



# July 2019 Financial Audit Update Training

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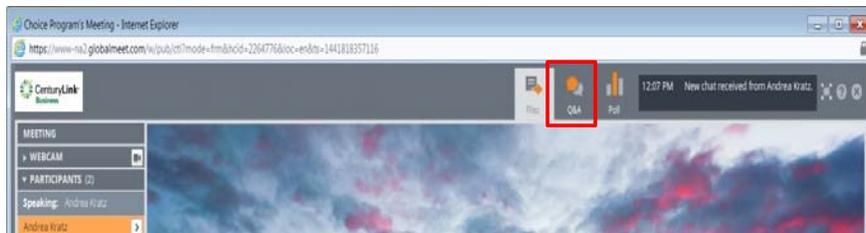
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## Administrative

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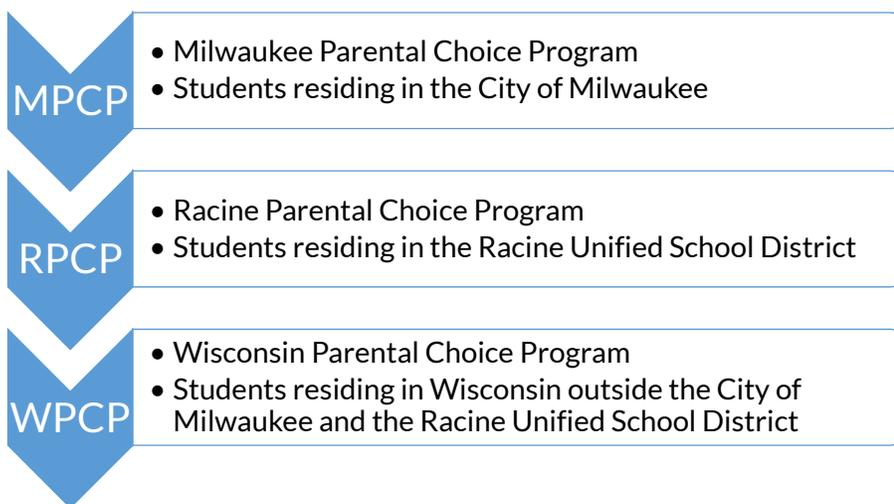
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## Agenda

- Financial Audit Overview
- Eligible Education Expenses
- Offsetting Revenues
- Fixed Asset Requirements
- Reserve Balances
- General Reserve Balance Changes
- General Reminders & Available Resources

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## Private School Choice Programs (PSCP or Choice)



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## **SNSP**

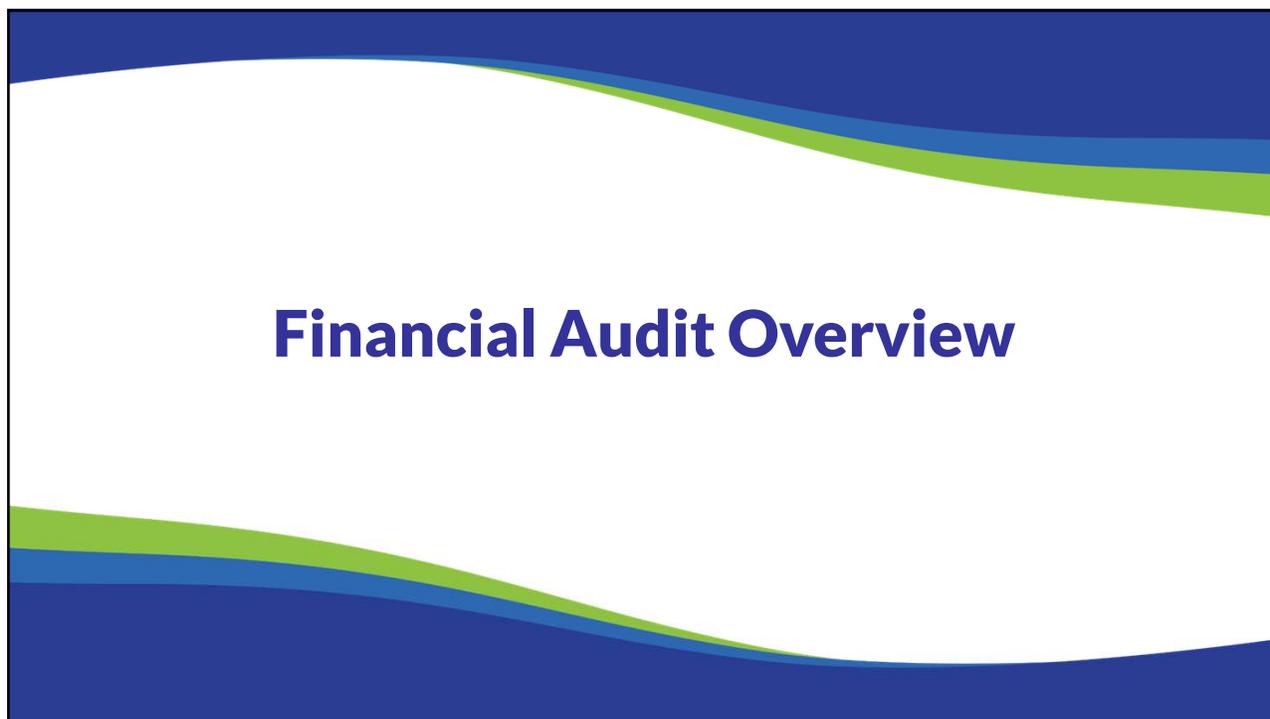
- The Special Needs Scholarship Program (SNSP) allows a student with a disability, who meets certain eligibility requirements, to receive a state-funded scholarship to attend a participating private school.

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## **Law & Statute**

- PSCP is based on Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and 48.
- SNSP is based on Wis. Stat. 115.7915 and Wis. Admin. Code PI 49.
- This presentation is based on current law and is subject to change based on statute or rule changes. This presentation provides information on certain requirements but is not a complete presentation of all requirements. Additional information on the requirements is available on the SNSP website and Choice website.
- If there are changes to statute or rule, the department will provide guidance as soon as we are able.

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## Overview of Program Funding

- The schools receive a payment for eligible program pupils.
- At the end of the year, the total payments received for eligible program pupils are compared to the school's actual net eligible education expenses for the program.
- The difference between the program payments received and the school's actual net eligible education expenses for program participants is the program reserve balance.
- The school must maintain a cash and investment balance that is at least as much as this amount for future program eligible education expenses.

## Financial Audit

- Prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- The financial audit is audited by an independent auditor.
- The fiscal year for the financial audit must be the school year from July 1 to June 30.
- Choice schools that receive less than \$100,000 annually in all of the Choice programs plus the SNSP in all previous school years and the school year being audited, may submit a modified financial audit to the DPI.

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## Required Financial Statements

	Modified Financial Audit	Standard Financial Audit
Statement of Financial Position	1 year	2 year comparative
Statement of Activities	Not Required	2 year comparative *
Statement of Cash Flows	Not Required	2 year comparative *

\*In the first year the school completes a standard financial audit for the PSCP or SNSP, the Statement of Activities and Statement of Cash Flows may only include current year audited financial statements.

- All school years identified in the chart must be audited.

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## **Common Error in Prior Year Financial Audits: Audit opinion did not reference the correct years**

- The audit opinion did not correctly reference the audited financial statements in the standard financial audit:
  - If the school chooses to use the option to only present one year of the statement of activities and the statement of cash flows in its first financial audit, the audit opinion should only reference one year for those statements.
  - After the first year's financial audit, ensure the audit opinion is updated to reference both years.

