

Private School Choice Programs Fiscal Management Training

Schedule 5-1, 5-2 & 5-3: Fixed Assets

School Finance Auditors
Parental Education Options
2022-23 School Year



Welcome to the Wisconsin Department of Public Instruction's training module for the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training.

The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. This training is based on the requirements in these statutes and rules. Provisions of this training module are subject to statutory and rule changes.

This section of the training will explain fixed assets. In the budget and cash flow report, the fixed assets are included in Schedule 5-1, 5-2 and 5-3.

Completion of Budget Excel Document



This training will explain how to input information into the budget and cash flow report (budget) Excel document.



You must enter this information into your Excel document unless otherwise noted.



Please pause the training if you need additional time to review the example or check your Excel document.



In order to receive credit for having participated in this training, which is required for all Choice administrators, you will be required to upload the completed budget Excel document into the training quiz.



This training will explain how to input information into the budget and cash flow report Excel document. We will refer to the budget and cash flow report as the budget throughout this training. You must enter this information into your Excel document unless otherwise noted. Please pause the training if you need additional time to review the example or check your Excel document.

As a reminder, in order to receive credit for having participated in this training, you will be required to upload the completed budget Excel document in the quiz you complete after all the trainings are done. Completion of this training is required for all Choice administrators of new schools to the Choice program.

If you have any questions as you complete this training, please note them. The department will be providing live virtual Q&A sessions. The webpage where this presentation was available has information on these sessions and a copy of the PowerPoint slides with the notes. You can ask questions on any of the trainings by emailing us at dpichoicedata@dpi.wi.gov.

Fixed Assets General Requirements

- Create a capitalization policy that specifies:
 - The useful life that will be applied to assets within each category.
 - The monetary threshold that will be used to determine if an asset is capitalized.
 - Information on what asset groups, if any, will be used for capitalization purposes.
- See Appendix 1 in the PSCP Eligible Education Expense Bulletin for an example capitalization policy.



Each school must have a written capitalization policy related to fixed assets. The policy must define and describe the different asset categories the school will use. Each category must then be assigned a period of time that the assets in that category are expected to be used. This period of time is known as the useful life.

Each category must also be assigned a monetary threshold for which assets in that category will be considered fixed assets. For example, a school may consider purchases over \$5,000 to be capitalizable. The \$5,000 would be the monetary threshold. As an option, schools may group like kind assets when determining which assets are capitalized. If the school would like to use asset groups, which assets and how they will be grouped must be included in the capitalization policy. As an example, a school could specify text books as an asset group by writing in the capitalization policy that text books purchased on the same day will be grouped.

Appendix 1 of the PSCP Eligible Education Expense Bulletin includes an example capitalization policy. Schools may use this template to develop their own policy or just refer to this Appendix to ensure the school's current policy meets the requirements.

Fixed Assets General Requirements

- Only the cost for fixed assets may be included as an eligible expense. Do not include the fair value of the fixed asset. If an asset is donated, for example, it is not an eligible cost.
- In order to include a fixed asset as eligible, the school must be able to provide their external auditor with:
 - Support for the original purchase price.
 - Evidence that the school paid for the fixed asset purchase.
- See the Financial Audit and PSCP/SNSP Reserve Balance Bulletin for additional information.



Only the cost for fixed assets may be included as an eligible education expense. As a result, the only fixed assets that should be identified as eligible education expenses are those it has already incurred a cost for or assets that it anticipates incurring a cost for in the future. Therefore, donated assets should not be included on this schedule and would not be an eligible education expense. Further, the cost of the fixed assets are recorded on the budget, not the fair market value of the asset.

For purchased fixed assets, the school must be able to provide documentation supporting the original purchase price and evidence that the school paid for the fixed asset purchase. Examples of evidence that the school paid for the purchase include a cancelled check, bank statements, or property records showing the amount paid for buildings or land owned by the school.

Additional information on these requirements is available in the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.

Depreciation



Our examples will use the straight line depreciation method. This means depreciation is calculated by taking the total cost of the asset divided by the number of years the asset will be used (useful life).



Depreciation for fixed assets begins when the asset is placed in service.



The depreciation is included as an eligible education expense based on the percentage of the asset used for educational programming.



Depreciation is the accounting method where the cost of a fixed asset is included as an expense over the useful life of the asset. Depreciation of assets begins when the school starts using the asset. Depreciation is calculated based on the asset cost and useful life. The portion of the depreciation that is considered an eligible education expense is based on the percentage of the asset being used for educational programming. Accumulated depreciation is the total depreciation of the asset that has been expensed as of a point in time.

Depreciation Calculation Example

- A school purchases a smartboard for \$5,000. The school's useful life for the smartboard is 5 years. The depreciation expense per year is calculated as follows:

$$\$5,000 \div 5 \text{ years} = \$1,000 \text{ of depreciation per year}$$

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In order to illustrate how depreciation works we will go through an example. A school purchases a smartboard that costs \$5,000. The school's useful life for smartboards is 5 years. The depreciation expense would be calculated as \$5,000 divided by 5 years. So, each year the school would have \$1,000 of depreciation expense. If the smartboard was only used for educational programming, the \$1,000 of depreciation expense each year would be what is included as an eligible education expense. If it was used for other things in addition to educational programming, the \$1,000 would be multiplied by how much the smartboard is used for educational programming to determine the portion that is an eligible education expense.

Fixed Asset Categories

- The next slides show categories the school may use.
- These categories are used in the DPI provided budget and cash flow report.
- The school may choose the categories it will use for the financial audit based on what is most appropriate for the school. The only exception is that land must be included as a category if the school owns any land and will include it in the budget/financial audit.



The following slides will explain the standard fixed asset categories used in the DPI provided budget and cash flow report. If the school is completing the Budget and Cash Flow Report for submission to the department, the school must use these categories. The school can choose if it will use these same categories or different categories for its bookkeeping purposes. The school may choose the categories that it will use for the financial audit based on what is most appropriate for the school. The only exception is that land must be included as a category if the school owns any land and will include it in the budget and financial audit.

As a reminder, Appendix 1 of the Eligible Education Expenses Bulletin is an example template that may be used as a starting point for creating the written capitalization policy. This template includes these standard categorize.

Fixed Asset Types

Educational Media

- Instructional and administrative items that are expected to serve their principal purposes for more than a year.
- Media includes items such as text and reference books, audio-visual materials, and computer software.

Equipment

- Classroom, office, and other equipment that is expected to serve its principal purposes for more than a year.
- This includes items such as desks, furniture, freestanding lockers, computers, copiers, and vehicles.



The useful life is typically 5-7 years for these assets.

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The first type of asset is educational media. Educational media is instructional and administrative items that are expected to serve their principal purposes for more than a year. This category includes items such as text and reference books, AV materials, and computer software. Anything that will be used for less than a year, such as consumable workbooks, would not be included in this category.

The second category is equipment. This includes classroom, office and other equipment that is expected to serve its principal purposes for more than a year. This category includes items such as desks, furniture, freestanding lockers, computers, copiers, and vehicles.

The useful life for both of these categories is typically 5-7 years.

