



Please share this Accounting and Auditing Alert with superintendents, business managers, program office personnel, and food service personnel.

SELECTED CHANGES IN THE MICHIGAN SCHOOL AUDITING MANUAL

The Michigan School Auditing Manual has not been updated for the 2009-2010 fiscal year, due to furlough days. This Alert will serve as our update for the 2009-2010 fiscal year.

It should be noted that the compliance supplements provided in the manual are not all inclusive; consult the OMB Compliance Supplement (revised annually) for full program requirements.

MANDATORY ELECTRONIC FILING OF SCHOOL DISTRICT AUDITS

Thank you for submitting your audits electronically. The first year of mandatory electronic submission was a success with all districts submitting electronically. MDE will accept audits in the Department of Treasury format. This format requires one document containing the financial statements, single audit (if required), corrective action plan (if not included in the single audit), and management letters. The "archive" version of the Data Collection Form should be submitted as a separate document.

It is necessary that the documents be submitted to MDE without any type of security/password protection. MDE and our Department of Information Technology have worked with the software vendor and developed a process that will automatically add security to each audit as it is saved to our system. The documents will still be searchable, but the reader will be unable to alter them.

MDE is continuing to work with the Department of Treasury to combine our processes but the details have not been completed as yet. Until further notice, it is still necessary to submit the audits to MDE and Treasury separately.

You can find submission guidance at: http://www.michigan.gov/mde/0,1607,7-140-6530_9091-95424--,00.html.

To view audits submitted electronically in prior years, go to:
<http://web1mdcs.state.mi.us/nxt/gateway.dll?f=templates&fn=default.htm&vid=mofa:fa>

AUDITS REPORTING FEDERAL REVENUE OVER \$500,000 WITH NO SINGLE AUDIT

If the financial statements report over \$500,000 in federal revenue, but a single audit is not required because the district did not spend \$500,000 of federal funds, please submit a letter of explanation including a reconciliation to the Department.

ARRA GUIDANCE AND UPDATE

- Time Certification – Stabilization Funds: The USED has exempted the Stabilization funds from numerous federal requirements. This information may be found at: <http://www.ed.gov/programs/statestabilization/auditor-guidance.pdf>

- The 2009 Compliance Supplement may be found at: http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/

The ARRA addendum to the Compliance Supplement may be found at:

http://www.whitehouse.gov/omb/grants_circulars/

You should then go to: Audit Requirements – 2009 OMB Compliance Supplement – Addendum.

The OMB will also issue a compliance supplement for 1512 reporting.

- High Risk: Section .525 (d) (2) of OMB Circular A-133 states that “a new Federal program with new or interim regulations may have higher risk than an established program with time-tested regulations.” Section (d) (3) states “the phase of a Federal program in its life cycle at the auditee may indicate risk. During the first and last years that an auditee participates in a Federal program, the risk may be higher due to start-up or closeout of program activities and staff.” Appendix VII of the OMB A-133, Section I: American Recovery and Reinvestment Act: “Effects of Expenditures of ARRA Awards on Major Program Determination” states: “Due to the inherent risk with the new transparency and accountability requirements over expenditures of ARRA awards, the auditor should consider all Federal programs with expenditures of ARRA awards to be programs of higher risk in accordance with §.525 (c) (2) and §.525 (d) of OMB Circular A-133. Type A programs with expenditures of ARRA awards should not be considered low risk except when the auditor determines, and clearly documents the reasons, that the expenditures of ARRA awards are low-risk for the program.”
- The Auditor General has also designated the ARRA funds as high risk for MDE’s single audit.

LESSON PLANS NO LONGER ALLOWED AS TIMEKEEPING RECORDS

The USED has issued *Cost Allocation Guide for State and Local Governments*. It is informally called the “green book” and is at:

<http://www.ed.gov/about/offices/list/ocfo/fipao/guideigcwebsite.pdf> . This supersedes the unofficial guidance that the Department relied upon in allowing lesson plans to be used as federal timekeeping records. This has been confirmed by the USED Risk Management Service, Office of the Secretary. School districts need to ensure that they comply with the federal timekeeping requirements for personnel activity reports and semi-annual certifications stated in OMB Circular A-87.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Summary Schedule of Prior Audit Findings (SSPAF) is required by OMB Circular A-133 for federal program findings. It is the school district’s responsibility to provide this schedule and

MDE's responsibility to follow-up on all findings. If the audit does not include a SSPAF, the Department will request it when the audit is reviewed.

