



2025

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# SCHOOL DISTRICT AUDIT GUIDE

[www.kasperekcpa.com](http://www.kasperekcpa.com)



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# Introduction

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With over 45 years of experience, it is John Kasperek Co., Inc.'s mission to provide excellent public accounting services to benefit the South Suburban communities of Chicago and Northwest Indiana.

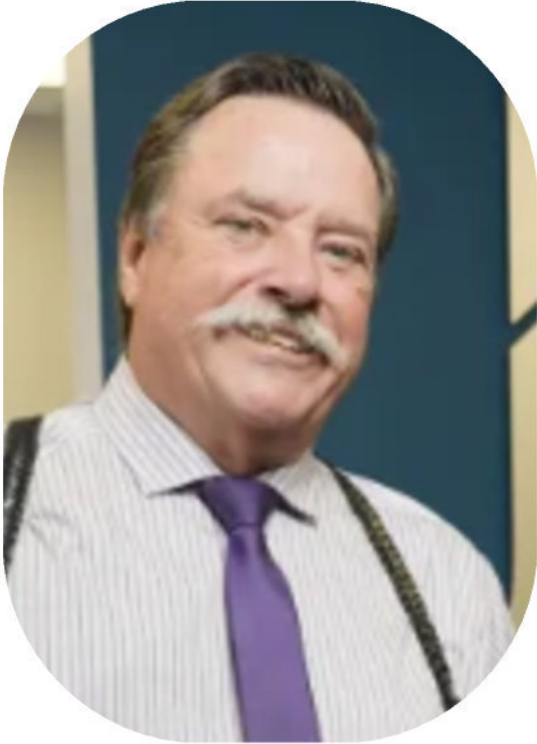
For the second year in a row, our audit team has carefully developed this resource to help you prepare for your School District's annual audit.

We understand how confusing, complicated, and everchanging audits can be for our clients. This guide provides helpful lists, best practices, the latest updates in compliance, and common questions we believe will streamline the audit preparation process.

If you would like any additional information on the following pages, please reach out to our office.

# Your Audit Team

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## **John Kasperek, Jr., CPA, Managing Partner**

John has provided hands-on governmental auditing and accounting services for over 45 years. He has performed audits under the Single Audit Act and OMB Uniform Guidance for school districts, townships, and municipalities in the State of Illinois. He has also assisted municipalities in applying for federal grants under the U.S. Department of Health and Human Services, U.S. Department of Justice, and the U.S. Department of Homeland Security.



## **Stephanie Blanco, CPA, Audit Partner**

A true expert in all areas of auditing, accounting, and consulting, Stephanie is responsible for quality control and staff training. She ensures that the accounting reporting systems and procedures are compliant with federal and state laws, and coordinates the firm's peer review process. Additionally, Stephanie collaborates closely with clients to identify key issues, trends, areas of concern, and growth opportunities to promote financial optimizations.

# Your Audit Team

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## **Diana Cole, Audit Manager**

Diana Cole joined John Kasperek Co., Inc. in 2006 and provides thoughtful leadership in all aspects of the business. Diana's primary role is providing audit and accounting services to governmental entities including school districts, school treasurer's offices, and townships.



## **Kyle Kasperek, Audit Manager**

Kyle has worked for the firm for more than 15 years, and has become one of the leaders within the firm's auditing engagements, providing high-level professional services to governmental entities including school districts, municipalities, townships, and nonprofit organizations.



## **Stephen Scheel, CPA, Audit Manager**

Stephen Scheel recently joined the team as a Manager and brings over 15 years of experience in audit with a strong background serving local governments and not-for-profit organizations. Stephen earned both his Bachelor of Science in Accounting and his Master of Accounting degrees from the University of Florida. He is a licensed Certified Public Accountant in the State of Illinois.

# Your Audit Team

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## **Katie Marr, CPA, Senior Auditing Associate**

Katie joined JKC in 2021 and leads audit and consulting engagements for governmental clients. With 14 years of experience, she has lead audits across operational, financial, IT, and other risk areas, including work with counties, cities, and school districts.



