

Introductions

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Basics of School Finance: Expenditures

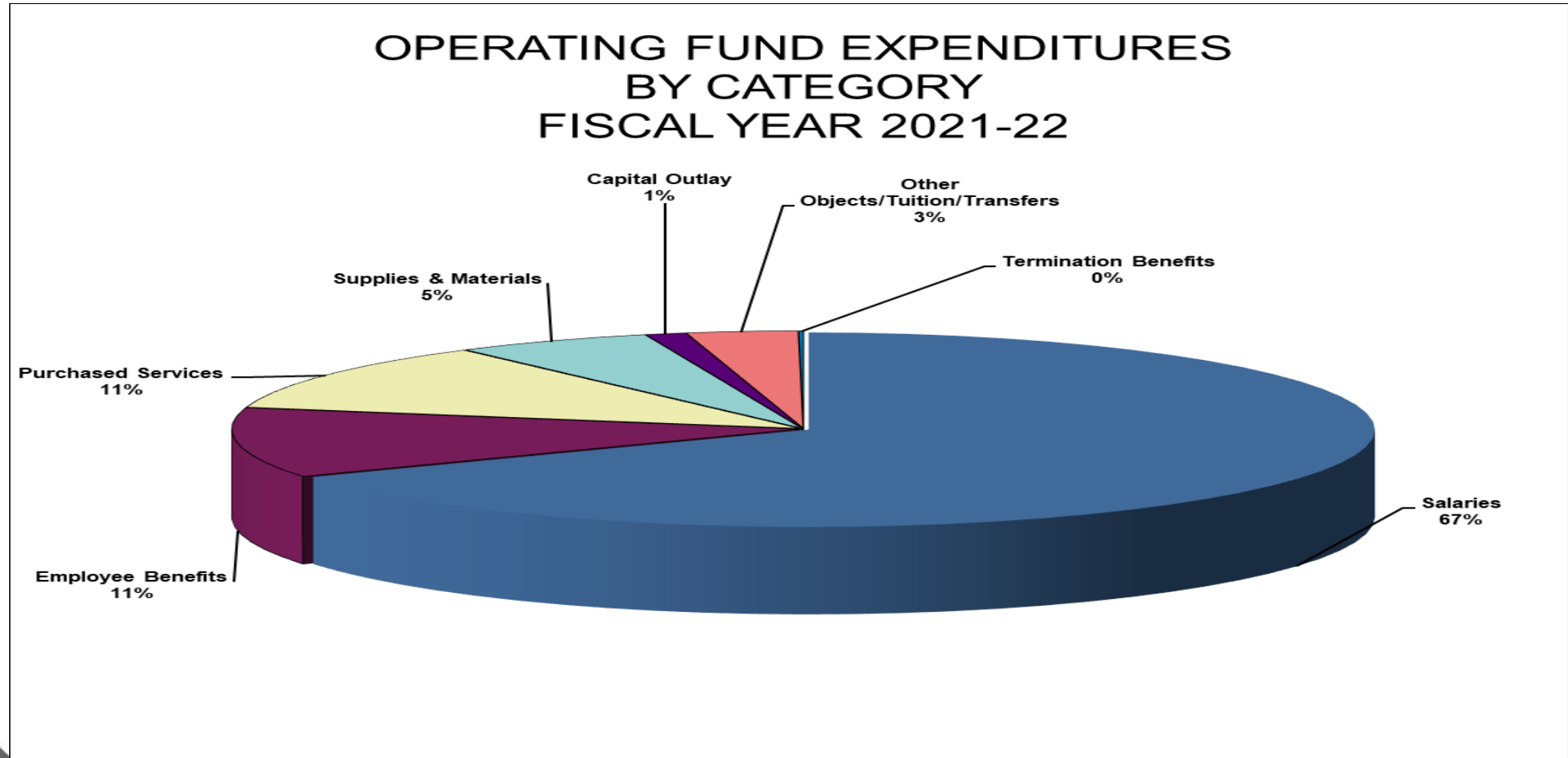
IASBO Annual Conference
May 4-6, 2022

Expenditures



- Different type of expenditures (operating vs. non-operating)
- Salaries and benefits are largest expenditures for any school district
- Expenditures are communicated to the State via an Annual State Budget Form and State/ Federal grant expenditure reports
- Expenditures are audited annually and communicated to the state and various agencies via an Annual Financial Report (AFR)

