Michigan Public School Accounting Manual
Frequently Asked Questions

Last Updated: July 2026

Revenue Questions and Answers

R1 From the ISD perspective, what is the appropriate classification for the distribution of Medicaid fee-for-service reimbursement from the ISD to the LEA?

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 "518" if received through another ISD, LEA or PSA. Transportation is considered "Fee for Service. The Medicaid Administrative Outreach components 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.) Funds that flow from one school district to another have the potential to be double counted as revenues and expenditures by multiple districts. Currently we would ask the ISDs who receive the funds to record the "fee for service" revenues as major class code "181." If the agreement with their local school districts is to distribute the funds to the districts as a sub-grantee, the payment to the school district would show as function code "411" and object code "8510." If the agreement with their local school districts is to distribute the funds to the districts as a vendor the payment to the school district would show in the appropriate function code (2xx) and object code "8220." The local school district receiving the funds should report the funds received from the "fee for service" as major class code "518."

R2 Why are there two penalty and interest on taxes revenue class codes (119 & 124)?

Major class code "119" is used to record penalties and interest on delinquent property taxes assessed by the public school (as defined in Major Class Code Header 110), while major class code "124" is used to record penalties and interest on appropriations received from other local units of government (as defined in Major Class Code Header 120). Penalties and Interest should be recorded separately from the actual receipt of tax dollars. (Tax would be millage rate times taxable value of property.)

R3 Some Michigan districts receive 2% gaming grant money from Native American organizations. Would you identify the function code to use for expenditures? The money is used for a variety of purposes (e.g., tutoring and student assistance for Native American students).

2% Gaming Grant is an unrestricted revenue source. That means districts may use them in any of the function codes. We recommend that districts use major class code "211" for reporting the revenue. The function code used will depend on how the district expends the funds. If used for classroom instruction, the code would be in the 111-137 range. If used for support services, the codes would be in the 211-299 range.

R4 Where should the following tuition/other revenue be recorded?
1) Driver's Ed for our students only
2) Band camp for our students only
3) Summer school for our students only
4) Various school activities
5) Fees collected from individuals for transportation"

Revenue collected from pupils as fees for these student activities should be recorded in the appropriate local revenue. Tuition is recorded in major class code "131." Admissions, Dues and Fees are recorded in major class "17x." Driver's education programs that are considered community services should be recorded in major class code"181." Expenditures: Driver's education – If part of high school curriculum use function "113" If part of Summer School, use function "119". If part of community services, use function "3XX." Band Camp – Use function 111-113 for recording expenditures related to instruction. Summer School – The function code for recording summer school instruction is "119". Various school activities - One of the major class codes under the Header "170-Revenue from Student Activities. Transportation fees-Transportation fees collected from pupils should be recorded in major class code "141-Tranportation Fees"

R5 Which revenue suffix codes should be used for funds received by an ISD from the Office of MI Works?

There is no specific revenue suffix code for Michigan Works grants. Are these funds used for adult education? If so, use suffix "0030." There are Grant codes listed in the Appendix for grants. If there isn't one for the particular grant you are looking for, contact Christopher May (517) 335-1263 to assign a new grant code. When calling, it would be helpful to include the CFDA number and name for the grant program.

R6 Which major class code should be used to record payments received from other public schools participating in an enterprise fund?

"Revenues received from other public schools to fund an enterprise fund should be recorded in Major Class Code "195-Revenues Received from Services Provided to Other Public Schools."
All of the costs related to the activities provided by the enterprise fund should be recorded in the governmental funds for either your district or the other participating district under the function and object purchased.

R7 In the revenue suffix, do we need to use the suffix numbers listed or may we use the expenditure Grant codes that apply to Title I, Class Size Reduction, etc., to tie revenues and expenditures in related numbers?

In recording revenues, we recommend that you use the suffix codes listed in Michigan Public School Accounting Manual. At this time, there are no plans to use suffix codes from 1000 to 9999. Thus, suffix codes 1000 – 9999 are available for local reporting options.

R8 Which Major Class Code should be used for proceeds from a school bond loan?

Proceeds from a School Bond Loan may be deposited into a Capital Projects Fund, major class code "595." Refinancing Proceeds should be reported in major class code "596" within a Debt Service Fund.

R9 Which function code should be used for paying "agents" requesting reimbursement on behalf of pupils taking driver's education from an outside source? The driver's education course is not offered by the district; however, the district receives the revenue and passes it along to the entity that provides the training. How should the revenue for this be recorded?

Basically it will depend on the district's role in the training. If it is acting in a fiduciary capacity, the funds would never hit the revenue major class code or expenditure functions; instead they will be handled as balance sheet accounts. The district would record the receipt of funds as a debit to cash and an offsetting accounts payable. When the liability is paid, reverse the entry.

R10 Our district received $50,000 from Adult Education Section 107 this year, but only spent $40,000. How do we record the revenue for this year?

As the State Aid is received, record a credit (50,000) in 11-0-312-0030. At year end record a journal entry to move the unused portion of the revenue to unearned/unavailable revenue (a balance sheet liability account). Do this by recording a debit to revenue 11-0-312-0030 and credit to balance sheet 11-2-47x for $10,000.

R11 How does a district record prior year adjustments for taxable value changes appearing on the second page of the State Aid Status Reports?

The amounts that appear as prior year adjustments on the State Aid Status Reports are normally the result of taxable value adjustments made by the local county treasurer within the last month. Because of the way per pupil foundation allowances are paid to the districts (combination local tax collection and state aid), the revenue associated with the prior year adjustment should already have been recorded in a previous fiscal year. In most cases, the district would simply be reclassifying the funds received in a prior year from state to local, or local to state. There should be relatively no effect on the current year revenue or expenditure accounts.