Fixed Asset Types (cont)

- Land: Land and land preparation expenses for its intended purpose. This includes demolition of an existing building and other site preparation and site improvements (other than buildings) that ready the land for its intended use.
 - If the school has any owned land and will include it in the budget/financial audit, this is a required fixed asset category.
 - Useful life for land is not applicable because land may not be depreciated per Generally Accepted Accounting Principles.
 - The Choice program allows for the school to include the cost of land as an eligible education expense in the first year it is used for educational programming purposes, to the extent it is used for educational programming in that year.



If a new school to the Choice program decides to include land in the financial audit, it must include the cost of land that is being used for educational programming as an eligible education expense in its first financial audit.



Land includes the land and any expenses to prepare the land for its intended use. This includes demolition of an existing building and other site preparation and site improvements that ready the land for its intended use. Any activities that add to the land, such as constructing a building on it, would be considered in a separate asset category, such as buildings.

Useful life for land is not applicable because land may not be depreciated per Generally Accepted Accounting Principles.

Schools are allowed to include the cost of land as an eligible education expense in the first year the land is used for educational programming purposes. The amount that is included as an eligible education expense is the cost of the land multiplied by the percentage of the land that is used for educational programming in that year. For example, if a school operates a school and a church on the same land, the amount of land that is considered an eligible educational expense would be the percentage used by the school only.

For new schools to the Choice Programs, the cost of land must be included as an eligible education expense in the school's first financial audit, if the land is already being used for educational programming in that year. If the school has purchased any land, but the land is not yet being used for educational programming purposes, the land will not be included as an eligible education expense until the year it is used for educational programming purposes.

Fixed Asset Types (cont)

Building

- Building and building components such as lighting fixtures, built-in lockers, heating, ventilating and wiring systems.

Land Improvements

- Improvements that add functionality to the land. Examples include sidewalks, fencing, installed playground equipment, and landscaping.



For purposes of this budget, these categories are combined.
The useful life is typically 15-30 years.

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Buildings and land improvements are one category in the budget. Buildings would include building and building components such as lighting fixtures, built-in lockers, heating, ventilating and wiring systems. When determining whether something should be included in the building category or in the equipment category, the school should consider if the asset would or could be taken with the school if the school were to move. If the school would take the assets with them when the school moved, it is equipment. Otherwise, it should be in the building category. For example, if the school has lockers that are bolted to the wall and wouldn't be moved if the building was sold, they should be included in the building category. If a school has lockers that are freestanding and could be picked up and moved if the school was to change locations, the lockers should be included in the equipment category.

Land improvements are improvements that add functionality to the land. Examples include sidewalks, fencing, installed playground equipment, and landscaping.

The useful life for buildings and land improvements is typically 15-30 years.

Fixed Asset Types (cont)

- Leasehold improvements
 - Improvements to a leased facility that will stay with the facility even if the school no longer leases the facility.



Useful life is typically the current lease term.



The final asset category is leasehold improvements. Leasehold improvements are improvements made to a location that is rented. Similar to buildings, these are improvements that are made to the location that will stay at that location even if the school no longer uses the facility.

The useful life for a leasehold improvement is typically the current lease term since it is expected that the school will receive the benefit of the improvement over the remaining term of the lease.

Assets Owned as of June 30, 2022



If the school purchases assets for the upcoming school year and will not use the assets until the school year starts, the assets should be in the “Construction in Progress” category as of June 30, 2022.



If the school owns assets that are already being used as of June 30, 2022, the school will need to determine the original cost of the fixed assets that will be included and the accumulated depreciation (the total depreciation expense taken for the asset as of June 30, 2022).



The school can choose to include none, some, or all of the fixed assets they own as of June 30, 2022 in the budget and financial audit. Any assets purchased after the school starts participating in the program must be included in the financial audit.



A school joining the Choice Programs must be able to provide documentation to support the purchase and cost of the fixed assets that the schools owns when it first joins the program. A provision exists in the law which allows schools to depart from Generally Accepted Accounting Principles and not include some or all of the school’s fixed assets in the financial audit. The school may make this election voluntarily or may be required to if the school has fixed assets but does not have the supporting documentation to support the cost of some or all of the school’s fixed assets.

The school will need to determine the original cost and associated accumulated depreciation for each fixed asset it includes in the financial audit.

Please note that the determination of which fixed assets are included is not an all or nothing deal. Schools can choose which fixed assets they want to include based on what documentation they have and the remaining depreciation for a fixed asset. For example, a building purchased 100 years ago is probably fully depreciated and the school may have no records on the purchase at this time. So, the school might choose not to include that building. On the other hand, the school may have just replaced the roof on the building that cost \$15,000. The school could capitalize the \$15,000 and depreciate that over the useful life of the building.

Knowledge Check

The school purchases a bus in May 2023. The school will first use the bus in the 2023-24 school year. When should the depreciation on this asset begin?

- a. In 2022-23 because that is when the bus was purchased.
- b. In 2023-24 because that is when the bus will first be used.



The school purchases a bus in May 2023. The school will first use the bus in the 2023-24 school year. When should the depreciation on this asset begin?

The correct answer is b. The depreciation on assets begins the first year the bus will be used, rather than the first year it is purchased.

True or False

Question	True or False
If a church member donates a vehicle, the school may include the fair market value of the vehicle as an eligible cost.	



True or False-If a church member donates a vehicle, the school may include the fair market value of the vehicle as an eligible cost.

The answer to the question is False. Only the actual cost of an asset can be included as an eligible education expense. If an asset is donated, the fair market value of the asset would not be an eligible education expense.

Knowledge Check

Which of the following is acceptable supporting documentation for an asset to be included as eligible for Choice program purposes?

- a. The information from the accounting system showing the asset and the amount recorded for the asset in the school's accounting system.
- b. The invoice or payment request for the asset.
- c. The canceled check or other documentation showing payment for the asset.
- d. Both b and c are required supporting documentation for Choice program purposes.



I will give you a minute to read through this question and determine what you think the answer is.

The correct answer is d. The school must have supporting documentation for the original cost of the asset. This might include an invoice or payment request for an asset. The school would also need documentation, such as a cancelled check, showing that they actually paid for the asset to include it as an eligible education expense. Having information in the accounting system alone would not be sufficient to support an asset being included as eligible for the Choice program.

Schools will not need to provide these documents with the budget. Instead, in the budget the school should include the fixed assets that they anticipate having the required information for by the end of the school year. The school's external auditor will review this information in conjunction with completing the first financial audit for the school. This first financial audit would be due by October 15th following the first school year the school participates in the program.

Example

- The church and the school are the same legal entity. The entity owns the following fixed assets prior to joining the Choice program. The school’s policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Fixed Asset Description	Use	Original Value	Supporting Information Available?	Years Owned
Church building	Used for all church activities and school has chapel there once a week (5% of use).	\$1,000,000	No	50
School building	Used for all school activities & programs.	\$2,500,000	Yes	10
School bus	Used to transport pupils to and from school.	\$35,000	Yes	2
Van	Used by church for church events.	\$25,000	Yes	1
Desks	Used by pupils in K-12 educational programming.	\$2,500	Yes	6
Land church and school building are on.	Has church and school building on it. Land also has playground and sport fields used by school.	\$50,000	Yes	50
Lockers	Pupils use during school day.	\$5,000	No	3



We are now going to complete an activity. In this activity, the church and the school are the same legal entity. The entity owns the fixed assets identified on the slide prior to joining the Choice program. The school’s policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Please pause the training and determine which of these fixed assets you think could be included as eligible. When you are ready to go through the answers, proceed to the next slide.