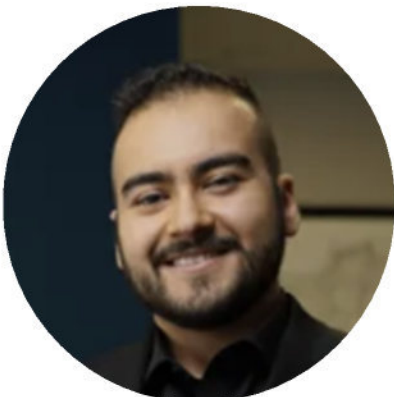
## **Belal Abdeljaber, Senior Auditing Associate**

Belal joined JKC in 2024 as a Senior Associate with extensive experience in governmental, commercial, and nonprofit audits. He is skilled in managing communications on audit progress and findings. Belal holds a B.S. in Accounting from Purdue University Northwest and is pursuing his CPA.



## **Alexis Keller, Associate**

Alexis Keller joined JKC in 2023 as a full-time staff Associate following her graduation from Indiana University Northwest where she earned her Bachelor of Science Degree in Accounting & Finance. A high achiever and quick learner, Alexis has provided immediate support to the firm's audit engagements.



## **Victor Hernandez, Associate**

Victor Hernandez joined JKC in 2024 as an Associate after completing a tax internship. He holds bachelor's and master's degrees in Accounting from Governors State and an associate degree from Moraine Valley. Victor supports the firm's auditing practice.

# Pronouncements effective June 30, 2025

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Governmental Accounting Standards Board (GASB) statements set the rules for how school districts report their finances, ensuring transparency, consistency, and accountability.

Statements on Auditing Standards (SAS), issued by the American Institute of Certified Public Accountants (AICPA), provide the framework auditors must follow when conducting audits. These standards ensure that audits are performed with integrity, objectivity, and due professional care—resulting in accurate, fair, and reliable financial statements. SAS promotes audit quality and consistency across all engagements.

# Pronouncements effective June 30, 2025

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## **GASB 101 - Compensated Absences**

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. For the accrual-based districts, they should recognize liabilities for vacation and sick leave when it is earned and not, as previously, for the amount expected to be paid out on termination. For employers with unlimited PTO, a leave liability should be recognized when leave is taken.

## **GASB 102 - Certain Risk Disclosures**

This GASB is used to provide information about risks related to a government's vulnerabilities due to concentrations or constraints. This can be used to understand and predict risks to the government's financial condition. GASB 102 is designed to look at the significant inflows and outflows of resources and see how diverse these are. It also looks at the limitations of those in charge of decision making.

## **SAS No. 145 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement**

The change to this SAS clarifies the risks of material misstatement so that there is a better understanding of risk assessment. Some changes include the following:

- Definition of relevance (for material misstatement);
- Assess inherent risk and control risk separately;
- Assessing control risk to the maximum extent; and
- Understanding the definition of a significant risk.

# Upcoming Legislative & ISBE changes

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The Illinois Association of School Business Officials (Illinois ASBO) is a key resource for school district financial leaders—such as CFOs, business managers, and auditors—across the state. It supports professional growth through training, networking, and shared best practices. Illinois ASBO also plays an important role in keeping districts and audit teams current with legislative updates affecting school finance. By summarizing changes in state laws, funding formulas, and compliance mandates, it ensures auditors can accurately assess districts' financial practices against the latest legal requirements.

# Upcoming Legislative & ISBE Changes

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## **HB3446 Evidence-Based Funding Annual Spending Plans**

This provides that for the required EBF annual spending plans that districts must submit, school districts shall now also specify what stakeholders from within the school district it consulted with to inform its spending plan. It provides that the EBF annual spending plan be integrated into the school district's annual budget. Additionally, by December 31, 2025, ISBE shall create an EBF spending plan tool to make each district's spending plan available on its website and that tool shall allow for the selection and review of each district's planned use of EBF. *Effective Date 1/1/25.*

## **HB4582 Finance Fund Transfers**

Beginning September 1, 2024, this removes the referendum requirement for new building construction projects that results in an increase in pre-kindergarten or kindergarten classroom space. This exempts taxes levied for school fire prevention and safety bonds from PTELL. It increases the maximum term of school district bonds from 20 years to 30 years. It allows districts to increase the amount of bonds by 3% to cover costs of issuance and/or capitalized interest. *Effective Date 7/1/24.*

## **HB2986 ASA (Annual Statement of Affairs)**

This requires the ASA to be posted on the District website, but there is no requirement to be sent to ISBE. It must still publish in the newspaper by December 1.

