. 1, 2024, AND federal agency hasn't implemented 2024 UG Revisions
- **Part 3.2**
 - For existing awards as of Oct. 1, 2024, AND federal agency has implemented 2024 UG Revisions
- **For MDE awards, Part 3.1 will be what is used for the 6.30.25 audits. Part 3.2 will likely be used for 6.30.26 audits**



2025 CS: Part 3 – Compliance changes

- As of March 8, 2025, FFATA reporting is now done through SAM.gov (versus fsrs.gov)*
 - *Details are also outlined in Appendix VII – Other Audit Advisories
 - Most K12 awards are pass thru awards and a FFATA report is not required
- Part 3.2
 - Allowable costs/cost principles
 - De minimis rate updated from 10% to “up to 15%”
 - Equipment and real property management
 - Updated capitalization, disposal, and supplies threshold to reflect \$10,000 (previously \$5,000)



2025 CS: Part 4 agency program requirements

- **Changes to common programs**
 - Child Nutrition Cluster (ALNs 10.553/10.555/10.556/10.559/10.582):
 - Clarified guidance related to what reimbursement can be used for at the School Food Authority level for operation of certain child nutrition programs
 - Removed “Paid Lunch Equity” special test for the National School Lunch Program
 - Changes directly impact K12 single audits
 - Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027):
 - Removed from the “higher risk” program list
 - Clarified definition of “obligation” and complying with the obligation deadline
 - Impact on K12 likely minimal



2025 CS: Part 5 Clusters



No new
clusters
added



No program
changes
within
clusters



No
clusters
removed



2025 CS: Appendix IV – Higher risk designation

REMOVED

- 21.023 – Emergency Rental Assistance
- 21.027 – Coronavirus State and Local Fiscal Recovery Funds

REMAINING

- 93.778/93.777/93.775 – Medicaid Cluster
- 15.252 – Abandoned Mine Land Reclamation



2025 CS: Appendix VII – Other Audit Advisories

From the 2024
Compliance
Supplement

- Reminder – COVID-19 identification (not new)

May 2024

Other Audit Advisories

A	B	C	D	E	F
Federal Agency Prefix	ALN (CFDA) Three Digit Extension	Additional Award Identification	Federal Program Name	Amount Expended	Federal Program Total
93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000	\$4,000,000
93	558	COVID-19	COVID-19 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$1,000,000	\$4,000,000
					\$0
					\$0
					\$0
					\$0

Identification of COVID-19 Related Awards in Audit Findings

Consistent with identifying COVID-19 expenditures on the SEFA, auditors should include the COVID-19 identification for audit findings that are applicable to programs that are entirely COVID-19 funded and existing programs with COVID-19 funding.



2025 CS: Appendix VII – Other Audit Advisories



2024 Revisions to Uniform Guidance



Exceptions to the Guidance in Uniform Guidance



Due date for submission of audit reports and low-risk auditee criteria



Single audit extensions



Transfer from FSRS to sam.gov



Where to find the CS

<https://www.fac.gov/compliance/>



[Administration](#)

[Priorities](#)

[The Record](#)

[Briefing Room](#)

[Español](#)

CURRENT COMPLIANCE SUPPLEMENT



OMB

OFFICE OF FEDERAL FINANCIAL MANAGEMENT

- 2024 Compliance Supplement – 2 CFR Part 200 Appendix XI (May 2024)
 - [Title page and Table of Contents](#) (9 pages, 452 KB)
 - [Part 1 – Background, Purpose, and Applicability](#) (9 pages, 216 KB)
 - [Part 2 – Matrix of Compliance Requirements](#) (7 pages, 427 KB)
 - [Part 3 – Compliance Requirements](#) (101 pages, 925 KB)
 - [Part 4 – Agency Program Requirements](#) (1 page, 19 KB)
 - [Part 4 – Department of Agriculture \(USDA\)](#) (144 pages, 2 MB)
 - [Part 4 – Department of Commerce \(DOC\)](#) (77 pages, 903 KB)
 - [Part 4 – Department of Defense](#) (9 pages, 109 KB)