Example-Will the school be able to include the following as eligible education expenses for the Choice program?

The church and the school are the same legal entity. The entity owns the following fixed assets prior to joining the Choice program. The school's policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Fixed Asset Description	Can the school include the fixed asset as an eligible expense?
Church building	
School building	
School bus	
Van	
Desks	
Land church and school building are on.	
Lockers	

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The church building could not be included because there is no supporting documentation and the asset has been fully depreciated.

The school building can be included. Please note that if the school only had the required documentation for part of the \$2.5 million building, it could include some of the assets. Inclusion of a fixed asset is not an all or nothing deal. If the school only has the required support for part of the \$2.5 million building and wants to include the portion of the fixed asset that it has the required documentation for, it could do so.

The school bus could be included.

The van would not be included as an eligible education expense because it is not used for educational programming.

The desks would not be included as eligible because they are already fully depreciated. The useful life for desks is 5 years and the school has owned them for 6 years. The school could still include these in its annual financial audit but none of the cost for the fixed assets would be included as an eligible education expense since the desks are already fully depreciated.

The land would be included the first year the school is in the Choice programs. The school would need to determine the portion of the land used for educational programming. The cost of the land would be multiplied by this percentage to determine the amount that was eligible in the first year.

Finally, the lockers could not be included because the school does not have any supporting documentation for the lockers.

Schedule 5-1: Fixed Asset Rollforward

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-

•Years of service:

- General assets-The useful life of the asset.
- Leasehold Improvements-The number of years remaining in the lease term as of the beginning of the school year.



We will now walkthrough Schedule 5. The top of the schedule is the fixed asset rollforward.

Column A in the top section is the years of service. For all assets except for leasehold improvements, this would be the useful life for the asset category. So, if the useful life for equipment is 5 years and equipment is included in this category that already has been used for 3 years, 5 years would be included in this column.

The number of years included in this category for leasehold improvements is the number of years remaining in the lease term.

Schedule 5-1: Fixed Asset Rollforward

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-

- Column C should include the total costs for the assets as of June 30, 2022.
- Column D should include the expected purchases during the 2022-23 school year.



Column C is the total cost for all assets as of the beginning of the school year. This amount is not adjusted for any depreciation. It is the original cost of the assets.

Column D should include the cost of any purchases the school expects to make during the school year.

Finally, if the school expects to sell or get rid of any assets during the year, the original cost for those assets, which was included in Column C or D, should be include in Column E.

When this information is entered in, the ending expected balance will automatically be calculated in Column F.

So, if you think about the smartboard we discussed earlier, the amount that would be included in this section would be the \$5,000 original cost. The \$5,000 would be included in Column C if we bought the smartboard before the beginning of the school year. If we anticipate buying it during the 22-23 school year, it would be included as a purchase in Column D.

Schedule 5-1: Fixed Asset Rollforward

FIXED ASSET ROLLFORWARD						
DO NOT ENTER THIS EXAMPLE IN YOUR BUDGET						
Column B should be the number of years that the assets are depreciated. For leasehold improvements, Column B should equal the remaining term of the lease as of June 30, 2022.						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media			5,000		5,000
5	Leasehold Improvements					-
6	Construction in Progress		5,000		5,000	-
7	TOTAL		5,000	5,000	5,000	5,000

- Construction in Progress is the cost of any fixed assets that the school is not yet using. In the year the school starts using them, the school should include them as a disposal (in Column E) and a purchase (in Column D) in the applicable category.
- For example, if a school purchased \$5,000 of books in June 2022 but doesn't start using them until the 2022-23 school year, the schedule would look like the above.



We will go through an example on how to include construction in progress in the budget. You do not need to enter this example in your budget.

Construction in Progress is the cost of any fixed assets that the school is not yet using. In the year the school starts using them, the school should include them as a disposal (in Column E) and a purchase (in Column D) in the applicable category.

In this example, a school purchased \$5,000 of books in June 2022 but doesn't start using them until the 22-23 school year. The \$5,000 is included on Line 6, Column C at the beginning of the school year. Then, to show it being added to educational media, it is included as a purchase on Line 4, Column D. To remove it from the Construction in Progress line, the \$5,000 is included on Line 6, Column E.

Schedule 5-1: Accumulated Depreciation

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL			-	-	-

- % School must be based on the portion of the asset used for educational programming purposes. If it is less than 100%, an allocation method must be used.
- Insert the Accumulated Depreciation balance for the asset as of June 30, 2022.
- Additional depreciation is the current year depreciation for the assets. If the asset is not fully depreciated, this must be greater than 0 or the school will receive an error for every category except land.
- If the school disposes of any asset, Column E must include the total depreciation for the asset in Columns C and D.



The next section is the Accumulated Depreciation Rollforward section. This is the section where we will record the depreciation that has been included so far for an asset and the additional amount for the current school year.

First, in Column B, the school must insert the percentage of the assets in the category that are being used for educational programming.

Then, the total depreciation expense that has been taken for the asset category as of June 30, 2022 must be inserted in Column C. The additional amount of depreciation the school expects to take during the school year should be inserted in Column D. Finally, if a school disposed of any assets, the amount of depreciation for that asset that is included in Column C or D must be included in Column E. When these amounts are included, the ending Accumulated Depreciation will be calculated in Column F.

Going back to our smartboard example, remember the smartboard had \$1,000 of depreciation each year. If we had 2 years of depreciation prior to the start of the school year, we would insert the \$2,000 in Column C. We would then input the additional year of depreciation expense of \$1,000 in Column D.

Schedule 5-1 Errors

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment		1,000			1,000
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		1,000	-	-	1,000

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL		-	-	-	-

Missing Yrs of Service		
ERROR		
1		

Missing % School	Missing Accumulated Depreciation	Missing Additional Depreciation
	ERROR	ERROR
0	1	1

- For any fixed asset lines with balances, insert: (1) the Years of Service in Lines 2-5 and (2) the % School, June 30, 2022 Balance (beginning accumulated depreciation balance), and Additional Depreciation in Lines 8-12.
- The columns to the right of the schedule will identify which lines and cells are incomplete.



For any fixed asset lines with balances, the school will get an error if it does not complete the years of service in Column B, Lines 2-5. Additionally, the school will get an error if it does not enter the percent school in Column B, the June 30, 2022 Balance in Column C, or the Additional Depreciation in Column D, Lines 8-12. The June 30, 2022 Balance in Column C is the beginning accumulated depreciation balance.

The columns to the right of the schedule will identify which lines and cells are incomplete with a red error message.

Schedule 5-1: Cash Flow

CASH FLOW		
Enter the Accounts Payable balance at the beginning of the year in Line 15. Line 16 will then indicate the amount to be paid during the school year. Enter in the cash payments in lines 17-28. Finally, review the Accounts Payable balance at the end of the year on Line 30 to determine if it is correct.		
Line	A Line Description	B Payments for Assets
14	Total 2022-23 Payments	-
15	June 30, 2022 Accounts Payable	
16	TOTAL AMOUNT TO BE PAID	-
17	July 2022 Cash Payments	
18	August 2022 Cash Payments	
19	September 2022 Cash Payments	
20	October 2022 Cash Payments	
21	November 2022 Cash Payments	
22	December 2022 Cash Payments	
23	January 2023 Cash Payments	
24	February 2023 Cash Payments	
25	March 2023 Cash Payments	
26	April 2023 Cash Payments	
27	May 2023 Cash Payments	
28	June 2023 Cash Payments	
29	TOTAL CASH PAYMENTS	-

- If any assets are purchased, include the payments in Column B.



