

School Finance: Expenditures for the Novice

*IASBO Principles of School Finance
Professional Development Committee*

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Introductions

Scott Beranek, Speaker
- *Chief School Business Official*
Lindop School District 92



Myron Spiwak, Speaker
- *Director of Business Services,*
New Trier Township High School District 203



Steve Mahr, Moderator
- *Vice President*
- *Stifel Financial Corp*

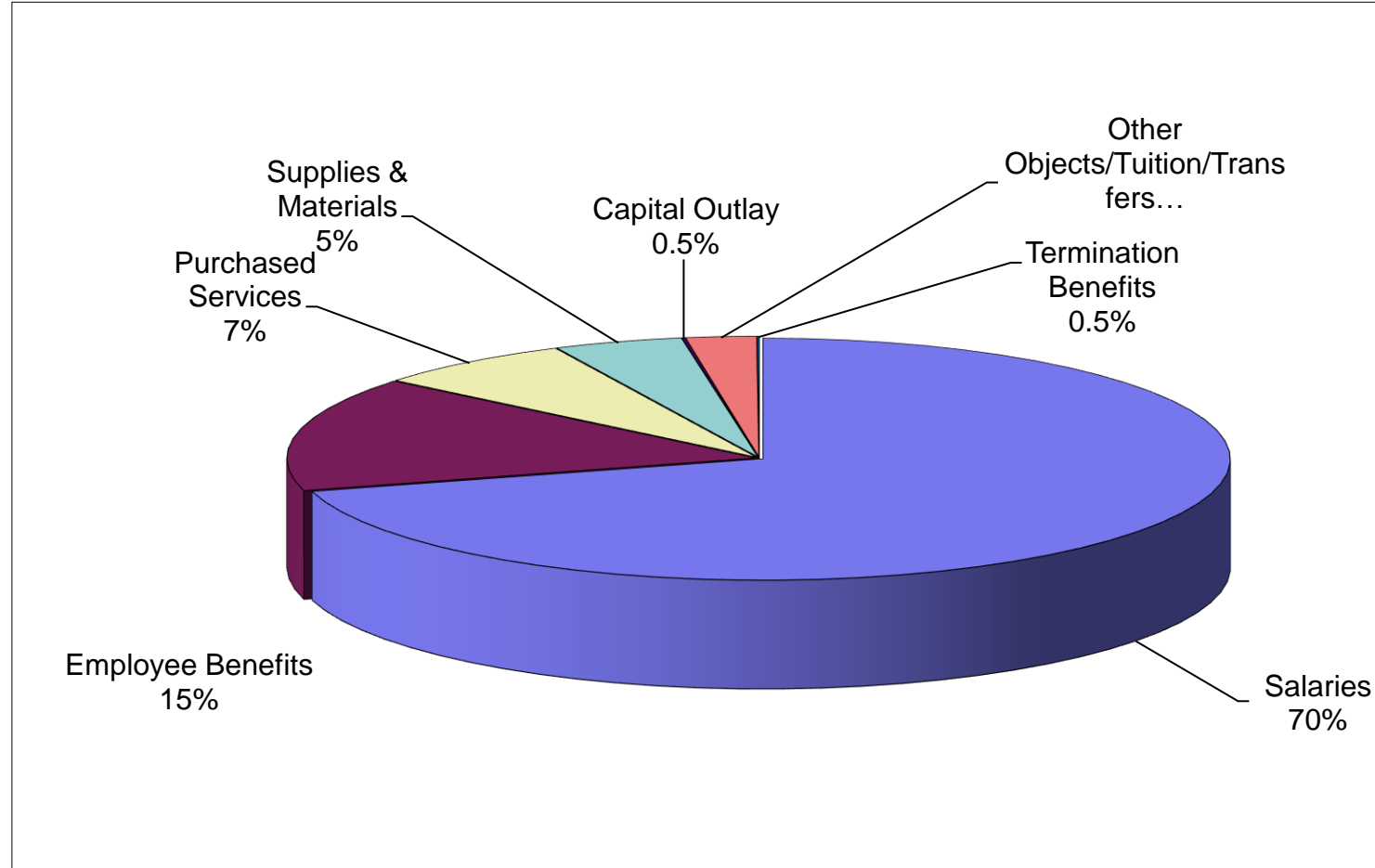
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Operating Expenditures



