CALIFORNIA SCHOOL ACCOUNTING MANUAL

2008 EDITION

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2008 EDITION

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for required use by California public schools

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Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

A Message from the State Superintendent of Public Instruction xi

Introduction xiii

SECTION 100 GENERAL ACCOUNTING PRINCIPLES

Procedure 101 Governmental Accounting 101-1
- Generally Accepted Accounting Principles 101-1
- Governmental Accounting Principles 101-1
- Measurement Focus 101-2
- Basis of Accounting 101-3
- Revenue Recognition 101-3
- Financial Reporting 101-5

Procedure 105 Fund Accounting 105-1
- Definition and Purpose of Funds 105-1
- Categories and Types of Funds 105-1
- Restricted Programs and Activities Within the General Fund 105-5

SECTION 200 ACCOUNTING PROCESSES

Procedure 201 Books of Accounts 201-1
- Chart of Accounts 201-1
- Double-Entry Accounting 201-2
- Journals 201-2
- General Ledger 201-3
- Subsidiary Ledgers 201-3
- Control Accounts in the Chart of Accounts 201-4
- Computerized Systems 201-5

Procedure 205 The Accounting Cycle 205-1
- Sequence of the Accounting Cycle 205-1
- Source Documents 205-2
- Analyzing Transactions 205-3
- Recording Transactions in Journals 205-4
- Posting to the Ledger 205-5
- Trial Balance and Adjustments 205-6
- Financial Statements 205-7
- Closing the General Ledger 205-7
- Reversing Entries 205-9

Procedure 210 Budgetary Accounting 210-1
- Budgetary Accounts and Integration 210-1
- Recording Budgeted Revenues 210-2
- Recording Budgeted Expenditures 210-5
- Recording Budgeted Reserves 210-9
- Checking the Trial Balance 210-10

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

Recording Encumbrances 210-11
Recording Adjustments to the Budget 210-19
Procedure 215 **Audit Adjustments** 215-1
Reaching Agreement on Audit Adjustments 215-1
Suggested Steps for Booking Audit Adjustments 215-3
Audit Adjustments and Other Restatements of Fund Balance 215-4
Common Audit Adjustments 215-5
Schedule of Audit Adjustments 215-12

SECTION 300 CHART OF ACCOUNTS

Procedure 301 **Overview of the Standardized Account Code Structure** 301-1
Standardized Account Code Structure Layout 301-7
Use of the Standardized Account Code Structure 301-8
Procedure 305 **Fund Classification** 305-1
How the Fund Field Is Used 305-1
Flexibility of the Fund Field 305-1
List of Fund Codes 305-2
Fund Code Definitions 305-4
Procedure 310 **Resource (Project/Reporting) Classification** 310-1
How the Resource Field Is Used 310-1
Flexibility of the Resource Field 310-4
Table of Resource Codes 310-6
Procedure 315 **Project Year Classification** 315-1
How the Project Year Field Is Used 315-1
Examples of Project Year Codes 315-1
Flexibility of the Project Year Field 315-2
Procedure 320 **Goal Classification** 320-1
How the Goal Field Is Used 320-1
Flexibility of the Goal Field 320-2
Importance of the Goal Field in Program Cost Accounting 320-2
List of Goal Codes 320-4
Goal Code Definitions 320-6
Procedure 325 **Function (Activity) Classification** 325-1
How the Function Field Is Used 325-1
Flexibility of the Function Field 325-2
Importance of the Function Field in the Indirect Cost Rate Calculation 325-2
List of Function Codes 325-3
Function Code Definitions 325-6
Procedure 330 **Object Classification** 330-1
How the Object Field Is Used 330-1
Flexibility of the Object Field 330-1

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

List of Object Codes 330-2
Object Code Definitions 330-11
Procedure 335 **School Classification** 335-1
How the School Field Is Used 335-1
Procedure 340 **Valid Account Code Combinations** 340-1
Function by Object Combinations 340-1
Fund by Function Combinations 340-2
Fund by Goal Combinations 340-2
Fund by Object Combinations 340-3
Fund by Resource Combinations 340-4
Goal by Function Combinations 340-4
Resource by Object Combinations 340-5
Procedure 345 **Illustrations Using the Account Code Structure** 345-1
Revenue Transactions 345-1
Expenditure Transactions 345-2
Balance Sheet Transactions 345-4

SECTION 400 TOPICS RELATING TO ASSETS AND LIABILITIES

Procedure 405 **Accounting for Inventories** 405-1
Fund Type 405-1
Typical Entries 405-2
Determining the Cost of Inventory 405-2
Overhead 405-3
Physical Inventory 405-5
Procedure 410 **Conducting a Physical Inventory** 410-1
Precount Procedures 410-2
Counting Procedures 410-2
Recount Procedures 410-4
Procedure 415 **Adopting a Stores System** 415-1
Methods of Financing, Controlling, and Accounting for Stores 415-1
Types of Supplies in a Stores System 415-1
Essentials of a Stores System 415-2
Procedure 420 **Prepaid Expenditures** 420-1
Procedure 425 **Fair Value: Accounting and Reporting for Certain Investments** 425-1
Determining Fair Value 425-2
Recognition and Reporting of Investment Income 425-2
Designation of Fund Balance for Net Unrealized Gains 425-5
Materiality of Adjustments to Fair Value 425-6
Procedure 430 **Capital Assets** 430-1
Recordkeeping Requirements for Capital Assets 430-1
Accounting for Acquisition of Capital Assets 430-2
Valuation of Property and Equipment 430-3

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

Reporting Capital Assets of Governmental Activities 430-5
Reporting Capital Assets of Business-Type Activities 430-5
Reporting Capital Assets of Fiduciary Activities 430-5
Estimated Useful Life 430-6
Procedure 465 **Liability for Compensated Absences in Governmental Funds** 465-1
Procedure 470 **Long-Term Debt in Proprietary and Fiduciary Trust Funds** 470-1

SECTION 500 TOPICS RELATING TO REVENUES AND EXPENDITURES

Procedure 501 **Revenue and Other Financing Sources** 501-1
Procedure 505 **Recording Revenue and Other Cash Receipts** 505-1
Procedure 510 **Recognition of Common Revenue Sources** 510-1
Procedure 515 **Abatement of Revenue** 515-1
Accounting Instructions for Abatement of Revenue 515-1
Items Allowable as Abatements of Revenue 515-1
Relationship of Abatements of Revenue to Revenue Control 515-2
Procedure 551 **Expenditures and Other Financing Uses** 551-1
Expenditures 551-1
Interfund Transfers 551-1
Recognition of Expenditures and Interfund Transfers 551-2
Classification of Expenditures as Commitments Are Made 551-2
Procedure 560 **Abatement of Expenditures** 560-1
Accounting Instructions for Abatement of Expenditures 560-1
Receipts Allowable as Abatements of Expenditures 560-2
Receipts Not Allowable as Abatements of Expenditures 560-3
Special Considerations Regarding Abatement of Salaries 560-4
Relationship of Abatements of Expenditures to Appropriation Control 560-5

SECTION 600 CODING COMMON TRANSACTIONS

Procedure 605 **Balance Sheet Accounts—Coding Examples** 605-1
Procedure 610 **Revenues—Coding Examples** 610-1
Procedure 615 **Expenditures—Coding Examples** 615-1
Procedure 620 **Forest Reserve Funds—Coding Examples** 620-1
Procedure 625 **Staff Development—Coding Examples** 625-1
Procedure 630 **Technology—Coding Examples** 630-1
Procedure 635 **Cafeteria—Coding Examples** 635-1
Procedure 640 **Transportation—Coding Examples** 640-1
Procedure 645 **County Office of Education—Coding Examples** 645-1
Procedure 650 **Facility Maintenance Programs—Coding Examples** 650-1
Deferred Maintenance Fund 650-1
Ongoing and Major Maintenance Account 650-4

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

Procedure 655 **Employment Separation Costs—Coding Examples** 655-1
Normal Separation Costs 655-1
Abnormal or Mass Separation Costs..... 655-3

SECTION 700 GUIDANCE FOR CERTAIN PROGRAMS AND ACTIVITIES

Procedure 705 **General Obligation Bonds**..... 705-1
Procedure 710 **Capital Leases**..... 710-1
Procedure 715 **Tax and Revenue Anticipation Notes (TRANs)** 715-1
Procedure 720 **Certificates of Participation (COPs)** 720-1
Procedure 725 **Emergency Apportionments and Other State Loans** 725-1
Building Loans..... 725-1
Emergency Apportionments 725-3
Procedure 750 **Pass-Through Grants and Cooperative Projects** 750-1
Cash Conduit Model 750-1
Pass-Through Grants and Subagreements for Services Models 750-1
Cooperative Projects 750-3
Summary Examples of Pass-Through Transactions 750-4
Sample Journal Entries for a Cooperative Project 750-5
Procedure 755 **Special Education**..... 755-1
Maintenance of Effort 755-1
Recording Special Education Transactions 755-2
Sample Journal Entries 755-6
Procedure 760 **Regional Occupational Centers/Programs (ROC/Ps)**..... 760-1
Procedure 765 **Recognition of Legal Obligations in Reporting for Federal Grants**..... 765-1
Procedure 770 **Distinguishing Between Supplies and Equipment** 770-1
Basics of Supplies, Noncapitalized Equipment, and Capitalized Equipment 770-1
Criteria for Distinguishing Between Supplies and Capitalized Equipment 770-1
Inventory Requirements and Capitalization Thresholds..... 770-3
Criteria for Repairs, Maintenance, and Betterments..... 770-5
Criteria for Identification of Building Fixtures and Service Systems 770-6
Procedure 775 **Accounting for Internal Service Funds**..... 775-1
Purpose of an Internal Service Fund..... 775-1
Self-Insurance Fund..... 775-1
Warehouse Revolving Fund..... 775-4
Procedure 780 **Consolidation of NCLB Administrative Funds**..... 780-1
Benefits of Consolidation 780-1
Allowable Expenditures..... 780-1
Accounting for Consolidated Administrative Funds 780-2

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

Procedure 785 **Postemployment Benefits Other Than Pensions (OPEB)** 785-1
Definition of OPEB 785-1
Financial Reporting Requirements 785-2
OPEB Cost and Annual Required Contributions 785-3
Valuations 785-7
Charging OPEB to Programs 785-8
Attributing OPEB Contributions to the Components of the ARC 785-12
Accounting for OPEB in the Standardized Account Code Structure 785-14
Implicit Rate Subsidy 785-14
OPEB Accounting Illustrations 785-16
Definitions of Key Terms 785-29

SECTION 800 GUIDANCE FOR SPECIALIZED AGENCIES

Procedure 805 **Joint Powers Agreements/Agencies (JPAs)** 805-1
Guidelines for JPA Financial Reporting 805-1
Indirect Cost Rates for JPAs 805-3
County-District Codes for JPAs 805-5
Procedure 810 **Charter Schools** 810-1
GAAP for Charter Schools 810-1
Reporting Charter School Financial Data to CDE 810-1
Using SACS for Charter School Financial Reporting 810-2
Using the Alternative Form for Annual Financial Reporting 810-3
Listing of Codes for the Charter School Alternative Form 810-5

SECTION 900 COST ACCOUNTING

Procedure 901 **Overview of Cost Accounting** 901-1
Procedure 905 **Documenting Salaries and Wages** 905-1
Salaries and Wages Charged to Restricted Programs 905-1
Cost Objectives 905-1
How to Document Federally Funded Salaries and Wages 905-7
Salaries and Wages Charged to State Funded Programs 905-13
How to Document State Restricted Salaries and Wages 905-13
Documenting State Unrestricted Salaries and Wages 905-16
Documenting State Salaries and Wages to a Goal 905-17
Distributing Costs of State Programs Based on Activity Work Sheets 905-19
Cost Distributions in Lieu of Time Documentation 905-20
Sample Personnel Activity Report 905-22
Sample Periodic (Semiannual) Personnel Certification 905-23
Sample Blanket Periodic (Semiannual) Personnel Certification 905-24
Procedure 910 **Program Cost Accounting** 910-1
Direct-Charged Versus Allocated Costs 910-1

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

Categories of Costs 910-2
Instructional Costs 910-3
Support Costs 910-3
Central Administration Costs 910-4
"Other" Costs 910-4
Allocating Support Costs Using Allocation Factors 910-5
Documenting Salaries and Wages to a Goal 910-10
Documenting Nonpersonnel Costs to a Goal 910-10
Program Cost Reporting 910-10
Summary of Program Cost Guidelines 910-12

Procedure 915 **Indirect Cost Rate** 915-1
Components of the Indirect Cost Rate Calculation 915-1
Calculating the Rate 915-5
Using the Rate 915-6
Indirect Costs, Central Administration, and Program Administration 915-9
Transferring Indirect Costs 915-10
Indirect Cost Rate Work Sheet 915-11
Definitions of Indirect Cost Terms 915-13

APPENDIXES

Appendix A **Analysis of Salaries** A-1

Appendix B **Normal Balances of Balance Sheet Accounts** B-1

Appendix C **Consistency of Standardized Account Code Structure with the Federal Handbook** C-1

Appendix D **Function Codes for Common Activities** D-1

GLOSSARY OF TERMS Glossary-1

Contents

(To view and search this manual electronically, visit CDE's Web site at *http://www.cde.ca.gov/fg/ac/sa*.)

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A Message from the State Superintendent of Public Instruction

I am pleased to present the 2008 *California School Accounting Manual*, which assists local educational agencies in their crucial tasks of managing the tax dollars invested in education and accounting for those dollars in a way that supports informed decision making. California *Education Code* Section 41010 requires that school districts use systems to record their financial affairs that comply with the definitions, instructions, and procedures published in this manual.

I want to thank those of you at the local level who use this manual and who are responsible for ensuring that we spend our limited education dollars wisely. In these difficult financial times, it is more important than ever that we demonstrate the fiscal accountability and wise stewardship of public funds necessary to achieve our educational goals.

JACK O'CONNELL
State Superintendent of Public Instruction

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Introduction

Section 41010 of the *Education Code* requires local educational agencies (LEAs) to follow the definitions, instructions, and procedures in the *California School Accounting Manual (CSAM).* *CSAM* provides accounting policies and procedures, as well as guidance in implementing those policies and procedures, which include:

- Basis of accounting
- Revenue and expenditure recognition
- Fund types
- Types of transactions
- Methods of posting transactions, including adjusting entries
- Documentation required to substantiate certain transactions
- Year-end closing process, including the recording of accruals and deferrals

For this 2008 edition of the manual, in addition to routine coding updates and clarifying guidance, a procedure has been added that addresses postemployment benefits other than pensions.

Accounting personnel should be familiar with the principles and statements issued by the Governmental Accounting Standards Board (GASB), which is recognized nationally as the primary standard-setting body for governmental accounting. The principles and statements of GASB are available in its publication titled *Codification of Governmental Accounting and Financial Reporting Standards*, available from:

Governmental Accounting Standards Board
P.O. Box 30784
Hartford, CT 06150
800-748-0659
http://www.gasb.org

In addition, the Government Finance Officers Association publishes *Governmental Accounting, Auditing, and Financial Reporting*, which provides detailed guidance in applying the principles and statements of GASB. It is available from:

Government Finance Officers Association
203 N. LaSalle St., Suite 2700
Chicago, IL 60601-1210
312-977-9700
http://www.gfoa.org

The *California School Accounting Manual* does not provide guidance on every possible transaction. LEAs encountering problems not addressed in the manual should consult GASB's publication or contact their independent auditors, their county office of education, or the California Department of Education, School Fiscal Services Division, 916-322-1770, for technical assistance.

Suggestions and comments about the information in this manual should be directed to:

School Fiscal Services Division
Office of Financial Accountability and Information Services
California Department of Education
1430 N Street, Suite 3800
Sacramento, CA 95814
Phone: 916-322-1770
E-mail: *sacsinfo@cde.ca.gov*

Section 100

General Accounting Principles

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The accounting principles discussed in this section apply to school districts, county offices of education, joint powers agencies, and those charter schools that are governmental entities. Charter schools that are organized as not-for-profit public benefit corporations normally apply the accounting principles for not-for-profit entities, discussed in Procedure 810.

Generally Accepted Accounting Principles

The term *generally accepted accounting principles* refers to the standards, rules, and procedures that serve as the norm for the fair presentation of financial statements. Conformity with generally accepted accounting principles (GAAP) is essential for consistency and comparability in financial reporting.

The Governmental Accounting Standards Board (GASB) is the standard-setting body for accounting and financial reporting by state and local governments, including local educational agencies (LEAs). GASB establishes GAAP for governments in its authoritative statements, interpretations, and technical bulletins.

In cases for which no GASB pronouncement is applicable, other sources of GAAP include industry audit guides, Financial Accounting Standards Board (FASB) pronouncements that have been made specifically applicable to governments, practice bulletins, implementation guides, and accepted practices that are not addressed in authoritative standards but for which a degree of consensus exists among accounting professionals. In the authoritative hierarchy of GAAP, these other sources rank below GASB statements and interpretations.

Generally accepted accounting principles evolve continually in response to changes in the operating and reporting environments.

Governmental Accounting Principles

Principles for governmental accounting and financial reporting have evolved differently from principles for private-sector accounting and financial reporting because of the underlying differences between the governmental and private sector environments. These differences include the following:

- Governments receive significant amounts of their resources from taxes, a process in which there is normally no direct relationship between the amount a taxpayer pays and the services that taxpayer receives, or from transfers from other levels of government, with no expectation of repayment or of economic benefit proportionate to the resources provided. By contrast, private-sector companies derive most of their revenues through essentially voluntary payments from customers in approximate proportion to the amount of goods or services the customer receives.
- The primary objective of most governmental activities is service to the public, not profit. The primary objective of private-sector companies is maximization of profits for owners or shareholders.
- Governments have a duty to demonstrate that they have complied with budgetary and other legal restrictions on the use of their resources. This duty is referred to as *fiscal accountability*.

There are three characteristics unique to governmental accounting and financial reporting:

- A special measurement focus and basis of accounting for governmental activities
- The use of fund accounting
- Budgetary reporting

These characteristics are discussed further in this and subsequent procedures.

Measurement Focus

Measurement focus refers to the types of transactions and events that are reported in an operating statement.

Accounting in governmental funds focuses on inflows and outflows of *current financial* resources. It emphasizes near-term increases and decreases of spendable resources consistent with the focus of the annual operating budget. The operating statement of a governmental fund, therefore, includes transactions and events that affect the fund's current financial resources, even though these transactions and events may have no effect on net assets. Such transactions include the issuance of debt, repayment of debt, and capital outlay expenditures.

Accounting in proprietary and fiduciary funds focuses on increases and decreases in *economic* resources, much like accounting in private-sector

businesses. It emphasizes the long-term effects of operations on the fund's overall resources (i.e., its total assets and total liabilities). The operating statement of a proprietary fund includes only transactions and events that increase or decrease the fund's net assets. The operating statement therefore does not include the issuance of debt, repayment of debt, or capital outlay expenditures because these do not increase or decrease net assets. Changes to asset and liability accounts resulting from these transactions are, however, reflected in the proprietary fund's statement of net assets.

Basis of Accounting

Basis of Accounting refers to the timing of when transactions and events are recognized in the accounting records and reported in the financial statements.

Cash Basis: Revenues are recorded when cash is received, and expenditures (or expenses) are recorded when cash is disbursed. LEAs never use the cash basis of accounting.

Modified Accrual Basis: Revenues are recognized in the period when they become available and measurable, and expenditures are recognized when a liability is incurred, regardless of when the receipt or payment of cash takes place. An exception is unmatured interest on general long-term debt, which is recorded when it is due. LEAs use the modified accrual basis in governmental funds.

Accrual Basis: Revenues are recorded when earned, and expenditures (or expenses) are recorded when a liability is incurred, regardless of when the receipt or payment of cash takes place. LEAs use the accrual basis in proprietary and fiduciary funds.

Revenue Recognition

In the modified accrual basis of accounting used for governmental funds, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. The term *available* means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period.

Generally, *available* is defined as collectible within 45, 60, or 90 days. However, to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to

reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined *available* for LEAs as collectible within one year. (Revenue recognition for specific revenue sources is discussed in Procedure 510.)

In the accrual basis of accounting used for proprietary funds, revenues are recognized as soon as they are earned.

LEAs receive revenue in one of two ways: (1) through *exchange transactions*, in which both parties exchange equal value, such as a contract for services; or (2) through *nonexchange transactions*, in which the LEA receives value without directly giving equal value in return, such as receipt of state apportionments, state or federal categorical grants, and local property taxes. Most revenues received by LEAs are the result of nonexchange transactions.

In governmental funds, recognition of revenues from exchange and exchange-like transactions occurs as soon as the exchange has occurred and the revenues become available.

Recognition of revenues from nonexchange transactions varies depending on the characteristics of the nonexchange transaction. GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*, defines four classes of nonexchange transactions:

- *Derived tax revenue* results from assessments imposed by governments on exchange transactions. Examples include sales tax or income tax. Derived tax revenues are recognized in the period when the underlying exchange transaction occurs and the resources are available. Typically, LEAs do not assess taxes or directly receive derived tax revenues.
- *Imposed nonexchange revenue* results from assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples include ad valorem property taxes and fines. Generally, in modified accrual accounting, property tax revenues are recognized in the period for which they are assessed and become available. However, California's unique "Revenue Limit" funding formula for LEAs, in which property taxes are only a part, necessitates an exception to this rule. (See Procedure 510 for a discussion of the recognition of property taxes by California LEAs.)
- *Government-mandated nonexchange revenue* results from a government at one level providing resources to a government at another level, requiring the recipient to use the resources for a

specific purpose. An example is the state apportionment for providing required educational services. Under modified accrual, government-mandated nonexchange revenue is recognized when all applicable eligibility requirements have been met and the resources are available.

- *Voluntary nonexchange revenue* results from legislative or contractual agreements, other than exchange transactions, entered into willingly by two or more parties. Examples are donations, grants, or entitlements entered into by an LEA through an application process. Under modified accrual accounting, voluntary nonexchange revenue is recognized when all applicable eligibility requirements have been met and the resources are available.

Generally accepted accounting principles (GAAP) require that when both parties to a nonexchange transaction are governments, recognition generally should be symmetrical. That is, until the provider government is required to recognize an expenditure or a liability, the recipient government should not recognize revenue or an asset. GAAP further requires that when the provider is a government, an appropriation is essential to make enabling legislation effective for a particular period of time. A government does not have a liability to transmit resources under a particular program, and a recipient does not have a receivable, unless an appropriation exists for that program.

Where statute allows or requires revenue recognition on a basis inconsistent with GAAP, LEAs should consult with their independent auditors. Depending on the materiality of the departure from GAAP, recognition of revenue on a basis inconsistent with GAAP could result in an audit adjustment or impact the opinion rendered by the auditor on the LEA's financial statements.

Policies for recognition of specific sources of revenue common to California LEAs are discussed in Procedure 510.

Financial Reporting

Traditionally, governmental financial reporting has focused on governmental fund financial statements, prepared on the modified accrual basis of accounting for governmental activities and the accrual basis of accounting for business-type activities. GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, established a new governmental financial reporting model that integrates the traditional fund statements with a new

set of consolidated government-wide financial statements prepared on the accrual basis of accounting.

Fund statements address fiscal accountability, and the government-wide statements address operational accountability. The two levels of financial reporting are intended to achieve greater accountability by governments and to enhance the understandability and usefulness of financial reports to allow users to make more informed economic, social, and political decisions.

The new GASB Statement 34 reporting model requires the following financial statements and related information:

- Management Discussion & Analysis (MD&A) as Required Supplementary Information
- Basic Financial Statements:
  - Government-wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements
- Required Supplementary Information Other Than MD&A

The MD&A, Basic Financial Statements, and Required Supplementary Information other than MD&A represent the minimum standard for governmental financial reporting in conformity with GAAP.

California LEAs may, but are not required to, go beyond these minimum requirements and present a comprehensive annual financial report (CAFR). A CAFR has three sections. The introductory section provides general information on the LEA's structure, services, and environment. The financial section includes the basic financial statements and required supplementary information described previously, together with information on individual funds and discretely presented component units not reported separately in the financial statements. The financial section may also be used to provide other supplementary information not required by GAAP. The statistical section contains trend and nonfinancial data useful in interpreting the basic financial statements.

Procedure 105 Fund Accounting

Accounting is the fiscal information system for business. The function of all accounting systems is to present fairly and with full disclosure the financial position and results of operations of a business in conformity with generally accepted accounting principles.

Local educational agencies (LEAs), like all other types of businesses, use accounting to record, analyze, and summarize their financial activities and status. Once the information is accumulated, it is the accountant's responsibility to evaluate, interpret, and communicate the results to all interested parties.

