

Basics of School Finance: Expenditures for the Novice



April 24, 2024



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Introductions

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Expenditures



- Operating vs. non-operating expenditures
- Salaries and Benefits: Largest expenditures for all districts
- Expenditures are communicated to the state via an Annual State Budget Form
- Expenditures are audited annually and Districts must submit an Annual Financial Report (AFR)

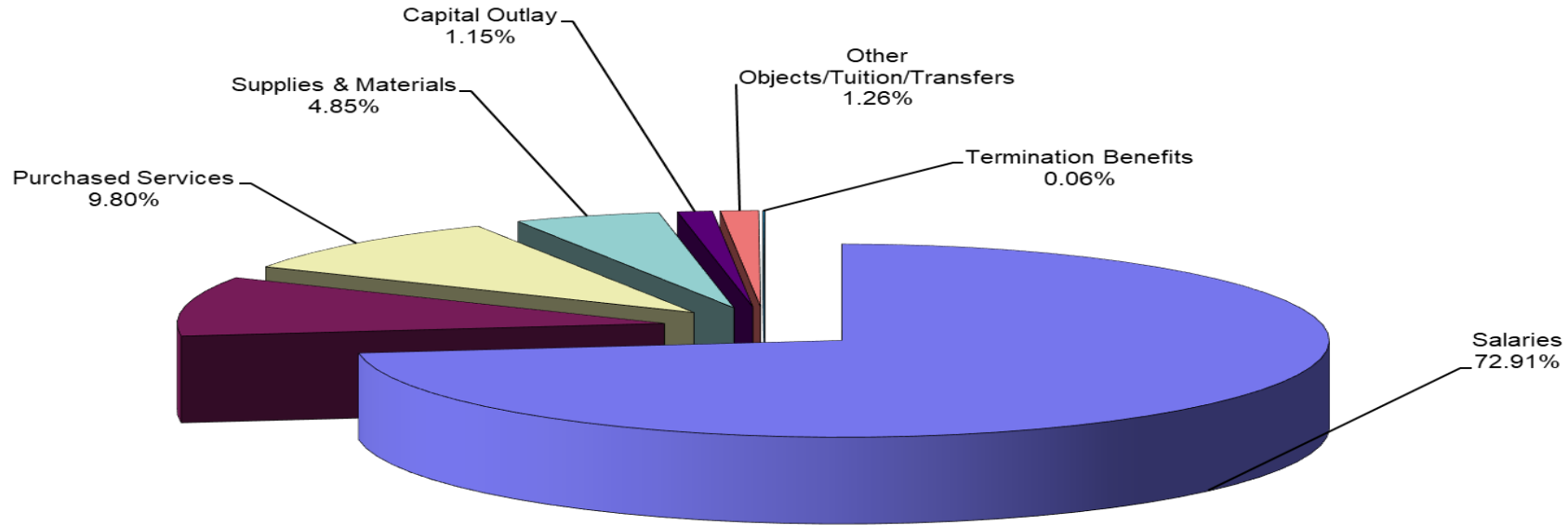


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Operating Expenditures



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How Expenditures Are Coded

- [Part 100 Requirements for Accounting, Budgeting, Financial Reporting, and Auditing](#)
- 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:* Ed Fund - Gen Ed Instruction - Salary

- **10-1100-100**

- *Example:* Ed Fund - Board of Ed - Supplies

- **10-2310-410**



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 (Capital Projects)
 - ISBE's definition may be more narrow than yours
- Non-restricted vs. restricted (IMRF 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, and van

- #50 - IMRF/FICA

- Board's share of social security and Medicare taxes and IMRF obligations



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



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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Discussion Questions

- Do you need Fund 80 (Tort Liability)? Can you put those expenses in Fund 10 (Educational)?
- Do you need Fund 90 (Fire Prevention & Safety)? Can you put those expenses in Fund 20 (O&M)?