Expenditures by category



Expenditures Have to be Coded

- Expenditures are coded by:
 - Fund
 - Function
 - Source of Funds
 - Object
- Objects determine the description of expenditures, so consistency is very important
- The account structure may also include location, program, type of funds and fiscal year
- An ERP system will dictate the format of the chart of accounts
- IL Program Accounting Manual (IPAM) for Local Education Agencies (LEAs) is updated periodically by the State www.isbe.net



10 - 5 - 1120 - 110 - 4300 - 0001 - 100 - 22

Fund – Type - Function – Object – Source - Location – Program - Fiscal Year



STRONGER TOGETHER. SMARTER TOGETHER.



D28 Account Number Structure

How to Read an Account Number:

10 - E - 020 - 1110 - 4110 - 24 - 499802

↑ ↑ ↑ ↑ ↑ ↑ ↑

Fund – Type – Location – Function – Object – Subject – Source

Definition of Funds

Independent accounting entity with a self-balancing set of accounts including its own assets, liabilities and fund balance

- Certain funds are required
- Operating vs. non-operating funds
- Student Activity Fund (GASB 84)

Fund Description

- 10 – Education
- 11 - Restricted Student Activity Fund
- 20 – Operations and Maintenance
- 30 – Debt Services
- 40 – Transportation
- 50 – IMRF/FICA
- 60 – Capital Projects
- 70 – Working Cash
- 80 – Tort Liability
- 90 – Fire Prevention & Safety



Function Definition and Examples

Action or purpose for which the expense is being used

- 1000 – Instruction
- 2000 – Support Services
- 3000 – Community Services
- 4000 – Payments to other Districts and Governmental Units
- 5000 – Debt Service
- 6000 – Provisions for Contingencies (used for budgeting purposes)
- 7000 - Sources of Funds (transfers)
- 8000 – Other Financing Uses (operating transfers to other funds)



Object Definition and Examples

Describes service or commodity obtained



- 100 – Salaries
- 200 – Employee Benefits
- 300 – Purchased Services
- 400 – Supplies and Materials
- 500 – Capital Outlay
- 600 – Other Objects
- 700 – Non-Capitalized Equipment
- 800 – Termination Benefits

Common Mistakes



- Departments use account codes where they have money not where the item should be charged per ISBE
- Charging expenditures to wrong funds or wrong functions creates errors in the annual financial report (AFR) and ISBE school report card
- Charging site expenditures to “districtwide” accounts - inaccurate ESSA reports
- Ignoring grant function or object codes – auditors rely on accurate grant reports. This may result in a loss of revenues.

Common Mistakes



- Charging an employee's pay to purchased services
- Charging employee's pay to the student activity account
- These errors will create problems for 941s and W-2 forms if your student activity accounts are not connected to the ERP system
- Charging retired employees' vacation and sick pay to the salary budget

REPORTING REQUIREMENTS



Expenditure Reporting

- **ESSER**
- **ESSA Reporting**
- **Budget Reporting**
 - EBF Spending Plan
- **Actual expenditure reports**
 - Annual Financial Report (AFR)
 - State Grants
 - Federal Grants
 - Special Education Reports
 - Claim Reports (Transportation, Special Ed)
- **Local reporting**
 - Board of Education/Finance/Budget Committee



Elementary and Secondary School Emergency Relief Grant (ESSER)

- Enacted March 2020, Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Prevent, prepare for, and respond to the coronavirus threat
- Costs dating back to March 13, 2020
- Expiration Date: September 30, 2022



ESSER II

- Enacted December 2020, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)
- Prevent, prepare for, and prevent COVID-19
- Costs dating back to March 13, 2020
- Expiration Date: September 30, 2023



ESSER III

- Enacted March 2021, American Rescue Plan (ARP)
- Safely reopen schools, sustain safe operations, and address the impact of the pandemic on our students
- Costs dating back to March 13, 2020
- Grant application will be available July 1, 2021
- Expiration Date: September 30, 2024



ESSER Grants



Illinois
State Board of
Education

- Separate account codes for each program
- Quarterly expenditure reports
- Multiple fiscal years
- US Department of Ed [ESSER Programs FAQ](#)
- ISBE [Coronavirus Resources](#)