OFFICE OF FEDERAL
FINANCIAL MANAGEMENT

Current Compliance
Supplement

**Past Compliance
Supplement**



Compliance Supplement – School District Use

- Handy summary of compliance requirements, including specific UG references to dive deeper.
- Only source for cluster information that is necessary to consider when preparing the SEFA.
- Includes important annual updates for other SEFA presentation and DCF reporting.
- Internal control guidance.
- Helpful resource for audit preparation.
- Use on combination with School Audit Manual



Common single audit issues

- **Schedule of Expenditures of Federal Awards (SEFA) completeness**
 - Determination of subrecipient vs. beneficiary.
 - Pass-through awards not identified as federal.
 - Identification of clusters.
 - Not all awards with same AL number included on SEFA
- **Tips to ensure completeness:**
 - Nonfederal entity search on USAspending.gov, TAGGS, and HUD websites.
 - Scan nonfederal revenue detail.
 - Carefully review ISD confirmation
 - Tie out to grant section auditors report
 - Inquire of grants directors within the district




Common single audit issues

- With required changes in audit approach review if IC will be at a more “granular” level. More questions and more complete understanding of processes and controls
- Internal Controls
 - Confusion over process vs control
 - Missing or deficient controls over compliance or evidence of the control occurring isn’t retained.
 - Failure to identify changes in compliance requirements and/or clarifying guidance from funding agencies.
 - Necessary changes in control environment aren’t identified or addressed.
 - Policies don’t align with Uniform Guidance and/or aren’t written, when required by UG.
- Auditors asking different or expanded questions under SAS 145/148 to complete control testing.
- Exceptions more likely to be reported as findings
- Very likely Districts have more internal control findings under new audit guide next year



Common single audit issues

- Noncompliance errors
- Failure to understand your responsibility as dictated by the federal agency or pass-through entity.
- Failure to understand compliance requirements considering the changes especially with the revised UG requirements effective for 25/26 grants under management.
- Failure to update documentation for changes to requirements



1022 Manual Helpful Hints



1022 Manual Helpful Hints

1022 Manual/School Accounting Manual

Key Purposes

- Apply GASB to Michigan schools
- Simplify accounting guidance
- Apply the account code structure to specific types of transactions
- Create uniformity/comparability in accounting treatment for Michigan Schools

In short, be a helpful guide!



1022 Manual - what's in there!

- [Table of Contents](#)
- [Section I Introduction](#)
- [Section II Requirements](#)
- [Section III Coding Structure and Sample Transactions](#)
- [Section IV Budget Preparation and Management](#)
- [Section V Internal Controls](#)
- [Section VI Program Costs Systems](#)
- [Section VII Financial Reporting](#)
- [Appendix - Definitions for Accounting Codes](#)

[Section 27k Student Loan Repayment Program - Financial Considerations and Accounting Guidance \(Last Updated August 2024\)](#)

[Financial Accounting Guidance During the COVID-19 Pandemic](#) (Last updated June 2022)

[Frequently Asked Questions related to Michigan Public School Accounting](#)

[Accounting for State School Aid Revenues](#)

Michigan Public School Accounting Manual Change Notices



1022 Manual Helpful Hints

1022 highlights

- Annual updates – change notice #34 2.25 (last one posted – so far)
- GASB 96 accounting guidance issued Spring 23
- COVID guidance still in manual, likely little impact
- GASB 68 guidance
- GASB 75 guidance
- GASB 84
- Teacher loan reimbursement guidance issued August 24, impacts 2024 primarily
- Increased building level coding
- Expansion of revenue suffix codes, Expenditure object codes, balance sheet major class codes
- Section 147 – pay attention to recording of each subsection
- School Lunch Bad Debts



1022 Manual – helpful “gems” Requirements section

E. ACCOUNTING ISSUES

- E.01 GASB Interpretation #6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Statements
- E.02 GASB #34 Accrual of Revenue in Governmental Funds
- E.03 Accounting For the Recovery of Indirect Costs
- E.04 Reporting Requirements for Districts with a Deficit Fund Balance
- E.05 Fund Balance
- E.06 Internal Service Fund
- E.07 Accounting for Advance Refunding of Long-Term Debt
- E.08 Sale of School Property
- E.09 Tax-Exempt Interest Information and Rebate Arbitrage Requirements
- E.10 Transactions for Recording Energy Conservation Improvement Construction Proj.
- E.11 Accounting for Special Revenue Funds
- E.12 Discussion of Supplies and Equipment Classifications
- E.13 Capital Projects Fund (Formerly Building and Site Fund)
- E.14 Economic Development Tax Incentive Programs
- E.15 Charging Federal Programs for Unemployment
- E.16 GASB #68 Supplemental Guidance
- E.17 Food Service Uncollectable Balance Write-Offs
- E.18 GASB #84 Supplemental Guidance
- E.19 GASB #87 Supplemental Guidance
- E.20 GASB #96 Supplemental Guidance