SCHOOL-WIDE REQUIREMENTS

The Office of School Improvement reports that about half of the school-wide buildings visited by the Department do not have school-wide plans. The requirements for a building to become school-wide are found in the Michigan School Auditing Manual. They are:

- The building must have a 40% or greater poverty level.
- The building may apply for a school-wide planning grant through MDE.
- The building must complete one year of planning.
- If the building decides to convert to school-wide, the program should impact all students.
- School-wide should be a more comprehensive program.

The auditing manual requires auditors to determine if the LEA has school-wide programs and whether **each** building has met the eligibility requirements in the first year of implementation of the school-wide project. Auditors should determine whether the school-wide plan contains all required documentation. Refer to Section 1114 of Title I, Part A of P.L. 107-110. See the School-wide School Planning Document in the manual. Each building must meet all of the requirements. Having a 40% or greater poverty level does not automatically classify a building or district as school-wide.

USDA ENTITLEMENT & BONUS COMMODITIES

- The CFDA number for commodities is directly linked to the program under which the USDA makes the commodities available and should be identified with those programs. The categorical programs affected by this policy and their CFDA numbers are: the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). For audits of auditee fiscal years beginning on or after May 1, 2008, state and local agencies and their auditors must identify commodity assistance by the CFDA numbers of the categorical programs under which USDA donated the commodities. (For example, an auditee that operated the National School Lunch Program would enter CFDA 10.555 and "Cash" on one line and report "Commodities - Entitlement" and "Commodities - Bonus" on the following lines. Both must be identified as major whenever the cluster is audited as a whole program.)
- The amounts on the Planned Assistance Level (PAL) Report are market values and need to be reported as revenues on the Schedule of Expenditures of Federal Awards (SEFA), Financial Information Database (FID), and financial statements (not as revenue on the School Meals Program Year End Report). PAL Reports will no longer be posted to the MDE website. It will be necessary to obtain the PAL Report from the consortia providing the commodities.
- The actual cost (processing and delivery costs found on warehouse invoices), **NOT** the market value, (found on the PAL Report) should be used for the School Meals Program Year End Report. For the School Meals Program Year End Report, the commodity and commercial food cost **must** be calculated as follows:
Food Cost = **Cost** of Beginning Inventory + **Cost** of Purchases – **Cost** of Ending Inventory.

- When the market value is used on the School Meals Program Year End Report, it creates an excess fund balance that does not really exist and it falsely increases the per meal costs. The costs associated with lunch are used to calculate 31(d) payments.
- The market value of commodities reported on the SEFA, FID, and financial statements will **NOT** agree with the commodity processing and delivery costs reported on the School Meals Program Year End Report.
- To remain consistent, the market value amounts (from the PAL Report) reported on the SEFA and the financial statements must agree with the market value amounts reported in the FID (recorded as revenue in major class codes 481-482.)
- MDE recommends that, for purposes of the SEFA, FID, and financial statements, an ending commodity inventory is not necessary because the market value on the PAL may be reported as receipts and expenditures.
- If the district chooses to take an inventory (instead of the above method), the market value of the food **MUST** be included on the SEFA, FID, and financial statements.

FOOD SERVICE: RESPONSIBILITIES OF LEAs AND FOOD SERVICE MANAGEMENT COMPANIES

Food Service Administrative Policy No. 3 – School Year 2008/2009, issued August 20, 2008, defines the responsibilities of the local educational agencies (LEAs) and food service management companies (FSMCs). The new guidance allows the LEAs to delegate certain responsibilities to the FSMC including: 1) implementing an accurate point of service meal/milk count using the meal counting system submitted by the SFA in its application to participate in the Child Nutrition Programs and approved by the MDE; 2) developing, distributing, and collecting the Letter to Parents and the Family Application for Free and Reduced Price Meals and/or the Family Application for free milk; 3) annually accessing the Direct Certification Report available from CEPI for the purpose of determining students eligible for free meals; 4) certifying the eligibility for free and reduced price meals and free milk; 5) verifying eligibility for free and reduced price meals.