On the bottom of Schedule 5-1, you will include any cash payments for fixed assets in the applicable month. If a fixed asset was purchased and received during the year but the amount was not paid by the end of the school year, the school will also need to include an Accounts Payable for the amount owed but not paid. The beginning of the year Accounts Payable must be inserted in Line 15. The end of the year Accounts Payable will automatically be calculated based on the other inputs in the schedule.

Leasehold Improvements Example

	Assets Purchased in July 2021	Assets Purchased During 2022-23 School Year
Cost		
Years of Depreciation		
Depreciation Expense Per Year		
Accumulated Depreciation as of June 30, 2022		

- The school leases a building that is used by the school and daycare.
- The lease is from 7/1/21 to 6/30/25 (5 year lease).
- In July 2021 the school completed renovations that cost \$10,000 and began using the building.
- The school plans on adding lockers in the 2022-23 school year that will be permanently affixed to the walls. The anticipated cost is \$4,000. The school anticipates paying for this in May 2023.

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We will now go through the first example that you must include in your budget Excel document. The school leases a building that is used by the school and daycare. The lease is from July 1, 2021 to June 30, 2025, so it is a 5 year lease.

In July 2021 the school completed renovations that cost \$10,000 and began using the building. As of July 2021, the school will have completed \$10,000 of renovations. Next, we need to determine how many years of depreciation are remaining in the lease. July 2021 is the beginning of the lease, so it would be the full 5 years. The depreciation per year would be calculated as the \$10,000 total cost divided by the number of years of depreciation, or 5 years. So, we have depreciation expense per year of \$2,000.

Finally, our accumulated depreciation as of June 30, 2022 for the assets purchased in July 2021 would be \$2,000 because we would have taken one year of depreciation as of June 30, 2022.

The school anticipates adding lockers during the 22-23 school year that will cost \$4,000. In the Assets Purchased During 2022-23 School Year column we will need to include the cost of \$4,000. How many years of depreciation would we have for these assets and what would be the depreciation expense per year? Take a moment to determine what you think the answer is.

Remember, for a leasehold improvement, the number of years of depreciation is the number of years remaining in the lease term. So, for an asset that was purchased during the 22-23 school year, the school will have 4 years of depreciation because that is the remaining number of years of the lease. The depreciation expense per year is calculated as the \$4,000 divided by the 4 years of depreciation to get \$1,000.

The final line is the accumulated depreciation as of June 30, 2022. Since the school did not own these assets as of June 30, 2022 and the school hadn't taken any depreciation for them yet as of that date, this would not be applicable.

Leasehold Improvements Example-Allocation Calculation

The school leases a building that is used by the school and daycare. The school occupies 10,000 square feet for 10 months of the year and the daycare occupies 5,000 square feet for 12 months of the year.

	Square Feet	Months	Total
Daycare			
School			
	Total		

25



Since this location is used by the daycare and school, we will need to determine the school use percentage for these assets. We will use the amount of time the school and daycare are in the space. The chart on this screen will help us with this calculation.

In our example, the school leases a building that is used by the school and daycare. The school occupies 10,000 square feet for 10 months of the year and the daycare occupies 5,000 square feet for 12 months of the year. So, we will need to insert this information into our chart. For the daycare, we insert the 5,000 square feet and 12 months. The 5,000 square feet times 12 months equals 60,000.

For the school, we insert 10,000 square feet and 10 months for a total of 100,000.

The total of the 60,000 and 100,000 is 160,000.

The school use percentage is then calculated as 100,000 divided by 160,000, for a school use percentage of 63%.

Leasehold Improvements Example

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL					-

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL					-

	July 2021 Purchases	2022-23 Purchases
Cost		
Years of Depreciation		
Depreciation Expense Per Year		
Accumulated Depreciation as of June 30, 2022		

26



We now have all of the information we need to complete Schedule 5-1. Since this example is a leasehold improvement we will be putting the cost information in Line 5. First, we need to insert the years of service. For a lease, this is the remaining term of the lease as of the beginning of the school year. As of July 1, 2022, there will be 4 years remaining so we insert 4 in Line 5, Column B.

Next, we need to insert the beginning cost balance. The assets we owned as of June 30, 2022 were the July 2021 purchases. Those had a cost of \$10,000. So, we insert \$10,000 in Column C. We anticipate purchasing \$4,000 of leasehold improvements during the school year, so input \$4,000 in Column D.

Now, we move on to the Accumulated Depreciation Rollforward section. We previously calculated that our school use percentage was 63%, so insert 63% in Line 12, Column B. Next, we need to insert our Accumulated Depreciation as of June 30, 2022 of \$2,000 from the July 2021 purchase.

What would be our additional depreciation in Column D?

Since we will have both of the assets during the year, the total additional depreciation will be the depreciation expense per year from the July 2021 purchase and the 2022-23 purchases, for a total of \$3,000. So, input \$3,000 in Line 12, Column D.

Leasehold Improvements Example (cont)

- The school plans on adding lockers in the 2022-23 school year that will be permanently affixed to the walls. The anticipated cost is \$4,000. The school anticipates paying for this in May 2023.

Line	A Line Description	B Payments for Assets
14	Total 2022-23 Payments	4,000
15	June 30, 2022 Accounts Payable	
16	TOTAL AMOUNT TO BE PAID	4,000
17	July 2022 Cash Payments	
18	August 2022 Cash Payments	
19	September 2022 Cash Payments	
20	October 2022 Cash Payments	
21	November 2022 Cash Payments	
22	December 2022 Cash Payments	
23	January 2023 Cash Payments	
24	February 2023 Cash Payments	
25	March 2023 Cash Payments	
26	April 2023 Cash Payments	
27	May 2023 Cash Payments	
28	June 2023 Cash Payments	
29	TOTAL CASH PAYMENTS	-
30	JUNE 30, 2023 ACCOUNTS PAYABLE	4,000



Finally, we need to show the expected cash payment for the lockers. Notice that the \$4,000 is automatically included in Line 14, Column B, because we indicated we had \$4,000 of purchases in the top part of the schedule.

We expect to pay the \$4,000 for the lockers in May 2023. So, \$4,000 should be input in Line 27.

Building Example

Total Building Cost	
Useful Life (Years of Service)	
Depreciation Expense Per Year	
Years of Depreciation as of 6/30/22	
Accumulated Depreciation as of 6/30/22	

- The school has a building that they purchased in July 2016 that cost \$1,500,000. The useful life (years of service) is 15 years. It is only used by the school.



This is an example of a school who is a first time participant in the Choice programs in the 22-23 school year. The school purchased a building in July 2016 for \$1.5 million. The school's capitalization policy indicates the useful life for buildings is 15 years.

Based on this information, take a moment to complete the chart. Pause the training until you are ready to continue.

In this case, depreciation would be calculated by dividing the building cost by the useful life. \$1.5 million divided by 15 years is \$100,000 per year. Since the building is not used for any non-school activities, 100% of the annual depreciation on the building is considered an eligible education expense. For the financial audit, the building will be recorded as an asset at the full cost of \$1.5 million.

