

# Wisconsin Department of Public Instruction, Financial Services Team

## WISCONSIN PUBLIC SCHOOL DISTRICT AUDIT MANUAL

### 1.1 General Aids Audit Program

*General Aids is a designated major program. Designated major programs are required to be audited every year. Auditors should use the partial general aid audit program (separate document) if a district has received less than \$25,000 in general aid.*

*Funding: State funded (state identification number 255.2xx and 255.926)*

#### PROGRAM DESCRIPTION

General Aid is State aid which is not limited to any specific program, purpose, or target population but may be used in financing the general education programs and operations of the recipient district. Decisions on the use of general aids are made by the recipient district.

General Aids are typically recorded in source accounts 621 through 629 in the Wisconsin Uniform Financial Accounting Requirements (WUFAR). The General Aid programs are typically assigned a state identification number in the 255.2xx series.

#### REPORTING PROCESS

The Department of Public Instruction "DPI" is required to annually certify by October 15th school district General Aid eligibility. No later than the last Friday in August, school districts provide information needed for aid determination on the *PI 1505 AC "Annual Report - Aid Certification"*.

Districts and auditors are encouraged to reach agreement on the *PI 1505 AC* items prior to submission. The DPI will review and approve the *PI 1505 AC* prior to opening the *PI 1506 AC "Audit Statement - Aid Certification Data Form"* for auditor completion.

The auditor will file the *PI 1506 AC* on-line, confirming data corresponding to the district's *PI 1505 AC*. The filing date for the *PI 1506 AC* is September 9, 2016. **The information provided on the *PI 1506 AC* (represented to be examined in accordance with these procedures) will be used by the department in determining aid eligibility required to be certified by October 15.**

If the *PI 1506 AC* data is not submitted on time, the DPI will send a letter to district's school board (the contracting party with auditor). This letter will advise the board that the auditor is late in filing the key document used in determining district's aid eligibility and tax levy authority. The letter will urge the district to consider the auditor's adherence to required filing dates when contracting for audit services.

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The following procedures provide for determining that information the school district has submitted on the *PI 1505 AC* is fairly presented in accordance with Department of Public Instruction requirements.

**PDF PI-1506AC Reporting Package** - Auditors are no longer required to email the PDF *PI 1506 AC* reporting package. Auditors must include the signed *Financial Audit Statement PI-1506* form, a copy of the *PI 1506 AC Audit Statement - Aid Certification Data Report* resulting from filing the 1506 AC Data Form, and the written attestation report regarding the submitted *PI 1506 AC* information in the audit work papers. During our site visits, DPI will verify the inclusion of these documents in the audit work papers.

### PRELIMINARY & OVERALL PROCEDURES

#### 1. Form *PI 1506 AC*:

- 1.1. Provide the DPI with correct amounts by completing the auditor column on the *PI 1506 AC*.
- 1.2. Review all issues identified in the quick audits. These are great analytical procedures. Determine the reasonableness of any variances.

### ANNUAL REPORT ENTRIES PER DPI DATA BASE

2. The DPI maintains “On Record at DPI” information related to aid payments, tax levies, and data previously reported by the district. Any variance on the *PI 1505* from DPI records will result in an error that the district must correct in order to submit the annual report. “On Record at DPI” is located in the left scroll bar of the district’s *PI 1505* Annual Report. Determine agreement of the following “On Record at DPI” to the *PI 1506 AC* data and reasons for any differences.

#### 2.1. State Aid Payments:

- 2.1.1. General Aid included in Account 10 R 000 000 620 "General Aid"
  - 2.1.1.1. Equalization Aid - General Fund Revenue Source Account 621
  - 2.1.1.2. Special Adjustment Aid - General Fund Revenue Source Account 623
  - 2.1.1.3. High Poverty Aid - General Fund Revenue Source Account 628
  - 2.1.1.4. Other General Fund Aid - Revenue - Revenue Source Account 629
- 2.1.2. State Computer Aid - General Fund Revenue Source Account 691
- 2.1.3. School Consolidation Aid - General Fund Revenue Source Account 693
- 2.1.4. Sparsity Aid - General Fund Revenue Source Account 694

### SPECIFIC REVENUE AND EXPENDITURE PROCEDURES

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3. Revenue and expenditure information on the *PI 1505 AC* and the *1506 AC* must be reported in accordance with Department of Public Instruction revenue and expenditure recognition requirements. These requirements are identified in the *Wisconsin Uniform Financial Accounting Requirement (WUFAR)*. <http://dpi.wi.gov/sfs/finances/wufar/overview> .