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## **Example First Year Audit Opinion Language**

- Introductory paragraph: We have audited the accompanying financial statements of (school), which comprise the statements of financial position as of June 30 20x1 and 20x0, and the related statement of activities and cash flows for the fiscal year ended June 30, 20x1, and the related notes to the financial statements.
- Opinion paragraph: In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of (school) as of June 30, 20x1 and 20x0, and the changes in its net assets and its cash flows for the year ended June 30, 20x1, in accordance with accounting principles generally accepted in the United States of America.

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## Financial Audit Required Level

- The financial audit may either:
  - Include the school only financial information
  - If a school is part of a larger organization, the financial audit may be prepared at the consolidated organizational level as permitted by GAAP or at the school only level.

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## PSCP & SNSP Combined Financial Audit

- A school that participates in both the Private School Choice Programs and SNSP submits one financial audit that covers both programs.
- The financial statements are the same.
- If the school is participating in both the PSCP and the SNSP:
  - The audit opinion must separately include the PSCP Report on Other Legal and Regulatory Requirements and the SNSP Report on Other Legal and Regulatory Requirements.
  - A PSCP reserve balance schedule and SNSP reserve balance schedule must be included in the financial audit.

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## Financial Audit Reserve Balance Schedule

- The reserve balance schedule determines the school's:
  - Eligible education expenses
  - Offsetting revenue
  - Reserve: Remaining balance of program revenues received that have not yet been used for educational programming for program pupils

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## Standard Financial Audit Program Reserve Balance Schedule

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Depreciation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -

The reserve balance schedule for the standard financial audit calculates eligible education expenses as the expenses in the Statement of Activities less the ineligible expenses.

Example Screen Print is PSCP Standard Schedule

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## Modified Financial Audit Program Reserve Balance Schedule

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Eligible Expenses & Offsetting Revenue	C Amount
1	Salaries		
2	Payroll Related Taxes and Benefits		
3	Utilities		
4	Supplies		
5	Rental Costs for Buildings or Land		
6	Insurance		
7	Services & Contractor Expenses		
8	Interest Expense		
9	Depreciation Expense		
10	Other Eligible Expenses		
11	Eligible Education Expenses for Land		
12	Less: Eligible Education Expenses Primarily for SNSP Pupils	-	
13	Less: Eligible Education Expenses on SNSP Statements of Actual Cost	-	
14	<b>Eligible Education Expenses</b>		<b>S -</b>

INELIGIBLE EXPENSES IDENTIFICATION			
If the legal entity of the school does not have the expense, insert N/A. If the legal entity of the school has the expense and has excluded it from eligible expenses, place a X next to the expense.			
38	<input type="checkbox"/> Contributed items	<input type="checkbox"/> Bad debt expense	<input type="checkbox"/> Scholarship awards & other financial support
	<input type="checkbox"/> Daycare expenses	<input type="checkbox"/> Church expenses	<input type="checkbox"/> School district partnership expenses

The reserve balance schedule for the modified financial audit includes the eligible education expenses by category and identifies what expenses of the legal entity of the school have been excluded from eligible education expenses.

Example Screen Print is PSCP Modified Schedule 17

## Common Error in Prior Year Financial Audits: Expenses on Statement of Activities Incorrect

- Some standard financial audits included an amount on Line 1 that did not match the total expenses from the Statement of Activities. This amount must always match.
- Any adjustments for ineligible expenses or offsetting revenue must be added in the applicable line in the schedule.

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Depreciation Expense		
3	Contributed Expenses Other Than Fixed Assets		

Example Screen Print is PSCP Standard Schedule 18

## **Common Error in Prior Year Financial Audits: Audit opinion did not include the PSCP & SNSP Paragraph**

- The prior year financial audits must have the PSCP and SNSP Report on Other Legal and Regulatory Requirements separate if the school is participating in both programs. The paragraphs should not be combined.

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### **Question?**

If you have a question,  
please use the Q&A button  
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Questions after the training  
may be emailed to  
[dpichoicedauditreports@dpi.wi.gov](mailto:dpichoicedauditreports@dpi.wi.gov)



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## Eligible Education Expenses

<u>Choice</u>	<u>SNSP</u>
Eligible education expenses are all direct and indirect costs associated with a school's educational programming for pupils enrolled in grades kindergarten to 12 that are reasonable for the private school to achieve its educational purposes as determined by the school's written policy and tested by an independent auditor.	Eligible education expenses are all direct and indirect costs associated with a private school's educational programming for pupils enrolled in grades kindergarten to 12.

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## Educational Programming Related Services Examples

- Management/administrative
- Extracurricular programming and activities
- Development expenses (fundraising)
- Before and after school care for K-12 pupils
- Transportation
- Food service

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## PSCP Eligible Education Expenses

- General Eligible Education Expenses: These are the school's educational programming expenses for *all pupils* enrolled in grades K4 to 12.
  - The general eligible education expenses are multiplied by the percent of the pupils participating in the PSCP to determine what is a PSCP eligible education expense.
  - The percent of pupils participating in the PSCP is based on the average of the 3<sup>rd</sup> Friday in September and 2<sup>nd</sup> Friday in January FTE for PSCP pupils and all pupils.

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## **SNSP Eligible Education Expenses**

- General Eligible Education Expenses: These are the school's educational programming expenses for *all pupils* enrolled in grades K4 to 12.
- Primarily SNSP Expenses: These are the school's educational programming expenses that are *primarily related to SNSP pupils*.
- Expenses for Pupils in a Statement of Actual Cost: These are expenses that are identified as eligible, with supporting documentation, in a Statement of Actual Cost submitted by the school by the third Friday in July following the school year.
- See the SNSP Eligible Education Expense Bulletin for further information.

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## **SNSP Eligible Education Expenses-General Eligible Education Expenses**

- The general eligible education expenses are multiplied by the percent of the pupils participating in the SNSP to determine what is a SNSP eligible education expense.
- The percent of pupils participating in the SNSP is based on the average of the 3<sup>rd</sup> Friday in September and 2<sup>nd</sup> Friday in January FTE for SNSP pupils and all pupils. If the school receives a payment based on a Statement of Actual Cost, the pupil is excluded from the SNSP pupil FTE in the year the scholarship is received.

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## Primarily SNSP Eligible Education Expenses

- If the school is participating in the SNSP, it may designate eligible education expenses that are primarily for the SNSP.
- Expenses that are primarily, but not only, related to SNSP pupils are expenses that were incurred primarily for SNSP pupils where other pupils at the school are also getting a benefit.
- Since they need to be “primarily” related to the SNSP, the expenses must be used for the SNSP at least 50% of the time.

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## Primarily SNSP Eligible Education Expenses (cont)

- The allocation for these expenses must be specific to the particular expense rather than a general allocation.
- Generally, the cost of teachers and other general costs of the school should be included as a general eligible education expense rather than as a primarily SNSP eligible education expense.

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## Primarily SNSP Eligible Education Expenses (cont)

- These costs are excluded from the general eligible education expense calculation for the SNSP and PSCP.
  - The SNSP excluded amount must be the amount before the allocation percentage is applied.
  - The PSCP excluded amount is the amount included as a primarily SNSP expense.
- Any government assistance, insurance proceeds, or fundraising revenue that are related to these costs must decrease the primarily SNSP eligible education expenses.

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## Primarily SNSP Expenses

NET ELIGIBLE EDUCATION EXPENSES PRIMARILY FOR SNSP PUPILS				
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount	D Matches PSCP Schedule
1	Eligible Education Expenses Primarily for SNSP Pupils			
2	Government Assistance for Expenses in Line 1			
3	Fundraising Revenue for Expenses in Line 1			
4	Insurance Proceeds for Expenses in Line 1			
5	<b>Less: Total Offsetting Revenue for Expenses in Line 1</b>		\$ -	
6	Adjustments to Prior Year Net Eligible Education Expenses Primarily for SNSP Pupils			
7	<b>Net Eligible Education Expenses Primarily for SNSP Pupils</b>		\$ -	

- The first section of the SNSP Reserve Balance Schedule calculates the primarily SNSP expenses.
- Lines 2-4 represent the offsetting revenue that was received for those expenses.