For example, when a local treasurer reduces the non-homestead taxable value in the On-Line Taxable Value System, he/she would most likely send the district an invoice requesting that the district reimburse the over collection of tax related to that property. The State Aid Office picks up the new taxable value amount and processes a State Aid payment that will reimburse the district for the loss of local revenues.

We encourage districts to reconcile the receipt of tax collection funds by tax year with the amount showing in the On-Line Taxable Value System to ensure that the district is receiving the appropriate amount of local and state revenue related to the foundation allowance. Immediately contact the local treasurer if there is a discrepancy to ensure that the district receives the appropriate amount of tax dollars to which it is entitled.

In most cases the districts should record the prior year transaction as follows:
Debit Balance Sheet Account – Due From State
Credit Cash
When it pays county for reimbursement of over collected prior year tax
Reverse that transaction when the State Aid is received.
Occasionally (very rarely) there will be a situation where there is no offsetting payment to/from the local treasurer. In those cases, the Michigan Public School Accounting Manual has established some prior year adjustment accounts. For immaterial amounts use major class code "552-non material revenue from prior year" or "492- non material expenditure from prior year." For material amounts use the major class code "551-material prior year revenue adjustment" or "491-Material expenditure prior year expenditure adjustment.

R12 Where may I find the Account Codes to be used for recording various State School Aid Revenues?

The MDE guidelines "Accounting for the 20xx-xx State Aid Revenues" may be found at:
http://www.michigan.gov/documents/saacct03_45776_7.pdf

R13 How do I code Build America (Qualified School Construction Bonds) and QZABS?

Do you actually receive a subsidy payment from the federal government to pay the interest on your QZAB?
If so, then you should report the funds as "419-Other Federal Revenue" on both the FID and in the Financial Statements. The funds would not be subject to single audit, and for that reason, the district will record a reconciliation of the federal revenues reported in the financial statements to the SEFA. When MDE compares the Audit to the FID, we look at the federal revenues reported in the Financial Statements on the Audit, not the SEFA.

If on the other hand, you are simply recording interest earned on a cash account associated with the QZAB debt service required escrow – The interest will be recorded as "151-Earnings on Deposits."

R14 How should my district record E-Rate revenue?

E-Rate is considered federal revenue but is not subject to Single Audit and should not appear on the Schedule of Expenditures of Federal Awards (SEFA). E-Rate revenue should be recorded under Major Class Code 491, Suffix 0000 and expenditures under the appropriate Function-Object Code combination(s) based on how the funds are used. Please note that previous guidance directed districts to net E-Rate discounts/refunds with associated expenditures, but the Supreme Court has since clarified that this is federal revenue and should be recorded as such.

R15 How do I record payments received from another public school (ISD, LEA, PSA) in both my general ledger and in the financial statements?

Local Funds:
511-Tuition Payments
512-Transportation Payments
513-ISD Collected Millage
518-Compensation Received in Payment of Services Rendered
519-Other Distributions

State Funds:
317-Restricted
318-Unrestricted

Federal Funds
417-Restricted
418-Unrestricted

Local source revenues (511-529) received through another public school should be recorded under local source revenues in the budget and in the financial statements.

State source revenues (317-318) received through another public school should be recorded under state source revenues in the budget and in the financial statements.

Federal source revenues (417-418) received through another public school should be recorded under federal source revenues in the budget and in the financial statements.

R16 How should extra-ordinary insurance proceeds and those pesky prior year state aid reimbursements appear on the districts' financial statements?

Record the extra-ordinary reimbursements (54x) under local source revenue on the financial statements. See question R11 and question E50 for the appropriate accounting for prior year tax adjustments showing on the State Aid Status Reports. In certain scenarios it may be appropriate to use Major Class Code "552- Non Material Prior Year Adjustments". Please work with your auditor to determine if this is the proper treatment in those cases.

R17 Some LEAs and ISDs serve as authorizers for PSAs. How should the State Aid payments these authorizers receive be accounted for as to not overstate their own revenues?

The full amount of a PSA's State Aid payment received by the authorizer should be recorded in the General Fund under Major Class 518, Suffix 0000. Then, when sending/wiring those funds to the PSAs' accounts, this same revenue account is to be debited in that amount (typically the PSA's full payment minus the 3% authorizer fee the authorizing LEA or PSA is entitled to retain). Aside from other activity this revenue account may have throughout the year, this approach leaves the revenue activity of that account both monthly and at year-end as only the sum of authorizer fees retained for oversight costs.

Expenditures Questions and Answers

E1 Which function and object should be used for Assistant Superintendents?

Some districts use the title assistant superintendent, others use director. For consistency, if the position can be directly related to a specific function (business, facilities, human resources, etc.) use the specific function and then the object "1120-Assistant Superintendent." You may want to divide an employee's salary between multiple functions based on the amount of time spent on each function. Use either object code "1120" or "1310" depending on the position description of the employee. If the assistant superintendent serves multiple functions and helps establish entity wide policy for the district use the "232-Executive Administration" function code.

E2 Which function and object code should be used for recording dual enrollment payments to universities and colleges.

The function code would be high school classroom instruction (113) and the object "3710-Tuition."

E3 Which function and object codes are suggested for the payment for services not considered performed by professionals (e.g., such as lawn service companies, mail service, election workers, etc.)?

The header record "4100" includes the upkeep of grounds. Use object code "4190- Other" for recording lawn services. Purchased services associated with lawn service should be coded to function "261" and object "4190." Mail Service should be coded to function "2xx" and object "3430." Election costs should be coded to function "231."