Definition and Purpose of Funds

LEA accounting (governmental accounting) shares many characteristics with commercial accounting, but it has its own information needs and reporting requirements. One of these is to enable LEAs to determine and demonstrate compliance with finance-related legal, budgetary, and contractual provisions and restrictions on the use of public resources. LEA accounting systems, like those of other governmental units, are organized and operated on a fund basis. Accounting for LEAs is referred to as fund accounting. The authoritative definition of a fund according to generally accepted accounting principles (GAAP) is the following:

> A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The principal role of funds is to demonstrate fiscal accountability. The financial transactions of LEAs are separated into various funds in order to permit administrators to ensure, and report on, compliance with the laws and regulations that affect LEAs.

Categories and Types of Funds

The following table shows the three categories of funds defined by GAAP, the eleven types of funds within those three categories, and the measurement focus and basis of accounting used in each.

LEAs may establish and maintain those funds authorized by the *California School Accounting Manual*. (Individual fund types for use by California LEAs are discussed in Procedure 305.)

An LEA may maintain more than one of any type of fund except for the general fund. However, unnecessary funds result in undue complexity and inefficient financial administration. The *number of funds principle* provides that LEAs should use only the minimum number of funds required by law, sound financial administration, and operating requirements.

Fund Category	Fund Type	Measurement Focus	Basis of Accounting
Governmental Funds	General Fund Special Revenue Fund Capital Project Fund Debt Service Fund Permanent Fund	Current Financial Resources	Modified Accrual
Proprietary Funds	Enterprise Fund Internal Service Fund	Economic Resources	Accrual
Fiduciary Funds	Pension (and other employee benefit) Trust Fund Investment Trust Funds (not used by California LEAs) Private-Purpose Trust Fund Agency Fund	Economic Resources	Accrual

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Of the eleven fund types defined by GAAP, five are governmental:

> The *general fund* is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Special revenue funds are used to account for specific revenue sources, other than for major capital projects, that are legally restricted to expenditures for specified purposes. Examples include the Cafeteria Special Revenue Fund and the Child Development Fund. (See "Restricted Programs and Activities Within the General Fund" later in this procedure.)

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. An LEA's use of a capital projects fund does not mean that the LEA should account for all capital acquisition in that fund; routine purchases of capitalizable items are typically reported in the general fund. A capital projects fund should be used only for major capital acquisition or construction activities that would distort trend data if not reported separately from an LEA's operating activities. Examples are the Building Fund and the County School Facilities Fund.

Debt service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt. Debt services funds are used when financial resources are being accumulated for principal and interest payments maturing in future years or when required by law. An example is the Bond Interest and Redemption Fund.

Permanent funds are used to report resources for which a formal trust agreement exists and that are legally restricted to the extent that the earnings, but not the principal, may be used for purposes that support the LEA's own programs.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the LEA, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Two of the eleven fund types defined by GAAP are proprietary:

Enterprise funds may be used to account for activities for which fees are charged to external users for goods or services. An enterprise fund must be used for any activity for which issued debt is backed solely by fees and charges and for any activity for which there is a legal requirement or a policy decision that the cost of

providing services, including capital costs such as depreciation or debt service, be recovered through fees or charges. In practice, enterprise funds are sometimes used to account for activities that are only partially funded through user fees and charges, to highlight the costs of the services provided by the activity and to highlight the portion of costs borne by taxpayers. Examples are the Cafeteria Enterprise Fund and the Charter Schools Enterprise Fund.

Internal service funds are used to account for goods or services provided on a cost reimbursement basis to other funds or departments within the LEA and, occasionally, to other agencies. If other agencies are involved, the use of an internal service fund is appropriate only if the LEA is the predominant participant; otherwise, an enterprise fund should be used. The goal of an internal service fund is to measure and recover the full cost of providing goods or services through user fees or charges, normally on a break-even basis, including the cost of capital assets used in providing the service. Examples are the Self-Insurance Fund and the Warehouse Revolving Fund.

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Four of the eleven funds types defined by GAAP are fiduciary:

Pension (and other employee benefit) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. An example is the Retiree Benefit Fund.

Investment trust funds are used by governmental agencies such as the county treasurer to report external investment pools of mingled resources. LEAs do not use investment trust funds.

Private-purpose trust funds are used to report formal trust arrangements under which principal and interest benefit other individuals, private organizations, or other governments. An example is the Foundation Private-Purpose Trust Fund.

Agency funds are used to account for resources in which the LEA's role is purely custodial, such as the receipt and remittance of

fiduciary resources to individuals or other governments. All assets reported in an agency are offset by a corresponding liability to the party on whose behalf they are held. Examples are the Warrant/Pass-Through Fund and the Student Body Fund.

Restricted Programs and Activities Within the General Fund

In California LEAs, restricted programs or activities relating to the operation of kindergarten through grade twelve (K–12) educational programs are considered a part of ordinary operations and are accounted for in the general fund rather than in a special revenue fund. Within the general fund, restricted programs or activities must be identified, accounted for, and reported separately. This requirement means that general fund activities will be divided into restricted and unrestricted segments. This is achieved through the use of the resource field of the standardized account code structure. (The resource field is discussed in Procedure 310.)

Restricted programs or activities are those funded from external revenue sources legally restricted or restricted by the donor to specific purposes. Unrestricted revenues are those funds whose uses are not subject to specific constraints and may be used for any purposes not prohibited by law. Programs funded by a combination of restricted and unrestricted sources will be accounted for and reported as *restricted*.

Funds or activities that are not restricted or designated by the donor, but rather by the LEA's governing board, will be accounted for and reported as *unrestricted*. LEAs will need to review other local revenue received from external sources to determine whether legal restrictions apply for purposes of restricted or unrestricted designations.

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Section 200

Accounting Processes

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An *account* is the device used to classify and summarize the full effects of financial transactions on each asset, liability, component of fund balance, revenue, or expenditure. For example, the *cash account* in the general fund will show all the transactions that affect cash in the general fund for a given period of time. All the accounts within each fund are classified as an asset, a liability, a fund balance, a revenue, or an expenditure (expense) account. Accounts are used as the basis for preparing the financial statements.

The revenue and expenditure accounts are referred to as "temporary" or "nominal" accounts because they are "closed out" at the end of the year and become part of the fund balance. They are reopened, with zero balances, at the beginning of each fiscal year.

The asset, liability, and fund balance accounts are referred to as "permanent" or "real" accounts because they exist throughout the life of a fund. They are not closed at the end of the year; their ending balances are brought forward as their beginning balances in the following year.

Chart of Accounts

A list of all the accounts of a local educational agency (LEA) and the numbers or codes assigned to the accounts is called a *chart of accounts*. The specific accounts to be used by an LEA are identified when its accounting system is first set up. New accounts may be added, or unnecessary ones may be deleted, once the system is in use.

The chart of accounts is the basis for what accounts may be used when recording a particular transaction. An account must be in the chart in order to be used in an accounting entry. If a new account is needed for a new classification or type of transaction, it must first be properly added to the chart of accounts. Adding new accounts follows formal procedures to avoid unnecessarily expanding the number of accounts.

The official chart of accounts for LEAs is based on the standardized account code structure (SACS) established by the California Department of Education (CDE). LEAs may use additional accounts in their records, but these must follow the structure of SACS and must "roll up" to existing SACS account codes when reporting to CDE. (Refer to the procedures in Section 300, "Chart of Accounts," for listings and descriptions of the SACS accounts and the fields into which the accounts are grouped.)

Double-Entry Accounting

Accounting systems must be maintained using the double-entry system. This means that each account will have a debit (left side) and a credit (right side) and that recording a transaction will affect at least two accounts, one being debited and the other being credited, with the total of the debit(s) being equal to the total of the credit(s). For example, a debit to an expenditure account will have a corresponding credit, typically to the cash account.

Double-entry accounting uses the following rules on how the accounts are affected by debit and credit entries:

1. Assets are increased by debits and decreased by credits.
2. Liabilities and fund balance are increased by credits and decreased by debits.
3. Revenues are increased by credits and decreased by debits.
4. Expenditures (or expenses) are increased by debits and decreased by credits.

The difference between the debit and credit entries in an account is that account's balance. Asset and expenditure accounts normally have debit balances, while liability, fund balance, and revenue accounts normally have credit balances. The total of the debit balances must equal the total of the credit balances in a particular set of accounts at any point in time.

Journals

Accounting transactions are initially recorded in *journals*, also called books of original entry. Journals are used to systematically record accounting transactions in chronological sequence, showing the date for each transaction, an entry number or reference, the account names or codes affected, the debiting or crediting of those accounts and the amount, and a brief explanation.

Special journals are usually maintained for major types of transactions. Examples are the cash receipts journal, the cash disbursements journal, and the purchases journal. A general journal is used for transactions not recorded in the special journals.

Recording (or entering) accounting transactions in journals is also referred to as journalizing. Before making a journal entry, one must first determine

which accounts are affected by the transaction as well as which will be debited and which will be credited and for how much.

General Ledger

The *general ledger* is defined as the book, file, computer report, or other device that contains all the accounts for an LEA in which the debit and credit entries recorded in the journals are posted and the account balances shown. Financial statements reflecting the LEA's financial operations and financial condition are derived from the general ledger.

A general ledger must be maintained for each fund of an LEA. The general ledger for a fund will show the set of self-balancing accounts for that fund.

The accounts in the general ledger are normally arranged in the same sequence as their presentation in the financial statements—assets first and then liabilities, fund balance, revenues, and expenditures—regardless of the sequence of numeric codes assigned within the chart of accounts.

Subsidiary Ledgers

When it is necessary to provide more detail regarding accounts in the general ledger, special ledgers, called *subsidiary ledgers*, are maintained. A subsidiary ledger contains individual accounts that show the detail for the balances and amounts posted in the general ledger account. A general ledger account that is supported by a subsidiary ledger is referred to as a *control account*.

A subsidiary ledger may be set up for any general ledger account that requires a high level of detail. For each subsidiary ledger there is a corresponding control account in the general ledger. The balance of the control account must agree with the total of the account balances in the corresponding subsidiary ledger. Therefore, each time an amount is posted to a control account, a like amount, or individual items that total to that amount, must be posted to an account or accounts in the subsidiary ledger. By the same token, when an amount is posted to a subsidiary ledger account, a similar amount must be posted to the control account in the general ledger.

An example is a subsidiary ledger maintained for the accounts payable account. An account is kept for each vendor, showing the debits, credits, and other transaction details and the balance for that vendor's account.

Any amount posted in a vendor's account will also be posted, either as an individual entry or as part of an entry recording other vendor transactions, in the general ledger accounts payable account, and any entry made in the general ledger accounts payable account will also be posted to the corresponding vendor(s) account(s). If the postings are done correctly, the total of the vendor account balances at any point will equal the balance of the accounts payable control account in the general ledger. These subsidiary ledger accounts are essential in keeping track of transactions and balances for each vendor, which would not be possible if only the accounts payable account is used in the general ledger and a large number of vendor accounts are involved.

Subsidiary ledgers may also be maintained to account for the detailed transactions of investments, accounts receivable, stores, and fixed assets as well as for revenue, expenditures, other financing sources, other financing uses, and other accounts.

Control Accounts in the Chart of Accounts

Four general ledger control accounts are listed in the chart of accounts in Procedure 330:

- Revenue (9840)
- Other Financing Sources (9845)
- Expenditures (9850)
- Other Financing Uses (9855)

When Revenue (9840) is used as a control account in the general ledger, a subsidiary revenue ledger will be maintained to provide detailed information on the source of all revenues. For example, the subsidiary ledger might be used to maintain the following accounts:

Account Number	Account Name
8011	Revenue Limit State Aid—Current Year
8021	Homeowners' Exemption
8041	Secured Roll Taxes
8110	Maintenance and Operations (Public Law 81-874)

The total revenue received by the LEA at any given time will be shown in the control account, and the breakdown of this total revenue, by *source*, will be shown in the subsidiary revenue ledger. The balance in the

subsidiary revenue ledger (credit) must agree with the balance in the revenue control account (credit). A complete list of revenue accounts, by source, is shown in Procedure 330. If a revenue control account is not used, the revenue accounts, by source, will be used in place of control account 9840 (Revenue) in the general ledger.

When Expenditure (9850) is used as a control account in the general ledger, it will be supported by a subsidiary expenditures ledger (referred to hereinafter as an appropriations ledger) that has separate accounts for objects of expenditure, such as salaries, fringe benefits, and books, or that may contain accounts that break down expenditures by program (and within each program into salaries and so forth). The expenditure control account will show the total expenditures for a given period of time, and the subsidiary appropriations ledger will show the breakdown of this total by program and object. (A complete list of expenditure accounts is shown in Procedure 330.)

Computerized Systems

Most LEAs use computerized accounting systems that are capable of handling a large number of accounts and transactions. These systems vary widely in form, features, and reporting functionality, but they are all designed to automate the recording and reporting process. Entries are typically made into the system only once, and the software will do the related postings to the proper accounts, either automatically or as a separate process, eliminating the potential for posting errors that is common in a manual system. Reports can then be produced from the entered data, considerably more reports than can be produced from a manual system. Examples of reports are a listing of cash disbursements for any specified period (similar to a cash disbursements journal in a manual system) and a listing of vendor account balances (similar to a subsidiary ledger in a manual system). The computerized general ledger accounts may show details of transactions that in manual systems are recorded in journals, or they may show batch totals of entries recorded in separate journals.

While the forms of these computerized systems and the method of recording transactions are significantly different from those in a manual system, the same principles described previously for double-entry accounting, journalizing, posting, and minimum records required still apply. The systems simply automate the basic accounting process and maintenance of records.

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The accounting cycle is a set of procedures performed to keep track of and report the financial effects of economic transactions and events directly affecting the LEA's operations and financial condition. The accounting cycle is also known as the accounting process.

Sequence of the Accounting Cycle

The accounting cycle consists of three phases: the recording phase, the summarizing and reporting phase, and the closing phase. This process is referred to as a cycle because the sequence is perpetually repeated. It consists of the following steps:

Recording phase—These steps are done throughout the year:

1. A source document is prepared or received for a transaction or event that has occurred. Source documents include items such as purchase orders, invoices, vouchers, checks, and receipts.

2. The transaction is analyzed to determine the fund to which it relates and to which it will be posted.

3. The transaction is analyzed to determine which object accounts within the fund are affected (e.g., cash, accounts receivable, accounts payable, revenue, expenditure) and its other identifying characteristics, such as the resource, goal, and function. The transaction will be double-entry and will result in an increase or a decrease in the balance of each account involved.

4. The transaction is recorded in the appropriate journal.

5. From the journal, the entries are posted to the appropriate accounts in the general ledger and, where applicable, in the subsidiary ledgers. At this point, the transactions are separated by fund as well as classified according to the different components of the standardized account code structure.

Summarizing and reporting phase—These steps are done periodically during the year and at the end of the year:

6. Account balances are computed, and a trial balance is prepared.

7. Adjusting entries are prepared in the journals and posted in the general ledger and, where applicable, in the subsidiary ledgers.

8. An adjusted trial balance is prepared.

9. Financial statements and other reports are prepared.

Closing Phase—These steps are done at the end of the year:

10. Nominal accounts are closed, and a post-closing trial balance is prepared.

11. As an optional step, reversing entries may be prepared at the beginning of the following year. Reversing entries are discussed later in this procedure.

Budgetary Accounting

In an LEA operation, as in any governmental operation, part of the cycle will include recording the adopted budget at the beginning of the year, modifying that budget during the year, and encumbering appropriations during the year. (Budgetary accounting entries are discussed in Procedure 210.)

Source Documents

Generally, a source document is generated when a transaction occurs. These documents are the original records of financial transactions. They provide detailed information about the transactions, such as the nature, date, and amount of the transaction and the parties involved. They are an integral part of the accounting system as they provide a means of verifying the data recorded in the books of accounts. No entry should be made in the books without a supporting source document.

Examples of source documents are the following:

- Adopted budget—the basis for recording the budget
- Checks and check stubs—the basis for cash disbursements
- Purchase invoices and receiving receipts—support for purchases
- Cash logs or similar record—support for cash receipts

Analyzing Transactions

Before a transaction is recorded in the books, it must first be analyzed to determine which funds and accounts are affected by the transaction and how they are affected. Analyzing a transaction involves the following steps:

1. Identify which fund or funds are affected by the transaction.
2. Identify the accounts in the other five SACS fields (resource, goal, project year, function, and object) that are involved in the transaction.
3. Determine whether each account combination increased or decreased to determine what will be debited and what will be credited.
4. Determine the amount by which each account combination was affected.

After this analysis the accounting entry can be determined. To illustrate, assume the following three September transactions for a school district:

1. On September 15, 2003, it received $100,000.00 from the California Department of Education for a No Child Left Behind (NCLB) grant under Title I, Part A, Basic Grants Low-Income and Neglected.
2. On September 23, it purchased $510.00 in office supplies.
3. On September 30, it paid teacher salaries of $15,000.00.

All these transactions affect Cash in County Treasury, as a result of receiving grant revenue and paying for office supplies and teachers salaries.

The following are the sample three entries. For simplicity, only the object account is illustrated here; use of the full SACS account code structure is discussed in Procedure 301.

Date	Object Title	Object Code	Debit	Credit
9-15-xx	Cash in County Treasury	9110	100,000.00	
	All Other Federal Revenue	8290		100,000.00
	To record the receipt of NCLB grant from CDE.			

Date	Object Title	Object Code	Debit	Credit
9-23-xx	Materials and Supplies	4300	510.00	
	Cash in County Treasury	9110		510.00
	To record the purchase of office supplies.			

Date	Object Title	Object Code	Debit	Credit
9-30-xx	Teachers' Salaries	1100	15,000.00	
	Cash in County Treasury	9110		15,000.00
	To record payment of teachers salaries for Sept. xxxx.			

Note that Cash in County Treasury, an asset account, is debited for an increase and credited for a decrease; the revenue account is credited for an increase; and the expenditure accounts are debited for an increase. The table below shows how accounts are increased or decreased by debit and credit entries:

	Assets	Liabilities	Fund Balance	Revenues	Expenditures
To increase the account	Debit	Credit	Credit	Credit	Debit
To decrease the account	Credit	Debit	Debit	Debit	Credit

The "To increase the account" row in this table shows the "normal" balance for an account (e.g., assets normally have a debit balance). A starting point to tell if an account balance is correct is to check if it has a normal balance.

Recording Transactions in Journals

The entry determined from the analysis of a transaction will be recorded in the journals. The entries shown previously are in the form of a general journal entry, which shows the debit, credit, and explanation for each entry in addition to the date and amount. In actual practice, the entries may be entered in special journals, such as the cash receipts journal, the cash disbursements journal, and the payroll journal. The entries made in the special journals will still have the debit and credit sides of the entries, although the formats of the journals vary.

In computerized systems, the data entered in the journals by the user may be just one side of the entry rather than a debit and a credit because the

system will automatically make the opposite side of the entry. For example, in the cash receipts journal, the only data entered for a transaction might be the revenue received (the credit) and not the increase in cash (the debit). In posting the transactions to the ledger, the system automatically debits the cash account, either for each individual entry made in the journal or for the total of the entries in a batch. Therefore, there is no need to enter the debit to cash for every journal entry since the system follows the double-entry method of recording transactions.

Posting to the Ledger

The next step in the accounting cycle is posting the journal entries to the general ledger and, where applicable, to the subsidiary ledger(s). The term *posting* means transferring to the general ledger and, where applicable, to the subsidiary ledger(s), the individual amounts or summary totals of accounts entered in the journals.

Each amount or total is posted to the proper account in the ledger as either a debit or a credit. In the previous examples, the amounts affecting Cash in County Treasury will be posted in the general ledger as follows:

Account 9110 *Cash in County Treasury*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-01-xx	Beg. Bal.			236,000.00	Dr
9-15-xx	J1	100,000.00		336,000.00	Dr
9-23-xx	J2		510.00	335,490.00	Dr
9-30-xx	J3		15,000.00	320,490.00	Dr

Note that an entry is made in either the debit or credit column, and its result is reflected in the balance column. Since this is an asset account, the balance increases with a debit entry and decreases with a credit entry. An entry is also made in the last column to show that the new balance of the account is a debit (Dr).

Part of the posting process is calculating the balances of the general ledger accounts. An account balance is simply the difference between the debit and credit entries posted in an account; it will be either a debit or a credit amount. Computerized accounting systems automatically calculate the account balances as entries are posted to the general ledger.

The "Reference" column is used to show the page number or other reference for the source of the entry. In this illustration, "J1" was entered

for the September 15 transaction to indicate that the information for this posting came from the general journal (abbreviated as "J") and that it was entry number 1. Other references will be used depending on the actual journal from which the postings came. Through this method, any item in the general ledger can be traced easily to its origin.

In manual systems, posting of transactions to the general ledger is done periodically, usually once a month. In most computerized accounting systems, there is no need for a special posting process to be run at specified intervals; entries made in the journals are simultaneously posted by the system to the general ledger, and the account balances are automatically computed. Regardless of the recordkeeping method used, the basic principles of posting remain the same.

Trial Balance and Adjustments

The next step in the accounting cycle is the preparation of a trial balance. A trial balance is a listing of all the general ledger accounts and their balances. It is prepared periodically to verify that accounts are in balance. It is also helpful in verifying the accuracy of account balances and in preparing financial statements. If the account balances are correct, the total of the debits in the trial balance will equal the total of the credits, but the reverse is not necessarily true. The fact that the total debits equal the total credits does not necessarily mean that the account balances are correct.

After the trial balance has been prepared, the LEA can determine what adjustments, if any, are needed in the accounts. This does not mean that adjustments to the accounts are ascertained only after a trial balance has been prepared; adjustments needed to correct an account balance can be identified without preparing a trial balance. Using a trial balance facilitates the overall review of the accounts. Year-end adjustments include recording deferred revenue, prepaid expenditures, and accrued liabilities and making any necessary correcting entries. Adjustments are entered in the journal(s) and posted in the general ledger and, where applicable, in the subsidiary ledgers.

Adjustments of Prior Year's Accruals

Adjustments are sometimes necessary for differences between amounts accrued as receivable or payable in the prior year and amounts actually received or paid during the current year. Differences could result when accruals are estimated because the exact amounts are not available at the time of the accrual or amounts accrued do not materialize. In such cases,

the adjustments should be made to current year's revenue or expenditure accounts, not to the fund balance account.

For example, assume that the LEA overestimated its revenue accounts receivable in the prior year by the following amounts:

(1)	(2)	(3)	(3-2)
Revenue source	Prior year's accrual	Actually received	Difference (adjustment)
Vocational Program	$20,000.00	$18,000.00	-$2,000.00
Adult Education	15,000.00	14,000.00	-1,000.00
Total Adjustment			-$3,000.00

The $3,000.00 difference will be recorded as a reduction (debit) to the current year's revenue rather than as a restatement (reduction) of the beginning fund balance.

If the differences between the accrued and the actual amounts are due to errors and are material, such as accruing significant liabilities for expenditures that were not actually incurred, they should be recorded as a restatement of the beginning fund balance.

Financial Statements

After the adjustments have been posted and the new balances calculated, an adjusted trial balance can be prepared to verify that accounts are still in balance and to check if the account balances are now accurate. This process can be repeated until the LEA has ascertained the account balances are correct, at which time the financial statements can be prepared.

LEA financial statements and reporting are discussed in Procedure 101.

Closing the General Ledger

At the end of each fiscal year, after the LEA has prepared the financial statements, the books are "closed." Closing the books is the accounting process in which the budgetary accounts (estimated revenues, appropriations, and encumbrances) are zeroed out and the actual "temporary" or "nominal" accounts (revenue and expenditure accounts) are closed out to the fund balance. Any excess of revenues over expenditures is added to the fund balance; any excess of expenditures over revenues is deducted from the fund balance. Closing the books separates

financial transactions by year and measures the results of operations of a fund for the year.

The following closing journal entries will be necessary at the end of year:

To Close Estimated Revenue and Appropriations:

Date	Object Title	Object Code	Debit	Credit
6-30-xx	Appropriations	9820	xxxx	
	Undesignated/Unappropriated Fund Balance	9790	xxxx	
	Estimated Revenue	9810		xxxx
	To close the estimated revenue and appropriation accounts.			

To Close Encumbrances:

All of the encumbrances that are outstanding at the end of the year are disencumbered as follows:

Date	Object Title	Object Code	Debit	Credit
6-30-xx	Reserve for Encumbrances	9720	xxxx	
	Encumbrances	9830		xxxx
	To close the encumbrance account.			

To Close Revenues and Expenditures:

Date	Object Title	Object Code	Debit	Credit
06-30-xx	Revenue accounts	(Various)	xxxx	
	Other financing sources accounts	(Various)	xxxx	
	Expenditure accounts	(Various)		xxxx
	Other financing uses accounts	(Various)		xxxx
	Undesignated/Unappropriated Fund Balance	9790		xxxx
	To close the revenue and expenditure accounts.			

Note that the Undesignated/Unappropriated Fund Balance will be debited if the total of the revenues and other financing sources is less than the total of the expenditure and other financing uses.