# Upcoming Legislative & ISBE Changes

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## **SB536 Public Funds Investment Act Authorized Investments**

This makes changes to the authorized investments under the Public Funds Investment Act. It provides that in addition to all other investments authorized under the Section, a public agency may adopt an ordinance or resolution to allow for investment of public funds in other instruments not specifically listed in the Section provided that those investments comply with: (1) any other law that authorizes public agencies to invest funds; and (2) the investment policy adopted by the public agency under Section 2.5 of the Act. *Effective 1/1/25.*

## **AFR Submission Changes for FY25**

Auditor signatures will be done electronically. The District (Superintendent) must log in and approve the AFR in IWAS and submit the signed Limitation of Administrative cost worksheet and Corrective Action Plan (CAPS) for any auditor's questionnaire findings.

## **Property Tax Relief Grant**

Submissions for the Property Relief Grant are due in January 2026 for the FY25 program. As of July 2025, there will not be a FY26 program available.

# The Miller Ratio

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Schools Districts are now required to calculate the combined annual average expenses by the total cash reserves for funds 10, 20, and 40. To avoid an operational reserve reduction plan, this ratio must be less than 2.5. If the school district fails to meet this, they will have to file the reduction plan to ISBE.

One thing to consider about the Miller formula is to watch the ratio between funds available to the average annual expenditures. If the funds available are two to three times the average expenses, there can be a case of an excess accumulation claim.

*Combined Fund Balance  
(Ed + O&M + Tran.)*

*Combined Fund Average Expenditures  
Over Last 3 FYs*

>2.5

# Maximize Your Transportation Claim

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To get the most from your transportation reimbursement, it's essential to follow ISBE's annual claim guidelines closely. This chapter outlines key rules—like spending from Fund 40, prorating certain Fund 10 and 20 expenses, and properly reporting federal funds as offsetting revenue.

# Maximize Your Transportation Claim

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ISBE publishes the guidelines for claims every year. Some rules to remember include: Only money spent out of the 40 fund is allowed with minor exceptions. Items can be prorated if they belong to fund 10 or 20 and are from function 2540. This would include items for utilities and other transportation items. If any federal funds are used for transportation expenditures, they must be reported as offsetting revenue on your State Transportation Claim. The miles and expenditures will be placed in the Non-Reimbursable (N/R) categories to which they apply. The federal funds used will be reported in 19(c) Other Revenue on the claim. For example, if federal funds are utilized for summer school transportation, the miles should be reported as Non-Reimbursable and expenditures will be allocated to the Non-Reimbursable category through the allocation of expenditures based on the ratio of miles driven. The revenue would be reported on 19(c) in the Non-Reimbursable category.

The claiming process does not start with the total expenses. The starting point is a weighted average. The formula for this is to take the weighted average pupil count, multiply that by the cost per student, then subtract the cost for ineligible students. This is the starting point for the allowable regular transportation costs. The formula looks like this (regular trans. expense (col A) / WAP)

Things to keep in mind while claiming: (1) the districts have the right to determine how and from which funds money is spent within ISBE rules; (2) Regular and Vocational expenses are lumped together and paid together; and (3) Special Ed expenses are paid separately and at a higher proration rate than regular and vocational expenses.

# Maximize Your Transportation Claim

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The district should understand how ISBE calculates cost per student and the cost to transport students that are not eligible. The district should be using separate special education accounts to ensure that every staff member and all expenses are accounted for. Items to consider for the special education transportation are that monitors are allowed to be claimed if they are on special education buses, drivers for special education routes should be marked for special education routes (even if it is only part time SPED and part time regular, the SPED has to stay with SPED accounts), and specifically identifiable SPED expenses are NOT required to be prorated.

[https://www.isbe.net/Documents/pupil\\_reimburse\\_instruct.pdf](https://www.isbe.net/Documents/pupil_reimburse_instruct.pdf)

# ISBE AFR Reminders

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## Cares, CRRSA, and ARP Schedule, Contracts

The Districts are required to fill out the Cares, CRRSA, and ARP Schedule and provide to the auditors to be included in the AFR report. Instructions for the form are at: <https://www.isbe.net/Pages/Rules-Currently-in-Effect.aspx>.