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How Expenditures Are Coded

- IL Program Accounting Manual (IPAM) for Local Education Agencies (LEAs)
 - www.isbe.net (Finance, Budget & Funding)
- Expenditures are coded by:
 - Fund
 - Function
 - Object
- The account structure may also include location, program, source of funds and fiscal year



Account Number Structure



How to Read an Account Number:

– For expenditures, most basic is:

Fund-Function-Object

XX - XXXX - XXX

– *Example* – Regular Ed Teacher Salary

• **10-1100-100**

– *Example* – Board of Ed General Supplies

• **10-2310-410**

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Definition of Funds



- Independent accounting entity with a self-balancing set of accounts including its own assets, liabilities and fund balance
- Within each fund debits must equal credits
- Operating vs. non-operating funds
- Restricted vs. non-restricted (CTE Funds)

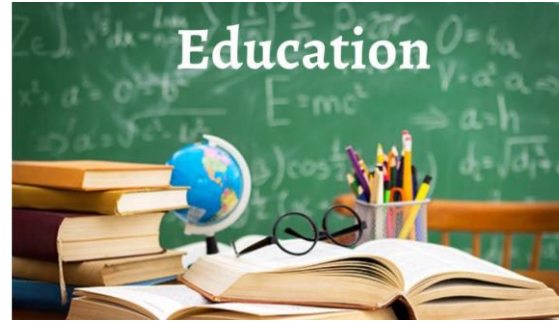


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Fund Description



- #10 - Educational
 - Largest fund
 - Instructional expenditures and support costs such as food service, social workers, librarians, interventionist
- #20 - Operations and Maintenance
 - Maintaining, improving or repairing buildings and grounds
 - Includes custodial/maintenance staff and utilities
- #30 - Debt Service
 - Bond principal and interest payments
 - An example of non-operating fund

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Fund Description (cont.)



- #40 - Transportation
 - Pupil transportation costs for any purpose such as bus purchases, payments to bus transportation vendors, taxi, van and airfare
- #50 - IMRF/FICA
 - Board's share of social security and Medicare taxes and IMRF obligations



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Fund Description (cont.)



- #60 – Capital Projects
 - Bond proceeds for construction are placed here
 - Construction project costs, land purchase
- #70 - Working Cash
 - Property tax is levied or bonds are sold for this purpose
 - Loans and transfers of interest to other funds that levy taxes
 - The District’s “savings” account

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Fund Description (cont.)



- #80 Tort Liability
 - Workers' compensation, unemployment insurance, property insurance
 - Legal litigation services, risk management expenditures
- #90 - Fire Prevention & Safety (Life/Safety)
 - Fire prevention, safety, energy conservation and school security
 - District only can levy property taxes for this purpose if your architect submits certified plans to ISBE (IL State Board of Education) and receives approved Life Safety amendments

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Function Definition and Examples

- Action or purpose for which person or thing is being used

Fund-Function-Object

XX - XXXX - XXX

- Instruction (#1 000) (Direct)
 - Teaching of pupils or the interaction between teachers and pupils (includes aides that assist in instructional process)
 - Regular programs, special education, vocational, interscholastic, summer school, gifted, bilingual



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Functions (cont.)



- Support Services (#2000)
 - Services which provide administrative, technical and logistical support to facilitate and enhance instruction
 - Transportation, food service, library/media services, social work/psychological services, nursing services, guidance/counselors, improvement of instruction, superintendent and business offices, office of principal, Operations and Maintenance, data processing

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Functions (cont.)



- Community Services (#3000)

- Services provided by a school district for community in part or whole
- Public forums, child care centers, welfare activities (stipends for school attendance)

- Non-Programmed Charges (#4000)

- All payments to other Local Education Agencies (LEA) (e.g., special education tuition)



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Functions (cont.)