E4 Title I and At-Risk funds are federal and state dollars, respectively, and each requires a separated report, why are they lumped together in #125? What coding is suggested for keeping the grant expenditures separate?

Title I and At Risk are grants rather than functions. The grant code dimension should be used for distinguishing grants. For example, an expenditure for classroom teacher salary funded by Title I would be coded 11-125-1240-000-601x while an expenditure for classroom teacher salary funded by At-Risk funds would be coded 11-125-1240-000-306x. There are multiple other function and object code combinations that could also be used to meet the objectives of a Title I or At-Risk grant. For non-classroom instructional expenditures associated with these grants, use the appropriate function and then a grant code to distinguish. Using the grant code dimension allows much more flexibility in reporting by grant source.

E5 We run an off-site instructional program for our county's juvenile detention facility. The grades range from 6th - 12th. What function code would we use for this program (our special education director oversees the teacher in that classroom but the students are classified as general education? FTE's)?

Programs may have multiple functions and object code designations. Expenditures for teachers in these programs will depend on how the teacher and students are classified (k-12/special education) in other core datasets (REP/MSDS). Use the same function to record associated salary and benefit expenditures. Costs associated with the special education director would be charged to function code "226."

E6 Under which function should a teacher consultant be coded?

Teacher consultants as defined in Michigan Department of Education Special Education Administrative Rules should be recorded in function code "218." Mentor teachers and other classroom instructors should be recorded function code "221-Improvement of Instruction."

E7 The Accounting Manual indicates four positions for the "grant code," the appendix only shows three positions?

The fourth position of the Grant code may be used to designate fiscal year or multiple grants with the same CFDA.

E8 Which function and object should be used for payments made to another Michigan public school district for services rendered?

Services purchased from another public school should be recorded in the function being purchased with object "8220- Payment to another public school for services rendered." For example; if a district is purchasing transportation services from another public school, the purchasing district would record an expenditure in function "271-Transportation Services" and object "8220."

E9 Which function and object should be used for flow-through, sub grantee payments to another Michigan public school?

Payments made to another public school as flow through or sub grantee should be recorded in function "411-Payments to Other Public Schools" and object "8510-Sub grantee disbursements."

E10 Can we really use program codes to further define our object?

We would discourage districts from using the program code dimension to further define expenditures unless the program code aligns with either the state or federal chart of accounts. There is no current plan to collect program level expenditures, but no guarantee that it won't be collected in the future.

E11 Under which function code should we code alternative education expenditures?

Alternative Education is a program rather than a function. Classroom Instruction costs associated with Alternative Education should be recorded in function code "112-Middle/Jr. High School" or "113-High School." For non-classroom instructional expenditures, use the appropriate function and then a program or grant code to distinguish as alternative education.

E12 Which function should be used for a technology coordinator (district-wide position)?

Use function code "284" for a district-wide technology coordinator.

E13 Which object code would be used when staff travel to other districts for school visits? What object code would be used when staff attends meetings out of the district? These activities are not necessarily workshops.

Use object code "3210-Cost of Travel" for recording costs associated with staff attending meetings or doing site visits.

E14 Our district codes all employee insurance expenditures under object 2100. What do you suggest we use as an object code for these expenditures if we don't need to separate them by Dental, Vision, Life, etc.?

We encourage districts to distribute the dental, vision, and life insurance expenditures to the third position of the object code within the district's internal accounting system.

E15 We have classified gifted and talented under function code 129. These expenditures are not compensatory, what function codes should we use for these expenditures?

"Gifted and Talented" is a program rather than a function. For classroom expenditures use a basic instruction function (111, 112, and 113) and then a program or grant code for distinguishing the expenditure as "Gifted and Talented." For non-classroom instructional expenditures, use the appropriate function and then a program or grant code to distinguish.

E16 Would Michigan Virtual University (MVU) classes be coded as Function 112 or 113?

Michigan Virtual University classes should be considered a program rather than a function. For classroom expenditures use a basic instruction function (111, 112,113) and then a program or grant code for distinguishing the expenditure as MVU. For non-classroom instructional expenditures, use the appropriate function and then a program or grant code to distinguish.

E17 Could you clarify where we charge conferences and other professional and support staff training? Is it only the instructional staff that uses Function 221?

According to the federal manual, professional development and in-service training costs for instructional staff are to be charged to function code "221." All other non-instructional staff professional development and in-service training costs should be coded to "283." The Michigan Public School Accounting Manual is consistent with the federal manual.

E18 Which function code should be used for textbooks?

Textbooks should be recorded in the function code for instruction. Functions 111-137. Bond proceeds may not be used to purchase textbooks.

E19 In coding sinking fund expenditures, should I use function code "261-Operations and Maintenance" or "452-Site Improvement Services?"

We would recommend that districts use the "45X" series for recording activities associated with sinking funds. Function "261" is used for recording ongoing and routine custodial and janitorial services. Sinking funds may not be used for routine operations and maintenance.

E20 Which function/object code do we use for indirect expense?

We assume you are asking how to recover the costs of the indirect cost pool from grants, etc. since the actual costs for the administrative costs that make up the indirect cost pool have already been charged as expenditures in the business services, central service, and to a limited extent general administration and operations/maintenance functions. The Michigan Department of Education calculates the Indirect Cost Rate each year based on the expenditures reported on the prior year's FID. Districts should not be coding additional charges to the general ledger for recovering these costs. Here at MDE, we choose to use what we refer to as "memo" transactions that allow us to collect grant dollars for the grants fair share of the indirect charges but do not duplicate the expenditure or offset a function that will be used in a future year for calculating indirect pools. Administrative costs must be coded to the appropriate function and object code. See Section II, E.03 of the Michigan Public School Accounting Manual for Recommended Accounting for Indirect Costs.