1022 Manual Helpful Hints – E.01

Type of Account	Governmental Fund Liability in Fund Level Statements	District-Wide Statement Liability	Comments
	Modified Accrual	Full Accrual	
Accounts Payable - Utilities / Purchased Services	X	X	Normal operating transaction: liability is to be recorded when services have been performed or goods received.
Accounts Payable - Retainage on construction contracts	X	X	Normal operating transaction: liability is to be recorded when services have been performed or goods received. Note: In rare instances, this could be considered a contingent liability IF it is uncertain whether this will be paid.
Accrued Payroll – wages /salaries INCLUDING 26 pay teachers	X	X	Normal operating transaction: liability is to be recorded when services have been performed.
Accrued liabilities related to payroll (payroll taxes; MPERS, etc. – NOT employee fringe benefits)	X	X	Normal operating transaction: liability is to be recorded when services have been performed.
Health, dental, vision insurance – fully insured, INCLUDING 26 pay employees coverage	X	X	Normal operating transaction: liability is to be recorded when services have been performed. “Services” refer to the employee providing a ‘service’ to the district and therefore earning the insurance coverage. For 26 pay employees, they have earned the coverage by June 30.
Health, Dental, Vision Care – Self Insurance & Workers Compensation – Self Insurance Claims incurred AND reported to district by third-party administrator (TPA) through June 30	X	X	Special rules liability – This comes under the “claims and judgments” exception. Amounts should be recorded in a governmental fund for those health care services that have matured by June 30. For those districts using a third party administrator, this would be the June invoice (reimbursing the TPA for payments made through June 30).



1022 Manual Helpful Hints – E.01

Type of Account	Governmental Fund Liability in Fund Level Statements	District-Wide Statement Liability	Comments
	Modified accrual	Full accrual	
Health, Dental, Vision Care – Self Insurance & Workers Compensation – Self Insurance Claims incurred AND reported to district by TPA AFTER June 30 (even if related to 26 pay employees)		X	For Fund level governmental fund liabilities - The claims that may be incurred in July & August for 26 pay employees have NOT come due for payment by June 30 and thus are NOT a liability at June 30 and IBNR estimates are NOT a liability at June 30.
Early Retirement Incentives (ERI) paid on payment dates specified in an agreement after year-end		X	If there is a legally enforceable due date, then that is the date to recognize the liability in the governmental fund. Until then, the liability is recordable only in the District-wide Statements.
ERI with no formal specified due date	X if retirement date prior to year end	X	Recognize this liability on the retirement date. Note that this is still the case even if the District's practice is to pay this several months after year-end.
Compensated Absences – vested vacation/sick for current employees		X	No sick or vacation liability will exist at year-end for current employees! Record a liability in the governmental funds at the time it comes due for payment. For current employees, record sick and vacation at the time the days are taken.
Compensated Absences – vested vacation/sick for terminated employees	X if retirement date prior to year-end	X	For terminated employees, record the vested sick and vacation at the retirement date (possible exception – if there is a union contract or legally enforceable document that sets a date for payment of vested benefits, then that date is the appropriate time to recognize the liability).



Bond and Sinking Fund Reminders



Bond and Sinking Fund Reminders

3 different sinking fund laws – which one(s) apply to you?