- Debt Services (#5000)
 - Principal and interest payments
- Provisions for Contingencies (#6000)
 - Used only for budgeting purposes
- Other Financing Uses (#8000)
 - Operating transfers to other funds
 - Example: Working Cash Fund interest transferred to Educational Fund



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Object Definition and Examples

Describes service or commodity obtained

Fund-Function-Object

XX - XXXX - XXX



- Salaries (#100)

- Amounts paid to permanent, temporary or substitute employees on the district's payroll
- Types: Regular, temporary and overtime

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Objects (cont.)



BlueCross BlueShield
of Illinois

- Employee Benefits (#200)
 - Amounts paid by the district on behalf of the employee
 - Not paid directly to the employee not included in gross salary
 - Payroll related benefits
 - TRS, IMRF, FICA and Medicare
 - Health, dental and life insurance

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Objects (cont.)



- Purchased Services (#300)
 - Services rendered by personnel who are not on the District's payroll
 - Audit, consultants, legal services
 - Telephone and water utilities
- Supplies & Materials (#400)
 - Items consumable in nature
 - Paper, books, gasoline
 - Natural gas and electricity

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Objects (cont.)



- Capital Outlay (#500)

- Fixed assets (more permanent in nature) over the capitalization threshold
 - Building improvements, equipment, vehicles

- Other Objects (#600)

- Principal and interest payments
- Tuition
- Dues & fees
- Transfers between funds
 - Interest earned in one fund may be transferred to another fund (some limitations)
 - Reported as other financing use not expenditures



Objects (cont.)



- #700 Non-Capitalized Equipment
 - Items that would be classified as capital assets except that they cost less than the capitalization threshold but more than the minimum value established for purposes of calculating per capita cost
- #800 Termination Benefits
 - Payments made to terminated or retiring employees as compensation for unused sick or vacation days

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Common Mistakes



- Departments use account codes where they have money not where the item should be charged per ISBE
- Instructional and support service expenditures being misstated in financial system which carries errors forward to the annual financial report (AFR) and ISBE school report card
- Grant expenditure codes (subject code identifiers) – auditors rely on accurate grant reports which include all expenditures paid for by a grant



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Common Mistakes (Cont.)

- **Charging an employee's pay to purchased services instead of salary or student activity funds**
 - Total salary expenditures will not agree with 941s and W-2 forms
- **Coding capital outlay as supplies**
 - The operating expenditures per pupil will be overstated as capital expenditures are backed out of this calculation; this calculation appears in the AFR and school report card



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Expenditure Reporting



- **Every Student Succeeds Act (ESSA) Site-Based Expenditure reporting** requires *“The per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual non-personnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency and each school in the State for the preceding fiscal year.”*
- Chart of accounts had to be updated to include location codes



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Why ESSA is important???