The building has been depreciating at a cost of \$100,000 per year since it was purchased. The school has had 6 years of depreciation between when the building was purchased in July 2016 and June 30, 2022. 6 years times \$100,000 per year means the accumulated depreciation as of June 30, 2022 is \$600,000.

Building Example-Answer

Total Building Cost	
Useful Life (Years of Service)	
Depreciation Expense Per Year	
Accumulated Depreciation as of 6/30/22	

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL		-	-	-	-

29



Now, take a moment and try to enter the information into your budget Excel document. Pause the training until you are ready to proceed.

Buildings are included on Line 2. On Line 2, Column B we will insert the total years of service for buildings, which is 15 years. As a reminder, this amount will not change from year to year. It is the total years of service for the category overall. Only the leasehold improvements years of service change annually. Next, insert the total building cost as of June 30, 2022. This is the total cost, prior to any depreciation, so \$1.5 million is inserted in Line 2, Column C.

We then move on to the Accumulated Depreciation Rollforward section. The school use percentage is 100% because the building is only used for school purposes. We calculated that the June 30, 2022 Accumulated Depreciation balance was \$600,000, so that is what we insert in Line 9, Column C. Next, we insert the additional depreciation during the year in Column D, of \$100,000.

Land Example

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL		-	-	-	-

- The site that the building is on was purchased for \$150,000.
- The school purchased land in 2016 for \$50,000. The school plans on building an additional school at this location in the future.
- If the land is not yet being used for educational programming, remove the additional depreciation from Column D.



Our next example is a land example.

The site that the building is on was purchased for \$150,000. Additionally, the school purchased land in 2016 for \$50,000. The school plans on building an additional school at this location in the future. Since the land was owned at the beginning of the school year, the \$200,000 is inserted in Line 1, Column C.

Since the school is already using \$150,000 of the land as of June 30, 2022, update the amount on Line 8, Column D to be \$150,000 and insert the school use percentage in Line 8, Column B of 100%. The Excel document will then calculate the eligible expense for the land as the total cost in Column D times the percent in Column B.

Since the additional site is not yet being used for educational programming, the cost for that site of \$50,000 is not included in Column D. The cost for the additional site will be included as an eligible education expense the first year it is used for educational programming.

Equipment Example

- As of June 30, 2022, the school has \$40,000 of equipment that has \$30,000 of Accumulated Depreciation. The equipment includes a van used only by the church that was purchased for \$12,000. The remaining equipment is for the school. Depreciation for this equipment per year is \$6,000.
- In the 2022-23 school year the school will purchase \$10,000 of equipment that includes \$2,000 of school equipment and \$8,000 of daycare equipment. The school will pay for the equipment in September 2022.
- The useful life (years of service) for equipment is 5 years.

	Total Amount	School related	Non School Related
Owned as of June 30, 2022	40,000		
Purchased in 2022-23	10,000		
Total	50,000		
School Use Percentage			

31



Our last example is an equipment example. This example is different than our previous allocation examples because instead of determining an allocation for items that are being used for school and non school use, we have a category that includes assets that are specifically for school purposes and assets that are specifically not for school purposes. Take a few minutes to read the example and try to calculate the school use percentage using the chart on the screen.

Pause the training until you are ready to continue with this example.

Let's now complete the chart based on the information in our example. Of the \$40,000 of equipment, \$12,000 was used for the church. So, we insert \$12,000 on the first line in the non school related column. The difference, or \$28,000, is entered in the school related column. Notice we are not putting the remaining depreciation in here. We are putting the total amount originally spent.

Similarly, for the assets purchased in the 22-23 school year, we insert \$2,000 in the school column and \$8,000 in the non school related column.

We then total each column and divide the school related amount of \$30,000 by the total of \$50,000. This results in a school use percentage of 60%.

Equipment Example-Answer

- As of June 30, 2022, the school has \$40,000 of equipment that has \$30,000 of Accumulated Depreciation.
- Depreciation for this equipment per year is \$6,000.
- In the 2022-23 school year the school will purchase \$10,000 of equipment.
- The useful life (years of service) for equipment is 5 years.

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-

ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL		-	-	-	-



Now, take a few minutes to enter the information into Schedule 5-1 in your Excel document. Please pause the training until you are ready to go through the answer.

Since we are inserting equipment, we are including the years of service and cost information on Line 3. We insert the years of service of 5 years in Column B. We then insert the beginning total cost (before accumulated depreciation) of \$40,000 in Column C. Notice we are not just putting the school portion. Remember, this budget is for the entire legal entity, so the fixed assets should include any fixed assets that will be included for the full legal entity.

We expect to purchase \$10,000 of fixed assets during the school year, so the \$10,000 needs to be inserted in Column D.

Next, we go to the Accumulated Depreciation rollforward section. The first thing we need to input is the percent school related that we calculated, which is 60%. Then, we need to input the beginning Accumulated Depreciation balance of \$30,000.

Determining the additional depreciation is a little tricky. The additional depreciation has 2 components, the fixed asset we previously owned and the new asset. Our example indicates the previously owned fixed assets have annual depreciation of \$6,000. We then need to calculate the additional depreciation for the newly purchased fixed assets. This is calculated as \$10,000 divided by the number of years we expect to use the fixed assets, which is 5 years. So, the depreciation expense for the newly purchased fixed assets is \$2,000 per year.

Based on this, additional depreciation for the school year in Column D is \$8,000. This consists of the \$6,000 of depreciation from the previously owned fixed assets plus the depreciation for the newly purchased fixed assets of \$2,000.

Schedule 5-1

FIXED ASSET ROLLFORWARD						
Line	A Item Description	B Years of Service	C June 30, 2022 Balance	D Purchases	E Disposals	F June 30, 2023 Balance
1	Land					-
2	Buildings & Land Improvements					-
3	Equipment					-
4	Educational Media					-
5	Leasehold Improvements					-
6	Construction in Progress					-
7	TOTAL		-	-	-	-
ACCUMULATED DEPRECIATION ROLLFORWARD						
Line	A Item Description	B % School	C June 30, 2022 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2023 Balance
8	Land			-		-
9	Buildings & Land Improvements					-
10	Equipment					-
11	Educational Media					-
12	Leasehold Improvements					-
13	TOTAL		-	-	-	-



At this time, please take some time to compare the information in your budget Excel document to the information on the screen and ensure they match. Pause the training until you are ready to proceed.

Equipment Example-Answer

- In the 2022-23 school year the school will purchase \$10,000 of equipment that includes \$9,000 of school equipment and \$1,000 of daycare equipment. The school will pay for the equipment in September 2022.

Line	A Line Description	B Payments for Assets
14	Total 2022-23 Payments	14,000
15	June 30, 2022 Accounts Payable	
16	TOTAL AMOUNT TO BE PAID	14,000
17	July 2022 Cash Payments	
18	August 2022 Cash Payments	
19	September 2022 Cash Payments	
20	October 2022 Cash Payments	
21	November 2022 Cash Payments	
22	December 2022 Cash Payments	
23	January 2023 Cash Payments	
24	February 2023 Cash Payments	
25	March 2023 Cash Payments	
26	April 2023 Cash Payments	
27	May 2023 Cash Payments	4,000
28	June 2023 Cash Payments	
29	TOTAL CASH PAYMENTS	4,000
30	JUNE 30, 2023 ACCOUNTS PAYABLE	10,000



Lastly, we need to put the cash payment for the newly purchased fixed assets at the bottom of the schedule. We expect to pay for the 10,000 of fixed assets in September, so \$10,000 is inserted on Line 19. Again, notice we are not just putting in the cash payments for the school portion of the fixed assets. Instead, we are putting in the total cash payments for the full legal entity.