After the books have been closed, a post-closing trial balance can be prepared. If the closing entries were done and posted correctly, only the "real" or "permanent" accounts (balance sheet accounts) will have

balances in the post-closing trial balance. These are the account balances that will be carried forward as beginning balances in the new fiscal year.

Reversing Entries

If an LEA uses the reversal method, entries are made at the start of a fiscal year to reverse the adjusting entries that established deferred revenues, prepaid expenditures, and accrued liabilities at the end of the prior year. Reversing entries are not required but are often used to facilitate the recording of transactions in the new year. When transactions are being recorded in the new year, there is then no need to identify those that pertained to the prior year. For example, if a reversing entry was made for liabilities accrued in the prior year, there is no need to identify which of the expenditure disbursements being recorded in the new year pertained to the liability accruals; the disbursements can all be charged to the expenditure accounts. On the other hand, if a reversing entry was not made, current year payments relating to prior year's accruals will have to be charged to the payable accounts rather than to expenditure accounts. Note that the reversal method does not eliminate the need for the LEA to monitor whether amounts accrued in the prior year are actually received and paid in the new year.

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One of the unique features of fund accounting is the use of budgetary accounts, which, typically, are not used in commercial accounting. In fund accounting, the revenue and expenditure accounts are the "actual" accounts and represent the actual activity of the fund as it will be reported in the financial statements. In contrast, the budgetary accounts are projections and show how much is estimated to be spent or received during a given period of time to carry out the local educational agency's (LEA's) goals.

Budgetary Accounts and Integration

The budgetary accounts allow for the comparison of actual revenues and expenditures with estimated revenues and expenditures. Upon adoption of the budget, budgetary accounts must be established and integrated within the accounting system to provide management with timely financial information to track the status of budgetary revenues and expenditures.

The budgetary accounts prescribed for school districts and county offices of education include the following:

- Estimated Revenue (9810)
- Estimated Other Financing Sources (9815)
- Appropriations (9820)
- Estimated Other Financing Uses (9825)
- Encumbrances (9830)

Budgetary accounts have two purposes:

1. To record the estimated revenues of a fund by source and amount. The recording of actual revenues allows for a comparison of the actual revenues with the estimated revenues.
2. To record the limits that are set on the expenditure levels by the appropriations. The recording of actual expenditures allows a comparison of the actual expenditures to the amounts that are available to be committed or expended within the limits set by law or by the governing board.

Each budgetary account is supported by a subsidiary ledger and controlled at a level specified by legal requirements to allow comparisons with actual

results of financial operations. At the end of the fiscal year, budgetary accounts are closed by reversing the entries made at the beginning of the fiscal year.

Comparison of Actual Results with the Legally Adopted Budget

Governmental Accounting Standards Board (GASB) Statement No. 34, applicable to state and local governments, changed the way budget information is reported in the year-end audited financial statements. Previously, governments reported only the final budget along with the actual results of financial operations. Under GASB Statement 34, the budgetary comparison must now include the original budget, the final budget, and the actual results of financial operations for the general and major special revenue funds.

Basis of Budgeting and GAAP Reporting

The LEA's accounting system must make it possible to:

1. Present fairly and with full disclosure the financial position and results of financial operations of the governmental unit in conformity with GAAP.
2. Determine and demonstrate compliance with finance-related legal requirements.

Generally, for California LEAs the basis of budgeting should be the same as the basis of accounting used in the audited financial statements.

Budgetary accounting must conform to the account codes in the standardized account code structure. For simplicity, the illustrations used in this procedure show budgetary accounting entries at only the object level.

Recording Budgeted Revenues

The adopted budget provides the information for recording budgeted revenues in the general ledger in the budgetary account, Estimated Revenue (9810). Each item of estimated revenue should be accounted for separately so that revenue surpluses or deficiencies are readily monitored.

The following is a sample posting of $1 million of budgeted revenues at the object level:

Estimated Revenue

8010–8099 Revenue Limit Sources	
8011 Revenue Limit State Aid—Current Year.....	$475,000
8041 Secured Roll Taxes	350,000
8042 Unsecured Roll Taxes.....	50,000
8100–8299 Federal Revenue	
8110 Maintenance and Operations (PL 81-874).....	25,000
8290 All Other Federal Revenue	5,000
8300–8599 Other State Revenue	
8311 Other State Apportionments—Current Year	20,000
8560 State Lottery Revenue.....	25,000
8600–8799 Other Local Revenue	
8799 Other Transfers In from All Others	50,000
Total Estimated Revenue.....	$1,000,000

The total of the estimated revenue entered in the subsidiary ledger must agree with the total of the general ledger budgetary account, Estimated Revenue (9810). The same journal entry is posted to both the subsidiary ledger and the general ledger.

Preparing the Journal Entry. The general ledger and subsidiary ledger accounts and the amounts for each are listed in the journal entry as a record of the estimated revenue, as illustrated in the following example:

J2

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Estimated Revenue	9810	$1,000,000	
	Undesignated/Unappropriated	9790		$1,000,000

Subsidiary Revenue Ledger

Object Code	Object Title	(Budgeted amounts)
8011	Revenue Limit State Aid—Current Year	$ 475,000
8041	Secured Roll Taxes	350,000
8042	Unsecured Roll Taxes	50,000
8110	Maintenance and Operations (Public Law 81-874)	25,000
8290	All Other Federal Revenue	5,000
8311	Other State Apportionments—Current Year	20,000
8560	State Lottery Revenue	25,000
8799	Other Transfers In from All Others	50,000
		$ 1,000,000

To record estimated revenue as contained in the adopted budget.

Entry J2 is a general journal entry and also carries the information needed to post to the subsidiary ledger (the subsidiary revenue ledger).

The single postings to the individual revenue ledger accounts represent the breakdown of the total shown in the estimated revenue (general ledger) account.

Posting to the General Ledger. The journal entry for recording the approved budget is posted to the general ledger, as the following examples illustrate. For purposes of this example, assume that a J1 entry for $92,981.78 representing the prior year balance brought forward has already been made.

Account 9810 *Estimated Revenue*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J2	$1,000,000		$1,000,000	Dr

Account 9790 *Undesignated/Unappropriated Fund Balance*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J1		$ 92,981.78	$ 92,981.78	Cr
7-1-xx	J2		$ 1,000,000.00	$ 1,092,981.78	Cr

Posting the Subsidiary Ledger. The subsidiary revenue ledger is posted from the detailed breakdown shown in the journal entry. Each account is posted to show the amounts carried in the journal entry in the "Estimated revenue" and "Estimated to be received" columns.

Revenue Ledger

Account 8041 *Secured Roll Taxes*

Date	Ref #	Estimated revenue	Amounts received	Total received to date	Estimated to be received
7-1-xx	J2	$350,000			$350,000

Each revenue subsidiary ledger account is similarly posted.

Recording Budgeted Expenditures

Estimated expenditure values, like estimated revenue values, are taken from the adopted budget, as illustrated in the example that follows:

1000–1999 Certificated Personnel Salaries

1100	Teachers' Salaries	$300,000
1200	Certificated Pupil Support Salaries	50,000
1300	Certificated Supervisors' and Administrators' Salaries	150,000
1900	Other Certificated Salaries	25,000
	Total Certificated Personnel Salaries	$525,000

2000–2999 Classified Personnel Salaries

2100	Instructional Aides' Salaries	$125,000
2200	Classified Support Salaries	15,000
2300	Classified Supervisors' and Administrators' Salaries	10,000
2400	Clerical, Technical, and Office Staff Salaries	5,000
2900	Other Classified Salaries	20,000
	Total Classified Personnel Salaries	$175,000

3000–3999 Employee Benefits

3101	State Teachers' Retirement System, certificated positions	$25,000
3201	Public Employees' Retirement System, certificated positions	15,000
3301	OASDI/Medicare/Alternative, certificated positions	10,000
3401	Health & Welfare Benefits, certificated positions	30,000
3501	State Unemployment Insurance, certificated positions	5,000
3601	Workers' Compensation Insurance, certificated positions	10,000
3901	Other Benefits, certificated positions	5,000
	Total Employee Benefits	$100,000

4000–4999 Books and Supplies

4100	Approved Textbooks and Core Curricula Materials	$5,000
4200	Books and Other Reference Materials	3,500
4300	Materials and Supplies	500
4400	Noncapitalized equipment	1,000
	Total Books and Supplies	$10,000

5000–5999 Services and Other Operating Expenditures

5200	Travel and Conferences	300
5300	Dues and Memberships	200
5400	Insurance	10,000
5500	Operations and Housekeeping Services	5,000
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements	4,500
5800	Professional/Consulting Services and Operating Expenditures	5,000
	Total Services and Other Operating Expenditures	$25,000

6000–6999 Capital Outlay

6100	Land	$25,000
6200	Buildings and Improvement of Buildings	22,500
6300	Books & Media for New/Major Expansion of School Libraries	1,500
6400	Equipment	26,000
	Total Capital Outlay	$75,000

7000–7499 Other Outgo

7141	Other Tuition, Excess Costs, and/or Deficit Payments to School Districts	$40,000
	Total Other Outgo	$40,000

Total Budgeted Expenditures $950,000

Each budgeted expenditure item should be accounted for separately so that expenditures can be controlled within the various budget classifications. This separate accounting may be accomplished by use of a subsidiary ledger usually known as the appropriation ledger. While separate accounts should be maintained for each of the required expenditure classifications, additional subdivisions of these classes may be maintained as separate accounts if needed.

The approved expenditure budget is subject to later adjustment as expenditure estimates change.

Preparing the Journal Entry. Total budgeted expenditures of $950,000 represent the total appropriation allotted for programs. In SACS, the goal

and function codes provide a classification of expenditure usage, and the object provides a classification of expenditure type. The journal entry is shown in the following example:

J3

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Undesignated/Unappropriated	9790	$950,000	
	Appropriations	9820		$950,000

Subsidiary Appropriation Ledger

Object Code	Object Title	
1100	Teachers' Salaries	$300,000
1200	Certificated Pupil Support Salaries	50,000
1300	Certificated Supervisors' and Administrators' Salaries	150,000
1900	Other Certificated Salaries	25,000
2100	Instructional Aides' Salaries	125,000
2200	Classified Support Salaries	15,000
2300	Classified Supervisors' and Administrators' Salaries	10,000
2400	Clerical, Technical, and Office Staff Salaries	5,000
2900	Other Classified Salaries	20,000
3101	State Teachers' Retirement System, certificated positions	25,000
3201	Public Employees' Retirement System, certificated positions	15,000
3301	OASDI/Medicare/Alternative, certificated positions	10,000
3401	Health & Welfare Benefits, certificated positions	30,000
3501	State Unemployment Insurance, certificated positions	5,000
3601	Workers' Compensation Insurance, certificated positions	10,000
3901	Other Benefits, certificated positions	5,000
4100	Approved Textbooks and Core Curricular Materials	5,000
4200	Books and Reference Materials	3,500
4300	Materials and Supplies	500
4400	Noncapitalized equipment	1,000
5200	Travel and Conferences	300
5300	Dues and Memberships	200
5400	Insurance	10,000
5500	Operations and Housekeeping Services	5,000
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements	4,500
5800	Professional/Consulting Services and Operating Expenditures	5,000
6100	Land	25,000
6200	Buildings and Improvement of Buildings	22,500
6300	Books and Media for New School Libraries or Major Expansion of School Libraries	1,500
6400	Equipment	26,000
7141	Other Tuition, Excess Costs, and/or Deficit Payments to School Districts	40,000
		$950,000

To record estimated expenditures as contained in the adopted budget.

The journal entry for appropriations is similar to the one recording estimated revenue except that the total appropriations are debited to the

fund balance account (9790) instead of being credited. The total appropriations for all accounts in the subsidiary appropriation ledger must agree with the balance in the general ledger control account, Appropriations (9820).

Posting to the General Ledger. The journal entry recording the approved appropriations is posted to the general ledger in the same manner as the entry recording estimated revenue, as illustrated in these examples:

Account 9790 *Undesignated/Unappropriated Fund Balance*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J1		$ 92,981.78	$ 92,981.78	Cr
	J2		$1,000,000.00	$1,092,981.78	Cr
	J3	$950,000		$ 142,981.78	Cr

Account 9820 *Appropriations*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J3		$950,000	$950,000	Cr

Note that the debit to the fund balance account has been subtracted from the previous credit balance to produce a new credit balance of $142,981.78. The remaining Undesignated/Unappropriated Fund Balance represents the prior year balance of $92,981.78 plus the $50,000 operating surplus from the current budget.

Posting to the Subsidiary Ledger. The journal entry is posted to the subsidiary appropriation ledger in a manner similar to that used for posting estimated revenue, as shown in this example:

Appropriation Ledger

Account 1100 *Teachers' Salaries*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-1-xx	J3	$300,000					$300,000

The subsidiary appropriation ledger has additional columns for entering encumbrances in addition to expenditures. The amount appropriated for this account has been entered in the "Appropriation" column and again in the "Unencumbered Balance" column. As amounts are later entered in the "Encumbrances" column or "Expended" column, the "Unencumbered Balance" column will be adjusted accordingly.

Recording Budgeted Reserves

In governmental funds, the difference between assets and liabilities is reported as fund balance. Fund balance is divided into reserved and unreserved portions. Reserved fund balance is the portion that is not available for expenditure or that is legally segregated for a specific future use and therefore cannot be appropriated. For example, Stores, Prepaid Expenditures, and Revolving Cash are not available for spending, so the portion of fund balance represented by these items must be reserved. Reserve for Nonexpendable Assets accounts (objects 9710–9720) have been set up for these and other similar items.

The remaining fund balance is reported as "Fund Balance, Unreserved" (objects 9760–9799). This separation of the fund balance into the reserved and unreserved portions is important to LEAs because it provides information on the funds available to cover unanticipated expenditures.

Unreserved fund balance can be subdivided into designated and undesignated portions. For example, boards must designate a portion of the unreserved fund balance for economic uncertainties. They may designate other portions for other intended uses. Designations of fund balance are self-imposed limitations on the use of otherwise available resources.

Any remaining portion of the fund balance is reported in Object 9790, Undesignated/Unappropriated Fund Balance.

Assuming that the budget shows $50,000 Designated for Economic Uncertainties and $9,400 for Stores, the following journal entry will be prepared:

J4

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Undesignated/Unappropriated	9790	$ 59,400.00	
	Reserve for Stores	9712		$ 9,400.00
	Designated for Economic Uncertainties	9770		$50,000.00
	To record the Reserves for Nonexpendable Assets and Designated for Economic Uncertainties, as contained in the adopted budget.			

The journal entry is then posted to the general ledger.

Account 9790 *Undesignated/Unappropriated Fund Balance*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J1		$ 92,981.78	$ 92,981.78	Cr
7-1-xx	J2		$1,000,000.00	$1,092,981.78	Cr
7-1-xx	J3	$950,000.00		$ 142,981.78	Cr
7-1-xx	J4	$ 59,400.00		$ 83,581.78	Cr

Account 9712 *Reserve for Stores*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J4		$9,400.00	$9,400.00	Cr

Account 9770 *Designated for Economic Uncertainties*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-1-xx	J4		$50,000.00	$50,000.00	Cr

Checking the Trial Balance

At this point the general ledger has been opened and the adopted budget recorded. The next step is to complete a trial balance to ensure that the journal entries made in integrating the budget with the general ledger are in balance. The trial balance lists the general ledger accounts and their balances. The total debits and the total credits must be equal, indicating a balanced general ledger. Taking into account the journal entries made so far, plus a few not specifically shown, the trial balance at this point should look like this:

Object Title	Object Code	Debit	Credit
Cash in County Treasury	9110	$100,000	
Accounts Payable (Current Liabilities)	9500		$ 7,018
Reserve for Stores	9712		9,400
Reserve for Economic Uncertainties	9770		50,000
Undesignated/Unappropriated	9790		83,582
Estimated Revenue	9810	1,000,000	
Appropriations	9820		950,000
Totals		$1,100,000	$1,100,000

Recording Encumbrances

An *encumbrance* is a commitment in the form of a purchase order or offer to buy goods or services. The encumbrance account is a budgetary account that is used to prevent overspending of an appropriation.

Encumbrances for Purchases

A purchase generally involves the following steps:

1. Initiation of a purchase requisition. The purchase requisition is the internal document authorizing the issuance of a purchase order for the desired goods or services. The purchase requisition is generally approved by a budget manager or administrator responsible for budgets and becomes the basis for the generation of a purchase order, a legal contract with the vendor for goods or services. Generally, no accounting transaction is recorded for purchase requisitions in the general or subsidiary ledgers unless a pre-encumbrance system is used.

2. Issuance of a purchase order. If funds are available and the requisition is for an appropriate expenditure, the LEA issues a purchase order to the selected vendor. Upon issuance of a purchase order, an accounting transaction is recorded, debiting the Encumbrances account (9830) and crediting the Reserve for Encumbrances account (9720) for the amount authorized in the purchase order.

3. Receipt of the goods or services. An invoice may accompany the product or may be sent separately. Generally, no accounting transaction is recorded at this point.

4. Payment of the invoice. An accounting transaction is recorded whereby the original encumbrance entry is reversed, the expenditure account is debited, and the cash account is credited.

A sample purchase order is shown as follows:

Purchase Order No. 2

To: Student Supply Company

Date: July 1, xxxx

Ordered by
School _____

From: _____

School District
Appropriation
Ledger Account 4300

Deliver to: 100 Main Street

Quantity	*Unit*	*Item*	*Unit price*	*Amount*
1,000	Ream	Newsprint	$ 0.60	$ 600.00
100	Gross	#2 school pencils	3.00	300.00
300	Box	Crayons	0.30	90.00
				$ 990.00

Most financial software programs will automatically enter an encumbrance in the appropriation ledger and the general ledger upon the creation of a purchase order. A report on outstanding encumbrances would look like the following:

Purchase Order Encumbrance Summary For July xxxx

Vendor's name	Appropriation account number	Date	Purchase order number	Amount of encumbrance
J. Computer Company	4400	7-1-xx	1	$ 810.00
Student Supply Company	4300	7-1-xx	2	990.00
Total				$ 1,800.00

The following journal entry records the encumbrance information:

J7

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Encumbrances	9830	$1,800.00	
	Reserve for Encumbrances	9720		$1,800.00

Subsidiary Appropriation Ledger

Object Code	Object Title	
4300	Materials and Supplies	$ 990.00
4400	Noncapitalized Equipment	810.00
		$1,800.00

To record purchase order encumbrances for July, xxxx.

The posting of the Materials and Supplies (Object 4300) item to the account in the subsidiary appropriation ledger is illustrated as follows:

Appropriation Ledger

Account 4300 *Materials and Supplies*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-1-xx	J7	$2,500.00	$990.00	$990.00			$1,510.00

Encumbrance Adjustments—Purchases

An encumbrance must be adjusted or canceled when payments to vendors or other expenditures are recorded. If a purchase order was originally encumbered for $100 but the actual payment was $99.50, the original $100 encumbrance is canceled. Partial payments on an order are liquidated in the same amount as originally encumbered for items being paid, and the balance of the encumbrance is canceled when the final payment is made. Depending on the encumbrance method being used, the adjustments or liquidations are posted either directly from the purchase order or from a Purchase Order Liquidation Summary listing the purchase orders being paid.

With some systems it is more practical to cancel all encumbrances related to a purchase order and to re-encumber only that part of the order that is outstanding after the paid items have been deleted. If an encumbrance amount is canceled or changed because items ordered are unavailable or prices are changed, the adjustment is recorded in the same manner as that for routine adjustments or cancelations following payments.

Preparing the Journal Entry. The journal entry to record encumbrance adjustments shows the general ledger and subsidiary ledger accounts and the amounts for each, as shown in the following example:

J25

Date	Object Title	Object Code	Debit	Credit
8-31-xx	Reserve for Encumbrances	9720	$5,435	
	Encumbrances	9830		$5,435

Subsidiary Appropriation Ledger

Object Code	Object Title	
4100	Approved Textbooks and Core Curricula Materials	$ 350.00
4300	Materials and Supplies	475.00
4400	Noncapitalized Equipment	810.00
5500	Operations and Housekeeping Services	1,300.00
6200	Buildings and Improvement of Buildings	2,500.00
		$ 5,435.00

To record encumbrance cancelations (other than salaries) for the month of August.

California School District
Warrant Register Number 1

Date: August 31, xxxx

Warrant Number	Vendor	Expenditure Classification	Amount
1.	Aldrich & Aldrich	4300	$ 48.06
2.	American Book Company	4100	350.00
3.	Best Music Company	4300	210.00
4.	E.P. Finigan Company	6200	2,500.00
5.	Pacific Gas & Electric Company	5500	700.00
6.	Pacific Bell	5500	600.00
7.	Taylor's School Supplies	4300	216.94
8.	J. Computer Company	4400	810.00
	Total		$5,435.00

Expenditure Classification Summary

4100	Approved Textbooks and Core Curricula Materials	$ 350.00	
4300	Materials and Supplies	475.00	
4400	Noncapitalized Equipment	810.00	
5500	Operations and Housekeeping Services	1,300.00	
6200	Buildings and Improvement of Buildings	2,500.00	
			$5,435.00

This journal entry for encumbrance cancelations is posted to the general ledger in the usual manner.

Posting to the Appropriation Ledger. Entries in the subsidiary appropriation ledger are made in the "Encumbrances" column, as shown in the following examples:

Appropriation Ledger

Account 4400 *Noncapitalized Equipment*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-01-xx	J3	$1,000.00					$1,000.00
7-01-xx	J7	1,000.00	$810.00	$810.00			190.00
8-31-xx	J25	1,000.00	(810.00)	0.00			190.00

Encumbrances for Salaries and Benefits

Unlike purchases, for which an encumbrance is recorded at the time the purchase order is issued, the annual cost of salaries and benefits can be encumbered at the beginning of the fiscal year. Salaries and benefits are disencumbered when paid, and amounts encumbered should be adjusted for personnel and rate changes.

The salary encumbrance summary may differ in detail depending on the types of accounting software used. Basic requirements are a complete accounting for all personnel having salaries to be encumbered, a grouping of these salaries to provide monthly and annual totals by budget classifications, and provisions for recording changes in personnel and salaries.

The journal entries to record the salary encumbrance transactions are listed as follows:

J12

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Encumbrances	9830	$350,000	
	Reserve for Encumbrances	9720		$350,000

Subsidiary Appropriation Ledger

Object Code	Object Title	
1100	Teachers' Salaries	$300,000
1200	Certificated Pupil Support Salaries	50,000
		$350,000
	To encumber the annual salaries for certificated staff employed as of the beginning of the fiscal year.	

J13

Date	Object Title	Object Code	Debit	Credit
7-15-xx	Reserve for Encumbrances	9720	$48,000	
	Encumbrances	9830		$48,000

Subsidiary Appropriation Ledger

Object Code	Object Title	
1100	Teachers' Salaries	$48,000
.	To reverse the encumbrance for the annual salary for Betty Bennett, who resigned on July 15.	

J14

Date	Object Title	Object Code	Debit	Credit
7-20-xx	Encumbrances	9830	$36,000	
	Reserve for Encumbrances	9720		$36,000

Subsidiary Appropriation Ledger

Object Code	Object Title	
1100	Teachers' Salaries	$36,000
	To encumber the annual salary for Ted Thompson, a new employee hired on July 20.	

The posting of the preceding entries to the general ledger is as follows:

Account 9830 *Encumbrances*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-01-xx	J7	$ 1,800		$ 1,800	Dr
7-01-xx	J12	350,000		351,800	Dr
7-15-xx	J13		$48,000	303,800	Dr
7-20-xx	J14	36,000		339,800	Dr

Account 9720 *Reserve for Encumbrances*

Date	Ref #	Debit	Credit	Balance	Dr/Cr
7-01-xx	J7		$ 1,800	$ 1,800	Cr
7-01-xx	J12		350,000	351,800	Cr
7-15-xx	J13	48,000		303,800	Cr
7-20-xx	J14		36,000	339,800	Cr

The posting of the Teachers' Salaries account to the subsidiary appropriation ledger is illustrated as follows:

Appropriation Ledger

Account 1100 *Teachers' Salaries*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-01-xx	J12	$300,000	$300,000	$300,000			$0.00
7-15-xx	J13	300,000	-48,000	252,000			48,000
7-20-xx	J14	300,000	36,000	288,000			12,000

In the preceding illustration it has been assumed that the changes in personnel were made prior to payment of any payroll in that year. It is important, however, that encumbrances be reduced by the unpaid installments of the annual salaries of personnel leaving the payroll and increased for the unpaid installments of personnel being added to the payroll.

Encumbrance Adjustments—Salaries

The amount of encumbrance to be adjusted or canceled when salary payments are made is the same amount that is being paid, provided such amounts have been encumbered. This procedure will leave the proper balance of encumbrance for each succeeding month if there is no change in rate of pay.