E21 Where should the fiscal agent fees for PSAs be recorded?

"The fees PSAs pay to their chartering agency for oversight, should be recorded as an expenditure in General Administration, and then a purchased service object. Fees paid by a PSA to another public school for providing services should be charged to the appropriate function and object ""8220.""
The district receiving the funds as the authorizing entity will be recorded in the "518-Compensation Received in Payment of Services Provided to Other Public Schools."

E22 Please distinguish the difference between a transfer vs. a sub grantee situation for funds flowing from an ISD to a local district.

Basically a sub-grantee's responsibility is to help the recipient meet the requirements of the grant and the sub-grantee's performance would be measured against the objectives of the grant. In a vendor (transfer) relationship, the vendor must simply meet the terms of the procurement contract. In a sub-grantee situation, the sub-grantee would provide the grantor with cost reports showing how the funds were spent to accomplish the grant objectives. The grantor would be responsible for monitoring that the funds were spent for that objective at the sub-grantee level by collecting costs reports. In a vendor situation, the vendor would simply send a bill saying you owe us this much according to the terms of the contract.

E23 Which function and object codes should be used for student field trips (Fees, Travel, etc.)?

"If the field trip is related to instruction, code in the instructional function codes 111-137. Many districts desire to keep these costs separate by building or program. We recommend using the facility, program, or other dimension of the account structure to distinguish.

If the field trips are related to instruction, the admission fees should be recorded in the instruction function object code "4910." Transportation expenditures associated with field trips should always be recorded in function "271-Pupil Transportation." Transportation expenditures associated with pupil activities or athletics may be recorded in the appropriate 29x Function. If your district keeps track of these expenditures by building or programs, we recommend using the facility, program, or other dimension of the account structure. The object will depend on the type of service or commodity received."

E24 (1) Which object code should be used for cash in lieu of health insurance, or for Health Savings Account paid by district? (2) Which object code should be used for early retirement benefits? (3) Which object code should be used for board paid annuities? (4) Which object code should be used for paying service credits for employees?

"(1) Use object code "2920-Cash in Lieu of Benefits."
(2) The object code for Early Retirement Incentives in "2210."
(3) Use object code "2990" for board paid annuities.
(4) It depends on the contract. Most likely it will fall into the ""29xx-Other Employee Benefits"" object."

E25 Are water/sewage costs moving to supply account numbers?

No. Both the state and federal accounting manual continue to include water/sewage as a purchased service. Object Code "3830- Water /Sewage"

E26 Which function and object codes should be used for summer tax collection fees?

Use function code "259" for summer tax collection fees, object code "7410."

E27 Which function should be used to record extra contractual added duty pay for staff that acts as student advisors/coaches?

Extra-contract compensation should be charged to the function being performed then object code "19xx."

E28 Which function should be used to record senior class sponsor, rental of facility for commencement, diplomas, awards, etc.?

A Senior Class sponsor would be coded as a co-curricular activity under function "113." Commencement costs, diplomas, awards, and other costs associated with graduation should be charged to function "249."

E29 Please explain the grant code. What is the difference between that and the program code?

Grant codes are used to distinguish grants or funding sources (Title I, IDEA, State Aid Categoricals, Etc.) A program may include a group of grants to accomplish an allied set of objectives. Programs include: Special Education, Vocational Education, Gifted and Talented, Bilingual, etc.

E30 Which function should be used to record costs associated with club and class advisors?

The federal accounting manual lists co-curricular activities in the instruction categories functions 111-135. To be consistent, The Michigan Public School Accounting Manual does the same.

E31 Which object code should be used for scholarships?

A distinction should be made between admission fees paid on behalf of students, and scholarships paid through a trust fund for pupils to attend universities. For admission fees paid through a governmental fund, use object code "4910." For tuition to another public school, use "8210." Scholarships paid with Trust Funds should be recorded in a Trust Fund (Funds 51-59).

E32 Which function and object should be used for things like band/choir/debate team fees associated with competitions?

If part of the general fund, these activities should be coded to the instruction functions. The object code will be "7410-Dues and Fees." Non-technical/non-payroll individuals should be charged to object code "4910."

E33 Is object code 1140 (a salary code) appropriate to use in coding stipends paid to board members?

Yes, object code "1140-Board Member" is appropriate for per diem and stipend payments paid to board members.

E34 Which object code should be used for payments to Michigan colleges for personnel recruiting fairs?

Object code "3510-Advertisement" should be used for activities promoting the district.

E35 Which function and object should be used for recording supplies used by a district food service department subsequently used for catered events servicing other functions or entities?

If these activities are handled in the School Meals Fund versus an Enterprise or Internal Service fund, we would recommend that districts use some other dimension of the account structure to indicate that food supplies are to be used for catering activities. Districts may use a program code to distinguish catering activities. Caution should be used as that dimension is specifically defined in both the state and federal manuals. This may require the creation of an accounting issue and resolution for the manual.

E36 Which object code should be used for recording actual unemployment payments?

Costs related to unemployment should be allocated to the affected functions with object code "2850-Unemployment Compensation."

E37 Where should a district record "special assessments" (both function and object code)? Assessments paid to the townships for things like street lighting, fire, and curbs along with taxable property the districts hold.

It should be recorded as a site improvement function "452-Site Improvement Services." The object code would be "7410."

E38 Which function code should be used for NCA Accreditation fees?

NCA Accreditation fees are considered "221- Improvement of instruction function."