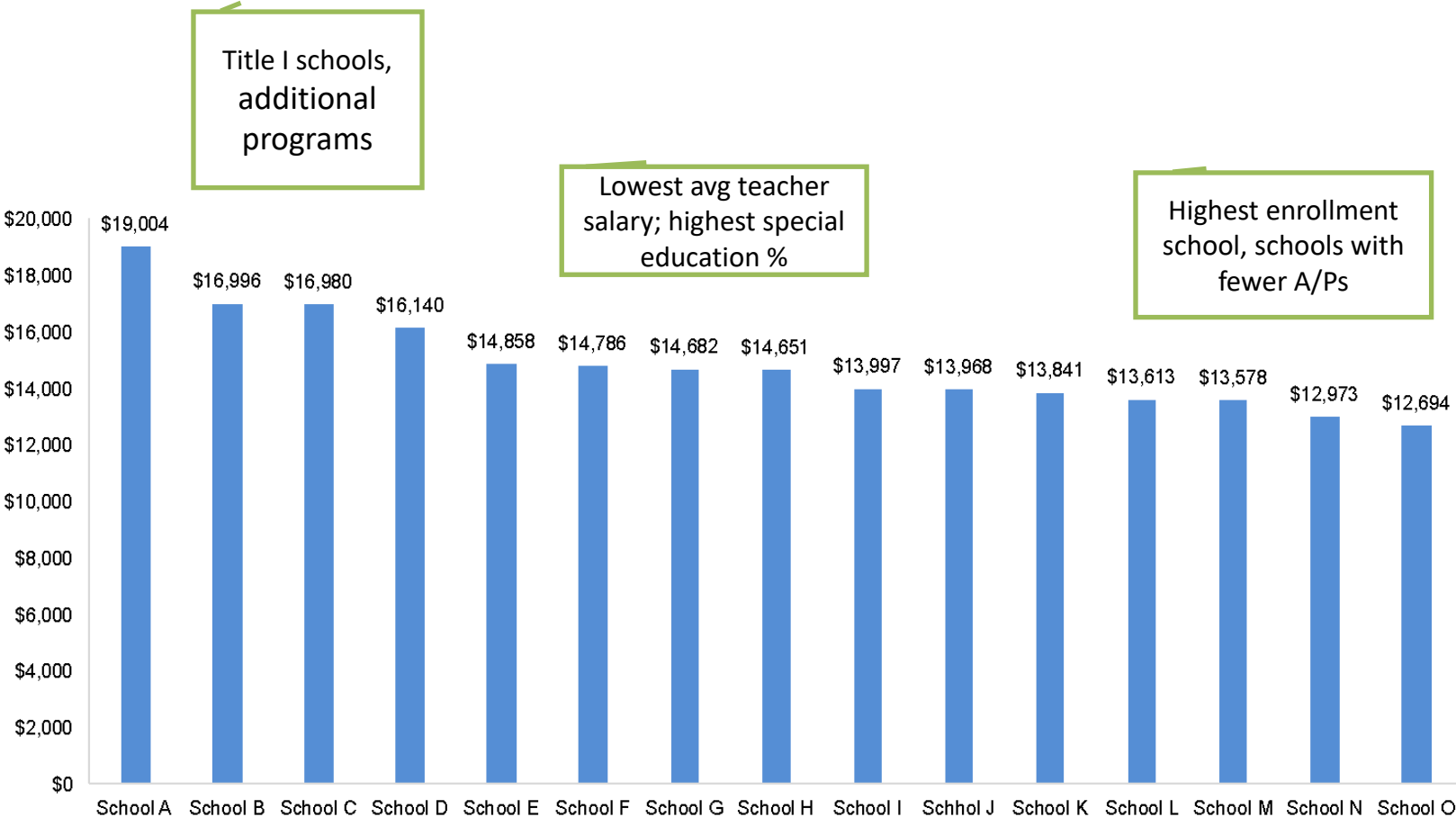
- *Provides school districts and community* with per-pupil and per-site financial data
- *Enables school districts* to gain a better understanding of the relationship between student outcomes and financial resources
- *Enables school districts and communities* to assess and improve **equity**
- *Enables schools and the state* to identify evidence-based best practices and opportunities



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What if your school district's site-level per pupil data look like that?



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ESSA Coding Changes

- All site expenditures, including personnel, transportation, security, administration must be reported to each site as:
 - Site-level expenditures or
 - Site's proportional share of district's centralized expenditures
- Expenditures must be identified as federal or state/local
- Out-of-District tuition costs either reported separately or added to centralized costs



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ESSA Coding Changes

Site –Level Expenditures



Site's Share of District's
Centralized Expenditures

Number of School Site Students*

*Half-day students will be counted as 0.5



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ESSA Coding



- 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)



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Allocating Centralized Expenditures:



- Pupil Basis (e.g. consulting costs)
- Number of Employees (e.g. HR costs)
- Per Route (e.g. transportation costs)
- Per Square Foot (e.g. Janitorial or Maintenance costs)
- Certain costs can be allocated to specific programs or locations (e.g. pre-K, EL students, students with IEPs)