NOTE: These are responsibilities that MAY be delegated by the LEA. They are not automatic responsibilities for the FSMC.

GRANT AUDITOR REPORTS

With the implementation of the Department's Cash Management System (CMS), the districts will need to confirm federal grant funds with the Grant Auditor Report. The Grant Section Auditors Report (R-7120) from the old Grants Cash Management Reporting System (GCMRS) will continue to be available on MDE's website at www.michigan.gov/mdeaudit. The CMS – Grant Auditor Report will also be available at www.michigan.gov/mdeaudit. All grants have been moved to the new Cash Management System with the exception of the Child Nutrition Cluster. Please note that the reports do not include payments from direct federal sources or other non-MDE sources.

FRAUD, ILLEGAL ACTS, CONTRACT VIOLATIONS, GRANT VIOLATIONS, ABUSE

Chapter 5, Section 5.18 of the Yellow Book requires auditors to report known or likely fraud, illegal acts, and violations of provisions of contracts or grant agreements or abuse directly to parties outside the audited entity in the following two circumstances:

- a. When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report such information to those charged with governance.

If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditor's communication with those charged with governance, then the auditors should report the information directly to the specified external parties.

- b. When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that (1) is likely to have a material effect on the financial statements and (2) involves funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to those charged with governance. If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditor's communication with those charged with governance, then the auditor should report the entity's failure to take timely and appropriate steps directly to the funding agency.

This issue is addressed in the Michigan School Auditing Manual, Section A, item II.B.3. Written reports should include a description of the incidents, names, dates, amounts and fund sources.

The Department has been cited by the USDE Office of Inspector General for failure to obtain an investigation report from a district. The OIG recommended that the Department improve its monitoring of local districts in this area. It is important that auditors report violations if districts fail to do so.

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

It is important that districts document material related party transactions (RPT) in the footnotes to the financial statements. According to FAS-57, footnotes should include enough details to adequately describe the situation. Examples are: management agreements; borrowing and lending; and sale or lease of real estate, buildings, and equipment. The interpretation of SAS-45 states that the auditor should apply sufficient audit procedures to provide reasonable assurance that related party transactions are adequately disclosed in the financial statements and are not materially misstated. The Department has discovered many RPTs at public school academies and asks that due care be given in those audits. Conflicts of interest and RPTs should be reported unless they are clearly insignificant.

UNIFORM BUDGETING AND ACCOUNTING ACT

The Uniform Budgeting and Accounting Act establishes budget and accounting requirements for local governments and school districts, including public school academies, MCL 141.437.440. **Material violations of the Uniform Budgeting and Accounting Act should be reported as financial statement findings in the audit report.**

MEDICAID CHANGES

CMS Settlement:

The Centers for Medicare and Medicaid Services (CMS) issued a final report on the Medicaid Administrative Outreach program back casting review in October 2007. The Michigan Department of Community Health repaid the Federal Government in February 2009, and billed the ISDs for their share in November 2009 (due November 30, 2009). A liability should be accrued for the district's fiscal year ending June 30, 2010 in accordance with generally accepted accounting principles for any amounts that remain payable for the fiscal year ending June 30, 2010. In addition, any amounts previously received and deferred due to the back

casting uncertainties and not repaid should be reported as an expense on the Schedule of Expenditures of Federal Awards with a corresponding note disclosure.

Medicaid Matching Requirements-Medical Services (Fee-for-Service):

The October 1, 2009 through September 30, 2010 fiscal year Federal share of approved costs or Federal Medical Assistance Percentage (FMAP) (Enhanced) rate for Michigan is 73.27% for most "fee-for service" health services. The remaining 26.73% is the matching requirement provided by the Local Educational Agencies (LEAs) or ISDs.

School-Based Administration/Transportation final rule, Moratorium:

According to the Federal Register/Vol. 74, No. 124/Tuesday, June 30, 2009/Rules and Regulations-Effective on July 1, 2009 CMS has rescinded in full the final rule pertaining to Federal Regulation (CMS-2287-F)-*Elimination of Reimbursement under Medicaid for School Administration Expenditures and Costs Related to Transportation of School-Age Children Between Home and School*, dated December 28, 2007. As a result of the final rule, the program is no longer considered for elimination, and the auditor's responsibilities for auditing the program remain unchanged.