Example Screen Print is SNSP Standard Schedule

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## Primarily SNSP Expenses: SNSP General Eligible Education Expenses Impact

Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>			
12	Expenses on Statement of Activities		-
13	Ineligible Depreciation Expense	-	
14	Contributed Expenses Other Than Fixed Assets	-	
15	Bad Debt Expense	-	
16	Scholarship Awards & Other Financial Support for Pupils	-	
17	Daycare Expenses	-	
18	School District Partnership Expenses	-	
19	Church Expenses	-	
20	Eligible Education Expenses Primarily for SNSP Pupils	-	
21	Total Actual Cost for Pupils in SNSP Statements of Actual Cost	-	
22	Other Non-Eligible Expenses	-	
23	<b>Less: Total Non-Eligible Expenses</b>		\$ -
24	Add: Eligible Education Expense for Land		-
25	<b>Eligible Education Expenses</b>		\$ -

- Primarily SNSP expenses **before** any allocation must be excluded from the general SNSP eligible education expenses.

Example Screen Print is SNSP Standard Schedule 31

## Primarily SNSP Expenses: PSCP General Eligible Education Expenses Impact

Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>			
1	Expenses on Statement of Activities		-
2	Ineligible Depreciation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		-
14	<b>Eligible Education Expenses</b>		\$ -

- Primarily SNSP expenses **after** any allocation must be excluded from the PSCP general eligible education expenses.
- This amount may or may not match the excluded amount on the SNSP schedule.

Example Screen Print is PSCP Standard Schedule 32

## **Common Error in Prior Year Financial Audits: Primarily SNSP Eligible Education Expenses**

- Primarily SNSP Expenses:
  - Amounts are included that are not at least 50% related to SNSP pupils, as required.
  - The amounts are incorrectly allocated based on estimates or general allocations rather than the actual time or use of the resource, as required.

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## **Common Error in Prior Year Financial Audits: Primarily SNSP Eligible Education Expenses (cont)**

- The primarily SNSP eligible education expense amount included as ineligible for the general SNSP eligible education expenses is not the full amount before the allocation percentage is applied.
- The primarily SNSP eligible education expense amount included as ineligible for the general PSCP eligible education expenses is missed or not the amount after the allocation percentage is applied.

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## Common Error in Prior Year Financial Audits: Primarily SNSP Eligible Education Expenses (cont)

- The SNSP reserve balance schedule now includes an error report section.
- The auditor must answer whether or not an allocation was used for the primarily SNSP expenses. This question was previously in the management letter section. If this question is not answered, an error will show.

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## Common Error in Prior Year Financial Audits: Primarily SNSP Eligible Education Expenses (cont)

- SNSP Reserve Balance Schedules Error Report.

ERROR REPORT		
50	The school also participated in the PSCP in the 2018-19 school year.	
51	Was an allocation used to determine the Eligible Education Expenses Primarily for SNSP Pupils?	
52	The question on Line 51 must be answered. <i>If the school has no expenses on Line 1, insert No on Line 51.</i>	ERROR
53	<b>Primarily SNSP Allocation Used:</b> If Line 51 indicates an allocation was used for eligible education expenses primarily for SNSP pupils, the decrease to the general eligible education expenses on Line 20 must be the amount before the allocation. <b>Note: The allocated amounts must be for expenses that were primarily related to SNSP pupils and cannot include the costs for teachers unless the school has a resource teacher, teacher aide, or additional teacher primarily to assist with the SNSP pupils. Additionally, the allocated amounts cannot use a general allocation. The allocation percentage must be based on the actual amount of SNSP time/use of the resource being allocated.</b>	OK
54	<b>Primarily SNSP Allocation Not Used:</b> If Line 51 indicates an allocation was not used for eligible education expenses primarily for SNSP pupils, the decrease to the general eligible education expenses on Line 20 must match the amount on Line 1. <b>Note: If Line 51 indicates an allocation was not used, Line 1 may only include costs for SNSP pupils. In this case, no allocations may be used to determine the amount on Line 1.</b>	OK
55	If the school is also participating in the PSCP, the eligible education expenses primarily for SNSP pupils on Line 9 of the PSCP Reserve Balance Schedule must match Line 1 of the SNSP Reserve Balance Schedule.	N/A

Example Screen Print is SNSP Standard Schedule

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## **SNSP Statement of Actual Cost Pupil Payment Option**

- Beginning in the 2019-20 school year, a school has the option to receive a SNSP payment for a pupil based on the cost to provide special education for that pupil in the previous school year.
- A school that would like a payment for a pupil in the 2019-20 school year using this option was required to provide a Statement of Actual Cost that indicated the actual special education costs incurred for the pupil for the 2018-19 school year and provide supporting documentation for the costs. This statement was due by July 19, 2019.

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## **SNSP Statement of Actual Cost Pupil Payment Option (cont)**

- The 2019-20 scholarship amount will be the amount on the Statement of Actual Cost up to 150% of the regular student payment amount plus 90% of the amount on the Statement of Actual Cost over 150% of the regular per pupil payment amount.

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## SNSP Statement of Actual Cost Pupil Payment Option Example (cont)

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
Voucher Amount	\$12,000	\$19,800	\$17,000
<i>Amount on the Statement of Actual Cost up to 150% of voucher amount</i>		\$18,000	\$17,000
<i>90% of costs on the Statement of Actual Cost over 150% of voucher amount</i>		\$1,800	\$0
Current Year Actual Costs Included on the Statement of Actual Cost	\$20,000	\$17,000	\$22,000

Assumes voucher amount of \$12,000 annually.

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## Expenses for a Pupil in a SNSP Statement of Actual Cost

- The allocation for these expenses must be specific to the particular expense for that pupil rather than a general allocation.
- These costs are excluded from the general eligible education expense calculation for the SNSP and PSCP. These amounts may also not be included as a primarily SNSP expense.
- Any government assistance that is related to the costs must decrease the actual costs.

\* Based on proposed changes to Wis. Admin. Codes

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## Special Education Expenses in a SNSP Statement of Actual Cost

- The following are costs that may be included in a Statement of Actual Cost if they meet the eligible education expense requirements.
  - The service is specified in the IEP or Services Plan.
  - The cost was incurred to provide specially designed instruction, regardless of where the instruction is conducted, that is provided to meet the unique needs of a child with a disability, including instruction in physical education.
  - The cost was incurred to provide aids, services and other supports that are provided in regular education classes or other education-related settings to enable a child with a disability to be educated with nondisabled children to the maximum extent appropriate.

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## Special Education Expenses in a SNSP Statement of Actual Cost (cont)

- The following are costs that may be included in the Statement of Actual Cost if they meet the eligible education expense requirements (cont).
  - The cost was incurred to provide transportation or such developmental, corrective, and other supportive services as may be required to assist a child with a disability to benefit from special education.
  - The cost was incurred to provide services or activities for school personnel to meet the unique needs of a child with a disability.

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## Statements of Actual Cost Section in the SNSP Reserve Balance Schedule

- The SNSP schedules now include a section for the SNSP Statements of Actual Cost.
- If the school provided any SNSP Statements of Actual Cost by July 19, 2019, complete this section identifying the costs and offsetting revenues based on the audit procedures performed.