Schedule 5-2

LOCATIONS						
List all building locations of the school or the same legal entity of the school. All columns must be completed. All locations of the school must be listed. All addresses listed on the school's Intent to Participate must be included below.						
Line	A Building Address & City	B What will this building be used for?	C Owner of Building	D Relationship Between School and Owner	E If Related Party, Explain the Relationship	F Debt Outstanding? (see comment)
1						
2						

- Include the detail for all locations that the legal entity uses in Schedule 5-2.
- This must include all school locations on the Intent to Participate.
- This includes locations used but not owned by the school.
- If the school has not identified at least one location, it will receive an error message.
- If the school has not determined where it will be located by the time the budget is submitted to DPI, insert TBD in Columns A and C-E.



The school must include the detail for all locations that the legal entity uses in Schedule 5-2. This must include all school locations on the Intent to Participate. This schedule would also include any location used by the school, whether the school owns the building, rents it, or uses the building rent free.

If the school has not identified at least one location, it will receive an error message.

If the school has not determined where it will be located by the time the budget is submitted to DPI, insert TBD in Columns A and C-E.

Finally, the school should indicate whether they have any debt outstanding for purchasing the building or improvements to the building in Column F.

Locations Required Attachments

- One of the following must be provided for all locations on Schedule 5-2:
 - A print screen from the City assessor office showing the owner of the location.
 - If unavailable, property deed showing the owner.
- The address on the print screen or deed must exactly match the address in Schedule 5-2.
- Contact the department in advance of the budget due date if you have questions on how to obtain this.
- If the school does not have a location at the time of budget submission and Schedule 5-2, Line 1 indicates a location is TBD, the requirement for this attachment is automatically waived (Attachment 7).



For each location on Schedule 5-2, the school must provide a print screen from the City assessor office showing the owner of the location or, if unavailable, a property deed showing the owner.

The address on the print screen or deed must exactly match the address in Schedule 5-2. If the school is having difficulty obtaining one of these items, the school must contact the department in advance of the budget due date.

If the school does not have a location at the time of budget submission and Schedule 5-2, Line 1 indicates a location is TBD, the requirement for this attachment is automatically waived.

Schedule 5-2

INSUFFICIENT EDUCATIONAL MEDIA & EQUIPMENT		
11	The budget does not include any cost or very little cost for equipment. Explain how the school will be equipped with pupil desks, administrative desks and other equipment.	NOT REQUIRED
12	The budget does not include any cost or very little cost for books and other educational media. Explain how pupils will be provided with books and other educational media.	REQUIRED

- If the amount of educational media or equipment is less than \$5,000 each, the school must explain how these items will be provided.
- If either of these questions are required, but not answered, the school will receive an error message.



If the amount of educational media or equipment is less than \$5,000 each, the school must explain how these items will be provided. If either of these questions are required, but not answered, the school will receive an error message.

If the school is an existing school that has been in operation for several years but has decided not to include fixed assets because they are already fully depreciated, the school can indicate that in these cells.

Knowledge Check

Which of the following locations must be included on Schedule 5-2?

- a. Church building owned by the legal entity of the school.
- b. School building owned by the legal entity of the school.
- c. Building the legal entity of the school rents for their daycare operations.
- d. All of the above.



I will give you a minute to read through this question and determine what you think the answer is.

The correct answer is d. Any building owned by the legal entity of the school or used by the legal entity of the school must be identified in the budget because the department's review to determine if a school's budget meets the requirements includes ensuring that all buildings have been properly included in the budget.

Schedule 5-3: Leases

LEASE INFORMATION						
Identify any leases that the legal entity of the school currently has or expects to have for the 2022-23 school year and the name of the lessor in Columns A and B. Then, identify whether the lease is for renting a location in C. Finally, identify the required lease payments to be made based on the lease in Columns D-F. The amount in these columns should be the cash payments required. A copy of all leases for renting a location and any other leases that have total remaining payments of \$10,000 or more in Columns D-F must be provided with the budget.						
Line	A Name of Organization Leasing to School	B Description of Item Being Leased <i>If lease is for a location, identify address of location being rented</i>	C Is the lease for renting a location?	D Total 2022-23 Payments Per Lease	E Total 2023-24 Payments Per Lease	F Total Payments Per Lease After 2023-24
1						
2						

- All leases of the school must be included in this schedule. The most common leases are leasing a building and copier leases.



The final schedule we will review in this training is Schedule 5-3. This schedule must include all of the school's leases. Some examples of leases that may be included are a lease for a building or copier.

Schedule 5-3: Leases (cont)

LEASE INFORMATION						
Identify any leases that the legal entity of the school currently has or expects to have for the 2022-23 school year and the name of the lessor in Columns A and B. Then, identify whether the lease is for renting a location in C. Finally, identify the required lease payments to be made based on the lease in Columns D-F. The amount in these columns should be the cash payments required. A copy of all leases for renting a location and any other leases that have total remaining payments of \$10,000 or more in Columns D-F must be provided with the budget.						
Line	A Name of Organization Leasing to School	B Description of Item Being Leased <i>If lease is for a location, identify address of location being rented</i>	C Is the lease for renting a location?	D Total 2022-23 Payments Per Lease	E Total 2023-24 Payments Per Lease	F Total Payments Per Lease After 2023-24
1						
2						

- Insert the name of the lessor in Column A. If this is not known, insert TBD.
- Describe the item being leased in Column B. For example, a building or copier. If it is a building, indicate the address of the building.
- In Column C answer whether or not the lease is for a building.



In column A, indicate the name of who the school is leasing from. For Column B explain what is being leased, such as a building or copier. If it is a building, identify the address of the building. In Column C, you should indicate whether the lease is for renting a location. Column C is a drop down where you will need to select Yes or No.

Rental Requirements

- Rent may only be included if the organization is a separate legal entity from the landlord. The organizations are **not** different legal entities if:
 - The organizations have the same tax id number and use it for all activities including payroll.
 - The organizations are NOT separately set up with the Department of Financial Institutions.
- A complete signed copy of the rental agreement must be submitted with the budget or the expected date that the school will have a rental agreement must be identified, if not already signed.

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Rent may only be included if the organization is a separate legal entity from the landlord. The organizations are **not** different legal entities if:
The organizations have the same tax id number and use it for all activities including payroll; or
The organizations are NOT separately set up with the Department of Financial Institutions.

For example, if your church and school have the same Federal tax id number, they are the same legal entity and you cannot include rent in the budget. Instead, you would include any cost of the building in the budget such as depreciation expense, rent, utility costs, or maintenance costs.

A complete signed copy of the rental agreement must be submitted with the budget or the expected date that the school will have a rental agreement must be identified.

If you do not have a lease agreement by the time you submit the budget, you will be required to provide the lease to the department as soon as possible. Schools should try to ensure that they will be able to provide the final, signed lease to the department by the beginning of July.