Claiming Process:

Public Consulting Group (PCG), the MDCH contractor that implements and administers the random moment time study (RMTS) and claims development process, received a one-year extension on their contract. The current contract period is October 1, 2009 through September 30, 2010.

SAS 70 Audit:

In accordance with the *Medicaid Provider Manual, School Based Services Random Moment Time Study*, the contractor must undergo a SAS No. 70 (*Reports on the Processing of Transactions by Service Organization*) audit annually. The SAS No. 70 audit must be submitted to MDCH/MSA within 180 days after the examination period. For example, the SAS 70 audit for the period July 1, 2008 through June 30, 2009, will be due by December 31, 2009. When relying on a SAS 70 report, auditors should determine the impact of the report's findings on the nature and extent of the audit procedures required at the school district. Auditors cannot verify Medicaid expenditure balances without relying on service organization calculations.

INCREASED FEDERAL REVIEW

There is increased nationwide attention from the USDE regarding administrative/internal controls. Administrative/internal controls are a condition for receiving federal funds. Administrative/internal controls that the USDE is focusing on include:

- ARRA expenditures and reporting
- Budget systems
- Cash management controls
- Procurement procedures – 34CFR 80.36
- Property management/inventory procedures
- Time distribution – PARs and semi-annual certification
- Audit resolution
- Subrecipient monitoring
- Allowable Costs – need to explain the rationale
- Contract management
- Maintenance of effort and supplanting

- Parental involvement
- Nonpublic participation

There is increased federal review of supplanting. Supplanting is covered in Section G(2.2) of the Cross-Cutting Section of the Compliance Supplement of OMB Circular A-133. For additional guidance see the Oklahoma Letter found at MDE's website:
http://www.michigan.gov/documents/mde/Oklahoma_Supplanting_Letter_233327_7.pdf

Another area of increased federal review is related to the priority ranking of Title I schools. In some instances, federal auditors found that allocating carryover funds violated priority ranking of Title I schools. Districts need to take care to track carryover in high poverty buildings.

LOW RISK AUDITEE DESIGNATION

Many districts received audit findings related to SAS 112 stating that district personnel did not have the expertise or knowledge to prepare financial statements according to GAAP. This was the correct way for the auditors to report this issue, rather than as a management letter issue or disregarding it. Unfortunately, if it was reported as a material weakness, the district is not able to be a low-risk auditee unless it applies for a waiver.

OMB Circular A-133 does permit waivers for the purposes of low-risk status (§__.530). Districts need to request waivers from either their cognizant agency or oversight agency for audit. Only districts expending more than \$25 million in federal funds each year have a cognizant agency (§__.400). The other districts have an "oversight agency" for audit (§__.105). The oversight agency for audit is the federal awarding agency that provides the predominant amount of direct funding to a recipient not assigned a cognizant agency for audit. The USDE would be the oversight agency for audit for most, if not all, of the districts.

This waiver process requires concurrence by the Michigan Department of Education (MDE). The Department has signed a generic concurrence letter for all districts to use. The concurrence letter can be found at the MDE website and in the Michigan School Auditing Manual.

Note: If you need a waiver, it should be requested as soon as you know that it is needed.

STATEMENTS ON AUDITING STANDARDS (SAS) 115

This statement supersedes SAS 112. The effective date is for all audits of financial statements for periods ending on or after December 15, 2009. Early adoption is permitted, though not recommended. It was issued to align the definitions and related guidance for evaluating deficiencies in internal control with the definitions and guidance in SSAE No. 15. SAS 115 revises the terms material weakness and significant deficiency and revises the list of deficiencies in internal controls that are indicators of material weaknesses, however, it no longer includes a list of deficiencies that ordinarily would be considered at least significant deficiencies.

OTHER

Consistency – Please be sure that balances are consistent in financial data submitted to the state (i.e., audit figures should match FID figures; special education reposting should also match FID figures). The financial data on the SEFA should agree with the financial statements and should balance. **Beginning**

accrued/deferred revenue balances should match the ending accrued/deferred revenue balances from the prior year.