In addition, the District must provide the auditors with the Contracts Paid Form and the Report on Shared Services Form for the AFR.

## Administrative Cost Worksheet

The Limitation of Administrative Costs Worksheet must be filed with the Illinois State Board of Education (ISBE) by November 15 of each fiscal year, in accordance with Section 17-1.5 of the School Code. The worksheet should report the actual administrative expenditures for the previous fiscal year and the budgeted administrative expenditures for the current fiscal year. This form is also included in the annual financial report.

# Common Management Comments & Best Practices

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Over the years, we have noticed consistent items that are audit findings for school district audits.

We have taken these items and broken them down into a list of explanations of proper execution to help eliminate the number of management letter comments and findings.

# Common Management Comments & Best Practices

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## **Cash Controls**

The bank reconciliations should be prepared monthly and reviewed in a timely manner. The District should monitor outstanding checks and investigate any checks that have been outstanding for multiple months. Verify Student Activity, Imprest, Bond Escrow Accounts and other District-level revenue and expenditure activity are properly posted in the accounting software (e.g., Infinite Visions). Verify with your insurance company that the appointed treasurer (District-level) is bonded for the student activity accounts. Failure to comply with the bonding requirements will result in an ISBE AFR Finding on Auditor's Questionnaire (Part A Findings). Section 100.80 (Student Activity Funds) of the 23 Illinois Administrative Code 100 requires the school board to, "appoint a treasurer, bonded in accordance with Section 8-2 of the Code, who will be the custodian of the activity fund's assets..."

## **Long-Term Debt GASB 87 Compliance**

Maintain copies of all signed lease agreements and proper recording of lease payments. ISBE requires that lease payments be made out of fund 30, using function codes 5200 and 5300.

# Common Management Comments & Best Practices

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## **Bonds**

The District should verify proper posting of bond payments (principal and interest), including escrow or sinking fund payments. The District should also verify that any new debt issuances have been properly recorded by looking at your books and comparing the posting on the books to the bond official statement or bond closing memo.

## **Liability Balances**

The District should look at their liability accounts on a regular basis and inquire with the Treasurer's office for any large or unusual balances by year-end. One area we have seen large balances are in the Insurance Liabilities. The District should look at the health and dental account balances at June 30 year end. For any balances, the District should offset the liability to the expense accounts on the books. You can do this by pulling a report directly from Visions that shows all of the insurance expense accounts. You can then create a percentage formula by taking each expense account and divide by the total of all the expense accounts to get a percentage by each expense account. Then take the balance in the Health Insurance Liability and offset each expense account using the percentages listed. An adjusting journal can then be prepared based on this information.

# Common Management Comments & Best Practices

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## Common Single Audit Findings

- **Expenditures Outside Grant Period**
  - Funds were used for expenses incurred outside the approved grant budget period based on the grant agreement.
- **Unallowable Costs**
  - Expenses charged to the grant included items not permitted under grant guidelines or federal cost principles.
- **Lack of Supporting Documentation**
  - Receipts or detailed invoices were not retained to support purchases made with grant funds or the expenses were not reported under the grant on the general ledger.
- **Unaccounted Grant-Funded Equipment**
  - Equipment purchased with grant funds could not be physically located or verified through inventory records.
- **Inconsistent Financial Reporting**
  - Expenditure reports submitted to the granting agency (e.g., ISBE) did not align with the amounts recorded in the general ledger. Expenses were charged to the incorrect grant line item for example, expenditures that were allowable under object code 1000-300 were instead claimed under 1000-400. Overall, the grant the expenditures were allowed.

# Common Management Comments & Best Practices

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- **Unsupported Salary and Benefit Claims**
  - Salaries and benefits charged to the grant were not backed by appropriate documentation or payroll records.
- **Missing or Inadequate Procurement Policy**
  - The District lacked a formal procurement policy or failed to follow established procurement procedures.
- **Late Grant Claims**
  - Financial claims or reimbursement requests were filed after deadlines established by the funding agency (e.g., ISBE).

# Acknowledgements

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Many thanks to all at JKC whose work, research, and support went in to help write this eBook.

We look forward to a successful FY25 audit season and hope you find this material helpful in the coming months!

–The JKC Audit Team