E39 Should we consider In-School Suspension to be part of the instruction function?

Yes.

E40 Is there a Depreciation Expense function and object for use in the district wide statements?

Yes, we have assigned function code "711" for Depreciation Expense for use in the non-governmental funds. The object code is "7710-Depreciation." Governmental Funds do not record depreciation.

E41 May we account for school buses in a capital projects fund?

It depends on the Capital Project Fund. If voter approved you may use the fund for buses. The Michigan School Accounting Manual allows you to record function code "271-Pupil Transportation" in the 4x- Capital Projects Fund.

E42 Which object code should be used for recording uniforms?

If you are renting the uniforms, use object "4290-Other Rentals." If you are purchasing them, use "5990- Other Supplies."

E43 How should an individual who performs two/three different functions be recorded?

We recommend splitting the employees costs between the functions relative to the time spent performing the various functions.

E44 What is the proper coding for recording substitute teachers while regular teachers attend professional development?

We recommend using the "221-Improvement of Instruction" function. The object code will depend on whether the substitute teacher is an employee or purchased service.

E45 Should administrative staff be charged to the same function as the professional staff they serve?

Yes, for example both the special education director and the special education director's secretary would be charged to function "226- Supervision and Direction of Instructional Staff."

E46 Please explain the difference between object codes "3120" and "3220?"

Object Code "3120" is used when a district hires a trainer to come in and train district staff while "3220" is used to pay for expenditures to send an employee to conferences and workshops off site.

E47 How do I record fund modifications between governmental funds?

When moving funds from one governmental fund to another governmental fund use the function codes and major class codes that begin with "6." The second and third digits of the function and major class code indicate the fund number of the fund the dollars are coming in from or going to. For example when moving funds from the General Fund to the School Lunch fund, Debit 11-1-625-8110 (General Fund Expenditure to the School Meals Fund) and Credit 25-0-611-0000 (School Meals Fund Revenue from the General Fund).

E48 Which object code should be used for software licenses/agreements and software maintenance agreements?

See object code "3450- copyright fees and software licenses." If the district is paying a maintenance agreement on software use object code "4140- Software Maintenance Agreements."

E49 Which function should be used for Title I Parental Involvement functions?

Use function "331-Community Activities" for Parental Involvement Activities.

E50 How does a district record prior year adjustments for taxable value changes appearing on the second page of the State Aid Status Reports?

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For example, when a local treasurer reduces the non-homestead taxable value in the On-Line Taxable Value System, he/she would most likely send the district an invoice requesting that the district reimburse the over collection of tax related to that property. The State Aid Office picks up the new taxable value amount and processes a State Aid payment that will reimburse the district for the loss of local revenues.

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Occasionally (very rarely) there will be a situation where there is no offsetting payment to/from the local treasurer. In those cases, the Michigan Public School Accounting Manual has established some prior year adjustment accounts. For immaterial amounts use major class code "552-non material revenue from prior year"

or “492- non material expenditure from prior year.” For material amounts use the major class code “551-material prior year revenue adjustment” or “491-Material expenditure prior year expenditure adjustment.

E51 Where/how should fingerprinting costs be recorded?

Use function code “283-Staff/Personnel Services” for recording fingerprinting costs. The object will depend upon who and how the district is paying for the costs. It may be a stipend to an employee (2390), a contracted service with an outside vendor (3190), a contracted service from another public school (8220), or a fee per fingerprint service (7410).

E52 How do I record the cost associated with installing equipment?

The initial installation of equipment would be recorded along with the equipment to the function benefitting from the equipment. For maintenance agreements and subsequent repairs on the equipment, report under function “261-Operations and Maintenance.”

Balance Sheet Questions and Answers

BS1 Which function code should be used for paying "agents" requesting reimbursement on behalf of pupils taking driver's education from an outside source? The driver's education course is not offered by the district; however, the district receives the revenue and passes it along to the entity that provides the training. How should the revenue for this be recorded?

Basically it will depend on the district's role in the training. If it is acting in a fiduciary capacity, the funds would never hit the revenue major class code or expenditure functions; instead they will be handled as balance sheet accounts. The district would record the receipt of funds as a debit to cash and an offsetting accounts payable. When the liability is paid, reverse the entry.

BS2 Our district received $50,000 from Adult Education Section 107 this year, but only spent $40,000. How do we record the revenue for this year?

As the State Aid is received, record a credit (50,000) in 11-0-312-0030. At year end record a journal entry to move the unused portion of the revenue to unearned/unavailable revenue (a balance sheet liability account). Do this by recording a debit to revenue 11-0-312-0030 and credit to balance sheet 11-2-47x for $10,000.

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The amounts that appear as prior year adjustments on the State Aid Status Reports are normally the result of taxable value adjustments made by the local county treasurer within the last month. Because of the way per pupil foundation allowances are paid to the districts (combination local tax collection and state aid), the revenue associated with the prior year adjustment should already have been recorded in a previous fiscal year. In most cases, the district would simply be reclassifying the funds received in a prior year from state to local, or local to state. There should be relatively no effect on the current year revenue or expenditure accounts.

For example, when a local treasurer reduces the non-homestead taxable value in the On-Line Taxable Value System, he/she would most likely send the district an invoice requesting that the district reimburse the over collection of tax related to that property. The State Aid Office picks up the new taxable value amount and processes a State Aid payment that will reimburse the district for the loss of local revenues.

We encourage districts to reconcile the receipt of tax collection funds by tax year with the amount showing in the On-Line Taxable Value System to ensure that the district is receiving the appropriate amount of local and state revenue related to the foundation allowance. Immediately contact the local treasurer if there is a discrepancy to ensure that the district receives the appropriate amount of tax dollars to which it is entitled.