Further adjustment is necessary for changes of contracts, terminations, and the like. It is generally preferable to cancel the exact amount of the payroll posting and to pick up additional adjustments in a separate posting from a list of changes. For example, payroll expenditures of $300,000 were originally encumbered for annual teachers' salaries. A payroll expenditure of $25,000 represents the regular monthly payroll for teachers' salaries encumbered for the year. An employee was terminated in July and received less than a full month's salary. The difference between the amount encumbered for that teacher, $4,000, and the amount paid and liquidated, $3,000, represents a cancelation of $1,000 to encumbrances for July in addition to the encumbrance for the rest of the year for that teacher, $44,000 ($4,000 x 11 months), or a total cancelation of encumbrances in the amount of $45,000. The person replacing this employee was paid $1,000 in July and will earn $33,000 for the rest of the year. The additional total encumbrance is $34,000. The net change in encumbrances for these personnel transactions was a net reduction of $11,000.

In some systems, it is more practical to cancel all encumbrances for salaries at the time payroll expenditures are posted and to re-encumber the adjusted amounts for the remainder of the year.

Preparing the Journal Entry. The journal entry to record encumbrance adjustments lists the general ledger and subsidiary ledger accounts and the amounts for each, as shown in the following example:

J18

Date	Object Title	Object Code	Debit	Credit
7-31-xx	Reserve for Encumbrances	9720	25,000	
	Reserve for Encumbrances	9720	11,000	
	Encumbrances	9830		25,000
	Encumbrances	9830		11,000

Subsidiary Appropriation Ledger

Object Code	Object Title	
1100	Teachers' Salaries	$36,000
1200	Certificated Pupil Support Salaries	4,166
		$40,166

To record salary encumbrance liquidations and adjustments for the month of July.

Posting to the General Ledger. The journal entry for salary encumbrance cancelations and adjustments is posted to the general ledger in the usual manner.

Posting to the Appropriation Ledger. Entries in the subsidiary appropriation ledger are made in the "Encumbrances" column as in the following example:

Appropriation Ledger

Account 1100 *Teachers' Salaries*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-01-xx	J3	$300,000					$300,000
7-01-xx	J12	300,000	300,000	$300,000			0.00
7-15-xx	J13	300,000	-48,000	252,000			48,000
7-20-xx	J14	300,000	36,000	288,000			12,000
7-30-xx	J18	300,000	-36,000	252,000			48,000

Appropriation Ledger

Account 1200 *Certificated Pupil Support Salaries*

Date	Ref #	Appropriation	Encumbrances	Encumbered to Date	Expended	Expended to Date	Unencumbered Balance
7-1-xx	J3	$50,000					$50,000
7-1-xx	J12	50,000	$50,000	$50,000			0.00

The control account Encumbrances in the general ledger can be reconciled by adding the totals of the "Encumbered to Date" column in each of the subsidiary appropriation ledger accounts.

Recording Adjustments to the Budget

Adjustments to Estimated Revenues

When an LEA learns that its revenue will exceed the original estimate in the adopted budget, a new estimate of revenue is made, and the increase is recorded in both the general ledger and the revenue ledger. The increase in estimated revenue is recorded as follows:

Date	Object Title	Object Code	Debit	Credit
5-31-xx	Estimated Revenue	9810	$1,100.00	
	Undesignated/Unappropriated Fund Balance	9790		$1,100.00

Subsidiary Revenue Ledger

Object Code	Object Title	
8311	Other State Apportionments—Current Year	$1,100.00
	To record revised estimate of Economic Impact Aid.	

This entry increases the estimated revenue in the general ledger and in the revenue ledger. It also increases the amount available for appropriation. Note that the entry simply records the amount available for appropriation. Actual appropriations may be made by governing board action only as prescribed in *Education Code* sections 42602 and 42610.

When a revised revenue estimate indicates a decrease in the amount of estimated receipts, the decrease is recorded in a similar manner, as follows:

Date	Object Title	Object Code	Debit	Credit
5-31-xx	Undesignated/Unappropriated Fund Balance	9790	$1,100.00	
	Estimated Revenue	9810		$1,100.00

Subsidiary Revenue Ledger

Object Code	Object Title	
8311	Other State Apportionments—Current Year	$1,100.00
	To record revised estimate of Economic Impact Aid.	

Adjustments to Appropriations

The law provides that amounts budgeted in each major expenditure classification shall be the maximum amount that can be expended under that expenditure classification. During the fiscal year, budgets are monitored to ensure that appropriations are not overspent. Revisions to a major expenditure classification are subject to approval by the school district's governing board.

With the standardized account code structure (SACS), school districts are able to exercise more detailed levels of control over their budgets. For example, budget controls are typically set at the resource level to demonstrate compliance with a governing board policy that requires that categorical program budgets be balanced and do not encroach on the unrestricted general fund budget.

Except when a revised appropriation budget has been adopted, adjustments involving changes among current appropriations will have no net effect on the general ledger's balances. The changes will affect only the appropriation ledger because the total amount appropriated is not changed but is simply redistributed among the appropriations accounts.

Date	Object Title	Object Code	Debit	Credit
10-30-xx	Appropriations	9820	$500.00	
	Appropriations	9820		$500.00

Subsidiary Appropriation Ledger

Object Code	Object Title	
6400	Equipment	$500.00
	To record appropriations transfers adopted on 10-30-xx.	

Procedure 215 Audit Adjustments

Audit adjustments as used in this section are those adjustments made to the financial statements as a result of the LEA's independent audit. They are made after the general ledger is closed but before the audited financial statements are issued. Audit adjustments relating to revenues or expenditures are posted to the general ledger in the fiscal year subsequent to the audit year as adjustments to the beginning fund balance using Object 9793, Audit Adjustments.

Reaching Agreement on Audit Adjustments

At the completion of the audit, the auditors must meet with the management of the LEA to discuss any proposed audit adjustments. It is the responsibility of the LEA to prepare all of the financial statements, notes, and schedules that are the subject of the audit. Even if these are prepared for the LEA by the auditors, they remain the responsibility of the LEA. *Therefore, the LEA must agree to any adjustments identified by the auditors before the adjustments are made to the financial statements.*

One of the main factors in determining whether a proposed audit adjustment should be made is the materiality of the amount. Materiality has been defined in accounting literature as "of substantial importance, of great consequence, pertinent or essential to, likely to influence." However, there is no definitive rule for determining whether a given item is material. An item material to one LEA may not be material to another. Determining materiality requires informed judgment based on the particular facts in each set of circumstances.

One way of determining materiality is by comparing the amount of the adjustment with the fund balance, revenues, or expenditures. The following example illustrates this point:

Assume that in the general fund, the fund balance at 6-30-xx is $600,000, as follows:

Reserved Fund Balance	$ 440,000
Unreserved	160,000
Total Fund Balance	$ 600,000

A. If the auditors find that accounts payable has been understated by $80,000, they will propose the following entry be made to the financial statements:

DR Expenditures	$ 80,000	
CR Accounts Payable		$ 80,000

This is clearly a material adjustment because it will reduce the unreserved fund balance by 50 percent.

B. If the auditors find that accounts receivable has been overstated by $3,000, this adjustment would not be made to the financial statements because in this instance it does not significantly affect the unreserved fund balance.

If there is disagreement about whether an item is material, it is reasonable to expect the auditors to explain why they believe the adjustment is significant. If the LEA's management is not convinced that the item meets the definition of materiality or other criteria for adjustments, it does not have to agree to the adjustment to the financial statements.

If in the opinion of the auditors an adjustment item is material but the management of the LEA does not agree that it should be posted to the financial statements, the auditors may modify their opinion on the financial statements to a "qualified" or "adverse" opinion, depending on the significance of the item as determined by the auditors.

After agreement has been reached on the adjustments to be incorporated into the financial statements, the auditors or the LEA will prepare the audited financial statements. One of the schedules in the annual audit report is the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements."

A sample of this schedule is shown on page 215-4. This schedule shows the impact of the audit adjustments on the fund balance.

The LEA and the auditors have the following responsibilities in relation to the audit adjustments:

The LEA	The Auditors
1. Review all audit adjustments proposed by the auditors.	1. Discuss all proposed audit adjustments with the management of the LEA.
2. Reach agreement with the auditors on the adjustments to be made to the financial statements.	2. Reach agreement with the management of the LEA on the adjustments that will be made to the financial statements.
3. Record in the following year's general ledger the audit adjustments agreed on.	3. Provide the LEA with a complete set of entries that support the "Reconciliation of Annual Financial and Budget Report With Audited Financial Statements."
4. Provide information to the auditors on the disposition of the audit adjustments.	

Suggested Steps for Booking Audit Adjustments

Once the audit adjustments are agreed on and the financial statements are prepared, the LEA can book the audit adjustments. To facilitate the process of booking the audit adjustments, the California Department of Education has developed a work sheet, "Schedule of Audit Adjustments to the _____ Fund." (The instructions for using this schedule are shown on page 215-12.)

The following steps should be followed by the LEA in booking the audit adjustments:

1. Obtain from the auditors a copy of the "Reconciliation of Annual Financial and Budget Report With Audited Financial Statements." This schedule, a required component of an LEA's audit report pursuant to Section 19813, Title 5, of the *California Code of Regulations*, shows in summary form the impact of the audit adjustments on the fund balance in each fund. (See the example at the end of these suggested steps. Notice that the schedule shows that there are audit adjustments in only two funds—the general fund and the cafeteria fund.)

2. Obtain from the auditors the detailed entries that support the summary entries on the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements." The detailed entries should show the account numbers. They are shown from the viewpoint that they are being made in the audit year, even though by the time they are made the books have already been closed.

3. Review each detailed adjusting entry and determine whether any of the transactions or corrections for which the adjustments were made have already been booked in the current fiscal year. (See the table of "Common Audit Adjustments" on pages 215-7 through 215-11.)

4. Determine the entries needed in the current year's books to record the audit adjustments. Prepare a "Schedule of Audit Adjustments to the _____ Fund" for each fund with adjustments.

5. Post the entries to the books.

6. At the beginning of the audit of the current year's financial statements, provide to the auditors a copy of the "Schedule of Audit Adjustments to the _____ Fund" from the prior year's audit.

The following illustrates a sample reconciliation:

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements for Year Ended June 30, xxxx

	General Fund	Cafeteria Fund
Fund balances per annual financial and budget report	$3,538,962	$394,802
Adjustments increasing (decreasing) fund balances:		
Unaccrued salaries	(56,000)	
Underaccrued accounts payable	(139,210)	
Overaccrued accounts receivable	(57,603)	(68,276)
Fund balances per audited financial statement	$3,286,149	$326,526

There were no adjustments to fund balances for funds not presented above.

Audit Adjustments and Other Restatements of Fund Balance

As stated previously, audit adjustments affecting revenues and expenditures are recorded in Object 9793, Audit Adjustments. This account is an adjustment to the beginning fund balance. The prior year's adjustments are not made directly to Beginning Fund Balance, Object 9791, because this account must always equal the ending fund balance in the prior year.

Adjustments to the beginning fund balance other than those identified by the auditors must be recorded in Object 9795, Other Restatements. This account is used to correct material errors reported in a prior year's financial statements discovered after the completion of the audit. Any errors discovered by the LEA during the audit should be reported to the auditors for correction in the audited financial statements. Before posting any items to Object 9795, LEAs should consult with their independent auditors.

Common Audit Adjustments

The table of "Common Audit Adjustments" on pages 215-7 through 215-11 provides examples of common audit adjustments and the entries that should be made on the books of the LEA to record the adjustments. It is assumed that the books have been closed for the audit period and that the correcting entries shown in the third column are being made in the current fiscal year.

The following is a description of the three columns in the table of "Common Audit Adjustments":

1. **Audit Adjustments**

   This column shows the audit adjustments that have been proposed by the auditors, agreed to by the LEA, and reflected on the audited financial statements. Notice that the adjustments made by the auditors are made as if the books were still open.

2. **Processed Transactions**

   This column shows the transactions related to the audit adjustments, which have been posted to the books (processed) by the LEA since the beginning of the current fiscal year, before the LEA agreed to the audit adjustments.

The processed transactions must be taken into account when preparing the entries needed on the books in the current year. For example:

Assume that the auditors determined that $10,000 in federal revenue should have been accrued but was not. The LEA agreed to the audit adjustment, and the following adjustment was made to the LEA's financial statements:

DR		Accounts Receivable	$10,000	
	CR	Revenue		$10,000

When the LEA was ready to book the audit adjustment on October 1, 2003, it determined that it received the $10,000 on September 1, 2003. Since this revenue was not on the accounts receivable list, the LEA recorded it at that date as follows:

DR		Cash	$10,000	
	CR	Revenue		$10,000

If this processed transaction was not considered before booking the audit adjustment, the revenue would be recorded twice in the current year: once as an audit adjustment affecting the beginning fund balance and once as a credit to the current year's revenue.

Note: For purposes of the entries made in the "Processed Transactions" column, it is assumed that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.

3. **Entries Needed on the LEA's Books**

This column shows the entries that are needed on the LEA's books to record the audit adjustment.

Notice in this column that when the audit adjustment affects a revenue or expenditure account, the LEA will post the adjustment to Object 9793, Audit Adjustments (which adjusts beginning fund balance) because the books for the year under audit have already been closed. Notice also that the entries made in this column take into account any processed transactions.

Common Audit Adjustments

Audit adjustments (made to the audited financial statements after the books for the audit year have been closed)	Processed transactions (made in the current fiscal year)*	Entries needed on the LEA's books (made in the current fiscal year)
1. The auditors determine that a receivable was not set up for a material amount ($15,000) of revenue earned as of 6/30/xx. **DR Accounts Receivable $15,000** **CR Revenue $15,000**	Assumption A: The revenue is received before the audit adjustment is booked. The LEA makes the following entry: **DR Cash $15,000** **CR Revenue $15,000** Assumption B: The revenue is not received before the audit adjustment is booked. **–No Entry–** ***** Entries made in this column assume that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.	Assumption A: To book the audit adjustment: **DR Accounts Receivable $15,000** **CR Audit Adjustments $15,000** To correct the processed transaction: **DR Revenue $15,000** **CR Accounts Receivable $15,000** Assumption B: **DR Accounts Receivable $15,000** **CR Audit Adjustments $15,000**

Common Audit Adjustments

Audit adjustments (made to the audited financial statements after the books for the audit year have been closed)	Processed transactions (made in the current fiscal year)*	Entries needed on the LEA's books (made in the current fiscal year)
2. The auditors determine that a receivable ($39,000) was overstated by $14,000 as of 6/30/xx. **DR Revenue $14,000** **CR Accounts Receivable $14,000**	Assumption A: The revenue is received before the audit adjustment is booked. The LEA makes the following entry: **DR Cash $25,000** **DR Revenue 14,000** **CR Accounts Receivable $39,000** Assumption B: The revenue is not received before the audit adjustment is booked. **–No Entry–** * Entries made in this column assume that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.	Assumption A: To book the audit adjustment: **DR Audit Adjustments $14,000** **CR Accounts Receivable $14,000** To correct the processed transaction: **DR Accounts Receivable $14,000** **CR Revenue $14,000** Assumption B: **DR Audit Adjustments $14,000** **CR Accounts Receivable $14,000**

Common Audit Adjustments

Audit adjustments (made to the audited financial statements after the books for the audit year have been closed)	Processed transactions (made in the current fiscal year)*	Entries needed on the LEA's books (made in the current fiscal year)
3. The auditors determine that accounts payable ($10,000) was understated by $18,000. **DR Expenditures $18,000** **CR Accounts Payable $18,000**	Assumption A: The payable is liquidated before the audit adjustment is booked. The LEA makes the following entry: **DR Accounts Payable $10,000** **DR Expenditures 18,000** **CR Cash $28,000** Assumption B: The payable is not liquidated before the audit adjustment is booked. **–No Entry–** ***** Entries made in this column assume that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.	Assumption A: To book the audit adjustment: **DR Audit Adjustments $18,000** **CR Accounts Payable $18,000** To correct the processed transaction: **DR Accounts Payable $18,000** **CR Expenditures $18,000** Assumption B: **DR Audit Adjustments $18,000** **CR Accounts Payable $18,000**

Common Audit Adjustments

Audit adjustments (made to the audited financial statements after the books for the audit year have been closed)	Processed transactions (made in the current fiscal year)*	Entries needed on the LEA's books (made in the current fiscal year)
4. The auditors determine that accounts payable ($20,000) was overstated by $9,000. **DR Accounts Payable $9,000** **CR Expenditures $9,000**	Assumption A: The payable is liquidated before the audit adjustment is booked. The LEA makes the following entry: **DR Accounts Payable $20,000** **CR Expenditures $9,000** **CR Cash $11,000** Assumption B: The payable is not liquidated before the audit adjustment is booked. **–No Entry–**	Assumption A: To book the audit adjustment: **DR Accounts Payable $9,000** **CR Audit Adjustments $9,000** To correct the processed transaction: **DR Expenditures $9,000** **CR Accounts Payable $9,000** Assumption B: **DR Accounts Payable $9,000** **CR Audit Adjustments $9,000**
5. The auditors determine that revenue ($23,000) was not earned as of 6/30/xx. **DR Revenue $23,000** **CR Deferred Revenue $23,000**	**–No Entry–** ***** Entries made in this column assume that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.	To book the audit adjustment: **DR Audit Adjustments $23,000** **CR Deferred Revenue $23,000**

Common Audit Adjustments

Audit adjustments (made to the audited financial statements after the books for the audit year have been closed)	Processed transactions (made in the current fiscal year)*	Entries needed on the LEA's books (made in the current fiscal year)
6. The auditors determine that $50,000 in cash that was recorded on the books of the LEA on 6/30/xx was actually not received until 7/2/xx. **DR Revenue $50,000** **CR Cash $50,000**	**–No Entry–** * Entries made in this column assume that the reversal method is not used in the current year for accounts receivable and accounts payable accrued in the prior year and that the LEA credits and debits Accounts Receivable and Accounts Payable when these accruals are collected and paid, respectively, in the current year.	To book the audit adjustment: **DR Audit Adjustments $50,000** **CR Revenue $50,000**

Schedule of Audit Adjustments

The following instructions correspond to the sample schedule beginning on page 215-13. Prepare one schedule for each fund that shows audit adjustments in the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements" included in the audit report.

Line 1—Record the audited financial statement's fund balance per the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements."

Line 2—Record the fund balance per the LEA's books (should be the same amount shown for that line in the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements").

Line 3—Subtract line 2 from line 1.

Line 4—Ask the auditors to provide the detailed adjusting entries that support the summary entries in the "Reconciliation of Annual Financial and Budget Report with Audited Financial Statements." Note that the entries provided by the auditors will show adjustments affecting revenue and expenditure accounts, rather than fund balance, because adjustments are made as if the books were still open. Record each of these adjusting entries in the first three columns of Line 4 and show the impact on fund balance in the column "Increase (Decrease) to Fund Balance."

Line 5—Sum the total of the column "Increase (Decrease) to fund balance." This total must agree with that on line 3.

Line 6—Research each audit adjustment recorded by the auditors (shown in line 4) to determine whether any portion of the transaction related to the audit adjustment has been posted to the books in the current year. See "Common Audit Adjustments," pages 215-7 through 215-11. Record any processed transaction on this line.

Line 7—Record the entries that are needed on the books of the LEA.

Reminder: Provide a copy of this schedule to the auditors of the current year's financial statements.

Schedule of Audit Adjustments to the _____Fund

1. June 30, 20xx, fund balance from audited financial statement $_____

2. Less: Fund balance per LEA's annual financial report -_____

3. Computed difference (increase [decrease] in fund balance) = $_____

4. Audit adjustments

	Account Number	*Description*		*Increase (Decrease) to Fund Balance*	
a.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	a.
b.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	b.
c.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	c.
d.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	d.
e.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	e.
f.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	f.
g.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	g.
h.	_____	DR _____ CR _____	$ _____ $ _____	$ _____	h.

5. Total increase (decrease) to fund balance*
(Sum of lines 4a–4h; must agree with Line 3) $_____

Date on which copy of work sheet was provided to independent auditor _____

*This figure will agree with the Object 9793, Audit Adjustments, amount.

Schedule of Audit Adjustments to the _____Fund (Continued)

6. Processed transactions

	Account Number	*Description*	*Amount*
a.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
b.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
c.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
d.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
e.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
f.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
g.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
h.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____

7. Entries needed on LEA's books

	Account Number	*Description*	*Amount*
a.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
b.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
c.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
d.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
e.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
f.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
g.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____
h.	_____	DR _____	$_____
	_____	DR _____	$_____
	_____	CR _____	$_____
	_____	CR _____	$_____

Section 300

Chart of Accounts

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Procedure 301 Overview of the Standardized Account Code Structure

School districts, county offices of education, and certain joint powers agencies (JPAs) use a chart of accounts that corresponds to the standardized account code structure (SACS). SACS is an account string containing seven numerically coded fields. The fields are used in combination to classify revenues, expenditures, assets, liabilities, and fund balances in order to determine and report the entity's financial position and results of operations. For each field there is a defined set of accounts necessary to group transactions according to the classification designated for that field. The seven fields stay constant, but the accounts in the fields are updated as needed to reflect changes in laws, regulations, types of transactions, or accounting principles or practices.

Six of the seven SACS fields are required to be used when coding transactions. One field (the school field) is not required at this time. All seven fields, however, must be built into the accounting structure of all local educational agencies (LEAs).

The standardized structure has been developed to accomplish the following objectives:

- Establish a uniform, comprehensive, and minimum chart of accounts statewide to improve financial data collection, reporting, transmission, accuracy, and comparability.
- Reduce the administrative burden on LEAs in preparing required financial reports.
- Meet federal compliance guidelines and increase the opportunities for California to receive federal funding for education programs.
- Ensure that school districts and county offices of education comply with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).
- Create a logical framework that can be used to determine where education funds come from and how they are used.
- Provide better information for use by administrators, parents, board members, legislators, and others interested in school finance.

When a transaction is recorded in SACS, the full account string must be used for both the debit and the credit. The account string consists, at a minimum, of the account codes in the six required fields. The entry must conform to the double-entry system (i.e., the amount(s) debited should equal the amount(s) credited).

The seven fields in SACS and the required minimum digits for each are:

1.	Fund	2 digits
2.	Resource	4 digits
3.	Project Year	1 digit
4.	Goal	4 digits
5.	Function (Activity)	4 digits
6.	Object	4 digits
7.	*School (A three-digit school field is required, but its use is optional.)*	*3 digits*

Through this accounting structure, an LEA can produce financial reports by fund, resource, goal, function, or object (type of revenue or expenditure) or any combination of these fields.

Because SACS contains seven unique fields, a computerized accounting system is normally necessary to maintain an LEA's accounting records. The system must have the capability to accommodate at least seven fields, with each field allowing for the minimum number of digits as shown above. To meet their local accounting and reporting needs, LEAs may also choose to include additional subfields in their chart of accounts and/or expand the number of digits in each field.

The SACS fields are described as follows:

Fund (2 digits)

- Identifies the fund that is receiving the revenue, paying the expenditure, or otherwise being affected by the transaction. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, all related liabilities, and residual equities and balances or changes therein.
- Identifies specific activities or defines certain objectives of an LEA in accordance with special regulations, restrictions, or limitations.
- Examples include general fund, child development fund, and cafeteria special revenue fund.
- Applies to revenue, expenditure, and balance sheet accounts.

Resource (Project/Reporting) (4 digits)

- Tracks those activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.

- Includes Resource 0000 for accounting activities funded with revenues that are unrestricted.
- Applies to revenue, expenditure, and balance sheet accounts.

Project Year (1 digit)

- Identifies the reporting year for a project that has more than one reporting year during the LEA's fiscal year.
- If a project's reporting year is the same throughout the LEA's fiscal year, the Project Year code is 0.
- When applicable for a project, applies to revenue and expenditure accounts but is optional for balance sheet accounts.

Goal (4 digits)

- Accumulates costs by instructional goals and objectives of an LEA. Groups costs by population, setting, and/or educational mode.
- Identifies revenues for special education.
- Examples include regular education K–12, continuation schools, migrant education, and special education.
- Allows the charging of instructional costs and support costs directly to the benefiting goals.
- Provides the framework for accumulating the costs of different functions by goals.
- Classifies financial information by subject matter and/or mode of education.
- Includes Goal 0000 for costs that are not directly assignable to a goal and for non-special education revenue.
- Applies to expenditure accounts. It is required for special education revenue accounts but is optional for other revenue accounts.

Function (Activity) (4 digits)

- Identifies activities or services performed to support or accomplish one or more goals or objectives.
- Describes the activity for which a service or material is acquired.
- Examples include instruction, school administration, pupil transportation, and general administration.
- Applies to expenditure accounts but is optional for revenue accounts.

Object (4 digits)

- Classifies revenues by source and type (e.g., revenue limit sources, federal revenue, other state revenue, fees, and contracts).
- Classifies expenditures by type of commodity or service (e.g., certificated salaries, classified salaries, employee benefits, books, and supplies).
- Classifies balance sheet accounts as assets, liabilities, or fund balance.
- Applies to revenue, expenditure, and balance sheet accounts.