Through the following audit procedures, determine that the district followed WUFAR in compiling the *PI 1505 AC* data:

**3.1. Property Taxes** - The entire property tax levy is considered revenue for the fiscal year levied. The amount recorded by the district in the following tax revenue accounts must agree with the amounts on record with DPI. The DPI obtains property tax levies from the *PI 401 Tax Levies* filed by the school district. Obtain a copy of the *PI 401 Tax Levies* from the district's financial data home page and verify against board minutes that levies are recorded as adopted by the school board:

- 3.1.1. General Fund: Current Levy - Source 211
- 3.1.2. General Fund: Property Tax Chargeback Levy - Source 212
- 3.1.3. Debt Service Fund: Current Levy - Source 211. The PI 401 amounts are divided between fund 38 "non-referendum" and fund 39 "referendum approved" debt service.
- 3.1.4. Capital Expansion Fund 41: Current Levy - Source 211.
- 3.1.5. TIF Capital Improvement Fund 48- Source 211 - *Kenosha School District only*.
- 3.1.6. Community Services Fund 80- Source 211

**3.2 Refunds of revenues and expenditures** - Analyze the following accounts used to record refund transactions. **It is rare that a district would not have any refund revenue or expenditures during the year.** Determine that the district is recording transactions in accordance with the "*Financial Reporting Requirements*" definitions:

**3.2.1. General Fund revenue source account 972 "Property Tax and Equalization Aid Refund."** - This account should report payments received from municipalities for collection of "property tax charge-backs" that the district previously charged to expenditure object 972. Other items may be recorded in this account with specific authorization of the DPI.

Wisconsin Statute 74.42(1) provides that no earlier than February 2 and no later than April 1 the taxation district may chargeback to each taxing jurisdiction within the taxation district except the state, its proportionate share of those personal property taxes for which the taxing district settled in full the previous February, which were delinquent at the time of settlement, and which have not been collected in the intervening year and which remain delinquent.

A **tax levy** by the district to recover delinquent personal property tax chargeback payments is credited to revenue source account 212, "Property Tax Charge-backs."

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Wisconsin Statute 74.41 provides for the charging back of refunded or rescinded taxes that meet certain conditions as explicitly stated in the statute. The Department of Revenue determines the amount of rescinded or refunded taxes to be charged back to each taxing jurisdiction.

A non-recurring exemption is included in the district's revenue limit worksheet on line 10D. Any additional amount added for refunded/rescinded amounts will be included in the district's allowable limited revenue.

- 3.2.2. **General Fund expenditure object account 972 "Property Tax Chargeback and Equalization Aid Payment."** - This account is where the district charges refunds made by the district of "non-deductible revenue." Normally, this is only **property tax chargeback payments** to municipalities and equalization aid repayments to DPI.

Obtain the vendor detail for payments to the Municipality during the fiscal year. Verify that the district has properly reported any property tax charge backs to object 972. Please note that the district should maintain a detail of the delinquent personal property tax chargebacks and a separate detail of the refunded/rescinded amounts.

- 3.2.3. **General Fund revenue source account 971 "Refund of Prior Year Expense"** - This account is used to record refunds of prior year expenditures other than Property Tax Chargebacks. Per the WUFAR the district should also code Cash E-Rate, Microsoft Settlement refunds, and interest subsidies to revenue source 971.

- 3.2.4. **General Fund expenditure object account 971 "Refund Payment."** - This account is used to record refund payments of prior year revenues. This account should not include refunds of property tax collections

### 3.3. State and Federal Aid

**State Equalization Aid** - The amount reported by the district in General Fund revenue source 621 must agree with the amount "On Record at DPI." Along with the June Equalization Aid payment, the districts should review the "*Calculation of Remaining School District Equalization Aid Payments*". This document identifies the accounting entries a district must use to record Equalization Aid (State 621), private school voucher, and Open Enrollment transactions. A copy of this document may be obtained online at <http://dpi.wi.gov/sfs/finances/aids-register/aid-payment-adj-exp> .

- 3.3.1. *State Equalization Aid* - General Fund source 621. October certified amount. Please note that revenue limit penalties should be coded to function 492000 and object 972.