In most cases the districts should record the prior year transaction as follows:
Debit Balance Sheet Account – Due From State
Credit Cash
When it pays county for reimbursement of over collected prior year tax
Reverse that transaction when the State Aid is received.
Occasionally (very rarely) there will be a situation where there is no offsetting payment to/from the local treasurer. In those cases, the Michigan Public School Accounting Manual has established some prior year adjustment accounts. For immaterial amounts use major class code "552-non material revenue from prior year" or "492- non material expenditure from prior year." For material amounts use the major class code "551-material prior year revenue adjustment" or "491-Material expenditure prior year expenditure adjustment.

BS4 How do I record grant funds received that do not meet the availability criterion under GASB #33? (Michigan Public School Accounting Manual, Accounting Issues, Section 2, E.02)

On the balance sheet, record a debit in Major Class Codes 120-140 (depending on the source of the funds), and a credit in Major Class Code 472 - Unavailable Revenue.

BS5 Currently long term debt (e.g., bus notes) is not included in the governmental funds balance sheet. Other financing sources and use codes designate debt proceeds and principal payments expended in the year paid. Are we now converting to recognition of the long-term note on the balance sheet w/principal payments being charged against that liability? (i.e., code 561)

"NO & YES.
For purposes of fund accounting, budgeting, and reporting, there is basically NO change in the reporting, or lack thereof, for long term debt. Prior to GASB 34, long term obligations were not recorded in the fund level accounts instead they were reported on the financial statements in the long term debt group of accounts. With GASB 34, there is no change in the reporting of debt in the funds. Long term obligations will NOT be reported in general fund, school service funds, debt funds, or capital projects funds. However, there is one change. The long term debt group of accounts is no longer used. Instead, long term debt is recorded in the District-wide financial statements which are full accrual basis. The long term liabilities in major class code 500 through 591 are available for reporting these district-wide liabilities.

BS6 Are the district- wide "funds" reported through FID?

Districts may choose to report GASB 34 transactions in their general ledger in fund 91 (long term assets) or fund 92 (long term liabilities). Other districts may wish to keep these details on a separate system, such as, a spreadsheet or on capital asset software. The FID process expects districts to either upload this data from their general ledgers or key enter it separately if not recorded in the general ledger.

BS7 How do I track district-wide revenues and expenditures for reporting under GASB-34?

The 1022 Committee has not discussed any uniform method in the chart of accounts for categorizing GASB 34 revenues for the Statement of Activities. Most districts will have to break down revenues into the following categories for the audit:

Charges for services, e.g.:
- Tuition
- Fees
- Gate receipts
- School lunch receipts

Operating grants, e.g.:
- Title I
- At Risk
- Special Education IDEA

General Revenues, e.g.:
- Property taxes
- State Aid, unrestricted
- Investment (interest) income

In addition, there will be further breakdowns for Charges for services and operating grants as to which program(s) they support, such as, Instruction, Support Services, Food Services, Athletics, or other programs.

Districts that wish to use their General Ledger to distinguish the various reporting categories may wish to use the “Other” segment of the chart of accounts to keep track of the detail.

Revenues that are unique to GASB 34, i.e., that are reconciling items between full accrual and modified accrual may be accounted for in long term assets in fund 91. For instance, property taxes that are collected more than 60 days after fiscal year end could be accrued for GASB 34 (along with the related allowance for doubtful accounts) and recorded as revenue in Fund 91.

BS8 Is the short term compensated absence liability to be combined with the long term compensated absences liabilities in class code "581"?

The short term portion of compensated absences should be recorded in major class code 462.

BS9 How should we record Compensated Absence Payments?

See Michigan Public School Accounting Manual, Section II, E.01 for guidance on recognition and measurement of certain liabilities and expenditures.

Data Reporting Questions and Answers

DR1 In the future, is there a plan that would eliminate the need for us to file special and vocational education cost reports, etc.? In other words can this information simply be obtained from the FID?

Beginning in Fiscal Year 2009-10, the FID system edits the State/Grant Code. The School Meals office will use FID data to distribute State School Breakfast and Lunch funds to districts. The grant period and fiscal year differ for many grants making it difficult to combine the Final Grant Expenditure and FID reports.

DR2 We are concerned about the 26 digit account length. What is the minimum account length which meets the FID requirements?

The minimum length necessary to meet current FID requirements is 26 positions.
Districts must follow the Michigan School Accounting Manual Chart of Accounts to comply with state law (MCL 388.620, MCL 380.1281, MCL 141.436)

DR3 Can I eliminate the transaction code (1 digit), the project (3 digits) and the grant code (4 digits) and anything else? Is there some long term danger in eliminating these codes?

We would recommend that districts maintain the standard program and grant code information in their accounting systems. This information is used by districts to complete various grant and program reporting (Special education cost reports, DS4044s, Transportation Cost Reports, etc.)
The FID edits the expenditure grant code to the third position beginning with fiscal year 2009-10.

DR4 Are the district- wide "funds" reported through FID?

Districts may choose to report GASB 34 transactions in their general ledger in fund 91 (long term assets) or fund 92 (long term liabilities). Other districts may wish to keep these details on a separate system, such as, a spreadsheet or on capital asset software. The FID process expects districts to either upload this data from their general ledgers or key enter it separately if not recorded in the general ledger.

DR5 In the expenditure layout is the school code the state assigned five-digit number for the school or a building code?

The school code is a five-digit state assigned code used to designate a particular building or administrative unit within the district. The Center for Education Performance and Information (CEPI) maintains the system housing the Education Entity Master (EEM).