The *Michigan School Auditing Manual* is available at: www.michigan.gov/mdeaudit . Questions about single audits or the *Michigan School Auditing Manual* can be directed to Gloria Suggitt at (517) 373-4591, or e-mail: suggittg@michigan.gov .

2009-2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (Financial Information Database – FID)

Due Date:

The 2009-10 comprehensive annual financial data will be collected electronically via the Financial Information Database (FID) and is due November 15, 2010. Sections 18(3) and 18(8) of the State School Aid Act set the legal mandate for this reporting and require MDE to withhold state school aid payments for non-compliance.

The FID continues to be the **only** submission option for fiscal year 2009-10 financial data. The Center for Educational Performance and Information (CEPI) is the entity responsible for collecting the data from districts. MDE will maintain responsibility for monitoring proper accounting and reporting by the districts. Instructions are available from CEPI. The website address is www.michigan.gov/CEPI ; choose MEIS Data Services, then FID.

Reminders:

ARRA – Under the American Recovery and Reinvestment Act (ARRA) public schools were awarded Budget Stabilization Funds. These funds were a dollar for dollar exchange of State for Federal Revenues. Accounting for the (ARRA) Education Stabilization funds should be as follows. The regular Section 22b revenue should be reduced by the amount of the Section 22b Discretionary Payment Adjustment showing on the front page of the State School Aid Financial Status Report. The adjusted amount will be reported as a reduction to revenue major class code 311-0010. Once the district has appropriately expended, drawn the ARRA Budget Stabilization funds from the Cash Management System, and met all district established revenue recognition criteria, its administration may record the federal ARRA Education Stabilization Funds revenue in major class "412-Unrestricted Federal Revenue Received through the State" with suffix code "0230-American Recovery and Reinvestment Act of 2009."

The Michigan Department of Education has met the federal requirement allowing our local educational agencies to consider the ARRA Budget Stabilization funds similar to local and State funds for purposes of calculating Maintenance of Effort. **For this reason, it is essential** that a district record the ARRA Budget Stabilization funds to the Financial Information Database (FID) using the codes indicated above. This will help us ensure that the district's FY 2011 maintenance of effort calculation is accurate.

The expenditures for the ARRA Education Stabilization funds should be recorded in the function and object for which the funds were utilized. The expenditure State Code is "641." Any other ARRA revenues should be reported as federal revenue in the major class code that best defines the way the funds were received by the district. To avoid the dreaded "January" letters from MDE, we encourage districts to utilize the appropriate Major Class/Suffix Codes on the revenues and function/object/state codes on the expenditures.

Fund Modifications – When a district moves funds from one governmental fund to another, the FID should show two records. The fund receiving the money would show a revenue major class code record beginning with “6” followed by the fund number of the fund disbursing the money. The fund disbursing the money would show an expenditure function record beginning with “6” followed by the fund number of the fund receiving the money. For example: The General Fund subsidizes the Athletic Fund. The General Fund would show an expenditure record 11-621-8110-\$50,000 and the Athletic Fund would show a revenue record 21-611-0000--\$50,000. The FID has an edit check built in to assure that district wide fund modifications out equals fund modifications in.

Budget Posting to the District’s Website – Language in Section 18(2) of the State School Aid Act requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website. Any amendments to the FY 2010 budget approved by the board will require posting to the website. The budget postings should include the General Appropriation Resolutions or budgets with notation indicating when they were adopted by the local school board. This should be done for all funds for which the board adopts a budget. The Michigan Public School Accounting Manual, Section IV contains further details.

The 2009-10 State School Aid Act, Section 18 (2), requires districts to include a “Budget Transparency Reporting” link on each district’s homepage. Guidelines for this reporting may be found in the *Michigan Public School Accounting Manual*, Section II, C.05 at the following URL: http://www.michigan.gov/documents/sc-ii_13265_7.pdf.

Supplemental Schedule – Districts that purchase services in an amount equal to or greater than 50% of their general fund current operating expenditures as reported on the 2008-2009 FID must complete a Supplemental Schedule of Purchased Services. The schedule will collect expenditure detail for services that are purchased from educational service providers.