School (3 digits)

- Designates a specific, physical school structure or group of structures that form a campus under a principal's responsibility for which a unique set of test scores is reported and that is identified as such in the *California Public School Directory*.
- Applies to expenditure accounts but is optional for revenue and balance sheet accounts.

  Note: The school field is required to be built into the accounting system of all LEAs that utilize SACS. However, *its use is not required at this time* for state reporting purposes.

Procedures 305 through 330 of this section list the accounts for each of the required six fields, showing the account codes and their titles and definitions. The numbering or definitions of codes may not be altered by LEAs for their own use.

Optional and Locally Defined Codes

Optional Codes:
Accounts (codes) shown in *italics* in Procedures 305 through 330 are optional. However, if an LEA chooses to account for transactions in a greater level of detail and optional codes already exist for those transactions, the LEA is required to use those optional codes. In other words, an LEA may not use its own codes or definitions to identify accounts that are already defined by required or optional codes in this manual.

Optional codes are reported to CDE.

Locally Defined Codes:
An LEA may create its own unique locally defined codes and definitions to reflect accounting detail not covered by required or optional codes.

Locally defined codes must be rolled up by the LEA before reporting data to CDE (see "Reporting Data to the State," following).

Caution: CDE is not encouraging the use of locally defined codes outside the ranges defined for this purpose, but the system does allow local flexibility. It must be understood, however, that if an LEA elects to add its own detailed codes, the LEA should be aware that in the future some of those codes may be preempted by CDE for other uses.

Reporting Data to the State

When reporting data to CDE, required and optional codes are included, but any locally defined codes must be rolled up by the LEA to the standardized codes specified by CDE (i.e., locally defined codes must be rolled to the appropriate required or optional code).

Using function as an example, an LEA may code its Plant Services transactions to the minimum function code level required by Procedure 325 as follows:

8100 Plant Maintenance and Operations
8500 Facilities Acquisition and Construction
8700 Facilities Rents and Leases

Or an LEA may code its transactions to a more detailed function code level by using some of the optional codes in Procedure 325 and some locally defined codes (which must not conflict with either the required or optional codes), as shown in the following example:

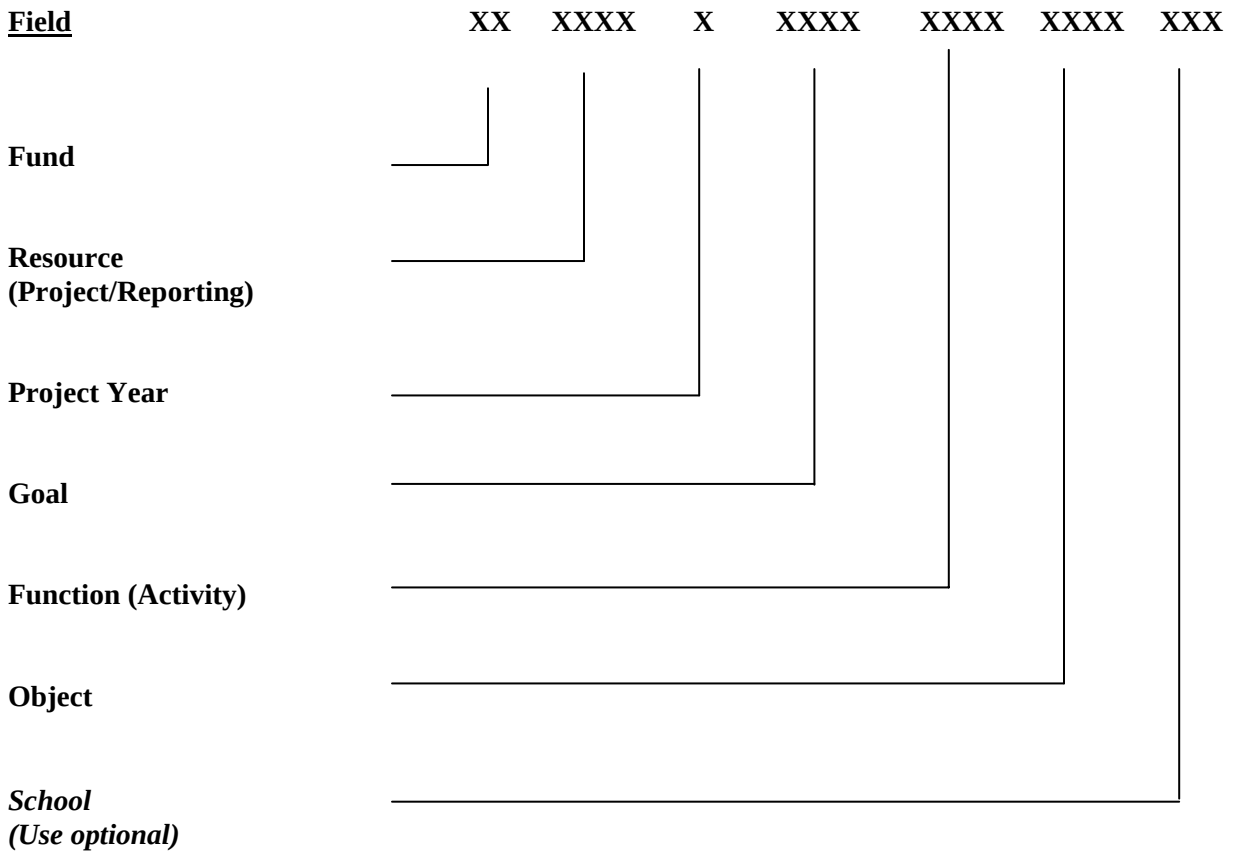
8100 Plant Maintenance and Operations *(required minimum level of detail)*
8110 Maintenance *(optional code in Procedure 325)*
8120 Repairs, Vandalism *(locally defined code)*
8200 Operations *(optional code in Procedure 325)*

In this example, in addition to a required code (8100), the LEA used the more detailed optional codes (8110 and 8200) defined in Procedure 325, as well as a locally defined code (8120). For transmission of data to CDE, the transactions in codes 8100, 8110 and 8200 must be reported (in those

codes) to CDE; the later two codes are reported because, though optional, they are specifically identified in SACS. However, Function 8120, which is a locally defined code, must be rolled up by the LEA into Function 8110 (or 8100) since any locally defined codes must roll up to the standardized codes designated by CDE. This method of reporting enables CDE to combine the accounts to a level that allows for statewide comparisons of districts whether or not they are using any of the optional or locally defined codes.

Procedure 345 illustrates basic examples of how to use SACS codes for recording revenue, expenditure, and balance sheet transactions.

Standardized Account Code Structure Layout



- The fields must be presented in this order when data are submitted to the California Department of Education.
- Each of these fields must contain either digits or default zeros.
- The three digits of the school field will not be submitted to the California Department of Education at this time.

Use of the Standardized Account Code Structure

The following highlights the required use of each field for revenue, expenditure, and balance sheet accounts:

Revenue Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Required when more than one project year occurs in the fiscal year	Not required except for Special Education Revenues	Not Required	Required	Not Required

Expenditure Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Required when more than one project year occurs in the fiscal year	Required	Required	Required	Not Required

Balance Sheet Accounts

Fund XX	Resource XXXX	Project Year X	Goal XXXX	Function XXXX	Object XXXX	School XXX
Required	Required	Not Required	Not Required	Not Required	Required	Not Required

Procedure 305 Fund Classification

The accounting systems of local educational agencies (LEAs) are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording financial resources and liabilities. It is established to carry on specific activities or to attain certain objectives of an LEA in accordance with special regulations, restrictions, or limitations. Fund accounting theory and principles are discussed in procedures 101 and 105.

How the Fund Field Is Used

The funds in this procedure are authorized for use by LEAs. Certain funds are required when an LEA conducts certain activities that meet the criteria for using those funds. Other funds are optional and may be used at the LEA's discretion.

Only the minimum number of funds consistent with legal and operating requirements should be established; using unnecessary funds results in inflexibility, undue complexity, and inefficient financial administration.

The fund field is used when any accounting transaction is recorded. It applies to all accounts: revenue, expenditure, and balance sheet accounts.

Flexibility of the Fund Field

LEAs are required to code their transactions to at least the minimum fund level required by CDE. However, LEAs may also use more detailed CDE-defined optional fund codes (indicated by italics in the fund code listing) or create their own locally defined fund codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For example, if an LEA were to use fund numbers 68, 69, and 70 to establish separate funds for each of its self-insurance activities, these funds must be rolled up by the LEA to Fund 67 when reporting to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

List of Fund Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Title
01–60	**GOVERNMENTAL FUNDS**
01	General Fund/County School Service Fund*
03	*General Fund Unrestricted*
06	*General Fund Restricted*
	* The general fund for a county office of education is called the County School Service Fund (*Education Code* Section 1600). All references to the general fund in this manual also apply to the County School Service Fund.
09–20	Special Revenue Funds
09	Charter Schools Special Revenue Fund
11	Adult Education Fund
12	Child Development Fund
13	Cafeteria Special Revenue Fund
14	Deferred Maintenance Fund
15	Pupil Transportation Equipment Fund
16	Forest Reserve Fund
17	Special Reserve Fund for Other Than Capital Outlay Projects
18	School Bus Emissions Reduction Fund
19	Foundation Special Revenue Fund
20	Special Reserve Fund for Postemployment Benefits
21–50	Capital Project Funds
21	Building Fund
25	Capital Facilities Fund
30	State School Building Lease-Purchase Fund
35	County School Facilities Fund
40	Special Reserve Fund for Capital Outlay Projects
49	Capital Project Fund for Blended Component Units
51–56	Debt Service Funds
51	Bond Interest and Redemption Fund
52	Debt Service Fund for Blended Component Units
53	Tax Override Fund
56	Debt Service Fund

Code	Title
57–60	Permanent Funds
57	Foundation Permanent Fund
61–70	**PROPRIETARY FUNDS**
61–65	Enterprise Funds
61	Cafeteria Enterprise Fund
62	Charter Schools Enterprise Fund
63	Other Enterprise Fund
66–70	Internal Service Funds
66	Warehouse Revolving Fund
67	Self-Insurance Fund
71–95	**FIDUCIARY FUNDS**
71–75	Pension (and Other Employee Benefit) Trust Funds **and** Private-Purpose Trust Funds
71	Retiree Benefit Fund
73	Foundation Private-Purpose Trust Fund
76–95	Agency Funds
76	Warrant/Pass-Through Fund*
95	Student Body Fund*

* Not required to be reported to CDE; however, these funds are required to be included in the audited financial statements to meet GAAP reporting requirements.

Fund Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Definition
01–60	**GOVERNMENTAL FUNDS**
01	**General Fund.** This is the chief operating fund for all LEAs. It is used to account for the ordinary operations of an LEA. All transactions except those required or permitted by law to be in another fund are accounted for in this fund. A charter school that reports separately from its authorizing LEA and that uses the governmental accounting model will use this fund as its chief operating fund. For charter schools operated as or by a not-for-profit public benefit corporation, see Fund 62. The general fund for a county office of education is called the **County School Service Fund** (*Education Code* Section 1600). All references to the general fund in this manual also apply to the County School Service Fund. Restricted projects or activities within the general fund must be identified and reported separately from unrestricted projects or activities. This is done by using codes in the resource field that designate whether the resources used are restricted or unrestricted. The LEA also has the option of separating general fund transactions into two funds, unrestricted and restricted: *03* ***General Fund Unrestricted (Optional).*** This fund may be used to account for those projects and activities that are funded with unrestricted revenues (resources 0000–1999). *06* ***General Fund Restricted (Optional).*** This fund may be used to account for those projects and activities that are funded by external revenue sources that are legally restricted or restricted by the donor to specific purposes (resources 2000–9999).
09–20	**Special Revenue Funds.** Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities.

Code	Definition
09	**Charter Schools Special Revenue Fund.** This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities. Transactions of an authorizing or sponsoring LEA on behalf of a non-LEA-operated charter school, such as the receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund. Charter schools that report separately from their authorizing LEAs and that use the governmental accounting model should use Fund 01 as their chief operating fund. For charter schools operated as or by not-for-profit public benefit corporations, also see Fund 62. The principal revenues in this fund are: Charter Schools General Purpose Entitlement—State Aid Charter Schools Categorical Block Grant Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes Lottery Interest All Other Local Revenue See Procedure 810 for further information on charter school reporting.
11	**Adult Education Fund.** This fund is used to account separately for federal, state, and local revenues for adult education programs. The principal revenues in this fund are: Adult Education Block Entitlement Apprentice Transfer from the General Fund Workforce Investment Act (WIA) Other Federal Revenue (e.g., Adult Basic Education) All Other State Revenue Interest Adult Education Fees All Other Local Revenue

Code	Definition
	Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code* sections 52616[b] and 52501.5[a]). Expenditures in this fund may be made only for direct instructional costs, direct support costs, and indirect costs as specified in *Education Code* Section 52616.4. Other educational programs and activities that are administered by adult education staff but do not specifically serve adults should be expended in the LEA's general fund.
12	**Child Development Fund.** This fund is used to account separately for federal, state, and local revenues to operate child development programs. The principal revenues in this fund are: Child Nutrition Programs (Federal) State Preschool Child Nutrition Programs (State) Child Development Apportionments All Other State Revenue Food Service Sales Interest Child Development Parent Fees All Other Local Revenue Interfund Transfers In All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code* Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code* Section 8328). Child development programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges to users, if significant, should be accounted for in an enterprise fund.
13	**Cafeteria Special Revenue Fund.** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090–38093).

Code	Definition
	The principal revenues in this fund are: Child Nutrition Programs (Federal) Child Nutrition Programs (State) Food Service Sales Interest All Other Local Revenue The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* sections 38091 and 38100). The governing board of an LEA may establish and maintain within Fund 13, Cafeteria Special Revenue Fund, a reserve for cafeteria equipment (*Education Code* Section 38102). See Procedure 635 for appropriate recording of transactions in this fund.
14	**Deferred Maintenance Fund.** This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (*Education Code* sections 17582–17587). The principal revenues in this fund are: Deferred Maintenance Allowance Interest Interfund Transfers In Moneys in this fund may be expended only for the following purposes: a. Major repair or replacement of plumbing, heating, air-conditioning, electrical, roofing, and floor systems b. Exterior and interior painting of school buildings, including a facility that a county office of education is authorized to use pursuant to *Education Code* sections 17280–17317 c. The inspection, sampling, and analysis of building materials d. The encapsulation or removal of asbestos-containing materials e. The inspection, identification, sampling, and analysis of building materials to determine the presence of lead-containing materials f. Any other items of maintenance approved by the State Allocation Board

Code	Definition
	In addition, whenever the state funds provided pursuant to *Education Code* sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (*Education Code* sections 17582 and 17583). See Procedure 650 for appropriate recording of transactions in this fund.
15	**Pupil Transportation Equipment Fund.** This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]). Typical expenditures in this fund are items charged to Object 4400, Noncapitalized Equipment; Object 6400, Equipment; and Object 6500, Equipment Replacement.
16	**Forest Reserve Fund (county offices).** This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code* Section 2300; *Government Code* Section 29484). See Procedure 620 for appropriate recording of transactions in this fund.
17	**Special Reserve Fund for Other Than Capital Outlay Projects.** This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (*Education Code* Section 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (*Education Code* Section 42842).
18	**School Bus Emissions Reduction Fund.** This fund is used to accumulate money for the purchase or lease of new low- or zero-emission school buses or for the retrofitting of existing school buses (*Education Code* sections 17920–17926). The money could come from private parties as payment for the right to use emission reduction credits or from air pollution control district and air quality management district grants. Resource 7236, School Bus Emissions Reduction, may be deposited to the general fund as well as to Fund 18. More than 50 percent of the money deposited in the School Bus Emissions Reduction Fund must come from local LEA revenues. The LEA's contribution could be local sources or unrestricted general fund money but cannot be money

Code	Definition
	from the existing Small School District Bus Replacement Program. This restriction also applies to any new money that the state appropriates for the purchase or lease of new low- or zero-emission school buses or for the retrofitting of existing school buses.
19	**Foundation Special Revenue Fund.** This fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 under which both earnings and principal may be used for purposes that support the LEA's own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund. Amounts in the Foundation Special Revenue Fund (Fund 19) shall be expended only for the specific purposes of the gift or bequest (*Education Code* Section 41032).
20	**Special Reserve Fund for Postemployment Benefits**. This fund may be used pursuant to *Education Code* Section 42840 to account for amounts the LEA has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan. Amounts accumulated in this fund must be transferred back to the general fund for expenditure (*Education Code* Section 42842). Use of this fund is optional. The LEA may account for amounts earmarked for postemployment benefits in the General Fund (Fund 01) or the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) instead. If the LEA pays for its postemployment benefit costs entirely on a pay-as-you-go basis, there is no need to use this fund. If the LEA makes irrevocable contributions to a separate trust for the postemployment benefit plan and the plan assets are in the LEA's custody, the LEA should use Fund 71, Retiree Benefit Fund.
21–50	**Capital Project Funds.** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital project expenditures are coded to Function 8500, Facilities Acquisition and Construction. Function 1000, Instruction; Function 2420, Instructional Library, Media and Technology; Function 7200, Other General Administration; and other operational functions are not used in a capital project fund.

Code	Definition
21	**Building Fund.** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code* Section 41003). The principal revenues and other sources in this fund are: Rentals and Leases Interest Proceeds from the Sale of Bonds Proceeds from the Sale/Lease-Purchase of Land and Buildings Expenditures in Fund 21, Building Fund, are most commonly made against the 6000 object codes for capital outlay. Another example of an authorized expenditure in Fund 21 is repayment of State School Building Aid out of proceeds from the sale of bonds (*Education Code* Section 16058).
25	**Capital Facilities Fund.** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620–17626). The authority for these levies may be county/city ordinances (*Government Code* sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006). The principal revenues in this fund are the following: Interest Mitigation/Developer Fees Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in *Government Code* sections 65970–65981 or to the items specified in agreements with the developer (*Government Code* Section 66006). Expenditures incurred in another fund may be reimbursed to that fund by means of an interfund transfer.
30	**State School Building Lease-Purchase Fund.** This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-

Code	Definition
	Purchase Law of 1976 (*Education Code* Section 17000 et seq.). The LEA may be required to transfer to this fund any available moneys from other funds as the LEA's contribution to a particular project. The principal revenues and other sources in this fund are: Interest Interfund Transfers In School Facilities Apportionments Typical expenditures in this fund are items charged to Object 6200, Buildings and Improvement of Buildings, and Object 6300, Books and Media for New School Libraries or Major Expansion of School Libraries.
35	**County School Facilities Fund.** This fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.). The principal revenues and other sources in this fund are: School Facilities Apportionments Interest Interfund Transfers In Funding provided by the State Allocation Board for reconstruction of facilities after disasters such as flooding may be deposited to Fund 35. Typical expenditures in this fund are payments for the costs of sites, site improvements, buildings, building improvements, and furniture and fixtures capitalized as a part of the construction project.
40	**Special Reserve Fund for Capital Outlay Projects.** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to funds 21, 25, 30, 35, or 49. Other authorized resources that may be transferred to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code* Section 41003).

Code	Definition
	The principal revenues and other sources in this fund are: Federal, State, or Local Revenues Rentals and Leases Interest Other Authorized Interfund Transfers In Proceeds from Sale/Lease-Purchase of Land and Buildings Federal Emergency Management Act (FEMA) Resource 6200, Class Size Reduction Facilities Funding, may be transferred from the general fund to Fund 40 for construction projects. Transfers authorized by the governing board from the general fund must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA's property, and future maintenance and renovation of school sites (*Education Code* Section 17462). Expenditures for capital outlay are most commonly made against the 6000 object codes for capital outlay. Salaries of school district employees whose work is directly related to projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.
49	**Capital Project Fund for Blended Component Units.** This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services. Mello-Roos tax receipts collected by the LEA should be recorded in Object 8622, Other Non-Ad Valorem Taxes. Mello-Roos proceeds collected by another agency's community facility district, of which the LEA is just a beneficiary, should be reported in Object 8799, Transfers In From All Others.
51–56	**Debt Service Funds.** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.
51	**Bond Interest and Redemption Fund.** This fund is used for the repayment of bonds issued for an LEA (*Education Code* sections 15125–15262).

Code	Definition
	The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller. The principal revenues in this fund are: State Subventions for Homeowners' Exemptions Other Subventions/In-lieu Taxes Secured Roll Taxes Unsecured Roll Taxes Prior Years' Taxes Interest Expenditures in this fund are limited to bond interest, redemption, and related costs. Any money remaining in this fund after the payment of all bonds and coupons payable from the fund, or any money in excess of an amount sufficient to pay all unpaid bonds and coupons payable from the fund, shall be transferred to the general fund upon order of the county auditor (*Education Code* Section 15234).
52	**Debt Service Fund for Blended Component Units.** This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.
53	**Tax Override Fund.** This fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies. An example is a public school building loan repayment.

Code	Definition

Interest earned in the Tax Override Fund (Fund 53) is credited to the general fund of the LEA.

The principal revenues in this fund are:

State Subventions for Homeowners' Exemptions
Other Subventions/In-Lieu Taxes
Secured Roll Taxes
Unsecured Roll Taxes
Prior Years' Taxes
Supplemental Taxes

The principal expenditure accounts in this fund are:

Purpose for which levy was authorized:	Object Code
State school building loan repayments (*Education Code* Section 16090)	7432
Payment to original district for acquisition of property (*Education Code* Section 35576)	7436
Compensatory education housing repayments (*Education Code* Section 16214)	7439
Lease-purchase payments (*Education Code* Section 17409)	7439
Construction of exceptional children's facilities repayments (*Education Code* Section 16196)	7439
Other voter-approved debt service	7439
Debt Service—Interest	7438

56 **Debt Service Fund.** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

The principal source in this fund is Other Authorized Interfund Transfers In.

Expenditures are most commonly made in the 7400 object codes for debt service.

Code	Definition
57–60	**Permanent Funds.** Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement 34 to account for permanent foundations that benefit an LEA.
57	**Foundation Permanent Fund.** This fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the LEA's own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund. Amounts in Fund 57, Foundation Permanent Fund, shall be expended only for the specific purposes of the gift or bequest (*Education Code* Section 41032).
61–70	**PROPRIETARY FUNDS**
61–65	**Enterprise Funds.** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. An enterprise fund must be used to report any activity whose principal revenue sources meet any of the following criteria: 1. The LEA has issued debt backed solely by fees and charges from that activity. 2. There is a legal requirement that the cost of providing services, including capital costs such as depreciation or debt service, must be recovered through fees or charges. 3. The LEA's policy is to establish activity fees or charges designed to recover the cost of providing services, including capital costs such as depreciation or debt service. An enterprise fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded. An enterprise fund may be used to account for any activity that an LEA accounted for in an enterprise fund prior to the issuance of GASB Statement No. 34, even if the activity does not otherwise meet the criteria for using an enterprise fund. Generally, use Goal 0000, Undistributed, with an enterprise fund.

Code	Definition
61	**Cafeteria Enterprise Fund.** The cafeteria program may be accounted for using an enterprise fund rather than a special revenue fund (Fund 13) even though its primary source of financing comes from federal and state child nutrition program revenues rather than through the price paid for meals by the students. CDE recommends that an LEA use an enterprise fund to account for its cafeteria operations only if the LEA's governing board intends to operate its cafeteria program in a manner similar to that employed by private business enterprises and to fully recover all costs of providing services, including depreciation of capital assets. Use Function 3700 for cafeteria program operations. Use Function 6000 for non-cafeteria enterprise activities such as catering.
62	**Charter Schools Enterprise Fund.** This fund may be used to report the activities of LEA-operated not-for-profit public benefit charter schools that use the accrual basis of accounting. It may also be used to report the activities of separately operated not-for-profit public benefit charter schools that report separately from their authorizing LEAs. Since fund accounting is inconsistent with the not-for-profit financial reporting model, in this case Fund 62 serves not as a fund but rather as a financial statement for purposes of reporting to CDE. If Fund 62 is used for any of a charter school's activities, it should be used for all of the charter school's activities. Costs reported in Fund 62 should include the function most descriptive of the activity being performed (e.g., instruction, pupil services, enterprise, plant services) rather than charging all costs to Function 6000, Enterprise, which is normally done in an enterprise fund. Transactions of an authorizing or sponsoring LEA on behalf of a non-LEA-operated charter school, such as the receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund. See Procedure 810 for further information on charter school reporting.
63	**Other Enterprise Fund.** This fund may be used to account for other business activities. Only Function 6000, Enterprise, is applicable to Fund 63.
66–70	**Internal Service Funds.** Internal service funds are created principally to render services to other organizational units of the LEA on a cost-reimbursement basis.