DR6 If CEPI is not going to edit the program code in the expenditure account structure, what happens if we decide not to use them? Are there any long term disadvantages to not using those fields?

The long term disadvantage to not using the program codes listed in the Michigan Public School Accounting Manual may be that at some date in the future we may be reporting special education, vocational education, transportation, etc. reports electronically. In order to prepare these manual reports currently, districts must have some method of tracking these costs and revenues separately. We encourage districts to use the standard chart of accounts in the Michigan Public School Accounting Manual.

DR7 The fund structure designates only nine special revenue funds (21-29). Some of the fund numbers in that range are already designated by set funds (i.e. the school lunch fund is fund #25). Several of the funds are currently used by our district and several are not, like the bookstore fund. We have around seven or eight

special revenue funds in our district. How can we designate those funds in the 21-29 range if most of them are already used and there are not enough "free" fund numbers available?

We will only accept fund codes that follow the standard definitions in the Michigan Public School Accounting Manual. Districts will need to report non-standard funds in one of the standard codes (general, special revenue, debt, capital project, trust, enterprise, or internal service) currently available in the manual.

DR8 Our Headstart program requires local districts to have in-kind match. Where should these expenditures and revenues be recorded?

Expenditures should be recorded by the district that incurred them in the function and object for which they were spent. If an ISD/LEA is a sub-grantor, they may need to request additional grant expenditure reports from the sub-grantees documenting that match has been met. Districts may need to set up an additional dimension in their expenditure records to show match of a particular grant.

DR9 We have a unique situation where one district runs an Alternative High School (hires staff-all accounting). However, the building belongs to and is kept up (utilities-custodial-maintenance) by a different district. How would we report this? And, will the system allow the fiscal agent to report on a building code from a different district?

Report the costs consistent with the way the employees are reported to the REP and pupils to the MSDS. Districts may submit a school code for a building in another district. A warning will appear reminding the user that he/she is reporting a school code outside the district.

DR10 For shared time expenditures I am currently using the high school building code. Is this OK?

Report the costs consistent with the way the employees are reported to the REP and pupils are reported to MSDS.

DR11 Some funds may not be used by LEAs and PSAs, which funds are they?

The asterisks in Michigan Public School Accounting Manual indicate limited use of a fund. Special Education Funds are used by intermediate school districts and ONLY those local school districts that operate a county-wide special education center program.

DR12 Should food services for programs that are provided in a building that is not assigned a building number be included in "00000" for the facility code (i.e. latchkey, childcare and/or pre-school)?

Only Instruction functions “1xx” and School Administration “241, 249” are required to be reported at the building level. Districts should consistently report financial data at a building level with staff and student data reported in the REP and MSDS.

DR13 We have many more expendable and non-expendable funds than 5. What do we do, or how do we present them?

We suggest reporting the major or more significant expendable and non-expendable trust funds as a separate fund. Group the smaller funds together in one fund and use another segment of the chart of accounts, perhaps other, to keep track of the individual balances of these smaller funds.

DR14 If the number of scholarship funds exceeds the fund numbers available what are the options?

If the other segment of the account is not convenient for this purpose, you may wish to consider using a program code from 001-099 or 600-999. At least at this time, only program codes from 001-599 are listed in the Michigan Public School Accounting Manual. While we know of no plans to require additional program codes in the future, keep in mind that if you use the program code for this purpose you may have to change at some uncertain date in the future.

DR15 We use quicken software to do our agency accounts. My understanding is we can continue this and CEPI will allow us to key in the total revenue, expense, fund balance manually. Is this true?

Required Agency Fund financial data may be keyed or uploaded to the FID.

DR16 How do I acquire a new chart of accounts manual?

The electronic version of the Michigan Public School Accounting Manual may be found at:
http://www.michigan.gov/mde/0,4615,7-140-6530_6605-21321--,00.html
The Appendix to that Manual includes the current chart of accounts.

DR17 Does the revised chart of accounts apply to charter schools?

Yes, the Chart of Accounts applies to all Michigan Public Schools, including Public School Academies. The Michigan Revised School Code Section 380.1281 cites the entities that must comply with the manual.

DR18 Where do I get the School Codes to use for reporting?

The Educational Entity Master is available on CEPI's website at: https://cepi.state.mi.us/eem/

DR19 Under which Fund should a district code REMC and Math/Science Centers? Are they a "required" separate fund or could they be coded in the general fund as a program or grant?

Districts may keep these funds separate in their general ledger, but for reporting to the FID they should be recorded in one of the defined fund codes.

DR20 How should we record Compensated Absence Payments?

See Michigan Public School Accounting Manual, Section II, E.01 for guidance on recognition and measurement of certain liabilities and expenditures.

DR21 Should object codes for instruction be included for community service activities?

Yes, however care should be taken when making the determination of whether an activity is community service or instructional in nature. A good rule of thumb would be to determine if the class counts toward hours of instruction as defined in the Michigan Department of Education Administrative Rules 340.10.

DR22 Does the FID allow entry of objects with anything other than the functions shown as allowable in the Michigan Public School Accounting Manual?

No. The FID is programmed to align with the code combinations shown in the Manual.

DR23 How are district-wide classroom instruction expenditures to be reported in the FID?

According to the FID FAQS document, Question 11, a portion of classroom costs may be reported as district-wide.

DR24 Where may I find the MDE Guidelines regarding Budget Transparency Reporting?

The MDE guidelines for Budget Transparency Reporting may be found at:
http://www.michigan.gov/documents/mde/Budget_Transparency_Reporting_327912_7.pdf

Financial Statements Questions and Answers

FS1 How do I track district-wide revenues and expenditures for reporting under GASB-34?