Deficit Fund Balance - A district reporting a general fund deficit (negative fund balance before reserves) must notify the Michigan Department of Education as soon as the deficit is confirmed and should not wait until the FID report is filed. Section 102 of the State School Aid Act discusses deficit districts. **Districts adopting a budget deficit in the current year should notify MDE immediately.** The notification should be in written form and mailed to: Glenda Rader, State Aid and School Finance, PO Box 30008, Lansing, MI 48909.

State School Aid Revenue Recognition - State school aid unrestricted revenue reported on the 2009-10 financial data submission should be consistent with amounts shown on the district’s August State School Aid Status Report. Minor differences may occur as the result of accounts payable or receivable issues the district has established. Care should be taken to record the revenues in the appropriate funds and categories as discussed in the *Michigan Public School Accounting Manual Appendix*. Account numbers for State Aid may be found on our website at http://www.michigan.gov/mde/0,1607,7-140-6530_6605-21356--,00.html .

Transfer of Funds Between School Districts – There are three separate major class codes used to record pass-through funds received from another Michigan public school district. Local pass-through funds (Act 18, tuition, transportation, etc.) should be reported in revenues, major class codes 511-519. State pass-through revenues (state aid categoricals,

etc.) should be reported in major class codes 317-318. Federal pass-through revenues (IDEA, Title I, etc.) should be reported in major class codes 417-418.

Expenditures Made to Other Public Schools –Districts must record expenditures made to other public schools in the function code purchased. For example, business services should be recorded in function 252 and object 8290. Tuition paid to another public school will be recorded in function “1xx” and object 8210. Sub-grantee/Flow through to another Michigan k-12 public school district should be recorded in function “411-Pmt. To Another Public School-Subgrant/flow through distributions only” with object code “8510-Subgrant/Flowthrough disbursements.”

Medicaid Funds – The medical services or “fee-for-service” component of the Medicaid School Based Services program is not subject to the Single Audit Act of 1996. The “fee-for-service” component should be recorded as local source revenue by the district; the appropriate major class code is “181” or “519” if received through another public school. The Transportation component is now part of the Medicaid “fee-for-service” component. The Medicaid Administrative Outreach component is subject to the Single Audit Act and should be recorded as federal revenues by the district; the appropriate major class code is either “412” or “418” depending on how the funds are received by the district. (See the Medicaid compliance supplement in the *Michigan School Auditing Manual* for further information.)

Average Teacher Salary - Average teacher salary will be calculated by dividing the total dollar amount from functions 111-113 and object 1240 reported in the FID by the full-time equivalency reported in those same functions from the December 2009 REP. Please coordinate the reporting to assure reasonable average teacher salary computations.

Special Education Expenditures – FID expenditures for Special Education instruction (function 122) should be equal to or greater than the amounts reported on the SE4096, Allowable Special Education Cost Report. The comparison is done by object code category.

Debt Retirement Funds - The Uniform Budgeting and Accounting Act (MCL 141.422a) no longer requires districts to adopt a budget for debt retirement funds.

USF – Universal Service Funds – For non-material amounts, the districts should record the amounts as discounts. The district will only be billed for its share of service costs. The discount is separately billed to the USF. For material amounts, the districts should consider reporting the discount as revenue (major class code 192). These are not considered federal revenues. Amounts received in the current year for expenditures incurred in a prior year should be reported as local revenue (major class code 192).

Deferred Revenue – Any restricted federal/state grant funds received (i.e., At Risk, Adult Education, Title I, Title V...) remaining unspent at year-end should be recorded in the financial statements as deferred revenue (major class 471) rather than as a reserve of fund balance (major class 71x). This does not apply to funds that are awarded without restriction as to use. The logic is that restricted funds aren't earned until they are used for the restricted grant purpose. If the funds aren't used for the grant purpose in a subsequent year, they are due back to the grantor.

GASB 54 – For FY beginning 2010-11, GASB #54 has redefined fund balance categories. The new categories are included in the January 2010 update to the Michigan School Accounting Manual under Section II, E, OS, and the Appendix – Chart of Accounts, Balance Sheet, Major Class, pages 13 and 14.

Copies of the Michigan Public School Accounting Manual may be found on the Michigan Department of Education's website at: www.michigan.gov/mde under Keywords, Michigan Public School Accounting Manual. Questions regarding accounting issues may be addressed to Glenda Rader. Email: raderg@michigan.gov or phone: 517-335-0524.