NET ELIGIBLE EDUCATION EXPENSES ON SNSP STATEMENTS OF ACTUAL COST			
<i>If any amounts changed from the Statements of Actual Cost submitted by July 19, 2019, provide the pupil schedule as part of the financial audit. The school must then submit revised Statements of Actual Cost for any pupils with changes and supporting documentation for amounts that changed by October 15, 2019.</i>			
8	Cost from Invoices		
9	Allocated Salary & Benefits Costs		
10	Less: Offsetting Government Assistance Revenue		
11	<b>Net Eligible Education Expenses on SNSP Statements of Actual Cost</b>	\$	-

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## Statements of Actual Cost Section in the SNSP Reserve Balance Schedule (cont)

- If there are any changes in the previously submitted SNSP Statements of Actual Cost, the following must be completed:
  - The financial audit must include a Pupil Schedule with the SNSP Statements of Actual Cost information based on the audit.
  - By October 15<sup>th</sup>, the school must submit:
    - A revised SNSP Statement of Actual Cost reflecting the changes.
    - Support for any amounts that changed in the SNSP Statement of Actual Cost.

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## SNSP Statements of Actual Cost Pupil Schedule

SNSP Statements of Actual Cost Pupil Schedule					
Year Ending June 30, 2019					
TOTAL COST FOR PUPILS					
Line	A Application ID	B Cost from Invoices	C Allocated Salary & Benefits Costs	D Less: Offsetting Government Assistance Revenue	E Total Cost for Pupil
1					0
2					0
3					0
4					0

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## SNSP Statements of Actual Cost: SNSP General Eligible Education Expenses Impact

Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount	D Matches PSCP Schedule
<b>NET ELIGIBLE EDUCATION EXPENSES ON SNSP STATEMENTS OF ACTUAL COST</b>				
<small>If any amounts changed from the Statements of Actual Cost submitted by July 19, 2019, provide the pupil schedule as part of the financial audit. The school must then submit revised Statements of Actual Cost for any pupils with changes and supporting documentation for amounts that changed by October 15, 2019.</small>				
8	Cost from Invoices			
9	Allocated Salary & Benefits Costs			
10	Less: Offsetting Government Assistance Revenue			
11	<b>Net Eligible Education Expenses on SNSP Statements of Actual Cost</b>		\$ -	
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>				
12	Expenses on Statement of Activities		-	YES
13	Ineligible Depreciation Expense	-		YES
14	Contributed Expenses Other Than Fixed Assets	-		YES
15	Bad Debt Expense	-		YES
16	Scholarship Awards & Other Financial Support for Pupils	-		YES
17	Daycare Expenses	-		YES
18	School District Partnership Expenses	-		YES
19	Church Expenses	-		YES
20	Eligible Education Expenses Primarily for SNSP Pupils			
21	<b>Total Actual Cost for Pupils in SNSP Statements of Actual Cost</b>		-	YES
22	Other Non-Eligible Expenses			YES
23	<b>Less: Total Non-Eligible Expenses</b>		\$ -	

- Any costs included in the SNSP Statements of Actual Cost will be excluded from the SNSP general eligible education expenses.

Example Screen Print is SNSP Standard Schedule

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## SNSP Statements of Actual Cost: PSCP General Eligible Education Expenses Impact

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Depreciation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -

- Any costs included in the SNSP Statements of Actual Cost will be excluded from the PSCP general eligible education expenses.
- This amount must match the excluded amount on the SNSP schedule.

Example Screen Print is PSCP Standard Schedule 47

## SNSP Reserve Balance Schedule Section Changes

- Added the Net Eligible Education Expenses on SNSP Statements of Actual Cost.
- Added a subtotal of the Net Eligible Education Expenses for SNSP Pupils.
- Added a SNSP summer school revenue line and a subtotal with the total SNSP revenue.

SNSP RESERVE BALANCE		
35	2018-19 SNSP Revenue	-
36	2018 Summer School SNSP Revenue	
37	<b>Total 2018-19 SNSP Revenue</b>	\$ -
38	Net Eligible Education Expenses Primarily for SNSP Pupils <i>Line 7</i>	-
39	Net Eligible Education Expenses on SNSP Statements of Actual Cost <i>Line 11</i>	-
40	General Net Eligible Education Expenses for SNSP Pupils <i>Line 31 times Line 34</i>	-
41	<b>Less: Total Net Eligible Education Expenses for SNSP Pupils</b>	\$ -
42	Add: June 30, 2018 SNSP Reserve Balance	-
43	<b>June 30, 2019 SNSP Reserve Balance</b>	\$ -

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## Eligible Education Expenses General Requirements

- The amount included as an eligible education expense in the reserve balance schedule, for costs identified as eligible, is the amount that could be included in the Statement of Activities for that school year based on GAAP, except for the following:
  - The amount that the school paid for land must be included in the first year the land is used for educational programming using an allocation method, if applicable, if the school chooses to include land it owns when it first enters the program in the GAAP audit.
  - Modified Financial Audit Only: Post retirement benefits may be included based on the actual cost of the benefits in that year.

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## Eligible Education Expenses General Requirements (cont)

- In order to include something as an eligible education expense, the school must expend cash (either now or projected for the future).
- An expense may only be included once.

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## Non Eligible Education Expenses

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Deprecation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -

- Contributed fixed assets or goods
- Contributed services-the expense for donated services (such as accounting or legal services)
- Bad debt expense
- Scholarship awards and financial support for pupils

Example Screen Print is PSCP Standard Schedule 51

## Non Eligible Education Expenses (cont)

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Deprecation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -

- Daycare expenses except for before and after school care for K-12th grade pupils enrolled in educational programming at the school
- Expenses for pupils enrolled in the public school
- Church expenses
- Other non-eligible expenses

Example Screen Print is PSCP Standard Schedule 52

## Common Error in Prior Year Financial Audits: Before and After Care Identified as Ineligible

- Some financial audits removed before and after care as an eligible education expense in the Daycare Expenses line when it was not ineligible.
- If the school is providing before or after care for pupils enrolled in K4-12<sup>th</sup> grade educational programming and the expense has been identified as eligible in the PSCP eligible education expense policy (for PSCP), the amount should not be identified as ineligible on the Daycare Expense line.

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Deprecation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		

Example Screen Print is PSCP Standard Schedule

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## Common Error in Prior Year Financial Audits: Bad Debt Expense

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Deprecation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -

- Some financial audits did not properly include bad debt expense on the bad debt expense line.

Example Screen Print is PSCP Standard Schedule

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## Common Error in Prior Year Financial Audits: Amounts Incorrectly Included on Other Non-Eligible Expenses line

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Depreciation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils		
10	Eligible Education Expenses on SNSP Statements of Actual Cost		
11	Other Non-Eligible Expenses		
12	Less: Total Non-Eligible Expenses		\$ -
13	Add: Eligible Education Expense for Land		
14	Eligible Education Expenses		\$ -

- Some financial audits included amounts that should have been on lines 2-8 (for the PSCP standard schedule) on line 11.
- Any ineligible expenses in lines 2-8 must be included on the applicable line.

Example Screen Print is PSCP Standard Schedule

55

## Knowledge Check

The school has elected to include anything that can be eligible as an eligible education expense for PSCP. Which of the following must be included in the ineligible expense section of a PSCP and SNSP standard reserve balance schedule? The amount is included in the expenses in the Statement of Activities unless otherwise noted.

- Tuition that was written off in the current year.
- Daycare expenses for 1<sup>st</sup>-8<sup>th</sup> grade children enrolled in the school for after school care.
- Amount included in the financial statements for a donated van.
- Scholarships awarded to pupils that are only included in the Statement of Activities as a reduction to the tuition revenue.

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## Knowledge Check

A school participating in the SNSP and Choice program hires a teacher aid to work with a SNSP pupil. The teacher aid is paid \$30,000 per year. The teacher aid sometimes assists other students. The teacher aid spends 90% of her time with the SNSP student. The school designates the teacher aid as a primarily SNSP expense. Which of the following is correct?

- a. The primarily SNSP eligible education expenses and costs excluded from the SNSP and PSCP general eligible education expenses are all \$30,000.
- b. The primarily SNSP eligible education expenses and costs excluded from the SNSP and PSCP general eligible education expenses are all \$27,000.
- c. The primarily SNSP eligible education expenses are \$27,000, the costs excluded from the SNSP general eligible education expenses are \$30,000, and the costs excluded from the PSCP general eligible education expenses are \$27,000.
- d. The primarily SNSP eligible education expenses are \$27,000, the costs excluded from the SNSP general eligible education expenses are \$27,000, and the costs excluded from the PSCP general eligible education expenses are \$30,000.