Code	Definition
	These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges. An internal service fund should be used only if the LEA is the primary participant. If services are provided on a cost-reimbursement basis primarily to other LEAs and/or entities, use an enterprise fund. An internal service fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded. For more information on internal service funds, see Procedure 775.
66	**Warehouse Revolving Fund.** This fund is used primarily to maintain budget control and stock accounting of merchandise for an LEA's use (*Education Code* Section 42830). The Warehouse Revolving Fund (Fund 66) is reimbursed from various funds of the LEA for amounts consumed by these user funds. Expenses in Fund 66, Warehouse Revolving Fund, may include the purchase of stores to be placed in stock and the costs of receiving, storing, and delivering stores (*Education Code* Section 42832). See Procedure 775 for appropriate recording of transactions in this fund.
67	**Self-Insurance Fund.** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566). The principal revenues in this fund are the following: Interest In-District Premiums/Contributions Interagency Revenues All Other Local Revenue Expense transactions in the Self-Insurance Fund (Fund 67) shall be recorded for the payment of claims, estimates of costs relating to incurred-but-not-reported (IBNR) claims, administrative costs, deductible insurance amounts, cost of excess

Code	Definition
	insurance, and other related costs. Most of the activities of Fund 67 should be coded to Function 6000, Enterprise. Amounts contributed to Fund 67, Self-Insurance Fund, are lawfully restricted for insurance purposes (*Education Code* Section 17566 and *Government Code* Section 53205). See Procedure 775 for accounting guidance and restrictions relating to this fund.
71–95	**FIDUCIARY FUNDS** Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.
71–75	**Pension (and Other Employee Benefit) Trust Funds** *and* **Private-Purpose Trust Funds.** Pension (and other employee benefit) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. For a state-administered pension system such as STRS or PERS, the state, not the LEA, maintains the pension (and other employee benefit) trust funds. Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
71	**Retiree Benefit Fund.** This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both. This fund should only be used to account for an LEA's irrevocable contributions to a postemployment benefit plan for which a formal trust exists. Amounts earmarked for postemployment benefits but not contributed irrevocably to a trust should be accounted for in the general fund or a special reserve fund. Moneys may be contributed to the Retiree Benefit Fund (Fund 71) from other funds by periodic expense charges to those funds in amounts based on existing and future obligation requirements. Payments may be made from the fund for insurance, annuities, administrative costs, or any other authorized purpose (*Education Code* Section 42850).

Code	Definition
	The principal revenues in this fund are the following: Interest In-District Premiums/Contributions All Other Local Revenue Expenditures in Fund 71, Retiree Benefit Fund, are made using Object 5800, Professional/Consulting Services and Operating Expenditures. Use with Function 6000, Enterprise.
73	**Foundation Private-Purpose Trust Fund.** This fund is used to account separately for gifts or bequests per *Education Code* Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs. This fund should be used when there is a formal trust agreement with the donor. Donations not covered by a formal trust agreement should be accounted for in the general fund. Amounts in the Foundation Private-Purpose Trust Fund shall be expended only for the specific purposes of the gift or bequest (*Education Code* Section 41032).
76–95	**Agency Funds**
76	**Warrant/Pass-Through Fund.** (Reporting of this fund to CDE is not required; however, it is required to be included in the audited financial statements to meet GAAP reporting requirements.) This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions. It is also used to account for those receipts for transfer to agencies for which the LEA is acting simply as a "cash conduit." It is recommended that two agency funds be used at a local level: one for clearing payroll withholdings and another for the pass-through of resources. If the LEA chooses to report this information to CDE, the funds would combine into one Fund 76.
95	**Student Body Fund.** (Reporting of this fund to CDE is not required; however, it is required to be included in the audited financial statements to meet GAAP reporting requirements.) In the financial reports of the LEA, the Student Body Fund (Fund 95) is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the

Code	Definition
	transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* sections 48930–48938). Sources of receipts include, but are not limited to, fund-raising ventures, student store merchandise sales, athletic and student body performances, concessions, publications, gifts, grants, and interest. Unorganized student body funds are governed by the same principles of student body accounting that govern organized student body funds (*Education Code* Section 48938). Disbursements from the student body's bank account may be made for merchandise, student body activities, food, hospitality, and student awards (*California Code of Regulations, Title 5, Education*, sections 15500 and 15501).

Procedure 310 Resource (Project/Reporting) Classification

The resource code is used to classify revenues and resulting expenditures in accordance with restrictions or special reporting requirements placed on either of these aspects of LEA financial activities by law or regulation. Further, because such revenues frequently are not fully expended within a fiscal year and related liabilities are not completely liquidated, the resource code is also used to reflect restrictions and special reporting obligations on balance sheet accounts.

How the Resource Field Is Used

Resource and Revenue Object Accounts

The resource field allows LEAs to account separately for activities funded with revenues that have restrictions on how the funds are spent (e.g., NCLB, Title I) and for activities funded with revenues that have financial reporting or special accounting requirements (e.g., State Lottery).

Restricted revenues are those funds received from external sources that are legally restricted or that are restricted by the donor to specific purposes. Unrestricted revenues are those funds whose uses are not subject to specific constraints and that may be used for any purposes not prohibited by law. Programs funded by a combination of restricted and unrestricted sources will be accounted for and reported as restricted.

Funds or activities that are not restricted or designated by the donor, but rather by the LEA's governing board, will be accounted for and reported as unrestricted. LEAs will need to review local revenues received from external sources to determine whether legal or donor restrictions apply for purposes of accounting for them as restricted or unrestricted.

Restricted revenues are accounted for in resource codes in the 2000–9999 range. Revenues whose use is unrestricted in nature but which still have reporting requirements are accounted for in unrestricted resource codes in the 1000–1999 range. Those activities using unrestricted revenues that do not have financial reporting or special accounting requirements are accounted for in Resource 0000, Unrestricted.

In combination with the resource code, the revenue object code further classifies revenues by source: revenue limit, federal, state, and local. This identification is useful because an activity or project may be funded with revenues from federal, state, and local sources. For example, a restricted federal program could also have revenues from state and/or local sources.

The resource code allows related expenditures to be grouped for reporting and information purposes.

A single source of revenue that must link to expenditures will have:

- A unique resource code
- A generic revenue object code (such as Object 8290, Other Federal Revenues)

  For example:

Resource	Object
3010 NCLB, Title I	8290 Other Federal Revenues

Two or more specific sources of revenues, which must link to expenditures in the aggregate, will have:

- A unique resource code
- A separate revenue object code for each type of revenue associated with that resource

  For example:

Resource	Object
5310 Child Nutrition School Programs	8220 Federal Child Nutrition
	8520 State Child Nutrition
	8634 Local Food Service Sales

Many revenue object codes may be used with more than one resource code. For example, Revenue Object 8281, FEMA, uses Resource 5652 and Resource 5650 for FEMA revenues for which reports to the federal government are required.

Resource and Balance Sheet Accounts

The resource field also applies to balance sheet accounts. At year-end the resource field will identify the ending balance of restricted resources (e.g., Special Education, ROC/P, Instructional Materials, County

Community Schools, Juvenile Court). This field will also identify deferred revenues and the amounts due to other governmental agencies (e.g., NCLB, Title I, Vocational Education, Special Education discretionary grants).

Depending on how the LEA's financial system is programmed, balance sheet accounts such as Cash and Accounts Payable may include the resource field at the time of the transaction or may be identified as a part of year-end closing procedures. However, when year-end data are submitted to the California Department of Education (CDE), the balance sheet accounts must be identified by resource because at the state level, the resource field is used to separate the unrestricted general fund from the restricted general fund. If the balance sheet accounts have not been posted with the resource field during the year, the unrestricted and restricted accounts will be out of balance, and an additional closing entry will be needed before the information is submitted to CDE.

For example, when the accounts payable staff pays the LEA's bills, the detailed expenditure transaction (the debit) is entered into the financial system by the accounts payable staff; however, the entry to the cash account (the credit) is usually an automatic entry made by the financial system.

Most financial systems have been programmed to post any automatic balance sheet entries to the resource field. LEAs using these systems will automatically have all balance sheet transactions posted to the resource field, and no additional entry is needed at year-end.

Some financial systems may not be programmed to post automatic balance sheet entries to the resource field. In these LEAs, for state reporting purposes, the unrestricted and restricted general funds will be out of balance and an entry must be made to cash to balance the restricted and unrestricted resources. (Example 3 in Procedure 605 illustrates how an LEA would prepare this entry.)

Table of Resource Codes

The Table of Resource Codes contains the resources in numerical order with the most commonly associated revenue object codes, their number from the *Catalog of Federal Domestic Assistance* (*CFDA*), and a D/F designation. Depending on the conditions placed on the receipt or expenditure of certain restricted funds, the revenue of a restricted program is recognized in the period in which it is received, and at year-end the unspent balance, or carryover, is reflected as ending balance.

These resources are indicated with F (fund balance). The revenue of other restricted resources is recognized in the period when expended, and carryover is recorded as deferred revenue. These resources are indicated with D (deferred revenue).

CDE maintains a standardized account code structure (SACS) query that provides the most current information regarding resources, including new resources established subsequent to the release of this manual. In addition, a comprehensive list of the program cost accounts (PCAs) assigned by the CDE Budget Office and associated with the resources is maintained and updated periodically with the SACS validation table updates. The reference tools are located on the SACS Web page under "Program Codes" at:

http://www.cde.ca.gov/fg/ac/ac/

Obsolete Resource Codes

If a resource becomes obsolete, it will appear in the Table of Resource Codes for one year with its final fiscal year in parentheses next to the title. For example, a resource with "(06-07)" in the *California School Accounting Manual (CSAM)* indicates that the last year that funding was available for this resource was fiscal year 2006-07. This resource code would then be eliminated in the subsequent edition of *CSAM*. LEAs may need to maintain this resource code in their general ledger to track carryover of balances for a longer period. Therefore, the resource code will remain in the matrix of valid combinations for a period of three years subsequent to the fiscal year in which funds were available for that resource. In the previous example, the resource would remain in the matrix for fiscal years 2007-08, 2008-09, and 2009-10 to allow for expenditure of carryover balances.

Flexibility of the Resource Field

LEAs are required to code their transactions to at least the minimum resource level required by CDE. However, LEAs may also use more detailed CDE-defined optional resource codes (indicated by italics in the resource code listing). LEAs may create locally defined resource codes but only within the specific ranges shown following. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

Resource codes are assigned by CDE just as PCA codes are assigned by CDE's Budget Office. Generally, CDE assigns resource codes only to funding sources administered by CDE. Thus, an LEA receiving program funding directly from the United States Department of Education will establish a locally defined federal resource in the Other Federal: Locally Defined range (5800–5999).

The LEA may not create its own locally defined resource codes except within the following specified ranges:

0001–0999	Unrestricted: Locally Defined
4230–4250	Bilingual Education, Discretionary Grants
4410–4430	Educational Technology
4710–4730	Gifted and Talented Education (federal)
5210–5240	Head Start
5800–5999	Other Restricted Federal: Locally Defined
7701-7799	State School Facilities Funds
7800–7999	Other Restricted State: Locally Defined
9000–9999	Other Restricted Local: Locally Defined

Note: The range 9000–9999, Other Local: Locally Defined, including Resource 9010, Other Restricted Local, is used only for local revenue that is restricted by the donor or by law for specific purposes. Unrestricted local revenue, including those amounts "restricted" by the LEA or designated by the governing board, should be reported using the range 0001–0999, Unrestricted: Locally Defined.

When data are submitted to CDE, LEAs must roll up all resources within these ranges to the specific resource code indicated for each in the Table of Resource Codes.

Table of Resource Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

(See previous section for explanation of table references.)

Resource Code	Resource Description	Revenue Object	D/F	CFDA
0000–1999	**UNRESTRICTED RESOURCES**			
0000	Unrestricted	8010–8099, 8110 8260 8270 8280 8281 8290 8311 8425 8434 8540 8550 8590 8631 8632 8639 8660 8671 8672 8674 8689 8691 8699 8910–8919, 8980		
0001–0999	Unrestricted: Locally defined These codes are used at the option of the LEA to track unrestricted revenues that do not have reporting requirements. When reporting to CDE, LEAs must roll up these resources to Resource 0000.			
1000–1999	**Unrestricted Resources: Reporting or Special Accounting Required**			

Resource Code	Resource Description	Revenue Object	D/F	CFDA
1100	Lottery: Unrestricted	8560	F	
1200	*Class Size Reduction, Grade Nine*	*8435* *8980* *8990*	*F*	
1300	*Class Size Reduction, Grades K–3*	*8434* *8699* *8980* *8990*	*F*	
2000–9999	**RESTRICTED RESOURCES**			
2000–2999	**Restricted Revenue Limit Resources**			
2200	Continuation Education (*Education Code* sections 42244 and 48438)	8091	F	
2400	Juvenile Court/County Community Schools	8091	F	
2410	*Juvenile Court* (Education Code *Section 1982.5*)	*8091*	*F*	
2420	*County Community Schools* (Education Code *sections 1980–1982.3*)	*8091*	*F*	
2430	Community Day Schools (*Education Code* sections 48660–48667)	8091 8311	F	
2900	Other Restricted Revenue Limit Sources	8091	F	
3000–5999	**Federal Resources Restricted**			
3010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	8290	D	84.010
3012	NCLB: Title I, Part A, Program Improvement School Assistance and Intervention Teams (SAIT)	8290	D	84.010
3013	NCLB: Title I, Part A, School Improvement SAIT Corrective Action Plans	8290	D	84.010
3020	NCLB: Title I, Basic School Support	8290	D	84.010
3025	NCLB: Title I, Part D, Local Delinquent Programs	8290	D	84.010 84.013
3030	NCLB: Title I, Part B, Reading First Program	8290	D	84.357
3035	NCLB: Title I Local Improvement Plan, Regional School Support, and Improvement Centers	8290	D	84.010
3040	NCLB: Title I, Migrant Ed Mini Corps Project (Regular and Summer)	8290 8990	D	84.011
3041	NCLB: Title I, Migrant Ed Mini Corps Summer Project	8990	D	84.011
3045	NCLB: Title I, Migrant Ed Statewide PASS Project	8290	D	84.011
3060	NCLB: Title I, Part C, Migrant Ed (Regular and Summer Program)	8290 8990	D	84.011
3061	NCLB: Title I, Migrant Ed Summer Program	8990	D	84.011

Resource Code	Resource Description	Revenue Object	D/F	CFDA
3090	NCLB: Title I, Part D, Adult Correctional	8290	D	84.013
3100	NCLB: Title I, Juvenile Delinquent (06-07)	8290	D	84.013
3105	NCLB: Title I, Even Start Family Literacy	8290	D	84.213
3110	NCLB: Title I, Part C, Even Start Migrant Ed (MEES)	8290	D	84.011
3150	NCLB: Schoolwide Programs (SWP)	8290 8990	D	84.010
3155	NCLB: Consolidated Administrative Funds	NA	NA	NA
3170	NCLB: Title I, Part F, Comprehensive School Reform (CSR)	8290	D	84.332
3171	NCLB: Title I, Program Improvement & School Choice	8290	D	84.348
3172	NCLB: Title I, Achieving Schools Award	8290	D	84.010
3175	NCLB: Title I, Part A, Program Improvement District Intervention	8290	D	84.010
3176	NCLB: Title I, Part A, Program Improvement District Supplemental Grants	8290	D	84.010
3177	NCLB: Title I, Part A, Prevention of Local Educational Agency Intervention Program	8290	D	84.010
3178	NCLB: Title I, Part A, Non-Program Improvement LEAs with Program Improvement Schools	8290	D	84.010
3310	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly PL 94-142)	8181 8287	D	84.027
3311	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	8181	D	84.027
3315	Special Ed: IDEA Preschool Grants, Part B, Sec 619	8182	D	84.173
3316	Special Ed: IDEA Preschool Accountability Grants, Part B, Sec 619	8182	D	84.173
3317	Special Ed: IDEA Preschool Grants, Part B, Sec 619, Private School ISPs	8182	D	84.173
3320	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	8182	D	84.027
3321	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611, Private School ISPs	8182	D	84.027
3326	Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619	8182	D	84.173
3327	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	8182	D	84.027
3328	Special Ed: IDEA County Mental Health Services, Part B, Sec 611	8182	D	84.027

Resource Code	Resource Description	Revenue Object	D/F	CFDA
3330	Special Ed: IDEA Infant Discretionary, Part B, Sec 611	8590	D	
3340	Special Ed: IDEA Local Staff Development Grant, Part B, Sec 611	8182	D	84.027
3341	Special Ed: IDEA Interpreter Certification, Part B, Sec 611	8182	D	84.027
3345	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	8182	D	84.173
3355	Special Ed: IDEA LCI Growth, Part B, Sec 611	8590	D	
3360	Special Ed: IDEA Low-Incidence Entitlement, Part B, Sec 617	8590	D	
3370	Special Ed: IDEA State/Staff Development	8182	D	84.027
3372	Special Ed: State Improvement Grant, Improving Special Ed Systems	8182	D	84.323A
3375	Special Ed: IDEA Cross-Cultural Assessment, Special Project Special Studies	8182	D	84.027
3385	Special Ed: IDEA Early Intervention Grants	8182 8590	D	84.181
3386	Special Ed: IDEA Quality Assurance & Focused Monitoring	8182	D	84.027
3395	Special Ed: Alternative Dispute Resolution	8182	D	84.027
3400	Special Ed: Disabled Children State Institutions	8182	D	84.027
3405	Special Ed: Workability I	8590	D	
3410	Department of Rehab: Workability II, Transition Partnership	8290	D	84.158
3411	Department of Rehab: Bridges to Youth Self-Sufficiency	8290	F	96.007
3505	Vocational Programs: Nontraditional Training and Employ (Carl Perkins Act)	8290	D	84.048
3510	Vocational Programs: Voc & Applied Tech Prep Programs, Title II, Sec 203 (Carl Perkins Act)	8290	D	84.243
3515	Vocational Programs: Voc & Applied Tech State Leadership, Title I, Sec 124 (Carl Perkins Act)	8290	D	84.048
3540	Vocational Programs: Voc & Appl Tech Corrections Education II B (Carl Perkins Act)	8290	D	84.048
3550	Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	8290	D	84.048
3555	Vocational Programs Postsecondary and Adult II C, Sec 132 (Carl Perkins Act)	8290	D	84.048
3710	NCLB: Title IV, Part A, Drug-Free Schools	8290	D	84.186
3715	NCLB: Drug-Free Schools: Program Development	8290	D	84.186
3718	NCLB: Title IV, Community Service Grant	8290	D	84.184C

Resource Code	Resource Description	Revenue Object	D/F	CFDA
3831	Goals 2000: Student Academic Partnership, Grades 7–12 (06-07)	8290 8590	D	84.276
3837	Goals 2000: K–12 Reading/Language Arts, Mathematics, and English Language Development	8290	D	84.276
3900–3999	Adult Education			
3905	Adult Education: Adult Basic Education & ESL	8290	D	84.002A
3909	Adult Education: State Leadership Projects	8290	D	84.002A
3911	Adult Education: English as a Second Language (ESL)	8290	D	84.002A
3912	Adult Education: Family Literacy	8290	D	84.002A
3913	Adult Education: Adult Secondary Education	8290	D	84.002A
3926	Adult Education: English Literacy & Civics Education	8290	D	84.002A
3927	Adult Education: English Literacy & Civics Education State Leadership	8290	D	84.002A
3940	Adult Education: Institutionalized Adults	8290	D	84.002A
4035	NCLB: Title II, Part A, Teacher Quality	8290	D	84.367
4036	NCLB: Title II, Part A, Principal Training	8290	D	84.367
4045	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	8290	D	84.318X
4046	NCLB: Title II, Part D, Enhancing Education Through Technology, Competitive Grants	8290	D	84.318X
4050	NCLB: Title II, Part B, CA Mathematics and Science Partnerships	8290	D	84.366
4110	NCLB: Title V, Part A, Innovative Education Strategies	8290	D	84.298A
4115	NCLB: Title V, Priority Projects	8290	D	84.298
4123	NCLB: Title IV, 21st Century Community Learning Centers Technical Assistance	8290	D	84.287
4124	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	8290	D	84.287
4126	NCLB: Title VI, Part B, Rural & Low Income School Program	8290	D	84.358
4201	NCLB: Title III, Immigrant Education Program	8290	D	84.365
4203	NCLB: Title III, Limited English Proficiency (LEP) Student Program	8290	D	84.365
4204	NCLB: Title III, Technical Assistance	8290	D	84.365
4216	Refugee Children Supplemental Assistance Program	8290	D	93.576

Resource Code	Resource Description	Revenue Object	D/F	CFDA
4230–4250	Bilingual Education: Discretionary Grants–Locally defined These codes are used, at the option of the LEA, to track federal bilingual revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4230.			
4230	Bilingual Education: Discretionary Grants, Title III	8290	D	Various
4410–4430	Educational Technology: Locally defined These codes are used, at the option of the LEA, to track federal educational technology revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4410.			
4410	Educational Technology	8290	D	84.318
4510	Indian Education	8290	D	84.060
4600–4699	Charter Schools			
4610	NCLB: Title V, Part B, Public Charter Schools Grants	8290	D	84.282
4710–4730	Gifted and Talented Education (Javits): Locally defined These codes are used, at the option of the LEA, to track federal gifted and talented revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4710.			
4710	Javits GATE	8290	D	84.206
5000–5199	Child Development Programs			
5025	Child Development: Federal Child Care, Center-based	8290	D	93.596
5026	Child Development: Federal Family Child Care Homes	8290	D	93.596
5035	Child Development: Quality Improvement Activities	8290 8590	D	93.575
5050	Child Development: Federal Alternative Payment	8290 8590	D	93.575 93.596
5055	Child Development: Local Planning Councils	8290	D	93.596
5061	Child Development: Federal Alternative Payment, Stage II	8290	D	93.575 93.596
5062	Child Development: Federal Alternative Payment, Stage III	8290	D	93.575 93.596
5080	Child Development: School-Age Child Care Resource Contracts	8290	D	93.575
5085	Child Development: Federal Resource and Referral	8290	D	93.575 93.596

Resource Code	Resource Description	Revenue Object	D/F	CFDA
5095	Child Development: Infant/Toddler Child Care Resource Contracts	8290	D	93.575
5100	Child Development: Centralized Eligibility List	8290	D	93.575
5210–5240	Head Start Program: Locally defined These codes are used, at the option of the LEA, to track federal Head Start revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5210.			
5210	Head Start	8290	D	93.600
5310	Child Nutrition: School Programs (e.g., School Lunch, School Breakfast, Milk, Pregnant & Lactating Students)	8220 8520 8634 8091 8099	F	10.553 10.555 10.556
5320	Child Nutrition: Child Care Food Program (CCFP) Claims-Centers and Family Day Care Homes (Meal Reimbursements)	8220 8520	F	10.558
5330	Child Nutrition: Summer Food Service Program Operations	8220	F	10.559
5335	Child Nutrition: Summer Food Service Sponsor Administration	8220	F	10.559
5340	Child Nutrition: CCFP Cash in Lieu of Commodities	8220	F	10.558
5350	Child Nutrition: CCFP Family Day Care Sponsor Admin	8220	F	10.558
5360	Child Nutrition: CCFP Startup	8220	F	10.558
5375	Child Nutrition: Summer Food Service Startup	8220 8520	D	10.559
5380	Child Nutrition: School Breakfast Startup	8520 8990	D	
5451	Child Nutrition: Garden Enhanced Nutrition Education Project	8590	D	
5453	Child Nutrition: SHAPE California Model Nutrition Education	8699	D	
5454	Child Nutrition: Team Nutrition	8290	D	10.574
5510	NCLB: Title V, Part D, Character Education	8290	D	84.215
5575	CalServe: Learn & Serve America	8290	D	94.004
5600	Workforce Investment Act (formerly JTPA) (06-07)	8290	D	17.255
5610	Workforce Investment Act (WIA) From Other Agencies (LWIB)	8290	D	17.255
5630	NCLB: Title X, McKinney-Vento Homeless Assistance Grants	8290	D	84.196
5640	Medi-Cal Billing Option	8290	F	93.778
5650	FEMA Public Assistance Funds	8281	F	97.036