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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 (#1000) (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



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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Choosing the right function code can be more of an art than a science.

In the following scenarios, which function code would you use?



Question #1

Which function code would you use for the salary of the Chief Academic Officer who oversees the Teaching & Learning department, manages the district's instructional coaches, and is part of the Superintendent's cabinet.

A: Function 1100
Regular Instruction

C: Function 2320
Executive Administration

B: Function 2210
Improvement of Instruction

D: Function 2330
Special Area Administration



Question #2

Which function code would you use for the purchase of laptops for teachers. Teachers use the laptops in the classroom for instruction, but also to communicate with parents and for school administrative work.

A: Function 1100
Regular Instruction

C: Function 2490
Other Support - School Admin

B: Function 2210
Improvement of Instruction

D: Function 2660
Data Processing (IT Services)



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



Objects (cont.)



- Employee Benefits (#200)

- Amounts paid by the district on behalf of the employee
- Not paid directly to the employee nor included in gross salary
- Payroll related benefits
 - TRS, IMRF, FICA and Medicare
- Health, dental, vision, disability and life insurance



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



Objects (cont.)



- Capital Outlay (#500)
 - Fixed assets (more permanent in nature) over the capitalization threshold
 - Building improvements, equipment, vehicles
- Other Objects (#600)
 - Transfers between funds
 - Interest earned in one fund may be transferred to another fund (some limitations)
 - Reported as other financing use not expenditures
 - Principal and interest payments
 - Special Education Tuition
 - Dues & fees



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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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Choosing the right object code
can also be tricky.

In the following scenarios, which
object code would you use?



Question #3

Which object code would you use to reimburse a teacher for the cost of a college course needed for the teacher's masters degree?

Tuition reimbursement, within certain limits, may be included in your collective bargaining agreement

A: Object 200
Employee Benefits

B: Object 300
Contracted Services

C: Object 600
Other Objects (Tuition)

Would your answer be different if the district directed the teacher to take the course and paid the university directly?



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



ESSA Site-Based Expenditure Report

- 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
- Data included in the State Report Card



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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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)