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- 3.3.1.1. The district should report a receivable for any equalization aid receivable as of June 30. The equalization aid receivable at June 30 is provided to the districts at the bottom of the June “*Calculation of Remaining School District Equalization Aid Payments*”.
- 3.3.1.2. Verify that receivable recorded by the district in source account 621 agrees with the amount on the “*Calculation of Remaining School District Equalization aid Payments.*”

***Caution: Do not use the "Equalization Aid" amount shown in the Aids Register. The Aids Register amount does not reflect end of year delayed equalization aid transactions and payments to and on behalf of the district for Open Enrollment Tuition and the private school voucher program.***

**State and federal aid passed through the Department of Public Instruction** The DPI Aids Register for each school district is available on the School Finance Team's web site. Federal and state aids reported on the Aids Register should be coded to the revenue source codes identified on the Aids Register. <http://dpi.wi.gov/sfs/finances/aids-register/aids-register-coding>. .

- 3.3.1.3. *Other State General Aid* - Payments made to district from current year state appropriations recognized as revenue. Revenue recorded for the following aids must agree with the payments shown on the DPI Aids Register **(no receivable is recorded for these)**.
- Special Adjustment Aid – Fund source 623
  - High Poverty School Districts – General Fund Source 628
  - Other General Aid - General Fund source 629
- 3.3.2. *State Categorical & Other Entitlements State Aid*- Payments made to the district from current year state appropriations recognized as revenue. The revenue recorded for the following aids must agree with the payments shown on the DPI Aids Register **(no receivable is recorded at year end)** unless there is an open enrollment or a private school voucher adjustment. Please note that there will be a receivable for Per Pupil Aid in 2015-16. Determine that the district has recorded revenue equal to the Aids Register amount for the following accounts:
- 3.3.2.1. Special Education Aid - Special Education Fund 27 Source 611.
  - 3.3.2.2. Transportation Aid - General Fund Source 612.
  - 3.3.2.3. Common School Fund Library Aid - General Fund Source 613
  - 3.3.2.4. Integration Aid (Resident) - General Fund Source 615
  - 3.3.2.5. Integration Aid (Non-Resident) - General Fund Source 616
  - 3.3.2.6. Bilingual/Bicultural Aid - General Fund Source 618
  - 3.3.2.7. Per Pupil Aid – General Fund Source 619

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- 3.3.2.8. SAGE/AGR Grants - General Fund Source 650
- 3.3.2.9. High Cost Special Education Aid – Special Edu. Fund 27 Source 625
- 3.3.2.10. Supplemental Special Education Aid - Special Edu. Fund 27 Source 626
  
- 3.3.3. *State Reimbursement Program Aid* - Revenue recognition when reimbursable expenditures are made. The district should record a receivable for eligible expenditures receivable at fiscal year end.
  - 3.3.3.1. State Special Project Grants passed through the DPI - Source 630 in various funds. These payments are for State program expenditures requested for reimbursement (claimed) by the district on the DPI form *PI-1086*. Request copies of the *PI-1086* and trace to reimbursements shown in the Aids Register. Subsequent receipts may be verified by review of the subsequent year aid register.
  
- 3.3.4. *Federal Aid Entitlements* - Revenue recognition occurs when the district is entitled to receive the aid.
  - 3.3.4.1. Federal impact aid is recorded in General Fund source 721 and 722, or in Capital Projects Fund source 723. Review prior year reports and determine if the district received federal impact aid. Review current year remittance statements from federal government and determine that aid is recorded appropriately.
  - 3.3.4.2. Other Federal Aid Entitlements - Review remittance statements and determine proper revenue recording
  
- 3.3.5. *Federal Reimbursement Programs* - Revenue recognition when reimbursable expenditures are made. The district should record a receivable for receivables at fiscal year end.
  - 3.3.5.1. Federal Special Project Grants paid through the DPI - Source 730 in various funds. These payments are for Federal program expenditures requested for reimbursement (claimed) by the district on the DPI form *PI-1086*. Request copies of the *PI-1086* and trace to reimbursements shown in the Aids Register. Subsequent receipts may be verified by review of the subsequent year aid register.
  - 3.3.5.2. Federal Aid other than through DPI - Review claim forms, expenditures and determine proper revenue recording. Direct federal aid should be coded to source 791. Federal aid received through a not-for-profit organization should be coded to source 799

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### 3.4 Supplies and Materials Inventories, Prepaid Expense

- 3.4.1. Expendable supplies, non-capital items and equipment acquired for use in subsequent fiscal periods should be recorded as supply inventory and/or prepaid expense. Review end of year expenditures to determine that district is recording prepaid expense appropriately.