ESSA Site-Based Reporting

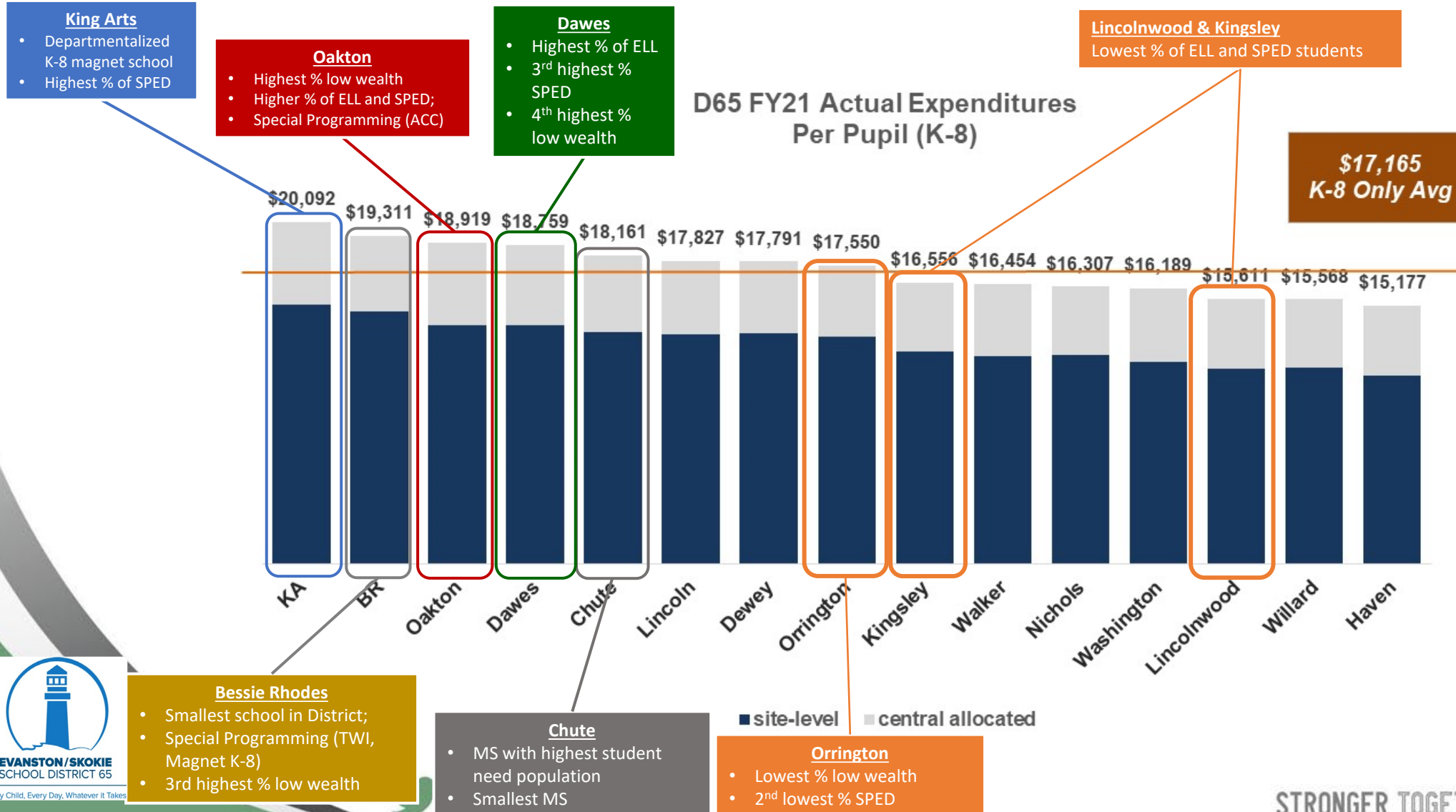
- This major report began in FY19
- Report is due by August 15 so information can be included in the annual School Report Card
- Expenditures include:
 - Site-level expenditures and
 - Centralized expenditures (central office administration, transportation, security, district-wide purchased services) allocated All site expenditures
- Expenditures must be identified as federal or state/local

ESSA Site-Based Reporting

Certain Expenditures are excluded:

- Bond and Interest Fund (Fund 30)
- Site and Construction Fund (Fund 60)
- Working Cash (Fund 70)
- Fire Prevention Fund (Fund 90)
- Tuition Payments to Charter Schools (Function 1115)
- Community Services (Function 3000)
- Adult/Continuing Education (Function 1300)
- Capital Outlay (Object 500)
- Legacy Pension Obligations (pension outside TRS)