Resource Code	Resource Description	Revenue Object	D/F	CFDA
5652	FEMA Hazard Mitigation Grant	8281	D	97.039
5800–5999	Other Restricted Federal: Locally defined These codes are used, at the option of the LEA, to track all other restricted federal revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5810.			
5810	Other Restricted Federal	8182 8290	D/F	Various
6000–7999	**State Resources Restricted**			
6010	After School Education and Safety (ASES)	8590	D	
6015	Adults in Correctional Facilities	8590	F	
6020	CSIS: California School Information Service	8590	D	
6030	Charter School Facility Grant Program	8590	D	
6040	Child Development: State Alternative Payment	8590	D	
6041	Child Development: State Alternative Payment Stage II	8590	D	
6042	Child Development: State Alternative Payment, Stage III	8590	D	
6045	Child Development: State Local Planning Councils	8590	D	
6050	Child Development: Prekindergarten and Family Literacy, Part-Day	8590	D	
6051	Child Development: Prekindergarten and Family Literacy, Full-Day Option	8590	D	
6052	Child Development: Prekindergarten and Family Literacy, Program Support	8590	D	
6055	Child Development: State Preschool	8590 8673	D	
6056	Child Development: Preschool, Full-Day	8590 8673	D	
6060	Child Development: State General Child Care, Center-based	8530 8590	D	
6065	Child Development: Migrant Day Care Centers	8530 8590	D	
6070	Child Development: Migrant Special Services	8530 8590	D	
6075	Child Development: State Family Child Care Homes	8590	D	
6080	Child Development: Extended Day Care (Latchkey)	8530	D	
6091	Cal-SAFE Academic and Supportive Services	8590	F	
6092	Cal-SAFE Child Care and Development Services	8590	F	
6093	Cal-SAFE County Classroom	8590	F	
6110	Child Development: Resource & Referral	8590 8660	D	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
6130	Child Development: Center-Based Reserve Account	8990	F	
6131	Child Development: Resource & Referral Reserve Account	8990	F	
6132	Child Development: Alternative Payment Reserve Account	8990	F	
6140	Child Development: Child Care Facilities Revolving Fund	8979	F	
6144	Child Development: Instructional Materials and Supplies	8590	D	
6145	Child Development: Facilities Renovation and Repair	8590	D	
6200	Class Size Reduction Facilities Funding	8590	F	
6205	Deferred Maintenance Apportionment (Use in Fund 14, Deferred Maintenance)	8540	F	
6215	Gang Risk Intervention Program (06-07)	8590	D	
6225	Emergency Repair Program, Williams Case	8590	D	
6226	School Facilities Needs Assessment Grant Program, Williams Case	8590	F	
6240	Healthy Start: Planning Grants and Operational Grants	8590	D	
6250	Early Mental Health Initiative (EMHI) (Department of Mental Health)	8590	D	
6258	Physical Education Teacher Incentive Grants	8590	F	
6260	Alternative Certification Program for Intern Teachers (CCTC)	8590	D	
6262	Pre-Internship Teaching Program (CTC)	8590	D	
6263	Paraprofessional Teacher Training (CTC)	8590	D	
6265	Teachers As a Priority (TAP) Block Grant (06-07)	8590	D	
6267	National Board Certification Teacher Incentive Grant	8590	D	
6268	Certificated Staff Performance Incentive Bonus	8590	F	
6275	Teacher Recruitment and Retention	8590	D	
6285	Community-Based English Tutoring	8590	F	
6286	English Language Acquisition Program, Teacher Training & Student Assistance	8590	F	
6287	English Language Learner Acquisition and Development Pilot	8590	F	
6296	Calif. Public School Library Act of 1998	8590	F	
6300	Lottery: Instructional Materials	8560	F	
6310	School/Law Enforcement Partnership: Mini-Grants (06-07)	8590	D	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
6315	School/Law Enforcement: Conflict Resolution & Youth Mediation (06-07)	8590	D	
6316	Tolerance Education Program	8590	D	
6330	School/Community Policing Partnerships	8590	D	
6340	Parent/Teacher Involvement: Nell Soto Program	8590	D	
6341	Parent/Teacher Involvement: Teresa Hughes Family/School Partnerships	8590	D	
6342	Parent/Teacher Involvement: Tom Hayden Community Parent Involvement	8590	D	
6350	ROC/P Apportionment	8091 8097 8099 8311 8319 8791 8792 8793	F	
6355	ROC/P: Training & Certification for Community Care (Dept Develop Service)	8590	F	
6360	Pupils with Disabilities Attending ROC/P	8311	F	
6365	ROC/P: Equipment	8590	F	
6375	Industry-Based Certification Incentive Grant Program	8590	F	
6377	Career Technical Education Equipment and Supplies	8590	F	
6378	California Health Science Capacity Building Project	8590	D	
6380	School-to-Career Local Partnerships (06-07)	8590	D	
6390	Adult Education Apportionment (Use in Fund 11, Adult Education)	8311	F	
6405	School Safety & Violence Prevention, Grades 8–12	8590	F	
6500	Special Education	8091 8097 8099 8311 8319 8590 8710 8791 8792 8793 8980	F	
6510	Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	8311	F	
6515	Special Ed: Infant Discretionary Funds	8590	D	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
6535	Special Ed: Personnel Staff Development	8590	D	
6540	Special Ed: State Staff Development	8590	D	
6575	High-Risk Youth and Public Safety Program (06-07)	8590	D	
6585	Reading Professional Development Institute (06-07)	8590	F	
6650	Tobacco-Use Prevention Education: Discretionary District Grants	8590	D	
6660	Tobacco-Use Prevention Education: Elementary Grades 4–8	8590	D	
6670	Tobacco-Use Prevention Education: Grades Nine through Twelve	8590	D	
6680	Tobacco-Use Prevention Education: COE Administration Grants	8590	D	
6700	WIA: State Match (06-07)	8590	D	
6701	WIA: Regional Coordination (06-07)	8590	D	
6760	Arts and Music Block Grant	8590	F	
6761	Arts, Music, and Physical Education Supplies and Equipment	8590	F	
6781	AIDS Education: W/Health Services (06-07)	8590	D	
7005	Categorical Programs Per ADA Allocations	8590	F	
7010	Agricultural Vocational Incentive Grants	8590	D	
7015	American Indian Education Centers	8590	D	
7021	Child Nutrition: Linking Education, Activity, & Food (LEAF)	8590	D	
7022	Child Nutrition: California Fresh Start Pilot	8520	F	
7023	Child Nutrition: California Fresh Start Pilot – Training and Evaluation	8590	D	
7026	Instructional School Gardens	8590	F	
7045	Targeted Instruction Improvement Grants Program (TIIG)	8590	F	
7055	CAHSEE Intensive Instruction and Services	8590	F	
7056	CAHSEE Individual Intervention Materials	8590	F	
7060	Dropout Prevention: Educational Clinics (06-07)	8590	D	
7065	Dropout Prevention: Implementation Model (06-07)	8590	D	
7070	Dropout Prevention: Alternative Work Centers (06-07)	8590	D	
7075	Dropout Prevention: Motivation/Maintenance (06-07)	8590	D	
7080	Supplemental School Counseling Program	8590	F	
7090	Economic Impact Aid (EIA)	8311	F	
7091	Economic Impact Aid: Limited English Proficiency (LEP)	8311	F	
7100	Education Technology: Digital High School	8590	D	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
7101	Education Technology: Digital High School Staff Development & Support	8590	F	
7105	Education Technology: High Tech High Schools (06-07)	8590	D	
7110	Education Technology: CTAPS, SETS, & Supplemental Grants	8590	D	
7120	Education Technology: Staff Development	8590	F	
7125	Education Technology: Institute for Computer Technology (06-07)	8590	D	
7126	California K–12 High Speed Network	8590	D	
7130	Early Intervention for School Success (EISS) (06-07)	8590	D	
7135	Environmental Education	8590	D	
7140	Gifted & Talented Education (GATE)	8311	F	
7155	Instructional Materials: Grades K–8 (Includes Disaster Funding and Fast Growth)	8590	F	
7156	Instructional Materials Realignment, IMFRP (AB 1781)	8590	F	
7157	Instructional Materials: English Language Learners	8590	F	
7158	Instructional Materials: Williams Case	8590	F	
7160	Instructional Materials: Grades 9–12	8590	F	
7170	Instructional Material: Braille & Large Print	8590	F	
7200	Miller-Unruh Reading Program	8590	F	
7210	American Indian Early Childhood Education	8590	D	
7220	Partnership Academies Program	8590	D	
7227	Information Technology Career Academy Grant (06-07)	8590	D	
7230	Transportation: Home to School	8311 8675 8677 8980 8990	F	
7235	Transportation: School Bus Replacement	8590 8990	D	
7236	School Bus Emissions Reduction Funds	8590 8699	D/F	
7240	Transportation: Special Education (Severely Disabled/Orthopedically Impaired) *Education Code* sections 41850–41851.2	8311 8675 8677 8980	F	
7250	School Based Coordination Program (SBCP)	8590 8990	F	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
7255	Immediate Intervention/Underperforming Schools Program	8590	D	
7256	II/USP: SAIT Corrective Action Plan	8590	D	
7258	High Priority School Grants Program	8590	D	
7259	High School Pupil Success Act (HSPSA)	8290 8590	D	
7260	School Improvement Program (SIP) (06-07)	8311 8990	D	
7265	*School Improvement Program (optional: LEA may use to report grades 7–12 funding separately) (06-07)*	*8311* *8990*	*D*	
7268	High Priority Schools: SAIT and Corrective Action	8590	D	
7271	California Peer Assistance & Review Program for Teachers (CPARP)	8590	F	
7275	Staff Development: Bilingual Teacher Training (BTTP)	8590 8990	D	
7276	Certificated Staff Mentoring Program	8590	F	
7280	Staff Development: Beginning Teacher Support & Assessment Study (BTSA) (06-07)	8590	D	
7282	Staff Development: High School Coaching Training	8590	D	
7286	International Baccalaureate (IB) Program: Staff Development & Startup	8590	F	
7293	Staff Development: Mathematics Teacher Partnership Pilot	8590	D	
7294	Staff Development: Mathematics and Reading (AB 466)	8590	F	
7295	Staff Development: Reading Services for Blind Teachers	8590	D	
7296	Staff Development: Teachers of English Language Learners	8590	F	
7320	Staff Development: Administrator Training and Evaluation	8590	D	
7325	Staff Development: Administrator Training (AB 75)	8590	F	
7335	Staff Development: Intersegmental College Readiness (06-07)	8590	D	
7337	Academic Improvement & Achievement: Regional Partnerships	8590	F	
7340	Staff Development: Intersegmental Advancement Via Individual Determination (AVID)	8590	D	
7345	Staff Development: Intersegmental California Teacher Education Institutes (CTEI) (06-07)	8590	D	
7360	Student Organizations Vocational Education	8590	D	
7365	Supplementary Programs: Foster Youth	8590	D	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
7366	Supplementary Programs: Foster Youth in Licensed Foster Homes	8590	D	
7367	Supplementary Programs: Foster Youth Services Juvenile Detention	8590	D	
7370	Supplementary Programs: Specialized Secondary	8590	D	
7375	Tenth Grade Counseling	8590	F	
7385	County Oversight, Williams Case	8590	F	
7386	Fiscal Solvency Plans	8590	D	
7390	Pupil Retention Block Grant	8590	F	
7391	School Community Violence Prevention Grant	8590	F	
7392	Teacher Credentialing Block Grant	8590	F	
7393	Professional Development Block Grant	8590	F	
7394	Targeted Instructional Improvement Block Grant	8590	F	
7395	School and Library Improvement Block Grant	8590	F	
7396	Discretionary Block Grant – School Site	8590	F	
7397	Discretionary Block Grant – School District	8590	F	
7398	Instructional Materials, Library Materials, and Education Technology	8590	F	
7400	Quality Education Investment Act	8590	F	
7701–7799	State School Facilities Projects These codes are used to track capital projects funded by the Office of Public School Construction. When reporting to CDE, LEAs must roll up these resources to Resource 7710.			
7710	State School Facilities Projects	8545	F	
7800–7999	Other Restricted State: Locally defined These codes are used, at the option of the LEA, to track all other restricted state revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 7810.			
7810	Other Restricted State	8590	D/F	
8000–9999	**Local Resources Restricted**			
8100	Routine Repair and Maintenance (RRRMF: *Education Code* Section 17014)	8980	F	
8150	Ongoing and Major Maintenance Account (RMA: *Education Code* Section 17070.75)	8980	F	

Resource Code	Resource Description	Revenue Object	D/F	CFDA
9000–9999	Other Restricted Local: Locally defined These codes are used, at the option of the LEA, to track all other local revenues or other financing sources that are not defined elsewhere and that are restricted to specific purposes by the donor or by law. (Refer to pages 310-1 and 310-5 for additional discussion of restricted programs and activities.) When reporting to CDE, LEAs must roll up these resources to Resource 9010.			
9010	Other Restricted Local	8610–8699 8931–8979	D/F	

Procedure 315 Project Year Classification

The project year field is used to distinguish the activities of grants with different project years within the same fiscal year. In most cases, the grants are federal; however, in some instances, state grants have different project years.

How the Project Year Field Is Used

If a project's reporting year is the same throughout the LEA's fiscal year, the project year code is 0 (zero). For those projects that cross the LEA reporting fiscal year, the project year code is the last digit of the federal fiscal year in which the project terminates; for example, a project year ending in 2003 is represented by a "3." Once the project year is assigned to a project, revenues and expenditures reflect that number for the entire duration of the project, even though the grantor may extend it.

For example, an LEA may have a bilingual grant operating from October 1, 2002, through September 30, 2003, and another one operating from October 1, 2003, through September 30, 2004. The grant activities during the reporting state fiscal year 2003-04 would include three months of expenditures for the federal project year October 1, 2002, through September 30, 2003, and nine months of expenditures for the federal project year October 1, 2003, through September 30, 2004.

If used, the project year field applies to revenues and expenditures. Its use is optional for balance sheet accounts.

Examples of Project Year Codes

The following are examples of project year codes:

Code	Federal Project Year
2	2001-02
3	2002-03
4	2003-04
5	2004-05
6	2005-06
7	2006-07
8	2007-08
9	2008-09
0	2009-10
1	2010-11

Flexibility of the Project Year Field

The project year field may be used by an LEA to label other state or local projects. For example, an LEA may choose to use this field to identify deferred revenue from one year to the next but is not required to do so by CDE.

The goal field defines an objective or a set of objectives for the LEA. Another way to view the goal is to look at the instructional setting or the group of students who are receiving instructional services: regular classes, special education classes, vocational education, adult education, or community service, for example.

How the Goal Field Is Used

The goal field provides the framework for charging instructional costs and support costs to the benefiting objectives. For example, both a special education teacher (an instruction function) and a special education counselor (a guidance and counseling function) would be charged to a Special Education goal.

The goal field applies primarily to expenditure accounts, but it may be used with revenue accounts. However, a 5xxx goal is required with both special education revenue and expenditure accounts.

Those expenditures in activities (functions) that are not directly assignable to a goal at the time of expenditure are charged to Goal 0000, Undistributed. Costs remaining in Goal 0000 are eventually distributed to benefiting goals using standardized allocation factors (see Procedure 910).

In general, the following guidelines should be used in coding goals with functions:

Instructional Goals (Goals 1000–6999) and Nonagency Goals (Goals 7100–7199):

- Typically used with Function 1000, Instruction, and the Special Education instructional functions 1100 through 1199. May be used with Function 4000, Ancillary Services.
- May be used with functions 2000–2999, Instruction-Related Services, and functions 3000–3999, Pupil Services, if the expenditures can be directly identified and supported with a goal.

Community Services and Child Care Services Goals (Goals 8100 and 8500):

- Typically used with Function 5000, Community Services.

- May be used with Function 3600, Pupil Transportation, and Function 3700, Food Services, if the expenditures can be directly identified and supported with a goal.

Undistributed Goal (Goal 0000):

- May be used with those expenditures in functions 2000–2999, Instruction-Related Services; functions 3000–3999, Pupil Services; functions 7000–7999, General Administration; and functions 8000–8999, Plant Services.
- LEAs may wish to transfer Goal 0000 costs to other goals on the basis of supporting documentation or allocation factors. The transfers are done using Object 5710, Transfers of Direct Costs, and Object 5750, Transfers of Direct Costs—Interfund. For additional information, see Procedure 615.

Flexibility of the Goal Field

LEAs are required to code their transactions to at least the minimum goal level required by CDE. However, LEAs may also create their own locally defined goal codes. Required codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

CDE has provided two specific ranges of goals for use as locally defined codes:

- Goals 1130–1999, for local definition of regular K–12 instruction. When reporting data to CDE, LEAs must roll up these goals to Goal 1110, Regular Education, K–12
- Goals 4130–4399, for local definition of regular adult education. When reporting data to CDE, LEAs must roll up these goals to Goal 4110, Regular Education, Adult.

Importance of the Goal Field in Program Cost Accounting

The goal field provides the framework for program cost accounting. It is important to understand and apply the appropriate costing principles when charging costs to the benefiting goals. (Procedure 910 addresses these principles.)

Salaries and wages direct-charged to a goal will, in most cases, require supporting documentation. The level of documentation needed depends on whether the funding for the program is restricted or unrestricted and whether the program is instructional or noninstructional (refer to Procedure 905).

Nonpersonnel costs direct-charged to a goal should be substantiated by documentation that identifies the program(s) that received the service, supply, or equipment. The dated signature of a program administrator on a tracking document acknowledging receipt of the service, supply, or equipment is usually sufficient to validate the charge.

List of Goal Codes

Code	Title
0000	**UNDISTRIBUTED**
0001–6999	**INSTRUCTIONAL**
0001–0999	General Education, Pre-K
0001	General Education, Pre-K
1000–3999	General Education, K–12
1110	Regular Education, K–12
1130–1999	Other K–12 Subject Matter and Other K–12 Tracking—Locally defined (When reporting data to CDE, LEAs must roll up these goals to Goal 1110.)
2000–2999	Reserved for Future State Definition for Other Subject Matter and Other Tracking
3100	Alternative Schools
3200	Continuation Schools
3300	Independent Study Centers
3400	Opportunity Schools
3500	County Community Schools (county offices only)
3550	Community Day Schools
3600	Juvenile Courts
3700	Specialized Secondary Programs
3800	Vocational Education
4000–4749	General Education, Adult
4110	Regular Education, Adult
4130–4399	Other Subject Matter and Other Tracking, Adult—Locally defined (When reporting data to CDE, LEAs must roll up these goals to Goal 4110.)
4610	Adult Independent Study Centers
4620	Adult Correctional Education
4630	Adult Vocational Education
4750–4999	Supplemental Education, K–12
4760	Bilingual
4850	Migrant Education
4900	Other Supplemental Education (county offices only)

Code	Title
5000–5999	Special Education
5001	Special Education—Unspecified
5050	Regionalized Services
5060	Regionalized Program Specialist
5710	Special Education, Infants
5730	Special Education, Preschool Students
5750	Special Education, Ages 5–22 Severely Disabled
5770	Special Education, Ages 5–22 Nonseverely Disabled
6000–6999	Regional Occupational Center/Program (ROC/P)
6000	Regional Occupational Center/Program (ROC/P)
7000–9999	**OTHER GOALS**
7100–7199	Nonagency
7110	Nonagency—Educational
7150	Nonagency—Other
8100–8199	Community Services
8100	Community Services
8500–8599	Child Care and Development Services
8500	Child Care and Development Services
8600–8699	County Services to Districts
8600	County Services to Districts
9000–9999	Other Goals—Locally Defined
9000	Other Local Goals

Goal Code Definitions

Code	Definition
0000	**UNDISTRIBUTED**

Undistributed expenditures are expenditures other than those for instruction, ancillary services, and community service functions that are not directly assignable at the time of transaction to a specific goal.

Expenditures accumulated in Goal 0000 can be distributed to benefiting goals based on supporting documentation or will eventually be distributed to benefiting goals using standardized allocation factors. Goal 0000 is also used for revenues and balance sheet transactions for which a goal is not required. Generally, use Goal 0000, Undistributed, with an enterprise fund. The costs in an enterprise fund are not included in the program cost report (PCR), nor are the goals of an enterprise fund necessary for the LEA's government-wide statements.

Pursuant to guidance in Procedure 905, county offices of education that have staff within the county office or county board of education performing similar support-type activities for their own LEA and for their school districts may charge the costs as follows:

- 50 percent to Goal 0000, Undistributed (for general administrative support)
- 50 percent to Goal 8600, County Services to Districts

0001–6999 INSTRUCTIONAL

0001–0999 **General Education, Pre-K**

0001 **General Education, Pre-K**. A group of activities and/or services that provides educational experiences for children during the year or years preceding kindergarten that is part of a sequential program of an elementary school and is under the direction of a qualified teacher. The term "general" refers to basic skill areas that emphasize beginning literacy and numeracy. General Education, Pre-K, does not include special education.

This goal would include those child development programs that require teachers to possess a children's center instructional permit.

Code	Definition
	Local child care programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges are typically accounted for in an enterprise fund.
1000–3999	**General Education, K–12**. A group of activities and/or services that provides students in kindergarten through grade 12 (K–12) with learning experiences that prepare them for roles as citizens, family members, and employable workers. The term "general" refers to basic skill areas that emphasize literacy, numeracy, and knowledge in languages, mathematics, sciences, history and related social studies, arts, and other subject areas, including vocational and technical education.
1110	**Regular Education, K–12**. Educational programs that are designed to serve the vast majority of the public school student population in traditional settings. This goal should not be used by county offices of education except for a county-operated charter school. A second exception to this general rule would be for county-operated child development programs that require teachers to possess a children's center instructional permit.
1130–1999	**Other K–12 Subject Matter and Other K–12 Tracking—Locally defined.** LEAs may use these codes to locally track regular K–12 education expenditures by subject matter. They may include languages, mathematics, sciences, history and related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 1110.
2000–2999	**Reserved for Future State Definition for Other Subject Matter and Other Tracking**
3100	**Alternative Schools.** A school or separate class group established in a school district or county office of education that is operated to (a) maximize the opportunity for students to develop self-reliance, initiative, kindness, spontaneity, resourcefulness, courage, creativity, and joy; (b) recognize that the best learning takes place when the student learns because of his or her desire to learn; (c) maintain a learning situation maximizing student self-motivation and encouraging the student in his or her own time to follow his or her own interests; (d) maximize the opportunity for teachers, parents, and students to cooperatively develop the learning process and its subject matter; and (e) maximize the opportunity for the students, teachers, and parents to continually react to the changing world (*Education Code* Section 58500). A county office of education would use this goal to record the expenditures for the Cal-SAFE County Classroom Program (Resource 6093).