### 3.5 Equipment, Buildings, Sites and Improvements

- 3.5.1. Equipment is recorded as an expenditure when placed in service.
- 3.5.2. Buildings, sites and improvements are recorded as expenditures when acquired.
- 3.5.3. If a construction project is not completed, the value of work in progress, if billed by contractors, is recognized as expenditure during the fiscal period the work was completed.
- 3.5.4. Test expenditures and end of year invoices to determine that district is recording equipment, buildings, sites and improvements appropriately.

### 3.6 Payroll and Payroll Related Items. Determine that the district has reported payroll and related items as required for school district reporting to DPI as follows:

- 3.6.1. *Payments for employee services and related benefit costs (employee health, life & disability insurance, FICA, Wisconsin Retirement System, annuities)* recorded as an expenditure in the fiscal period employee services are provided. Teacher contracts usually run September 1<sup>st</sup> to August 31<sup>st</sup>. Accrued payroll at June 30<sup>th</sup> should include July and August salaries and benefits for teachers.
- 3.6.2. *Accumulated Compensated Absences* - Accumulated unpaid vacation, sick leave, earned "compensatory" time recognized in the fiscal period when the accumulated time is used, not earned. Expenditures and liabilities related to these obligations should be recognized in governmental funds only when they mature (when due) under the modified accrued basis of accounting. The district should not be reporting compensated absences as "other non-current liability" in balance sheet account 849000." [http://dpi.wi.gov/sites/default/files/imce/sfs/doc/comp\\_absence.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/doc/comp_absence.doc).
- 3.6.2. *Defined Benefit Contributions that are not accounted for in Fund 73* - District payments to a Health Reimbursement Account (HRA) that exceed the exact medical claims for the year, Tax Sheltered Annuity (TSA) or other defined benefit contributions must be sent to an irrevocable account in order to be recognized as an expenditure for governmental funds (Fund 10, 27, 50, 80, etc) in that year. This includes retirement benefits that are not included in the actuarial study but are

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prefunded as active employee benefits for use in retirement (Object 219), OPEB benefits on the pay as you go basis for current use (Function 292000, Object 290), and HRA for active employees for current use (Object 249) . If these benefits are not accounted for in the Fund 73 trust, verify these payments are being made into an irrevocable account and that assets cannot revert back to the district. Verify that the required contribution per employee/retiree has been placed into the irrevocable account. The defined benefit should be held in an account at least earmarked for the employee/retiree. The physical cash contribution must be received into the irrevocable account by July 30 in order to be included as an expenditure in the fiscal year just ending. Defined benefit contributions are eligible for federal grants and state categorical aid as a benefit at the time a contribution for the individual is made to an irrevocable account.

- 3.6.3. *Termination and Post-Employment Benefits* – Termination payments, insurance payments on behalf of former employees or dependents, supplemental retirement payments not part of a defined plan, and other post-employment benefits recognized under the “pay as you go” method.

Termination payments (sick leave) made on behalf of former employees are not eligible for state categorical aid and are to be accounted for in function 291000 “termination benefits” and object 290 “other employee benefits”.

District contributions to an employee benefit trust in excess of the Annual Required Contribution (ARC) are not eligible for state categorical aid and are to be accounted for in function 292000 “other retirement benefits” using object 218. Payments to retirees when the district is on the pay-as-you-go method should also use function 292000 with object 290.

Contributions to fund post-employment benefits are recognized as an expenditure when the funding is made to the employee benefit trust. The district must physically make payment and transfer funds to the trust within 30 days after June 30 for the fiscal year then ended.

Post-employment benefits funded through an employee benefit trust must follow the requirements of fund 73 **and must be audited under the fund 73 audit program**. This information is available at: <http://dpi.wi.gov/sfs/finances/auditors/audit-programs> and <http://dpi.wi.gov/sfs/finances/fund-info/employee-benefit-trust-fund>.

- 3.6.4. *Unsettled Employee Contracts* - Payroll and related benefit costs are recorded as fiscal period expenditures to the extent that they are costs associated with implemented bargaining agreements. If there is no implemented agreement with an employee bargaining unit for the current fiscal year, no additional cost for an



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estimated settlement can be recorded unless the district and the bargaining unit are required to submit final offers to the Wisconsin Employment Relations Commission (WERC). In such a case, the recording of additional cost is limited to the lower of the district's or bargaining unit's offer. Information is available at [http://dpi.wi.gov/sites/default/files/imce/sfs/doc/unsettled\\_contract.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/doc/unsettled_contract.doc).