Variation in Spending



Common Reasons for Intentional Variation in Spending

- **Student needs** (SPED, ELL, economic status, etc.)
- **School size** (lower enrollment, higher per pupil cost for fixed positions like principal, assistant principal, office staff)
- **Specialty programming** (TWI, ACC, etc.)
- **Teacher salary** (same position costs differently based on experience)
- **State/federal requirements** (PreK student/teacher ratio)

Communication & Transparency is key
in communicating these variations

State Budget Form



- Need reports that summarize/sub-total all expenditure accounts by fund, function and object
- Review which areas need your direct input - Public vendor contracts
- Review administrative expenditures; need to stay under 5% increase

Note: Joint Agreements use the same form and follow the same procedures.



Budget Due Dates

- Budget must be approved by the Board of Education within 90 days of fiscal year end - September 30th for most school districts
- Certified copy must be filed with the county clerk within 30 days of adoption per Property Tax Code (35 ILCS 200/18-50)
 - They are verifying deficit budget summary and reduction plan and public vendor contracts are included.
- File electronically with ISBE within 30 days of adoption



Post Budget on District Website

- Budget must be posted on the district's website
 - Annual budget with itemized revenues and expenditures (most use ISBE form)
- Must inform parents of its posting and provide web address
 - May use any means of communication
 - Consider adding notice to your student handbook that parents receive
 - Budget Book
 - Budget at-a Glance
 - Budget Community Presentations

Other Budget Related Reporting

Post on Website:

- Total Compensation Packages over \$75,000 (5 ILCS 120/7.3)
- within 6 days of budget approval
- Administrator and Teacher Salary and Benefits Report (105 ILCS 5/10-20.47) - on or before October 1st



Deficit Budget Summary

- Compares the total excess/(deficiency) of direct revenues over direct expenditures with the June 30, 2021 estimated fund balances
- Funds used in calculation:
 - ◆ Educational, Operations and Maintenance, Transportation and Working Cash
- Importance of fund balance

Deficit Reduction Plan



- Required if budget is not balanced
- Revenues and expenditures summaries for four (4) years
- Narratives regarding background and key assumptions
 - Foundation levels for EBF
 - Equalized assessed valuation and tax rates
 - Salaries and benefits
 - Short and long-term borrowing
 - Educational impact

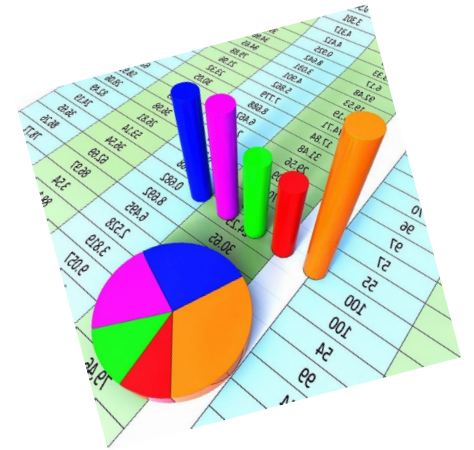
EBF Spending Plans



- Due to the State by September 30th
- Districts must provide narratives about spending funds on
 - English Language Learners
 - Special Education Students
 - Low income students
- Data supporting narratives are recommended but not mandatory

Additional reporting for expenditures

- Expenditure Claims (quarterly)
- Transportation Claim (due August 15)
- Medicaid (quarterly)
- SpEd Orphanage Annually (due July 15)
- SpEd Private Placement Annually
- SpEd Room & Board (due July 31 or whenever ISBE set deadline)
- Grant reporting (quarterly or annual)





Other Comments

- See if your financial system can lock out certain object codes from certain Business Office functions
 - Allows Payroll to input only salary codes
 - Allows Purchasing to input only non-salary codes
- Ensure all expenditures are coded for funding source
- Ensure your budget reflects your District's strategic plan goals/instructional priorities



Other Resources

- <http://www.iasbo.org>
- <http://www.asbointl.org>
- <http://www.gfoa.org> (Government Finance Officers Assoc.)
- <http://www.gasb.org> (Governmental Accounting Standards Board)
- <http://www.isbe.net>
- <https://www.isbe.net/essa>
- IASBO, IASB, IASA publications
- Legislative updates
- Contact your colleagues!





Questions and Answers

We thank you for your time!