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## Knowledge Check

A school has a teacher aid that they designate as primarily SNSP. The teacher aid does not spend all of his time on the SNSP. How must the school determine the portion of the SNSP teacher aid's time spent on the SNSP?

- a. The school can use the percentage of the school participating in the SNSP.
- b. The teacher aid must specifically track the amount of time spent working with SNSP pupils and SNSP required items compared to the amount of time spent on non-SNSP items every day.
- c. The teacher aid can estimate the amount of time spent on SNSP items.
- d. The teacher aid must specifically track the amount of time spent working with SNSP pupils and SNSP required items compared to the amount of time spent on non-SNSP. The teacher aid could select certain weeks to track her time that are representative of his typical time spent on the SNSP compared to non-SNSP items.

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## True or False

1. If a school has a cost that only relates to a SNSP student, they must include it as a primarily SNSP expense.
2. A school must complete a SNSP Statement of Actual Cost for each pupil that participated in the SNSP at its school in the previous school year.

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## Question?

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## Offsetting Revenues

- Offsetting fundraising revenue is the lesser of the following:
  - Fundraising revenue
  - Non-administrative fundraising expenses included in eligible education expenses
    - Administrative expenses include expenses for personnel, mailings, copying, and fixed assets used for other school purposes.
- Insurance proceeds for expenses that are included in eligible education expenses are offsetting.
- Government Assistance: Any government assistance for expenses that are included in eligible education expenses are offsetting.

## Common Error in Prior Year Financial Audits: Government Assistance Received Was Incorrect

- Ensure the USDA food program payments include any accruals.
- Ensure any government assistance received is properly included.

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## Grants in DPI's Aids Register

- A summary of DPI administered grants created in the 2017-19 budget is available at <https://dpi.wi.gov/policy-budget/2017-19-biennial-budget-new-state-aid-and-grant-programs#aid-for-school-mental-health-programs>.
  - Aid for Mental Health program: <https://dpi.wi.gov/sspw/mental-health/aid-school-mental-health-programs>
  - Personal electronic computing device: <https://dpi.wi.gov/mobile-device-grant>
  - School performance improvement grant: <https://dpi.wi.gov/title-i/1003g-school-improvement-grants>
  - Robotics league participation grant: <https://dpi.wi.gov/stem/grants/robotic-league>
  - Early college credit program (this amount has not yet been paid): <https://dpi.wi.gov/dual-enrollment/eccp>
- Refugee school impact: <https://dpi.wi.gov/english-learners/immigrants-and-refugees/refugee>

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## Other Government Assistance

- School safety grant (Department of Justice):

<https://www.doj.state.wi.us/office-school-safety/school-safety-grants>.

The grants awarded are listed in the following documents:

- “Applications Received and the award date and amount for each applicant” under "Round #1" School Safety Initiative Grant
- “Round 2 applications and awards” under "Round #2" School Safety Initiative Grant
- E-rate program

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## Aids Register

- Auditors can use the Aids Register to identify any government assistance the school received from the DPI. This will not include school safety grants or E-rate program funds.
- The link for the Aids Register is available on the SNSP and Choice homepages under “Related Links”.

### Related Links

District & Charter Special Education Leadership Directory

Seclusion and Physical Restraint Information

Background Check Information Sources

Aids Register

Transportation Information

Private Schools in Wisconsin

Private School Directory

School Management Services Homepage

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## Aids Register

Welcome to STAR AIDS Register

Fiscal Year:

Agency Id:

Agency Name:

- The “Fiscal Year” is the end of the school year for which the payment is made. The payments are not included in the Aids Register based on the period they relate.
  - 2019: Payments made from July 1, 2018 to June 30, 2019
  - 2020: Payments made from July 1, 2019 to June 30, 2020
- The agency ids for each school will be listed in an Excel document available on the Financial Audit webpage.

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## Aids Register

Voucher Date	Payment Date	Voucher Id/STAR ID	Source	Project	Appr	Description	Amount
<b>Food Service Aid National School Lunch Private CFDA#: 10.555</b>							
04/05/2018	04/16/2018	68105	717	547	344	01/18, NSL, Meals	13,962.71
02/02/2018	02/12/2018	63600	717	547	344	12/17, NSL, Meals	10,094.98
<b>Aid for School Mental Health Programs CFDA#: 255.227</b>							
<b>School Performance Improvement Grants CFDA#: 255.292</b>							
<b>Personal Electronic Computing Device CFDA#: 255.296</b>							
<b>REFUGEE SCHOOL IMPACT CFDA#: 93.566</b>							

- The title at the top identifies the type of revenue received.
- The “Description” column includes the month that the claim relates to for USDA food program payments.

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## Aids Register (cont)

- Commodity Handling Charges:
  - Certain schools purchase food from the USDA.
  - These charges are included in the lunch meals and as a negative in the commodity handling charges section.
  - The net impact on net eligible education expenses for commodity handling charges must be zero in the PSCP and SNSP Reserve Balance schedules.

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## Aids Register (cont)

- Daycare/Adult Care Related Payments:
  - The Aids Register may include payments for a daycare/adult care program.
  - Identified as “Child & Adult Care Food Program Private” in the Aids Register.
  - If the school includes before or after care as an eligible expense, the payments must be included as offsetting revenue in the PSCP and SNSP Reserve Balance schedule.
- Other Food Program Provided Grants: Fresh fruit and vegetable program, team nutrition or equipment grant.

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## Payments Paid in Different Year than Earned

Voucher Date	Payment Date	Voucher Id/STAR ID	Source	Project	Appr	Description	Amount
<b>Food Service Aid National School Lunch Private CFDA#: 10.555</b>							
04/05/2018	04/16/2018		717	547	344	01/18, NSL, Meals	13,962.71
02/02/2018	02/12/2018		717	547	344	12/17, NSL, Meals	10,094.98
01/18/2018	01/29/2018		717	547	344	11/17, NSL, Meals	13,884.47
01/04/2018	01/16/2018		717	547	344	10/17, NSL, Meals	15,841.72
12/07/2017	12/18/2017		717	547	344	09/17, NSL, Meals	14,501.53
08/01/2017	08/14/2017		717	547	344	06/17, NSL, Meals	4,381.96
07/25/2017	08/07/2017		717	547	344	05/17, NSL, Meals	10,930.98
07/12/2017	07/24/2017		717	547	344	04/17, NSL, Meals	6,411.18

- The Aids Register uses the cash basis. Program payments may be on a delay. Review the current year’s and next year’s Aids Register for any payments made that were for the previous year. The description for food program payments includes the date.

## Matching USDA Food Program Payments

Voucher Date	Payment Date	Voucher Id/STAR ID	Source	Project	Appr	Description	Amount
<b>State School Lunch Aid MATCH CFDA#: 255.102</b>							
03/26/2018	04/02/2018		617	542	209	06/17, MATCH, Other	744.00
<b>Program Total:</b>							<b>744.00</b>
<b>State School Breakfast Aid SSBA CFDA#: 255.344</b>							
03/26/2018	04/02/2018		617	543	215	06/17, SSBA, Other	565.35
<b>Program Total:</b>							<b>565.35</b>

- The matching USDA food program payment amounts are paid on a one year lag.
- They are labeled “Match” (lunch), “SSBA” (breakfast), and “WMMP” (milk).
- The accrual should be based on the amount paid during the school year being audited.

## Knowledge Check

The school includes fundraising revenue net of the direct cost to fundraise on the financial statements. How must these amounts be reflected on the standard reserve balance schedule?