The 1022 Committee has not discussed any uniform method in the chart of accounts for categorizing GASB 34 revenues for the Statement of Activities. Most districts will have to break down revenues into the following categories for the audit:

Charges for services, e.g.:
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Revenues that are unique to GASB 34, i.e., that are reconciling items between full accrual and modified accrual may be accounted for in long term assets in fund 91. For instance, property taxes that are collected more than 60 days after fiscal year end could be accrued for GASB 34 (along with the related allowance for doubtful accounts) and recorded as revenue in Fund 91.

FS2 Our school is looking into a "Foundation Program." What account or fund would this fall under? How detailed does a Foundation get? Do revenues break out in multiple Accts? Same for endowments?

We would encourage districts to consult with their auditors as to the appropriate accounting for foundations.

FS3 We have several services that will be classified in either an internal service fund or an enterprise fund. Most of these are services we provide to both departments within our ISD as well as to other local districts (e.g., sub-calling, print shop, REMC, and S.E. transportation). Will these be considered enterprise-type fund activities? Does the fact that we operate these on a break-even basis matter in whether or not they are classified as an enterprise fund vs. internal service fund?

"Very few districts will have a true enterprise fund because most do not account for all costs of a program, including depreciation. However, districts that are considering using an enterprise fund for recording activities of a program should consider discussing this with their auditors before they establish such a fund. The reference book: ""Governmental Accounting, Auditing, and Financial Reporting"" (i.e., Blue Book), 2001 edition, states:

""Enterprise funds and internal service funds each impose fees or charges on those who use their services. Enterprise funds are used in situations where a given fund provides services primarily to customers other than

governments outside the (district) ... Conversely, internal service funds are used when a fund primarily provides benefits to ""other funds, departments, or agencies of the primary (district) and its component units, or to other (districts).""
""GAAP specifically states that internal service funds may be used to account for services provided to other governments outside the financial reporting (district). All the same, the use of internal service funds is not appropriate in situations where other governments are the predominant participants in a given activity.""
""GAAP mandates the use of an enterprise fund when legal requirements or management policy require that the full cost of providing services (including capital costs), be recovered through fees and charges.""

FS4 Currently long term debt (e.g., bus notes) is not included in the governmental funds balance sheet. Other financing sources and use codes designate debt proceeds and principal payments expended in the year paid. Are we now converting to recognition of the long-term note on the balance sheet w/principal payments being charged against that liability? (i.e., code 561)

NO & YES.
For purposes of fund accounting, budgeting, and reporting, there is basically NO change in the reporting, or lack thereof, for long term debt. Prior to GASB 34, long term obligations were not recorded in the fund level accounts instead they were reported on the financial statements in the long term debt group of accounts. With GASB 34, there is no change in the reporting of debt in the funds. Long term obligations will NOT be reported in general fund, school service funds, debt funds, or capital projects funds. However, there is one change. The long term debt group of accounts is no longer used. Instead, long term debt is recorded in the District-wide financial statements which are full accrual basis. The long term liabilities in major class code 500 through 591 are available for reporting these district-wide liabilities.

FS5 How do I record fund modifications from governmental funds to proprietary or agency funds?

There are no “fund modifications” allowed between governmental and non-governmental funds. Payments from the governmental fund to the Proprietary funds should be viewed as an expenditure. The governmental fund should show the expenditure in the function and object they are purchasing from the proprietary fund. For example: A district operating a district wide print shop would show an expenditure in function 11-1-111-3610 for general fund, elementary classroom instruction pamphlets just as they would if purchasing the printing from an outside vendor. The Print Shop (Internal Service Fund) would show a revenue 197-Revenue Received from Services Provided Other Funds. To avoid duplicate reporting of expenditures in federal reporting, Michigan currently does not include the Proprietary Funds when submitting the National Public Education Finance Survey or F33.

FS6 Is the short term compensated absence liability to be combined with the long term compensated absences liabilities in class code "581"?

The short term portion of compensated absences should be recorded in major class code 462.

Miscellaneous Questions and Answers

M1 Long Range, wouldn't we all be better off if we all used the same accounting system?

Yes, a standard accounting system could prove helpful, but not essential to comparable financial reporting. MDE has tried to develop an accounting structure that meets basic state and federal reporting requirements yet is flexible enough to allow districts discretion in choosing the complexity of the hardware and software they use to maintain financial records.

M2 Where can I find the federal accounting manual?

The web address is: http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=97096R
There is also a link to it from the MDE, State Aid and School Finance website.

M3 Competitive Bid Requirements – What is the MDE interpretation of a "single transaction" as discussed in MCL 388.1274?

A common definition for a "single transaction" is a single purchase order or contract. If a school district plans to establish a contract or standing purchase order with a vendor to purchase all of a particular item or commodity exclusively from that vendor for a specified amount of time, and the amount of those purchase transactions is expected to be greater than the legislated threshold for a given year, the district must follow its written board adopted procurement policy in awarding the purchase order to that vendor. The intent of the policy should be to ensure that the district is treating vendors fairly. The Annual MDE Competitive Bid Threshold correspondence is available at: http://www.michigan.gov/documents/mde/Competitive_Bid_Threshold_333257_7.pdf

M4 Who is required to follow the Michigan Public School Accounting Manual Chart of Accounts?

MDE prescribes appropriate uniform pupil and finance accounting records for use in school districts, public school academies, and intermediate school districts (MCL 380.1281). All LEAs, PSAs, and ISDs that receive funding under the State School Aid Act are required to follow these guidelines.