- 3.6.5 *Self-Funded Health Benefits* – The liability for self-funded health benefits are limited to incurred cost during the fiscal period, including an estimate for incurred but not reported (IBNR) claims as determined by the plan administrator. Additions to fund balance restricted accounts cannot be included in expenditures. This guidance may be found under WUFAR accounting issues and coding examples.  
[http://dpi.wi.gov/sites/default/files/imce/sfs/self\\_fund.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/self_fund.doc).

Account 10B 817000 “Health Benefit Claims Payable” must be adjusted at June 30 to agree with the unpaid claims as confirmed by the plan administrator. Only unpaid claims should be reported in this account. This account may not include a contingency amount. Any difference should be adjusted per the guidelines provided under the WUFAR accounting issues.

Account 10B 815000 “Self-Funded Premium Deposits” must be adjusted on June 30 to equal summer payroll premiums and any prepaid retiree premium. This account may not include a contingency amount. Any amount in excess of summer payroll and retiree premiums is considered excess premiums based on estimates and must be credited back to the object 240 expenditure accounts to ensure only actual expenditures are reported.

A template for the required note disclosure for self funded insurance can be found in Chapter 9 of the Audit Manual or directly at:  
[http://dpi.wi.gov/sites/default/files/imce/sfs/doc/self\\_fn.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/doc/self_fn.doc).

- 3.6.6. *Prior Service Liability* - A prepayment of a pension system "prior service liability" is recognized as an expenditure in the fiscal year the expenditure is made. If the payment is made using General Fund resources, it is charged as an expenditure of the General Fund. A payment with the use of debt proceeds is treated as a refinancing transaction in the Debt Service Fund.  
[http://dpi.wi.gov/sites/default/files/imce/sfs/doc/wrs\\_doc.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/doc/wrs_doc.doc).

### 3.7 Providing Services to Other Educational Agencies - Revenue recognized in the fiscal year the services are provided. Determine that the district is properly reporting revenue as follows:

- 3.7.1. Open enrollment charges

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3.7.1.1 Payments of open enrollment general tuition are determined by DPI. Open enrollment general tuition amounts are identified by DPI on the “*Calculation of Remaining School District Equalization Aid Payments*” sent to each district with the June equalization aid payment. Revenue account Source 345 is used to record open enrollment general revenue.

3.7.1.2 Starting in 2012-13 districts are no longer allowed to code the flat rate open enrollment expenditures or revenues to Fund 27. The base flat rate cost of open enrollment or tuition agreements should be coded to Fund 10. Specific coding of open enrollment transactions can be found under WUFAR Accounting Issues.

[http://dpi.wi.gov/sites/default/files/imce/sfs/pdf/open\\_enrollment\\_wufar.pdf](http://dpi.wi.gov/sites/default/files/imce/sfs/pdf/open_enrollment_wufar.pdf).

### 3.7.2. Non -Open enrollment charges

3.7.2.1. Non-open enrollment general tuition (source 341) is billed according to the DPI tuition worksheet or per another agreement between districts. Similar to open enrollment, the flat rate amount for the non-open enrollment special education student is considered general tuition and is coded to fund 10 in the same manner as non-special education students.

3.7.2.2. Non-open enrollment special education services for student specific excess costs (source 346) are billed at full cost without a reduction for anticipated aid related to such services.

State special education aid may be transited to the district paying the student specific costs from the district providing the services. This occurs when the district providing the service claims these costs as categorical aid eligible (project 011) and the paying district did not use IDEA grant funds. The transit occurs in the year following the additional expenditure, which is when the aid is received from DPI. The district providing special education services codes this transit of aid to function 491000 and object 936 and the district receiving the transit codes it to source 316.

**3.8 Cost for Services Provided by Other Educational Agencies** - Expenditures are recognized in the fiscal period services are received. Determine that the district is recording expenditures in the proper period per confirmation with the CESA or the other district.

**3.9 Revenue for School Based Services (SBS) or Medicaid Revenue** - Detailed accounting and reporting requirements for SBS and Medicaid are provided in the *WUFAR* "Accounting Issues and Coding" section at

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<http://dpi.wi.gov/sites/default/files/imce/sfs/pdf/medicaid-reimbursement.pdf>.

3.9.1. Reimbursements for eligible services are recognized as revenue in the fiscal period that they are received. Revenues should not be netted against expenditures.

3.9.2. Revenue receivable from a CESA or another district at year end must be recorded based on the confirmation requested/obtained from the CESA or the other district.