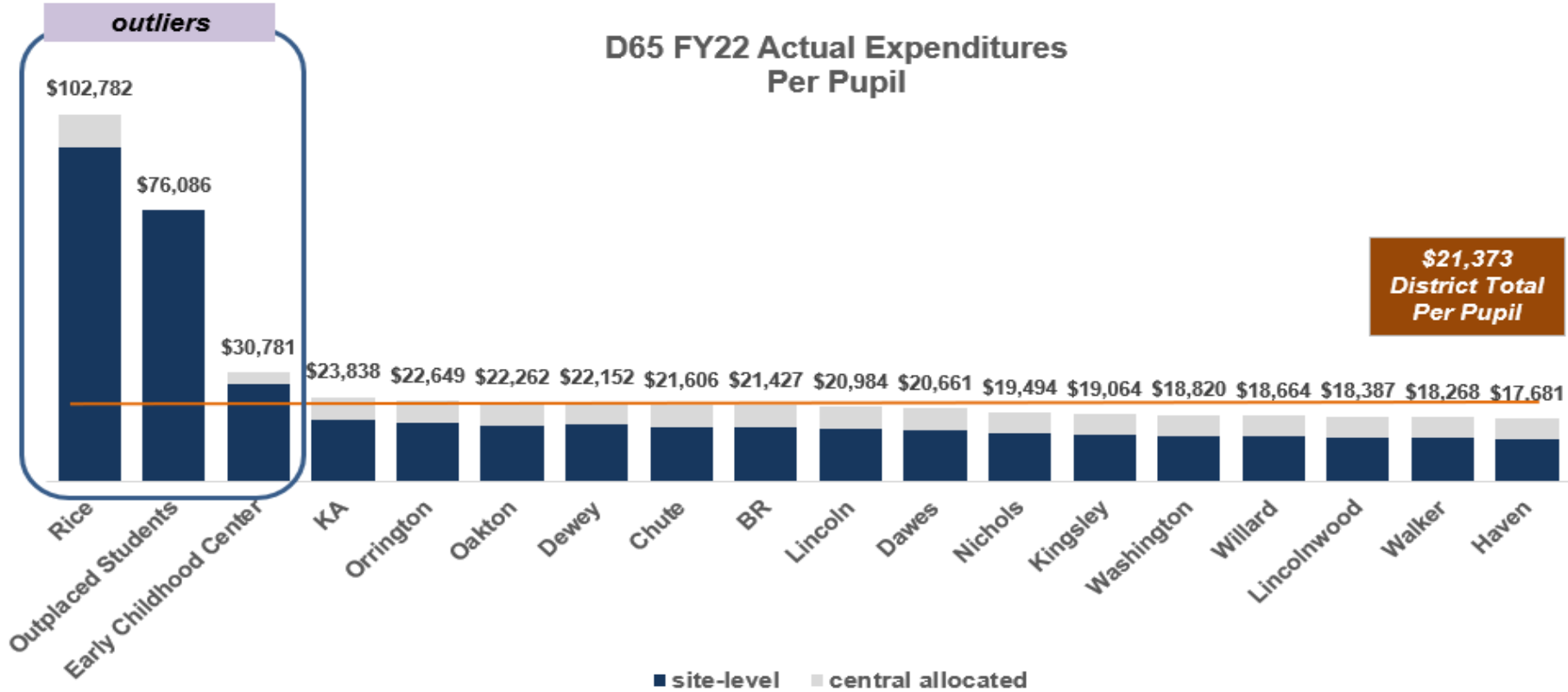


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ESSA Report



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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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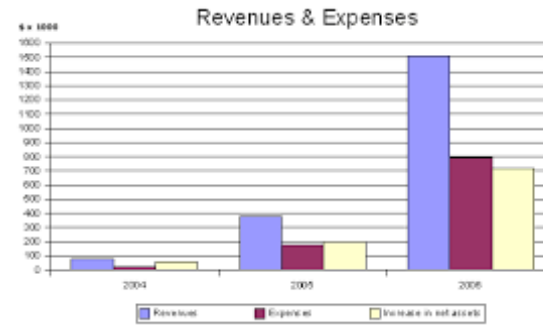


Post Budget on District Website

- State Budget form must be posted on the district's website
 - Annual budget with itemized revenues and expenditures
- 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



Deficit Budget Summary



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



Deficit Reduction Plan



- Required if budget is not balanced and fund balances are insufficient
- 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



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Plan Ahead

- Limitation of administrative costs
 - Using FY24 actual and compare to FY25 budget
 - Within allowable five (5) percent increase?



ESTIMATED LIMITATION OF ADMINISTRATIVE COSTS WORKSHEET (Section 17-1.5 of the School Code)		School District Name: 0 RCDT Number: Please select district from drop-down list on I							
Description	Funct. No.	Estimated Actual Expenditures, Fiscal Year 2023				Budgeted Expenditures, Fiscal Year 2024			
		(10) Educational Fund	(20) Operations & Maintenance Fund	(80) Tort Fund	Total	(10) Educational Fund	(20) Operations & Maintenance Fund	(80) Tort Fund	Total
1. Executive Administration Services	2320				0	0		0	0
2. Special Area Administration Services	2330				0	0		0	0
3. Other Support Services - School Administration	2490				0	0		0	0
4. Direction of Business Support Services	2510				0	0	0	0	0
5. Internal Services	2570				0	0		0	0
6. Direction of Central Support Services	2610				0	0		0	0
7. Deduct - Early Retirement or other pension obligations required by state law and included above.					0				0
8. Totals		0	0	0	0	0	0	0	0
9. Estimated Percent Increase (Decrease) for FY2024 (Budgeted) over (Actual) FY 2023									Enter Actual Data



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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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