Schedule 5-3: Leases (cont)

LEASE INFORMATION						
Identify any leases that the legal entity of the school currently has or expects to have for the 2022-23 school year and the name of the lessor in Columns A and B. Then, identify whether the lease is for renting a location in C. Finally, identify the required lease payments to be made based on the lease in Columns D-F. The amount in these columns should be the cash payments required. A copy of all leases for renting a location and any other leases that have total remaining payments of \$10,000 or more in Columns D-F must be provided with the budget.						
Line	A Name of Organization Leasing to School	B Description of Item Being Leased <i>If lease is for a location, identify address of location being rented</i>	C Is the lease for renting a location?	D Total 2022-23 Payments Per Lease	E Total 2023-24 Payments Per Lease	F Total Payments Per Lease After 2023-24
1						
2						

- In Columns D-F insert the actual lease payments that must be paid during the year based on the lease.
- These should be entered based on when the cash is due, not based on the accrual basis of accounting.



In the remaining columns, you will need to enter the lease payments that are to be made based on the lease. Column D is the 2022-23 payments per the lease, Column E is the 2023-24 payments per the lease, and Column F is the total payments per the lease for any school years after the 2023-24 school year. These columns should be completed based on the actual cash payments required per the lease. So, if an amount is due during the 2022-23 school year, for renting the location during the 2023-24 school year, you would put that payment in Column D because the payment must be made during the 2022-23 school year.

Schedule 5-3: Leases (cont)

Line	A Line Description	B Rent	C Leases Other Than Rent
10	Total Eligible Education Expenses		
11	Total 2022-23 Payments Per Lease	-	-
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022		
13	June 30, 2022 Prepaid Expenses		
14	TOTAL AMOUNT TO BE PAID	-	-
15	July 2022 Cash Payments		
16	August 2022 Cash Payments		
17	September 2022 Cash Payments		
18	October 2022 Cash Payments		
19	November 2022 Cash Payments		
20	December 2022 Cash Payments		
21	January 2023 Cash Payments		
22	February 2023 Cash Payments		
23	March 2023 Cash Payments		
24	April 2023 Cash Payments		
25	May 2023 Cash Payments		
26	June 2023 Cash Payments		
27	TOTAL CASH PAYMENTS	-	-
28	JUNE 30, 2023 Prepaid Expenses		

- The bottom of the lease schedule is the cash flow.
- This requires that the school identify the cash flow related items for rent and other leases separately.



The bottom of the lease schedule is the cash flow portion of the schedule. The school must separately identify the rental payments made for building locations, which are referred to as rent in Column B, and leases other than rent. Any rental payment, meaning any lease payments for a building, would go in Column B. Payments for any leases other than rent should go in Column C.

Schedule 5-3: Leases (cont)

LEASE INFORMATION						
Line	A Name of Organization Leasing to School	B Description of Item Being Leased <i>If lease is for a location, identify address of location being rented</i>	C Is the lease for renting a location?	D Total 2022-23 Payments Per Lease	E Total 2023-24 Payments Per Lease	F Total Payments Per Lease After 2023-24
9	TOTAL					-
CASH FLOWS						
Line	A Line Description	B Rent	C Leases Other Than Rent			
10	Total Eligible Education Expenses	-	-			
11	Total 2022-23 Payments Per Lease	-	-			
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022	-	-			
13	June 30, 2022 Prepaid Expenses	-	-			
14	TOTAL AMOUNT TO BE PAID	-	-			
15	July 2022 Cash Payments	-	-			
16	August 2022 Cash Payments	-	-			
17	September 2022 Cash Payments	-	-			
18	October 2022 Cash Payments	-	-			
19	November 2022 Cash Payments	-	-			
20	December 2022 Cash Payments	-	-			
21	January 2023 Cash Payments	-	-			
22	February 2023 Cash Payments	-	-			
23	March 2023 Cash Payments	-	-			
24	April 2023 Cash Payments	-	-			
25	May 2023 Cash Payments	-	-			
26	June 2023 Cash Payments	-	-			
27	TOTAL CASH PAYMENTS	-	-			
28	JUNE 30, 2023 Prepaid Expenses	-	-			

- The 2022-23 lease payments based on the lease will automatically be included on Line 11.
- Identify the eligible education expenses in Line 10.

The total lease payments per the lease for the school year will automatically be inserted in Line 11 based on the information entered in the top of the schedule.

You will need to identify the portion of those leases that are educational programming related in Line 10. If the location is only used for educational programming, these amounts will equal. If it is used for other purposes, you will need to use an allocation method to determine what portion is not an eligible education expense.



Schedule 5-3: Leases (cont)

Line	A Line Description	B Rent	C Leases Other Than Rent
10	Total Eligible Education Expenses		
11	Total 2022-23 Payments Per Lease	-	-
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022		
13	June 30, 2022 Prepaid Expenses		
14	TOTAL AMOUNT TO BE PAID	-	-
15	July 2022 Cash Payments		
16	August 2022 Cash Payments		
17	September 2022 Cash Payments		
18	October 2022 Cash Payments		
19	November 2022 Cash Payments		
20	December 2022 Cash Payments		
21	January 2023 Cash Payments		
22	February 2023 Cash Payments		
23	March 2023 Cash Payments		
24	April 2023 Cash Payments		
25	May 2023 Cash Payments		
26	June 2023 Cash Payments		
27	TOTAL CASH PAYMENTS	-	-
28	JUNE 30, 2023 Prepaid Expenses		

- If there are any lease payments that were due based on the lease but not made, insert them in Line 12.
- Insert any prepaid expenses as of the beginning of the year and the end of the year in Line 13 and Line 28. These are amounts that were paid in advance of the period the payments were for.
- Insert the cash payments in Lines 15-26. These must, at a minimum, be based on the required payments in the lease.



If there are any lease payments that were due based on the lease but not made, insert them in Line 12. So, if the school had a rental payment that was owed at the end of the year that was missed, it would be included on Line 12. Since schools providing this budget are providing it show they meet the financial requirements, the initial budget submitted by new schools should not show that the school plans on making payments later than when they are due. As a result, this amount should be \$0.

Insert any prepaid expenses as of the beginning of the year and the end of the year in Line 13 and Line 28. These are amounts that were paid in advance of the period the payments were for. An example of prepaid rent would be a school paying rent in June 2023 for renting the location in July 2023. Since we are paying the rent for the 2023-24 school year during the 2022-23 school year, the rent paid would be a prepaid expense as of June 30, 2023 so it would be included on Line 28.

Finally, you will need to insert the cash payments in Lines 15-26. These must, at a minimum, be based on the required payments in the lease. As a reminder, the cash payments are for any payments made during the school year, no matter what school year they relate to. So the prepaid we just talked about would be included as a cash payment on Line 26, the June 2023 cash payments line, because that is when we are required to make it based on the lease.

Lease Example

- The school is renting a building at 123 Main St in Milwaukee from ABC Rental. The lease is from 7/1/21 to 6/30/25. The school is required to pay \$15,000 in June, September, December, and March for an annual lease payment of \$60,000. The lease payment is for the next three months of rent.
- The school plans on paying \$15,000 in June 2022 and then paying the quarterly payments during 2022-23 as required by the lease agreement.
- The eligible education expense is 63% of the rent as we determined earlier.



Please pause the training and take a few minutes to read our example.
When you ready to proceed, continue the training.