### 3.10 Temporary (Cash Flow) Borrowing

3.10.1 Proceeds are credited to General Fund liability account 811100.

3.10.2 Interest cost is accrued during the fiscal period. Accrued interest payable is recorded at the end of the fiscal period in account 811700.

3.10.3 Premium and accrued interest received as part of tax anticipation note issuance (cash flow borrowing) is recorded as General Fund revenue in source 968. The premium should not be amortized in the General Fund.

### 3.11 Investment Income

3.11.1 Investment income including interest and dividends should be recorded as revenue in fiscal year earned to revenue source 280. Accrued Investment income receivable should be recorded at June 30 in account 713300.

## INTERFUND TRANSFERS AND PAYMENTS

4. Analyze inter-fund transfers and payments and determine that such transactions are as permitted by *Financial Reporting Requirements*.

### 4.1 Operating Transfers from the General Fund

Operating Transfers from the General Fund may only be made to the Special Education Fund, Debt Service Fund, Long-term Capital Improvement Fund, Food Service Fund and Other Cooperatives Fund.

4.1.1 **Transfer to Special Education Fund** - A transfer from the General Fund (Fund 10) is required to close out the Special Education Fund (Fund 27). The Special Education Fund must have a fund balance equal to zero at June 30. Determine that the General Fund transfer to Fund 27 includes only the amount necessary to bring fund balance in the Special Education Fund to zero. This amount should be recorded in General Fund function 411 000, object 827.

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**4.1.2 Transfer to the Debt Service Fund** – A transfer from the General Fund (Fund 10) to a Debt Service Fund (Funds 38 or 39) can be made only to the extent needed to make current fiscal year debt service payments. Note that state statutes require a debt service tax levy sufficient to meet payments as they become due. A transfer to the Debt Service Fund may be necessary to make debt payments coming due prior to the first collection of taxes.

Determine that the amount transferred from the General Fund was used to make debt service payments prior to June 30<sup>th</sup>. The transfer should not cause an increase in fund balance. A transfer to the Debt Service Fund from the General Fund should be recorded General Fund function 411 000 object 838 or 839.

**4.1.3 Transfer to the Long-term Capital Improvement Fund** – A transfer from the General Fund (Fund 10) to the Long-term Capital Improvement Fund (Fund 46) can only be made by the school board if there is an approved capital improvement plan for a minimum of ten years and if the board has approved creating the fund. A school board may not expend monies transferred into Fund 46 for five years beginning on the date the fund is created.

**4.1.4 Transfer to the Food Service Fund** -. A fund balance in the Food Service Fund is permitted, however a district may not run a deficit in the Food Service Fund. A Food Service Fund deficit, resulting from student food services, must be eliminated by a transfer from the district's General Fund. A transfer to the Food Service Fund from the General Fund should be recorded General Fund function 411 000, object 850.

The maximum that can be transferred if the district does not have a deficit in the Food Service Fund is limited to an amount necessary to cover a current year deficit in a particular food service program (National School Lunch, Breakfast, Ala Carte, etc) or to cover a required USDA PLE (Paid Lunch Equity) price increase (new for the 2014-15 fiscal year). If the reason for transfer is to fund a specific program deficit, reference should be made to the "Food Service Claim Worksheet," (form *PI 1409*) to determine the permitted transfer amount. Any Food Service Fund deficit, resulting from elderly food services, must be eliminated by a transfer from the district's Community Service Fund. (Fund 80).

**4.1.5 Transfer to the Other Cooperatives Fund** - An operating transfer to a Cooperative Fund (Fund "90" Series) may only be made to reimburse the Cooperative Fund for the district's share of a cooperative program where the district is the host or fiscal agent for the program.

A district acting as a fiscal agent of a consortium will receive revenues and make expenditures on behalf of consortium participants. See

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<http://dpi.wi.gov/sfs/finances/fund-info/package-cooperative-funds> [for further information.](#)

**4.1.6 Transfer to the Community Service Fund** – Transfers **may not** be made from the General Fund to the Community Services Fund. Any deficit must be eliminated the following year by a tax levy or user charge.

**4.2 Transfers to Capital Projects Fund** - Districts may not transfer funds from the General Fund to the Capital Projects Fund (Fund 49) for contemplated future projects or to cover project overages. Facility related costs funded with General Fund resources must be charged to the appropriate General Fund function-object accounts as expenditures.