- a. The non administrative fundraising expenses must be added to the Expenses on Statement of Activities line. The lesser of the non administrative fundraising expenses or the fundraising revenue must then be included on the offsetting fundraising revenue line.
- b. Since the non administrative fundraising expenses are excluded from the expenses in the Statement of Activities no amounts need to be included in the offsetting fundraising revenue line in the reserve balance schedule.

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## Knowledge Check

Which of the following government assistance amounts will not be included in DPI's Aids Register?

- a. USDA food program revenue.
- b. Robotics league participation grant.
- c. School safety grant.
- d. Mental health grant.
- e. E-rate program funds.
- f. Personal electronic computing device grants.
- g. School performance improvement grants.

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## Knowledge Check

How should the auditor determine the amount of funding received from a DPI paid grant for the 2018-19 financial audit?

- a. The auditor should input "2019" and the agency code in the Aids Register look up. The total amount of government assistance identified in the look up that is for educational programming expenses must then be input in the reserve balance schedule as offsetting revenue.
- b. The auditor needs to review the "2019" and "2020" amounts in the Aids register to determine what amounts are for the 2018-19 school year. The auditor must also determine if the school has already or will submit additional claims for the 2018-19 school year that have not yet been paid. The total amount of government assistance revenue for the 2018-19 school year for educational programming expenses must then be input in the reserve balance schedule as offsetting revenue.

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### Question?

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## **Fixed Asset PSCP & SNSP Requirements**

- Only the cost for fixed assets may be included as eligible. If an asset is donated, for example, it is not an eligible cost.
- The school must have support for the original purchase price and be able to provide evidence that the school paid for the fixed asset purchase in order for the depreciation expense to be PSCP/SNSP eligible.

## Depreciation

- 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 and related services.

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## First Year Financial Audit

- In the first year a school completes a GAAP financial audit for the PSCP or SNSP, the school must decide what, if any, existing fixed assets owned as of the beginning of the fiscal year (“existing fixed assets”) will be included in the financial audit.
- The school may choose to include all, some, or no existing fixed assets owned in the financial audit as long as the ones that are included meet GAAP including:
  - The original purchase must have met the school’s capitalization policy.
  - The school will need to determine and support the beginning fiscal year book value.

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## Existing Fixed Assets Excluded from Financial Audit

- If any existing fixed assets are excluded from the Statement of Financial Position, a qualification must be included in the audit opinion.

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## Fixed Assets Purchased During School Year

- The option to exclude fixed assets only applies to existing fixed assets owned as of the beginning of the first fiscal year the school completes a GAAP financial audit for the PSCP or SNSP.
- Any other fixed assets must be capitalized based on the capitalization policy of the school.

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## Fixed Assets that Do Not Meet DPI Requirements

- If any fixed assets are included in the Statement of Financial Position that do not meet the PSCP/SNSP requirements, the following must be completed:
  - The depreciation expense for the assets must be excluded from eligible education expenses.
  - The financial audit should include a footnote disclosure indicating the fixed assets that do not meet the PSCP/SNSP requirements. A sample footnote is in the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.

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## Land

- Land that meets the PSCP/SNSP requirements is included 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.
- The school must include the cost of land owned when it first enters the PSCP/SNSP as an eligible education expense in the school's first financial audit if:
  - The school chooses to include land owned when the school first enters the program in the GAAP audit;
  - The land meets the PSCP/SNSP requirements; and
  - The land is already being used for educational programming in that year.
- Land included in the GAAP audit that meets the PSCP/SNSP requirements that is not yet being used for educational programming purposes will not be included as an eligible education expense until the year it is used for educational purposes.

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## SNSP Eligible Education Expense Land Line

Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>			
12	Expenses on Statement of Activities		-
13	Ineligible Depreciation Expense	-	
14	Contributed Expenses Other Than Fixed Assets	-	
15	Bad Debt Expense	-	
16	Scholarship Awards & Other Financial Support for Pupils	-	
17	Daycare Expenses	-	
18	School District Partnership Expenses	-	
19	Church Expenses	-	
20	Eligible Education Expenses Primarily for SNSP Pupils	-	
21	Total Actual Cost for Pupils in SNSP Statements of Actual Cost	-	
22	Other Non-Eligible Expenses	-	
23	<del>Less: Total Non-Eligible Expenses</del>		\$
24	Add: Eligible Education Expense for Land		\$
25	<b>Eligible Education Expenses</b>		<b>\$</b>

- Ensure land included in the GAAP audit is added in the school's first year in the SNSP if it meets the SNSP requirements and is being used for educational programming during the school year.

Example Screen Print is SNSP Standard Schedule

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## Common Error in Prior Year Financial Audits: No note explaining ineligible fixed assets

- If any fixed assets are included in the Statement of Financial Position that do not meet the PSCP/SNSP requirements, ensure the financial audit has a footnote disclosure indicating the fixed assets that do not meet the PSCP/SNSP requirements. A sample footnote is included in the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.

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## **Common Error in Prior Year Financial Audits: Land was not included as eligible for SNSP**

- Ensure land included in the GAAP audit is added in the school's first year in the SNSP if it meets the SNSP requirements and is being used for educational programming during the school year. The amount included is based on the percent being used for educational programming in the first school year.
- This must be included, even if the school was a previous participant in the PSCP.

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## **Knowledge Check**

A school participated in the PSCP in the 2017-18 and 2018-19 school year. The school included land as an eligible education expense for the PSCP in the 2017-18 school year. The school joins the SNSP in the 2018-19 school year. Which of the following is true:

- a. The school cannot include the land as an eligible education expense for the SNSP in the 2018-19 school year because it already included it for the PSCP.
- b. The school must include the land that is being used for educational programming in the 2018-19 SNSP Reserve Balance Schedule as an eligible expense on the land line because it is the first year the school participated in the SNSP.

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## Knowledge Check

The school had \$25,000 of contributed fixed assets. How must the financial audit reflect this amount?

- a. The contributed fixed assets cannot be included in the financial audit because they do not meet DPI's requirements.
- b. The depreciation for the contributed fixed assets must be included on the ineligible depreciation expense line.
- c. The notes must include information on the total amount of contributed fixed and the depreciation for the fixed assets.
- d. Both b and c.

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### Financial Audit Reserve Balance Schedule

- The reserve balance schedule determines the school's:
  - Eligible education expenses
  - Offsetting revenue
  - Reserve: Remaining balance of program revenues received that have not yet been used for educational programming for program pupils

## Negative Reserve Balance

- The school has spent more for K-12 educational programming for program pupils than the amount received from the program.
- The school will need to have funding sources other than program funds to pay for the additional costs.
- The school carries forward the negative balance to the next year.

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## Positive Reserve Balance

- The school has spent less on K-12 educational programming for program pupils than the amount received from the program.
- The school has not fully spent the money the department will provide for educational programming for program pupils.
- The school carries forward the positive balance to the next year.

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## Positive Reserve Balance (cont)

- The school will be required to maintain the amount for future eligible education expenses.
- The school must have an audited year-end cash and investment balance(s) as reported on the statement of financial position that is at least as much as the required cash and investment balance.
- If the school ceases to participate in a future year, it will be required to repay the reserve balance to the department.

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## Required Cash & Investment Balance

- The required cash and investment balance is based on the total of the Choice and SNSP reserve balances less the remaining depreciation on fixed assets or land purchases that are not yet being used for educational programming purposes.