Lease Example-Answer

LEASE INFORMATION						
Line	A Name of Organization Leasing to School	B Description of Item Being Leased <i>If lease is for a location, identify address of location being rented</i>	C Is the lease for renting a location?	D Total 2022-23 Payments Per Lease	E Total 2023-24 Payments Per Lease	F Total Payments Per Lease After 2023-24
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The school is renting a building at 123 Main St in Milwaukee from ABC Rental. The lease is from 7/1/21 to 6/30/25. The school is required to pay \$15,000 in June, September, December, and March for an annual lease payment of \$60,000. The lease payment is for the next three months of rent.



We will now input the information in the budget Excel document. The name of the organization we are renting from is ABC Rental, so that is what we put in Column A. The description is “Building at 123 Main St in Milwaukee.” This line includes rent for a location, so we answer “Yes” for Column C.

Finally, we insert the anticipated payments in Columns D-F. The annual lease payment is \$60,000. Column D is for rental payments that must be paid during the 22-23 school year and Column E is for rental payments that must be paid during the 23-24 school year. So, \$60,000 is entered in these 2 columns. The last column is for any rental payments after the 23-24 school year. There will be 2 school years remaining in the lease after the 23-24 school year, so insert \$120,000 here, which was calculated as \$60,000 times 2.

If you need a few minutes to enter this information into your budget Excel document, please pause the training at this time until you are ready to proceed.

Lease Example-Answer (cont)

CASH FLOWS		
Line	A Line Description	B Rent
10	Total Eligible Education Expenses	
11	Total 2022-23 Payments Per Lease	60,000
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022	
13	June 30, 2022 Prepaid Expenses	

- The eligible education expense is 63% of the rent as we determined earlier.



The first line we need to complete in the bottom of the schedule is Line 10. This is the portion of the lease that is an eligible education expense. Our example indicated 63% of the building is used for educational programming so the eligible education expense is calculated as \$60,000 times 63%, which is \$37,800.

Lease Example-Answer (cont)

CASH FLOWS		
Line	A Line Description	B Rent
10	Total Eligible Education Expenses	37,800
11	Total 2022-23 Payments Per Lease	60,000
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022	
13	June 30, 2022 Prepaid Expenses	
14	TOTAL AMOUNT TO BE PAID	60,000

- The school plans on paying \$15,000 in June 2022 and then paying the required quarterly payments in September 2022, December 2022, March 2023, and June 2023.
- The lease payment is for the next three months of rent.



Next, we need to determine if there are any amounts that will be paid by June 30, 2022 for the 2022-23 school year. Based on our example, do we have any prepaid expenses?

Yes, we do. The school plans on paying \$15,000 in June 2022 for the next quarter. So, the \$15,000 is entered in Line 13.

Lease Example-Answer (cont)

CASH FLOWS		
Line	A Line Description	B Rent
10	Total Eligible Education Expenses	37,800
11	Total 2022-23 Payments Per Lease	60,000
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022	
13	June 30, 2022 Prepaid Expenses	15,000
14	TOTAL AMOUNT TO BE PAID	60,000
15	July 2022 Cash Payments	
16	August 2022 Cash Payments	
17	September 2022 Cash Payments	
18	October 2022 Cash Payments	
19	November 2022 Cash Payments	
20	December 2022 Cash Payments	
21	January 2023 Cash Payments	
22	February 2023 Cash Payments	
23	March 2023 Cash Payments	
24	April 2023 Cash Payments	
25	May 2023 Cash Payments	
26	June 2023 Cash Payments	
27	TOTAL CASH PAYMENTS	-
28	JUNE 30, 2023 Prepaid Expenses	

- The school plans on paying \$15,000 in June 2022 and then paying the required quarterly payments in September 2022, December 2022, March 2023, and June 2023.
- The lease payment is for the next three months of rent.



Next, input the cash payments in Lines 15-26. We plan on paying \$15,000 in September 2022, December 2022, March 2023, and June 2023.

Lease Example-Answer (cont)

CASH FLOWS		
Line	A Line Description	B Rent
10	Total Eligible Education Expenses	37,800
11	Total 2022-23 Payments Per Lease	60,000
12	Lease Payments Due Prior to June 30, 2022 Not Paid as of June 30, 2022	
13	June 30, 2022 Prepaid Expenses	15,000
14	TOTAL AMOUNT TO BE PAID	60,000
15	July 2022 Cash Payments	
16	August 2022 Cash Payments	
17	September 2022 Cash Payments	15,000
18	October 2022 Cash Payments	
19	November 2022 Cash Payments	
20	December 2022 Cash Payments	15,000
21	January 2023 Cash Payments	
22	February 2023 Cash Payments	
23	March 2023 Cash Payments	15,000
24	April 2023 Cash Payments	
25	May 2023 Cash Payments	
26	June 2023 Cash Payments	15,000
27	TOTAL CASH PAYMENTS	60,000
28	JUNE 30, 2023 Prepaid Expenses	

- The school plans on paying \$15,000 in June 2022 and then paying the required quarterly payments in September 2022, December 2022, March 2023, and June 2023.
- The lease payment is for the next three months of rent.

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Finally, we need to determine if we have a prepaid expense at the end of the school year. We will have paid \$15,000 in June 2023 for the rent for the first quarter of 2023-24. So, similar to the beginning of the school year, we input \$15,000 of prepaid rent expense on Line 28, Column B.

If you need a few minutes to enter this information into your budget Excel document, please pause the training until you are ready to proceed.

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Available Resources

On Demand Trainings

- K4 Parental Outreach (Training 1-3)
- Auditor Authorization Form (Training 3-3)
- Financial Audit Requirements (Training 5)
- Fiscal & Internal Control Practices (Training 6)
- Payment Process, Pupil Count Overview, Audit Overview (Training 9-1)
- Count Reports (Training 9-2 & 9-3)

<https://dpi.wi.gov/parental-education-options/choice-programs/on-demand-training>

Bulletins

- Financial Audit and PSCP/SNSP Reserve Balance Bulletin
- PSCP Eligible Education Expenses Bulletin
- K4 Parental Outreach Activities Bulletin
- Tuition and Fees Bulletin
- Criminal Background Check Bulletin
- Staff Credentials Bulletin
- Summer School Bulletin
- Accreditation Bulletin
- Insurance & Fidelity Bond Bulletin

<https://dpi.wi.gov/parental-education-options/choice-programs/bulletins>

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The department has on demand trainings and bulletins available to help schools understand programmatic requirements. Schools are encouraged to review these trainings and bulletins throughout the year when you have questions on the Choice requirements.

The trainings and bulletins that relate to the section we just discussed include the financial audit requirements training, which includes information on the fixed asset requirements.

The Financial Audit and PSCP/SNSP Reserve Balance Bulletin describes the fixed asset requirements. The PSCP Eligible Education Expenses Bulletin explains how expenses are determined for Choice program purposes.

Questions?

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Budget questions should be sent to:
dpchoiceauditreports@dpi.wi.gov

**General program questions should
be sent to:**
privateschoolchoice@dpi.wi.gov



The contact information for each of the Choice program auditors is listed on the screen. Questions on this training, including questions on the budget and cash flow report, should be directed to dpchoiceauditreports@dpi.wi.gov, rather than a specific auditor. This mailbox is monitored by all of the Choice program auditors.

If you have general Choice program questions, they should be directed to the Choice program consultants at privateschoolchoice@dpi.wi.gov.