**4.2.1 If the district has made an inter-fund transfer through an adjustment (source/object 969) or payment to the Capital Projects Fund (Fund 49)**, determine that it was not to set resources aside for future projects or cover excess project expenditures. If the transfer or payment was made to fund project expenditures, provide the district with an adjusting entry to reclassify the Capital Project expenditures to the corresponding function and object accounts in the General Fund.

**CAPITAL EXPANSION FUND** - The annual meeting of a school district may approve a segregated "capital expansion fund" tax levy for expenditures related to buildings and sites. Equipment acquisition is not a permitted use of the capital expansion fund levy. Subsequent annual meetings must approve continuation of the tax levy.

The district is required to establish a capital projects sub-fund (WUFAR Fund 41 "Capital Expansion Fund") to account for revenues and expenditures related to the segregated tax levy. A Capital Expansion Fund cannot be used for any purpose other than that originally identified unless a change in purpose is authorized by a majority vote of electors present at a subsequent annual meeting where notice was provided that the issue would be on the meeting agenda.

**5.** Perform the following to determine if the district is reporting Capital Expansion Fund transactions as required:

**5.1** Review Annual Meeting minutes. If a capital expansion fund levy has been adopted, determine that the proper amount has been levied by the district, recorded and reported as a Capital Expansion Fund (Fund 41) levy.

**5.2** Analyze expenditures reported as Fund 41 expenditures. Determine that reported expenditures are in accordance with the purpose identified in the authorizing resolution.

**5.3** If a transfer was made from the Capital Expansion Fund, determine that it was approved at the Annual Meeting and was included in the agenda notice.

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**CAPITAL IMPROVEMENT FUND** – A school board that has an approved long-term capital improvement plan that is for a minimum of 10 years may establish a fund for the purpose of financing the capital improvements included in the long-term plan. A school board is prohibited from spending money deposited into the fund for a period of five years from the date the fund is created. After the initial five year period, a school board may spend money in the fund only for the purposes described in the school board’s long-term plan. Additionally, a school board is expressly prohibited from transferring money in the fund to any other school district fund.

The district is required to establish a capital projects sub-fund (WUFAR Fund 46 "Capital Improvement Fund") to account for revenues and expenditures related to the segregated capital improvement fund monies. The district is allowed to accrue a contribution to Fund 46 and record the transfer if the physical cash payment is made within 30 days after June 30<sup>th</sup>.

6. Perform the following to determine if the district is reporting Capital Improvement Fund transactions as required:
  - 5.4 Review District Board minutes. If the establishment of a capital improvement fund has been approved by the board, determine that the board has also approved the long-term capital improvement plan that is for a minimum of 10 years.
  - 5.5 Inspect the transfers from Fund 10 to Fund 46. All cash must be deposited into Fund 46 within 30 days after June 30<sup>th</sup>.

### **CAPITAL PROPERTY SALE –**

Authorization at the Annual Meeting is required for the sale of property not needed by the district (Statute 120.10(12)). Proceeds from such sales are required to be credited to the General Fund unless the annual meeting has authorized deposit in another fund.

### **LONG TERM DEBT**

The WUFAR requires the proceeds of long-term borrowing (other than capital leases) used for the acquisition of equipment, maintenance projects, facility construction or remodeling be reported in the Capital Projects Fund (Fund 49)

- 6.1.1 Incurred long-term debt (bonds, notes, state trust fund loans, land contracts, capital leases, TEACH loans) is recorded at the full principal amount, i.e. "face" or "par" amount.
- 6.1.2 An amount identified as a "discount" is recorded as an expenditure. The discount should not be amortized in the governmental funds.
- 6.1.3 Premium and accrued interest received as part of bond or long-term promissory note

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issuance is recorded as Debt Service Fund revenue in funds 38 or 39. The premium should not be amortized in the governmental funds.

6.1.4 Land contracts and capital lease proceeds should be offset by an equal expenditure for land or equipment.

6.1.5 Principal and interest expenditures are recorded when payment is due.

**Operating Debt** - School districts may issue long-term promissory notes for current operating expenditures "operational borrowing", statute 67.12(12). Long-term operational borrowing is unusual as school boards are required to adopt a tax sufficient (subject to revenue limit constraints) to operate and maintain district schools. A school district must have DPI approval prior to issuing long-term operational debt. **Currently only three school districts in Wisconsin (Wauzeka-Stueben, Delevan-Darien and Gresham) are authorized for long-term operational debt.**

**7.1** If the proceeds of long-term borrowing have been reported in the General Fund, determine that the purpose identified on the debt instrument is to fund General Fund operations. If the purpose of the borrowing is for the acquisition of equipment, facilities, maintenance or remodeling projects, provide the district entries to reclassify the borrowing proceeds and related expenditures to the Capital Projects Fund.