Update to bond and sinking fund audit guidance

Changes to reporting out bond and sinking fund performance/audited results



Bond and Sinking Fund Update

Changes to Sinking Fund Under new law

- New law passed in 2023 (Public Act 26 of 2023), increases sinking fund uses
- Added allowable uses include:
 - Student Transportation
 - Trucks/vans for building maintenance
 - Parts, supplies, equipment to maintain vehicles
- Only applies if millage enacted under new law



Bond and Sinking Fund Update

Sinking Fund usage under each law

Sinking Funds	Prior to 3/29/2017	3/29/2017 to 5/7/2023	After 5/7/2023
Maximum Levy	5 Mills	3 Mills	3 Mills
Maximum Period	20 Years	10 Years	10 Years
*Allowable Use Categories:			
Purchase of Real Estate	Yes	Yes	Yes
New Construction	Yes	Yes	Yes
Repairs	Yes	Yes	Yes
Security Improvements	No	Yes	Yes
Technology	No	Yes	Yes
Student Transportation Vehicles	No	No	Yes
Trucks and Vans	No	No	Yes

**Contact bond counsel for specific allowable uses.*

“Student transportation vehicles” as used in Section 1212 is defined by Treasury to mean school buses or other school-related vehicles that are used to transport students.



Bond and Sinking Fund Update

bond and sinking fund audit guide

- Michigan Department of Treasury most recent guidance, Numbered Letter 2023-1
 - Guidance addresses accounting, reporting, and auditing for bonds and sinking funds
 - Requires activity associated with any sinking fund levies renewed after May 7, 2023 be accounted for in a separate capital projects fund from any remaining fund balance associated with levies authorized prior to May 7, 2023.
 - Implication: separate sinking fund millages must be accounted for separately.



Bond and Sinking Fund Update

Update of bond and sinking fund audit guidance

- Michigan Department of Treasury most recent guidance, Numbered Letter 2023-1
 - Bond Construction fund audits can continue to be done annual or on a cumulative basis at the end (this auditor's preference is to not do this option!)
 - Change – completion date of bond audit is now June 30 of the fiscal year when:
 - The last certificate of substantial completion is issued. OR
 - 95% of bond proceeds expended
 - If following the above guidelines, no extension request is required
 - Footnote disclosures essentially the same as old guidance
 - Completion reports due no later than November 1 following the fiscal year completed
 - Completion letter in guidance includes required content
 - **Change** - school districts no longer need to formally request approval from Treasury to combine more than one series into a BCF audit.
- Sinking fund still required to be tested annual including footnote disclosures



Bond and Sinking Fund Update

Footnote guidance -**must** include the following disclosures
Audited on an annual basis:

*The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected (**if applicable**).*

Plus in final year

*Beginning with the year of bond issuance, the school district has reported the annual construction activity in the Capital Projects Fund. The project for which the___ (**name, describe**) Bonds, Series I (**or more series if applicable**), were issued was considered complete on June 30, 20xx (**June 30 immediately following date of Certificate of Substantial Completion or 95% of proceeds expended**) and the cumulative expenditures recognized for the construction period were \$___.*

If audited cumulatively (not annually) the disclosures only done in final year



Bond and Sinking Fund Update

If done by different firm

- No disclosure in fn's by FS audit firm
- Compliance testing auditor provides compliance letter with specific content
- District provides compliance letter to MDE
- See following slide for list of content items



Bond and Sinking Fund Update

If done by different firm – letter content

- i. Compliance Testing Audit Firm Name
- ii. School District Name
- iii. Fund Name
- iv. Title of Bonds (list all series)
- v. Amount of Bond Issuance
- vi. Fiscal Year(s) Covered
- vii. Completion Date (*if applicable*)
- viii. Results of compliance testing. Has school district complied with Section 1351a of the Revised School Code?
- ix. Total expenditures for which compliance testing was performed (should agree with total expenditures in annual audited financial statements). If the compliance testing was performed on a cumulative basis instead of an annual basis, then the letter should include a breakdown of expenditures for each fiscal year the BCF was open, which again should agree with the annual audited financial statements.



Key Take Aways

2025 YE is not done ...Yet! Finishing will be a challenge with federal shutdown preventing CS issuance. Conclusion – issue GFS now and SA within 30 days of CS issuance!

Audit rules have become more risk based requiring more time and assessment

Financial Statement and Single Audit findings might become more frequent

2025/26 grants management needs to be updated for UG changes

New GASB's in your future but likely will not be a heavy lift

Hopefully, we all know what a compensated absence is ...now!

Revisiting the 1022 manual can be very helpful in answering many practical accounting questions

Bond/Sinking Fund – have one - are the processes set for success?



Thank You

For Serving Public Education!