		REQUIRED CASH AND INVESTMENT BALANCE	
32	June 30, 2019 PSCP Reserve Balance <i>Line 30</i>		-
33	June 30, 2019 SNSP Reserve Balance		-
34	Less: Remaining Depreciation on Fixed Assets		
35	Less: Land Purchases that have not Been Included as Eligible		
36	<b>Required Cash and Investment Balance</b>	<b>\$</b>	-

Example Screen Print is PSCP Standard Schedule

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## Knowledge Check

- A school has total eligible education expenses of \$1,108,000.
- The school receives \$50,000 from the USDA food program, \$500,000 in tuition, and \$10,000 in fees.
- The school has a teacher aid who is paid \$40,000 that spends 75% of her time with SNSP pupils.
- The school submitted a 2018-19 SNSP Statement of Actual Cost that has \$18,000 of eligible education expenses incurred for the pupil on the report.
- What are the school's general net eligible education expenses for the SNSP and Choice program?

Description	SNSP	Choice
General Eligible Education Expenses		
<b>Less:</b>		
Offsetting Revenue		
Primarily SNSP Expenses (Teacher Aid)		
Costs in 2018-19 Statement of Actual Cost		
<b>General Net Eligible Education Expenses</b>		

\* Based on proposed changes to Wis. Admin. Codes

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## Knowledge Check

- 10% of the school participates in the SNSP.
- 50% participates in Choice.
- The school has a teacher aid who is paid \$40,000 that spends 75% of her time with SNSP pupils.
- The school submitted a 2018-19 SNSP Statement of Actual Cost that has \$18,000 of eligible education expenses incurred for the pupil on the report.
- What are the school's net eligible education expenses for the SNSP and the Choice program?

Description	SNSP	Choice
General Net Eligible Education Expenses	1,000,000	1,010,000
Times: Percent of School in Program		
<b>General Net Eligible Education Expenses for Program Pupils</b>		
Primarily SNSP Expenses (Teacher Aid)		N/A
Costs in 2018-19 Statement of Actual Cost		N/A
<b>Total Net Eligible Education Expenses for Program Pupils</b>		

\* Based on proposed changes to Wis. Admin. Codes

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## Knowledge Check

Description	SNSP	Choice
Program Revenue		
Less: Net Eligible Education Expenses for Program Pupils		
Program Reserve Balance		

- A school has \$148,000 of net eligible education expenses for SNSP pupils and \$505,000 of net eligible education expenses for Choice pupils. The school received \$198,000 of SNSP revenue and \$500,000 of Choice revenue during the year. What are the school's SNSP and Choice reserve balance at the end of the year?

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## Knowledge Check

Description	Amount
SNSP Reserve Balance	
Choice Reserve Balance	
Less: Remaining Depreciation on Fixed Assets	
Required Cash and Investment Balance	

The school has a SNSP reserve balance of \$50,000 and a Choice Reserve Balance of negative \$5,000. The school has \$15,000 of remaining depreciation on its fixed assets. What is the required cash and investment balance?

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## Knowledge Check

A school has a reserve balance of \$20,000. It decides to replace its roof at a cost of \$20,000. 25% of the K-12 FTE at the school participates in the program. Based on the school's capitalization policy, building improvements have a useful life of 10 years. Which of the following is true?

- a) The school can include the full \$20,000 as an eligible education expense for program pupils because the school is reducing the reserve balance.
- b) The school can only include \$5,000 as an eligible education expense for program pupils because the \$20,000 must be multiplied by the percent of the school participating in the program. The amount will be included as eligible each year as the cost to replace the roof is depreciated.

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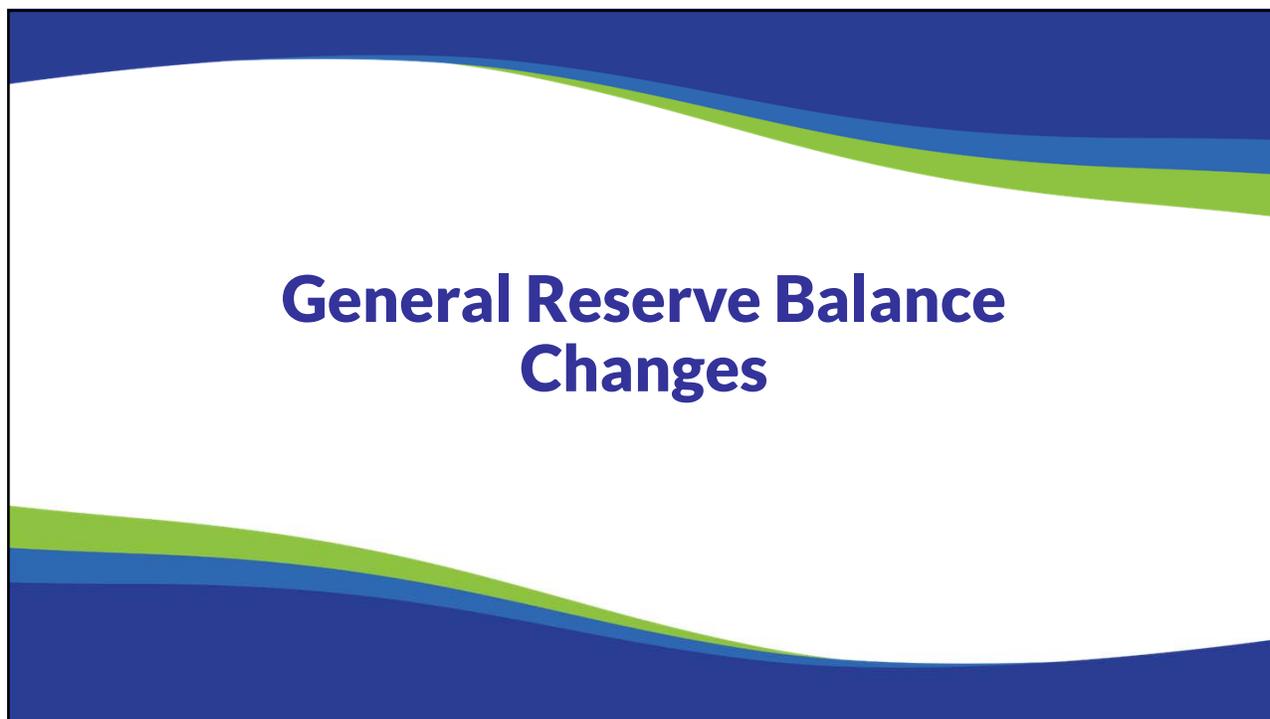
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### Prefilled Reserve Balance Schedules

- The DPI will be providing the Reserve Balance Schedules prefilled with the following to reduce the amount of variances:
  - Choice and All Pupil FTE
  - Choice Revenue
- Please ensure you use DPI's provided Reserve Balance Schedules and use the drop downs to prefill information to reduce errors.

## Reserve Balance Schedule Versions

- The DPI will provide 2 versions of the Reserve Balance Schedules:
  - PSCP/SNSP Reserve Balance Schedules With Cross Formulas: This version has formulas that prefill certain amounts based on information input on the other program's reserve schedule. In the past, this created some confusion for auditors due to the formula references between the schedules.
  - PSCP/SNSP Reserve Balance Schedules Without Cross Formulas: This version will have both schedules, but will not have formulas that connect the two schedules. This can be used for schools only participating in one program so that the formulas do not need to be removed.

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## Other Reserve Balance Schedule Changes

- Added a column to the SNSP Reserve Balance Schedule that identifies whether each amount matches the PSCP. It will indicate Yes or No. If the school does not participate in the PSCP, the column will indicate N/A.
- Generally the PSCP and SNSP eligible education expenses/adjustments will be the same. Differences may occur if the PSCP eligible education expense policy has not identified an expense as eligible that is eligible for the SNSP.