**7.2** Only debt service expenditures for Long-Term Operational Debt" should be coded to WUFAR Function 283 000.

**Long-Term Debt Refinancing** - Chapter 67 of the State Statutes permits school districts to refinance outstanding long-term debt. Refinancing debt proceeds are receipted to the Debt Service Funds 38 or 39. All expenditures associated with the refinancing transaction, including principal and interest payments along with related service charges are recorded to WUFAR function account 282 000 "Refinancing" in the Debt Service Fund. See [http://dpi.wi.gov/sites/default/files/imce/sfs/doc/debt\\_refin.doc](http://dpi.wi.gov/sites/default/files/imce/sfs/doc/debt_refin.doc) for further information...

Proceeds from refinancing borrowing in excess of that needed to fund the refinancing transactions in the current year, or proceeds of debt refinancing that will be completed in a future fiscal period, should be reported at June 30<sup>th</sup> as Fund Balance Restricted for Refinancing, WUFAR balance sheet account 936310.

**8.1** If debt proceeds are recorded in the Debt Service Fund, determine that the use of these proceeds is reported as a refinancing expenditure, WUFAR function 282 000, or included in a refinancing restricted fund balance, WUFAR balance sheet account 936310 to be expended in a future fiscal period.

**8.2** A district may be required to place in the Debt Service Fund a portion of the borrowing

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proceeds needed to make scheduled payments prior to receipt of tax levy revenue (sometimes referred to as "capitalized interest" by financial consultants). Such payments must be reported in the same manner as refinancing transactions to function 282 000.

- 8.3 If refinancing proceeds have carried over from a prior year, determine that any current expenditure of the carryover balance (usually interest expense) is charged to WUFAR function 282 000.
- 8.4 If the refinancing transaction requires the use of Debt Service Fund resources other than borrowing proceeds, the additional cost is to be recorded as an "Other Debt Service" to Capital Debt expenditure (WUFAR function 281 000 or 289000, object 690).
- 8.5 If a district has issued debt to pay off the WRS unfunded pension liability or OPEB liability, these transactions should be treated as a refinancing transaction.

### Other State General Aid Programs

**Special Adjustment Aid-** Wisconsin State Statute section 121.105 provides additional aid to school districts that generate less than 85 percent of the state aid generated in the previous year. State aid in this statute means the sum of payments provided to a school district under Wisconsin Statute section 121.08, 121.105, 121.85, and 121.86 (equalization, special adjustment, and integration aids, respectively).

#### Audit Procedures for those districts that received special adjustment aid

1)-Obtain a copy of the October 15<sup>th</sup> aid certification at <http://dpi.wi.gov/sfs/aid/general/equalization/worksheets-general-aid#2015-2016> or directly at [http://dpi.wi.gov/sites/default/files/imce/sfs/xls/Oct15\\_1516\\_GenAid.xlsx](http://dpi.wi.gov/sites/default/files/imce/sfs/xls/Oct15_1516_GenAid.xlsx). The October 15<sup>th</sup> aid certification will be an excel spreadsheet. The second tab on the spreadsheet will provide a breakdown of line 11.

2)-Recompute the amount of special adjustment aid received by the district.

**High Poverty Aid-** Wisconsin State Statute section 121.136 provides additional aid to high poverty school districts. This aid program was enacted into law as part of the 2007 Wisconsin Act 20 (the state's 2007-09 state biennial budget). Statute 121.136 states that:

1)-In the 2009-10 school year and annually thereafter, the department shall pay additional state aid to a school district if at least 50 percent of the district's enrollment on the 3<sup>rd</sup> Friday of September in the immediately preceding even-numbered year, as rounded to the nearest whole percentage point, was eligible for a free and reduced-price lunch in the federal school lunch program under 42 USC 1758 (b).



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2)-The amount paid to each eligible school district in the 2009-10 school year and annually thereafter shall be determined as follows:

a)-Divide the amount appropriated under s. 20.255 (2) (bb) by the total membership in all eligible districts

b)-Multiply the result per the computation above by the school district's membership

See our webpage at <http://dpi.wi.gov/sfs/finances/aids-register/aid-high-poverty-districts> for more information and a listing of districts that received high poverty aid.

**NO AUDIT PROCEDURES ARE NECESSARY FOR HIGH POVERTY AID**