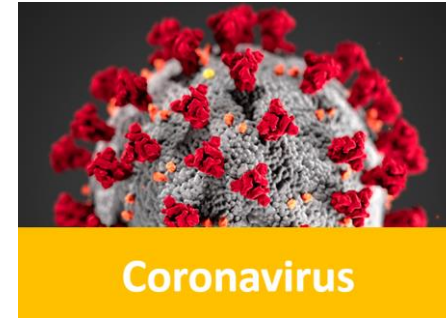
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Federal Funding ESSER – ARP



- Schools received 3 rounds of additional funds (CARES/COVID \$\$\$) Must will create unique and specific chart of accounts to track expenses
- All Districts will report expenditures specifically to each round of funds – funds were to be used to address the reopening of schools, student learning loss, stopping the spread of COVID, added technology, improving air quality in buildings, etc...

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State Budget Form

ILLINOIS STATE BOARD OF EDUCATION
School Business Services Division

School District
 Joint Agreement

Accounting Basis:
 Cash
 Accrual

SCHOOL DISTRICT/JOINT AGREEMENT BUDGET FORM *
July 1, 2021 - June 30, 2022

Date of Amended Budget: _____
(MM/DD/YY)

District Name: Lindop School District 92
District RCDT No: 06-016-0920-02

Balanced budget, no deficit reduction plan is required.

- Estimated Expenses are entered annually
- Budget reports summarize/sub-total all expenditure accounts by fund, function and object
- Review which areas need your direct input
 - Example: Public vendor contracts
- Many parts of the budget have formulas that will carry forward totals to the summary pages

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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 verify that deficit budget summary, reduction plan, and public vendor contracts are included.
- File electronically with ISBE within 30 days of adoption



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Post Budget on District Website



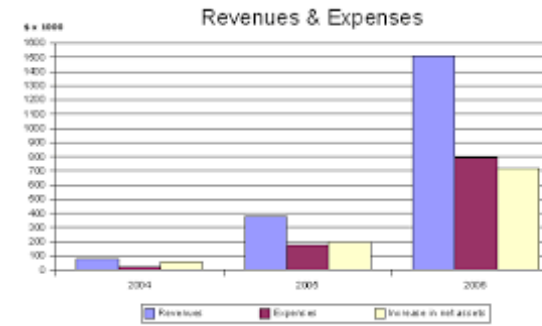
- Budget must be posted on the website
 - Annual budget with itemized revenues and expenditures (most use ISBE form)
- Must inform parents of its posting and provide web address
 - May use any means of communication
 - Consider adding notice to your student handbook that parents receive
 - Budget Book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



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Deficit Budget Summary



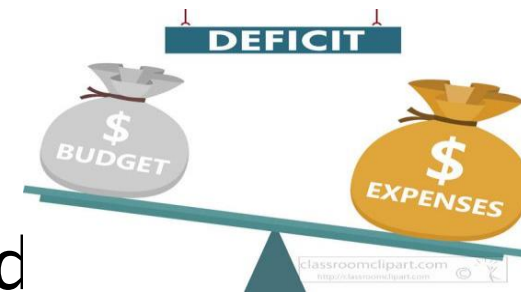
- Compares the total excess/(deficiency) of direct revenues over direct expenditures with the June 30, 2022 estimated fund balances
- Funds used in calculation:
 - Educational, Operations and Maintenance, Transportation and Working Cash



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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 general state aid/EBF
 - Equalized assessed valuation and tax rates
 - Salaries and benefits
 - Short and long-term borrowing
 - Educational impact

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Plan Ahead



- **Budget Reduction Plans**
 - Involve your Superintendent and Board of Education
 - Needs BOE approval
 - Financial projections will assist you in determining which year you may need to comply
- **Limitation of administrative costs**
 - Using FY22 actual and compare to FY23 budget
 - Within allowable five (5) percent increase?

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Final Comments

Quick Tips



- 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
- Adjust your chart of accounts as needed
- Ensure all expenditures are coded for funding source
- Ensure your budget reflects your District's strategic plan goals

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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>
- <http://isbe.net/essa>
- IASBO, IASB, IASA publications
- Legislative updates
- Contact your colleagues!



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Questions and Answers

We thank you for your time!



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Presenters:

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