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## SNSP Reserve Balance Schedule for a Standard Financial Audit

Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount	D Matches PSCP Schedule
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>				
12	Expenses on Statement of Activities		-	YES
13	Ineligible Depreciation Expense	-		YES
14	Contributed Expenses Other Than Fixed Assets	-		YES
15	Bad Debt Expense	-		NO
16	Scholarship Awards & Other Financial Support for Pupils	-		YES
17	Daycare Expenses	-		YES
18	School District Partnership Expenses	-		YES
19	Church Expenses	-		YES
20	Eligible Education Expenses Primarily for SNSP Pupils			
21	Total Actual Cost for Pupils in SNSP Statements of Actual Cost	-		YES
22	Other Non-Eligible Expenses	-		YES
23	<b>Less: Total Non-Eligible Expenses</b>		\$ -	
24	Add: Eligible Education Expense for Land			
25	<b>Eligible Education Expenses</b>		\$ -	
26	Government Assistance for Expenses in Line 25	-		YES
27	Fundraising Revenue for Expenses in Line 25	-		YES
28	Insurance Proceeds for Expenses in Line 25	-		YES
29	<b>Less: Total Offsetting Revenue for Expenses in Line 25</b>		\$ -	
30	Adjustments to Prior Year Net Eligible Education Expenses			
31	<b>Net Eligible Education Expenses for All Pupils</b>		\$ -	

- Review each No and ensure that the amounts not matching is correct. If it is not, resolve the difference.

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## SNSP Reserve Balance Schedule for a Modified Financial Audit

Line	A Line Description	Non-Eligible Expenses & Offsetting Revenue	C Amount	D Matches PSCP Schedule
<b>NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS</b>				
12	Salaries			YES
13	Payroll Related Taxes and Benefits			YES
14	Utilities			YES
15	Supplies			YES
16	Rental Costs for Buildings or Land			NO
17	Insurance			YES
18	Services & Contractor Expenses			YES
19	Interest Expense			YES
20	Depreciation Expense			YES
21	Other Eligible Expenses			YES
22	Eligible Education Expenses for Land			
23	Less: Eligible Education Expenses Primarily for SNSP Pupils			
24	Less: Total Actual Cost for Pupils in SNSP Statements of Actual Cost	-		YES
25	<b>Eligible Education Expenses</b>		\$ -	
26	Government Assistance for Expenses in Line 25	-		YES
27	Fundraising Revenue for Expenses in Line 25	-		YES
28	Insurance Proceeds for Expenses in Line 25	-		YES
29	<b>Less: Total Offsetting Revenue for Expenses in Line 25</b>		\$ -	
30	Adjustments to Prior Year Net Eligible Education Expenses			
31	<b>Net Eligible Education Expenses for All Pupils</b>		\$ -	

- Review each No and ensure that the amounts not matching is correct. If it is not, resolve the difference.

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## Required Cash & Investment Balance Section

REQUIRED CASH AND INVESTMENT BALANCE			
44	June 30, 2019 SNSP Reserve Balance <i>Line 43</i>	-	YES
45	June 30, 2019 PSCP Reserve Balance	-	YES
46	Less: Remaining Depreciation on Fixed Assets	-	NO
47	Less: Land Purchases that have not Been Included as Eligible	-	YES
48	<b>Required Cash and Investment Balance</b>	\$ -	

- The SNSP and PSCP Reserve Balance amounts on the SNSP and PSCP Reserve Balance Schedule must match.
- The remaining depreciation on fixed assets and land purchases that have not been included as eligible should generally match.

Example Screen Print is SNSP Standard Schedule 109

## Common Error in Prior Year Financial Audits: Prior year changes

- If there are any changes in the prior year balances on any of the financial statements, include a note explaining the change and why it did or did not impact the prior year net eligible education expenses.
- If the change impacts the school's prior year program net eligible education expenses, include the amount in the Adjustments to Prior Year Net Eligible Education Expenses line.

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## Common Error in Prior Year Financial Audits: Prior year changes (cont)

- Any prior year changes in eligible education expenses or offsetting revenues should be included on the Adjustments to Prior Year Net Eligible Education Expenses line.
- The amount included in the Adjustments to Prior Year Net Eligible Education Expenses line must be:
  - The amount before the percent of pupils participating in the program is applied.
  - Include any prior year increases to net eligible education expenses as positive and decreases as negative.
- Do not include changes in land on the Adjustments to Prior Year Net Eligible Education Expenses line. All land that is included in the GAAP audit and meets the PSCP/SNSP requirements must be included on the land line the first year the land is used for educational programming.

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## Adjustments to Prior Year Eligible Education Expenses

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		
2	Ineligible Deprecation Expense		
3	Contributed Expenses Other Than Fixed Assets		
4	Bad Debt Expense		
5	Scholarship Awards & Other Financial Support for Pupils		
6	Daycare Expenses		
7	School District Partnership Expenses		
8	Church Expenses		
9	Eligible Education Expenses Primarily for SNSP Pupils	-	
10	Eligible Education Expenses on SNSP Statements of Actual Cost	-	
11	Other Non-Eligible Expenses		
12	<b>Less: Total Non-Eligible Expenses</b>		\$ -
13	Add: Eligible Education Expense for Land		
14	<b>Eligible Education Expenses</b>		\$ -
15	Government Assistance		
16	Fundraising Revenue		
17	Insurance Proceeds		
18	<b>Less: Total Offsetting Revenue</b>		\$ -
19	Adjustments to Prior Year Net Eligible Education Expenses		
20	<b>Net Eligible Education Expenses for All Pupils</b>		\$ -

Example Screen Print is PSCP Standard Schedule

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## General Reserve Balance Changes

- All amounts on the schedules must be entered as a positive amount except for the Prior Year Adjustments lines. You will receive an input entry error if you enter a negative amount in any other line.
- All amounts have been rounded to the nearest dollar except for the percent of the school participating in the program.

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## Knowledge Check

True or False:

1. Prior year adjustments are the only amount that may be entered as a negative in the reserve balance schedules.
2. The PSCP ineligible expenses and SNSP ineligible expenses on the standard reserve balance schedules must always match for a school.

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### **Question?**

If you have a question,  
please use the Q&A button  
at the top of the screen.

Questions after the training  
may be emailed to  
[dpichoceauidreports@dpi.wi.gov](mailto:dpichoceauidreports@dpi.wi.gov)



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## **General Reminders & Available Resources**

## Auditor Authorization Forms

- If you will be doing the audit of any new PSCP or SNSP schools for the 2019-20 school year, complete a new auditor authorization form by August 15<sup>th</sup>. These are available on the respective Auditor webpage.
- A separate auditor authorization form is required for the PSCP and SNSP.
- The list of auditors was updated in April. It includes any firms that were completing Choice or SNSP audits as of April.

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## Auditor Authorization Forms (cont)

- A list of schools participating in each program is available. Reviews these lists to determine if one of your schools has joined another program.
  - PSCP: <https://dpi.wi.gov/sms/choice-programs/student-applications>
  - SNSP: <https://dpi.wi.gov/sms/special-needs-scholarship/student-applications/19-20>

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## Bulletins Available

- SNSP Eligible Education Expenses Bulletin at <https://dpi.wi.gov/sms/special-needs-scholarship/bulletins>.
- PSCP Eligible Education Expenses Bulletin at <https://dpi.wi.gov/sms/choice-programs/bulletins>.
- Financial Audit and PSCP/SNSP Reserve Balance Bulletin at either website listed above.

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## Available On Demand Trainings

- Choice On Demand Trainings available at <https://dpi.wi.gov/sms/choice-programs/on-demand-training>
  - Training 3-3: Auditor Authorization Form
  - Training 5: Financial Audit Trainings
  - Training 6: Fiscal & Internal Control Practices Report
  - Training 9: Payment & Count Reports

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## Questions

- Auditors for the Programs

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(608) 266-2819

Rob Monroe  
Robert.monroe@dpi.wi.gov  
(608) 266-2658

### Choice Audit Reports Email Submission &

General Questions:

[dpichochoiceauditreports@dpi.wi.gov](mailto:dpichochoiceauditreports@dpi.wi.gov)

SNSP Audit Reports Submission:

[sns@dpi.wi.gov](mailto:sns@dpi.wi.gov)

Accept emails up to 15 mb.