

# Accrue It or Screw It?

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# Introductions

Andy Mace, CPA, Senior Vice President  
- *Meristem Advisors*

Meristem Advisors LLC

Annaka Whiting, Chief Financial Officer  
- *Rock Island-Milan School District #41*



Robyn Cornelissen, Executive Director of Financial Services  
- *School District U-46*



Elizabeth Shields, Business Manager/CSBO  
- *Morris Community High School District 101*



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# Agenda

- Modified Accrual vs. Full Accrual Account
- Revenues
- Expenditures
- Non-Routine Items
- Open Panel Discussion

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# Modified Accrual vs Full Accrual Accounting

- Two Bases of Accounting
  - Modified Accrual → Budgetary control and stewardship
  - Full Accrual → Operational accountability and efficiency

Together, they satisfy both taxpayer orientation (short term) and investor/creditor orientation (long term)

# Modified Accrual vs Full Accrual Accounting

- Overview of Governmental Accounting
  - Governmental reporting follows GASB standards
  - Governments maintain multiple funds, each with its own accounts
  - Two main financial statement perspectives:
    - Fund Financial Statements (Current financial resources measurement focus)
    - Government-Wide Statements (Long-term financial resources measurement focus)
  - Purpose: transparency in both short-term fiscal accountability and overall financial position

# Accruals - Revenue

- Property Tax Revenue
  - Timing differences between levy, extension, billing, and collection
  - Auditor review
    - Matches tax extension from the county clerk
    - Journal entries to adjust deferred inflow, account for uncollectible estimates, and correct fund allocations
  - Fund-Level Allocation
    - Record its proportionate share
  - First installment can be completely deferred to next fiscal year
  - Recognized when measurable and available

# Accruals - Revenue

- Federal and State Grant Reimbursements
  - Actual expenditures incurred by June 30 to determine amount earned
  - Apply the 60-day availability rule
    - If received within 60 days - can be recorded as receivable
    - If not received within 60 days - not current-year revenue/deferred
  - Grant expenditure reports used to reconcile general ledger
  - Expenditures drive revenue - cash timing determines revenue versus deferred.
  - ISBE Financial Reimbursement Information System (FRIS)
  - Recognized when eligibility requirements met

# Accruals - Revenue

- Other Local Revenues - Registration fees, tuition, transportation and rental income
  - Booked as Unearned revenue - Collected prior to July 1 for next school year
  - Booked as Accrued revenue - Fees owed but not yet paid
- Revenue is recognized in the period of use, not when the cash is received
  - Measurable - amount can be reasonably estimated
  - Available - collectible within current period or shortly thereafter (usually 60 days)

# Accruals - Expenditures

- Accounts Payable
  - Expenses incurred but not yet invoiced or paid
  - Ensures expenses are recorded in the correct fiscal year
  - Identify via open POs, receiving reports, and known obligations
- Prepaids
  - Payments made in advance for future periods
  - Prevents overstating current year expenses
  - Allocate expense over the period of benefit



# Accruals - Expenditures

- Payroll & Benefits
  - Wages and benefits earned but not yet paid
  - Often spans fiscal year cutoff (summer payroll, earned time)
  - Based on contracts, calendars, and earned days
- Construction in Progress (CIP)
  - Accumulates costs of ongoing capital projects
  - Not expensed until asset is placed in service
  - Ensures large projects don't distort annual expenses



# Non Routine Accruals

- Changes to Depreciation or Asset Write-Offs
  - Hail damage to vehicle fleet, or accident that totals a vehicle
  - Depending on timing, might require insurance receivable to be booked
- Investment Receivable
  - Districts with significant CD or bond investments
  - Might be material now with favorable interest rates
- Legal Fees not yet billed
  - Ongoing legal case or property tax dispute
  - Negotiations
- Arbitrage Rebates
  - Interest earned on tax-exempt debt that must be paid back to federal government
- Unbooked audit accruals (capital assets, long-term debt)

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# Question Prompts

- 1. What questions do YOU have?*
- 2. How do you determine when something needs to be accrued, and who communicates that?*
- 3. How should they be tracked for the audit?*
- 4. How do you determine if the amount is material?*

*We thank you for your time!*

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# Presenters:

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