Code	Definition
3200	**Continuation Schools.** Schools and classes established by high school and unified school districts to provide all of the following: (a) an opportunity for pupils to complete the academic courses of instruction to graduate from high school; (b) a program of instruction that emphasizes occupational orientation or a work-study schedule and offers intense guidance services to meet the special needs of pupils; and (c) a program designed to meet the educational needs of each pupil, including, but not limited to, independent study, regional occupational programs, work study, career counseling, and job placement services as a supplement to classroom instruction (*Education Code* Section 48430). Continuation schools are funded with Resource 2200, Continuation Education.
3300	**Independent Study Centers.** Study centers conducting activities undertaken by school districts pursuant to *Education Code* sections 46300(e) and 51745–51749 to provide certain students with the option of schooling apart from classrooms. For reporting purposes, include in this goal only those activities that provide full-time education pursuant to a written agreement, as required by statutes and regulations, as an alternative to daily attendance in a classroom. Do not include students participating in limited periods of full-time independent study because of illness, family vacation, and so on.
3400	**Opportunity Schools.** Alternative school, class, or program placements that may be provided by school districts or county boards of education for pupils who demonstrate irregular attendance or who are at risk of being habitually truant or who are in danger of becoming insubordinate or disorderly during their attendance. The intent is to provide instruction to resolve the problems so that the students may maintain themselves in regular classes or return to regular classes or regular schools as soon as practicable (*Education Code* sections 48640 and 48641).
3500	**County Community Schools (COE only).** Schools established by a county board of education and administered by the county superintendent for (a) pupils who have been expelled from a school district; (b) pupils who have been referred to county community schools by a school district on the recommendation of a school attendance review board or whose school districts of attendance have, at the request of the pupils' parents or guardians, approved the pupils' enrollment in a county community school; (c) pupils who are probation-referred pursuant to the *Welfare and Institutions Code* or are on probation or parole and not in attendance in any school or expelled; and (d) homeless children (*Education Code* Section 1981). County community schools are funded by Resource 2400, Juvenile Court/County Community Schools (or optional Resource 2420, County Community Schools).
3550	**Community Day Schools.** Schools established by a governing board of a school district or county office of education for students who (a) have been expelled for

Code	Definition
	any reason; (b) are on probation pursuant to the *Welfare and Institutions Code*; or (c) are referred by a School Attendance Review Board (SARB) or any other attendance review board (*Education Code* sections 48660–48667). Community day schools are funded by Resource 2430, Community Day Schools.
3600	**Juvenile Courts.** Public schools in juvenile halls, juvenile homes, day centers, juvenile ranches, camps, and so forth provided by the county board of education or by contract with the governing board of the local school district (*Education Code* Section 48645). Juvenile Court schools are funded by Resource 2400, Juvenile Court/County Community Schools (or optional Resource 2410, Juvenile Court).
3700	**Specialized Secondary Programs.** Secondary schools established to provide advanced instruction and training in high-technology fields and in the performing arts. These schools benefit the state economy by providing talented students with enhanced learning opportunities in high-technology fields and in the performing arts while the students are enrolled in schools that are in close proximity to where the industries are located (*Education Code* Section 58800).
3800	**Vocational Education.** Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare students for gainful employment. The Vocational Education goal is used to track the costs of vocational education students and is not used for adult education, ROC/P, or special education costs.
4000–4749	**General Education, Adult.** Refers to a group of activities and/or services for adults who have not completed or have interrupted their formal schooling and have subsequently taken on adult roles and responsibilities. Programs in which adults develop knowledge and skills to meet their immediate and long-range educational objectives include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career or postsecondary education program; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; and enrich the aesthetic qualities of life. Adult basic education is included in these goals (*Education Code* sections 41976 and 52610).
4110	**Regular Education, Adult.** Educational programs that are designed to serve the vast majority of the adult student population in more traditional settings.
4130–4399	**Other Subject Matter and Other Tracking, Adult—Locally defined**. LEAs may use these codes to locally track regular adult education expenditures by subject matter. They may include languages, mathematics, sciences, history and

Code	Definition
	related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 4110.
4610	**Adult Independent Study Centers.** Study centers providing adult education classes and courses through independent study for adult students as defined in *Education Code* Section 41976.2.
4620	**Adult Correctional Education.** Classes established for prisoners in any county jail, county honor farm, county industrial farm, or county or joint-county road camp for the purpose of providing instruction in civic, vocational, literacy, health, homemaking, technical, and general education (*Education Code* sections 1900 and 41841.5).
4630	**Adult Vocational Education.** Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare adult students for gainful employment.
4750–4999	**Supplemental Education, K–12.** A group of activities and/or services designed to meet the needs of students in areas other than the basic skill areas. Supplemental education does not include special education.
4760	**Bilingual.** Activities and/or services provided to students from homes where English is not the primary language.
4850	**Migrant Education.** Activities and/or services provided for children under the age of 18 of migrant agricultural workers and migratory fishermen whose situations require additional resources through regional coordinating offices (*Education Code* sections 54440–54445). This goal is used with the migrant education resources.
4900	**Other Supplemental Education (COE only).** Activities or programs offered by county offices of education to directly serve students who attend other schools and who are not students of the county office, such as Foster Youth Services or Tutors for Indian Education. This goal may be associated with Function 1000, Instruction, or Function 3110, Guidance and Counseling, for example. County offices of education use Goal 3100 when providing services to students in their own programs, such as the Cal-SAFE County Classroom/Pregnant Minors Program, or Goal 8600 when providing services such as nursing or psychological services to direct service districts.
5000–5999	**Special Education.** Activities and/or services to students with exceptional needs who are assigned individualized education programs (IEPs). The activities and/or

Code	Definition
	services in the IEPs are designed for students with exceptional mental or physical needs and incorporate distinctive techniques, materials, and arrangements to suit their learning needs. Psychologist services for assessment testing for students with an IEP are coded to goals 5000–5999, using Function 3120, Psychological Services.
5001	**Special Education—Unspecified.** This code is used to account for the costs of services that are not identified for a specific special education population or setting as listed below. Goal 5001 may not be used with the special education instruction functions. These costs must be directly charged to a definitive special education goal, such as Goal 5750, Special Education, Ages 5–22 Severely Disabled.
5050	**Regionalized Services.** Regionalized services to local special education programs include personnel development for staff, parents, and community; data collection; curriculum development; and provision for ongoing review of programs under the local plan (*Education Code* Section 56836.23).
5060	**Regionalized Program Specialist.** A program specialist has a special credential and advanced training in special education to assist instructional staff, plan programs, and provide staff development in a specialized area (*Education Code* sections 56362 and 56368). If a program specialist is working in a specific special education setting, his or her cost should be charged to that goal. If a program specialist is working on a regionalized basis, his or her cost should be charged to Goal 5060.
5710	**Special Education, Infants.** Children who are younger than three years of age and are identified by the district, the special education local plan area, or the county office as requiring intensive special education and services as defined by the State Board of Education (*Education Code* Section 56026[c][1]).
5730	**Special Education, Preschool Students.** Children with exceptional needs between the ages of three and five years inclusive (*Education Code* Section 56440). A five-year-old who meets the eligibility criteria to be identified as a kindergartner shall be included in either Goal 5750 or Goal 5770 (*Education Code* Section 56441.1).
5750	**Special Education, Ages 5–22 Severely Disabled.** Students between the ages of five (who have been identified as kindergartners) and 18 years identified as requiring intensive special education and services and students between the ages of 19 and 21 years, and certain students 22 years of age, who are enrolled in or eligible for a special education program prior to their 19th birthday and have not

Code	Definition
	yet completed the prescribed course of study or who have not met proficiency standards or have not graduated from high school with a regular high school diploma (*Education Code* Section 56026). Severely disabled students have the following profound disabilities: autism, blindness, deafness, severe orthopedic impairments, serious emotional disturbances, and/or severe mental retardation (*Education Code* Section 56030.5).
5770	**Special Education, Ages 5–22 Nonseverely Disabled.** Students between the ages of five (who have been identified as kindergartners) and 18 years identified as requiring special education services and students between the ages of 19 and 21 years, and certain students 22 years of age, who are enrolled in or eligible for a special education program prior to their 19th birthday and have not yet completed the prescribed course of study or who have not met proficiency standards or have not graduated from high school with a regular high school diploma (*Education Code* Section 56026). Nonseverely disabled students are those who are not identified as severely disabled.
6000–6999	**Regional Occupational Center/Program (ROC/P)**
6000	**Regional Occupational Center/Program (ROC/P).** Refers to skill areas, such as agriculture, distributive education, health, home economics, industrial arts, technology, and trades designed to prepare students for gainful employment.
7000–9999	**OTHER GOALS**
7100–7199	**Nonagency**
7110	**Nonagency—Educational.** Refers to activities conducted on behalf of another local educational agency (LEA) by contract or agreement for which the other LEA retains the prime responsibility. An LEA is defined as all K–12 public educational agencies, including charter schools. Such services may be instructional or supportive in nature. Use for costs of providing special education, transportation, cafeteria, or any other services to other LEAs where the other LEA retains primary responsibility for providing those services.
7150	**Nonagency—Other.** Refers to activities conducted on behalf of a non-LEA agency by contract or agreement for which the other agency retains the prime responsibility. Such services may be instructional or supportive in nature. Contracts for a non-LEA, such as a community college or a private school, would be coded to this goal.
8100–8199	**Community Services**

Code	Definition
8100	**Community Services.** A group of activities and/or services not directly related to the educational purpose and goals of an LEA. These include services and activities as authorized by the Community Recreation Act (*Education Code* Section 10900 et seq.) and by the Civic Center Act (*Education Code* Section 38130 et seq.).
8500–8599	**Child Care and Development Services**
8500	**Child Care and Development Services.** A group of activities and/or services pertaining to the operation of programs for the care of children in residential day schools or child care and development programs that are not a part of, or directly related to, LEA instructional goals. Child care and development programs that require teachers to possess a children's center instructional permit should be reported in an instructional goal, such as Goal 0001, General Education, Pre-K.
8600–8699	**County Services to Districts**
8600	**County Services to Districts (or other county offices).** Includes those activities performed by the county superintendent of schools in support of school districts or other offices of county superintendents of schools, including, but not limited to, the following: (a) coordination activities and professional services, such as supervision of instruction, health, guidance, special education, attendance, and school library services (*Education Code* Section 1700 et seq.); (b) financial services (*Education Code* Section 42100 et seq.); and (c) credential services (*Education Code* Section 44330). Pursuant to Procedure 905, county offices of education that have staff within the county office or county board of education performing similar support-type activities for their own LEA and for their school districts may charge the costs as follows: • 50 percent to Goal 8600, County Services to Districts • 50 percent to Goal 0000, Undistributed (for general administrative support)
9000–9999	**Other Goals—Locally Defined.** These codes are used, at the option of the LEA, to track other local goals that are not defined elsewhere. CDE will consider these activities to be undistributed goal costs.
9000	**Other Local Goals.** Report local goals not defined elsewhere. These goals will be treated as Goal 0000, Undistributed, by the CDE financial reporting software and will be allocated among appropriate goals on the program cost report/allocation factor (PCR/PCRAF) work sheets.

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The function field represents a general operational area in an LEA and groups together related activities. The function describes the activities or services performed in order to accomplish a set of objectives or goal. Most LEAs use all of the functions in the process of educating students or organizing the resources to educate students. For example, to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students, and provide health services. Each of these activities is a function.

How the Function Field Is Used

All expenditures must be coded to a function. Although the function field applies mainly to expenditure accounts, it may be used with revenue accounts and balance sheet accounts at the discretion of the LEA.

In general, the following guidelines should be used in coding functions in combination with goals:

- Expenditures coded to instructional functions (1000–1999), ancillary service functions (4000–4999), or community service functions (5000–5999) must be directly charged to a specific goal. Goal 0000, Undistributed, and Goal 5001, Special Education—Unspecified, are not allowed with these three categories of functions.

- Expenditures coded to support service functions (2000–2999, 3000–3999) may be charged to a specific goal at the time of the transaction when there is supporting documentation. Expenditures coded to these functions that cannot be identified to a specific goal are charged to Goal 0000 and subsequently distributed to specific goals using documentation or standard allocation factors.

- Expenditures coded to general administration functions (7000–7999) are normally charged to Goal 0000 and subsequently distributed as central administrative costs.

- Expenditures coded to Function 8100, Plant Maintenance and Operations, and Function 8700, Facilities Rents and Leases, may be charged to a specific goal at the time of the transaction when there is supporting documentation (refer to the description of Function 8700 for specific limitations of that function). Expenditures coded to these functions that cannot be identified to a

specific goal are charged to Goal 0000 and subsequently distributed to specific goals, using documentation or standard allocation factors.

See the procedures in Section 900, "Cost Accounting," for information regarding indirect costs and distributing support costs using the documented and allocated methods.

Flexibility of the Function Field

LEAs are required to code their transactions to at least the minimum function level required by CDE. However, LEAs may also use more detailed CDE-defined optional function codes (indicated by italics in the function code listing) or create their own locally defined function codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

Importance of the Function Field in the Indirect Cost Rate Calculation

The function field is the basis for determining direct and indirect costs and for calculating the LEA's approved indirect cost rate. Charging expenditures to improper functions may result in an indirect cost rate that is too low or too high. An inaccurate rate may cause problems both in claiming indirect costs on federal and state programs and in calculating future rates. Therefore, it is important that LEAs have an understanding of the difference between agencywide general administration expenditures (indirect costs) and school- or program-level expenditures (direct costs). Care should be taken that only countywide or districtwide administrative activities remain in general administration (functions 7200–7999). (Refer to Procedure 915 for further information on the indirect cost rate process.)

List of Function Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Title
0000	**NOT APPLICABLE.** Used with revenues and balance sheet transactions that do not require a function; only expenditure transactions require a function.
1000–1999	**INSTRUCTION**
1000	Instruction
1001–1099	Instruction for Other Than Special Education—Locally defined (When reporting data to CDE, LEAs must roll up these functions to Function 1000.)
1100-1199	Special Education Instruction
1110	Special Education: Separate Classes
1120	Special Education: Resource Specialist Instruction
1130	Special Education: Supplemental Aids and Services in Regular Classrooms
1180	Special Education: Nonpublic Agencies/Schools (NPA/S)
1190	Special Education: Other Specialized Instructional Services
2000–2999	**INSTRUCTION-RELATED SERVICES**
2100	Instructional Supervision and Administration
2110	*Instructional Supervision*
2120	*Instructional Research*
2130	*Curriculum Development*
2140	*In-house Instructional Staff Development*
2150	*Instructional Administration of Special Projects*
2200	Administrative Unit (AU) of a Multidistrict SELPA
2420	Instructional Library, Media, and Technology
2490	Other Instructional Resources
2495	*Parent Participation*
2700	School Administration
3000–3999	**PUPIL SERVICES**
3110	Guidance and Counseling Services
3120	Psychological Services
3130	Attendance and Social Work Services
3140	Health Services
3150	Speech Pathology and Audiology Services
3160	Pupil Testing Services
3600	Pupil Transportation
3700	Food Services
3900	Other Pupil Services

Code	Title
4000–4999	**ANCILLARY SERVICES**
4000	Ancillary Services
4100	*School-Sponsored Co-curricular*
4200	*School-Sponsored Athletics*
4900	*Other Ancillary Services*
5000–5999	**COMMUNITY SERVICES**
5000	Community Services
5100	*Community Recreation*
5400	*Civic Services*
5900	*Other Community Services*
6000–6999	**ENTERPRISE**
6000	Enterprise
7000–7999	**GENERAL ADMINISTRATION**
7100	Board and Superintendent
7110	*Board*
7120	*Staff Relations and Negotiations*
7150	*Superintendent*
7180	*Public Information*
7190	External Financial Audit—Single Audit
7191	External Financial Audit—Other
7200	Other General Administration
7210	Indirect Cost Transfers
7300	*Fiscal Services*
7310	*Budgeting*
7320	*Accounts Receivable*
7330	*Accounts Payable*
7340	*Payroll*
7350	*Financial Accounting*
7360	*Project-Specific Accounting*
7370	*Internal Auditing*
7380	*Property Accounting*
7390	*Other Fiscal Services*
7400	*Personnel/Human Resources Services*
7410	*Staff Development*
7430	*Credentials*
7490	*Other Personnel/Human Resources Services*
7500	*Central Support*
7510	*Planning, Research, Development, and Evaluation*
7530	*Purchasing*

Code	Title
7540	*Warehousing and Distribution*
7550	*Printing, Publishing, and Duplicating*
7600	*All Other General Administration*
7700	Centralized Data Processing
8000–8999	**PLANT SERVICES**
8100	Plant Maintenance and Operations
8110	*Maintenance*
8200	*Operations*
8300	*Security*
8400	*Other Plant Maintenance and Operations*
8500	Facilities Acquisition and Construction
8700	Facilities Rents and Leases
9000–9999	**OTHER OUTGO**
9100	Debt Service
9200	Transfers Between Agencies
9300	Interfund Transfers

Function Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Definition
	Note: Also, see Appendix D, "Function Codes for Common Activities," for common activities and the function codes(s) typically associated with each.
0000	**NOT APPLICABLE.** This code is used for revenues and balance sheet transactions for which a function is not required. All expenditures must be coded to one of the functions below.
1000–1999	**INSTRUCTION** Generally used with goals 1000–7000; may be used with Goal 8500, Child Care and Development Services, and Goal 4900, Other Supplemental Education.
1000	**Instruction.** Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom or in another location, such as a home or hospital. It may also be provided through some other approved medium, such as computers, television, radio, telephone, and correspondence. Included here are the activities of aides or classroom assistance of any type (e.g., readers, teaching machines) that assist in the instructional process. Also included are noon-duty personnel. Expenditures for instructional technology, which include costs for computers, routers and servers, software licenses, communication lines, and computer maintenance, may be coded to Function 1000, Instruction, where they can be identified directly with the classroom. If a stipend is paid to a teacher for any noninstructional function, the stipend should be coded to the appropriate function. Expenditures for department chairpersons who teach part time should be prorated using the full-time-equivalent (FTE) ratio. Full-time department chairpersons' expenditures should be included in Function 2700, School Administration. Instructional functions may not be used in capital project funds.
1001–1099	**Instruction for Other Than Special Education—Locally defined.** LEAs may use these codes to locally track instruction expenditures other than for special education. When reporting data to CDE, LEAs must roll up these functions to Function 1000, Instruction**.**

Code	Title
1100–1199	**Special Education Instruction.** Specialized instruction provided to special education students with individualized education programs (IEPs). These functions measure the salaries and associated costs of those personnel who work directly with the students to teach them. The following instructional functions must be used with the special education goals; they may not be used with Goal 5001, Special Education—Unspecified.
1110	**Special Education: Separate Classes.** Salaries, supplies, and other costs to provide separate instruction requiring placement in a separate setting because of the nature or severity of the students' special needs. Instruction may be provided in special classrooms on a part-time or a full-time basis (*Education Code* Section 56364). Students may receive a full continuum of services (*Education Code* Section 56361); however, this function records the cost of only one of those services, that of the separate class.
1120	**Special Education: Resource Specialist Instruction.** Salaries, supplies, and other costs to provide instruction and services for those students whose needs have been identified in an IEP, who receive services under the direction of a resource specialist, and who are assigned to another classroom or a special education separate class for a majority of a school day (*Education Code* Section 56362). Students may receive a full continuum of services (*Education Code* Section 56361); however, this function records the cost of only one of those services, that of the resource specialist.
1130	**Special Education: Supplemental Aids and Services in Regular Classrooms.** Salaries, supplies, and other costs needed to allow a student to receive instruction provided in a regular education classroom or in an instructional setting other than those provided for in Function 1110, Special Education: Separate Classes; Function 1120, Resource Specialist Instruction; or Function 1180, Nonpublic Agencies/Schools. Supplemental aids and services make possible program modifications and blended programs with more flexibility for the special education student. Function 1130 services include, but are not limited to, the following: **Special Education Instructional Aides.** Teaching assistants necessary to allow a special education student to participate in a regular classroom. **Interpreter Services.** Sign language interpretation of spoken language through the sign system of the student and tutoring of students regarding class content through the sign system of the student.

Code	Title
	Braille Services. Transcription services to convert materials from print to Braille. Transcription is for textbooks, tests, work sheets, or other instructional necessities.
	Assistive Technology. Devices that allow a student to participate in a regular classroom environment.
	Special Education Home and Hospital Instruction. Instructional services provided to students with special needs who are either homebound or in a hospital.
1180	**Special Education: Nonpublic Agencies/Schools (NPA/S).** Instruction in accord with an IEP provided by a certified NPA/S under contract with a district, special education local plan area (SELPA), or county office when no appropriate public education program is available (*Education Code* Section 56365).
1190	**Special Education: Other Specialized Instructional Services.** Specialized instruction provided in accordance with an IEP on a pullout and/or blended basis to any special education student to supplement the instruction provided in a separate special education class, a nonpublic school, or a regular education setting. These services are instructional in nature and are provided by or under the supervision of certificated special education teachers. Other health, counseling, or psychological services provided to a special education student to help him or her benefit educationally from the regular instruction program are coded under the Pupil Services functions. The difference between types of services in an instructional function and a pupil services function sometimes may be difficult to distinguish. The main question to bear in mind is whether the student is receiving direct instruction or is being given a supplemental health or other professional service that facilitates instruction. For example, an adaptive physical education teacher provides an instructional service in which the main purpose of the class is to provide physical education. A nurse or dentist provides health care that enhances the physical condition of a student so that she or he is better able to participate in an instructional setting. As another example, a speech teacher may teach students using special techniques to help them speak and understand verbal signals, which would be coded to Function 1190; but a speech specialist, who diagnoses specific speech disorders and refers problems for medical or other professional attention to treat speech disorders, is more properly coded to Function 3150, Speech Pathology and Audiology Services.
	Function 1190 services include, but are not limited to, the following:
	Language and Speech. Instruction provided by a certificated teacher in language and speech skills to provide remedial intervention for students with

Code **Title**

difficulty understanding or using spoken language. The difficulty may result from problems with articulation, abnormal voice quality, fluency, or hearing loss.

Adaptive Physical Education. Direct physical education services provided by an adaptive physical education teacher to pupils who have needs that cannot be adequately satisfied in other physical education programs.

Orientation and Mobility Instruction. Instruction for students with identified visual impairments to develop skills in body awareness and movement around school and in the community.

Vocational Education Training. Instruction directly related to the preparation of individuals for paid or unpaid employment. This instruction may include provision for work experience, job coaching, job placement, and situational assessment.

Vision Services. This is a broad category of services provided to students with visual impairments. Assessment of an individual's visual ability should be coded to Function 3140, Health Services. The cost of classroom visual aids, such as curriculum modification and Braille textbooks, used in a general classroom setting should be coded to Function 1130. Other specialized vision services coded to Function 1190 include the student's concept development; instruction in communication skills, such as reading Braille; and career, vocational, and independent living skills.

Education Technological Services. Any specialized training or technical support for the incorporation of assistive devices, adaptive computer technology, or specialized media for the educational programs of the student.

Assistive Services. Training or technical assistance for students. See Pupil Services functions for the functional analysis of the student's need, including selecting, designing, fitting, customizing, or repairing appropriate devices.

Sign Language Service. Instruction in the use of sign language. This training is provided separately for the student. The provision of interpreters in the classroom is coded to Function 1130, Supplemental Aids and Services in Regular Classrooms.

2000–2999 **INSTRUCTION-RELATED SERVICES.** Instruction-related services provide administrative, technical, and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of

Code	Title
	instruction, community services, and enterprise programs rather than as entities within themselves.
2100	**Instructional Supervision and Administration.** Activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students. These activities include curriculum development and staff training on techniques of instruction and awareness of how children develop and learn. This function includes both staff members who are directors or supervisors of programs, such as special education, bilingual education, or similar programs, as well as staff who are singularly involved with projects to improve curriculum and guidance of teachers in the use of instructional materials. This function also includes the instructional administration of special projects. Special projects are those that may have their own project directors; are approved and funded from a specific resource, including federal, state, local, or private agencies; require special project budgets and audits; and may require financial reports. Special projects usually are conducted entirely in support of an instructional program or another support program. Examples of federal special projects include NCLB: Title I, Part A, Basic Grants Low-Income and Neglected, and Special Education: IDEA Local Staff Development Grant. Examples of state special projects include Economic Impact Aid and the School Improvement Program. Salaries and associated costs of staff members who provide supplemental administrative services for a program above the general level provided by the business office, or services normally required of program managers, should be charged here. Include costs of program monitoring and preparing program plans. Because these costs are generally associated with a specific program, they may be charged to a specific resource. Include legal costs directly identifiable with administration of an instructional program; use in combination with a specific resource, where allowed. Pursuant to guidance in Procedure 905, the costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows: • 50 percent to Instructional Supervision and Administration (Function 2100) • 50 percent to Other General Administration (Function 7200)

Code	Title

Function 2100 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

2110 ***Instructional Supervision (Optional).*** *Activities associated with directing, managing, and supervising instructional services.*

2120 ***Instructional Research (Optional).*** *Activities associated with assessing programs and instruction based on research.*

2130 ***Curriculum Development (Optional).*** *Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques to stimulate and motivate students.*

2140 ***In-house Instructional Staff Development (Optional).*** *Expenditures for staff or consultants to develop curriculum for the professional or occupational growth and competence of instructional staff members during the time of their service to the school system or school. These activities include guiding teachers in the use of instructional materials, administering sabbaticals, providing the environment for in-service training, and so forth.*

The cost of a consultant who works with teachers outside the classroom should be charged to Function 2140, Staff Development, and Object 5800, Professional and Consulting Services and Operating Expenditures.

A fee paid for an employee to attend a conference or a salary stipend for attending a staff development conference should follow the function of the employee. For example, the cost of a classroom teacher improving his or her ability to teach is an instructional cost, an "activity dealing directly with the interaction between teachers and students," and should be charged to Function 1000. Likewise, the cost of a school nurse attending a staff development conference should be coded to Function 3140, Health Services. The cost of a maintenance employee attending staff development should be coded to Function 8100, Plant Maintenance and Operations. (Please refer to the examples in Procedure 625.)

2150 ***Instructional Administration of Special Projects (Optional).*** *Activities associated with the administration of special projects, such as Title I or migrant education. Special projects usually are conducted entirely in support of an instructional program or another support program. Include salaries of directors*

Code	Title
	or supervisors of instruction-related special projects and associated clerical or program support staff. Include costs of preparing program plans, program monitoring, and performance (program-specific) audits. Costs will generally be associated with a specific resource and may have a specific goal.
2200	**Administrative Unit (AU) of a Multidistrict SELPA.** Activities concerned with the receipt and distribution of regionalized services funds, provision of administrative support, and coordination of the implementation of the local plan (*Education Code* Section 56195). Activities of the AU of a single-district SELPA are reported under Function 2100.
2420	**Instructional Library, Media, and Technology.** Activities concerned with the use of all teaching and learning resources, including hardware and content materials, methods, or experiences used for teaching and learning purposes. These activities consist of selecting, preparing, caring for, and making available to members of the instructional staff audiovisual equipment and material, education programs presented through television services, and computer-assisted instruction services. This category also includes guiding individuals in the use of library books and materials. All educational media include printed and nonprinted sensory materials. Instructional technology costs identified with computer labs and other instructional support centers may be charged to the instructional library, media, and technology function, where they can be directly identified with it. Direct charges to the instructional library, media and technology function include salaries of librarians, library clerks, audiovisual personnel, and personnel who are involved in writing, programming, and directing ongoing educational television and computer-based instructional programs; benefits for employees in this program; library books, regardless of where they are placed in the district; audiovisual materials; repair and maintenance of equipment used in this program; and acquisition and replacement of audiovisual and library equipment Examples of activities or items excluded as direct charges to the instructional library, media, and technology function are as follows: 1. Textbooks (to be charged to the appropriate instructional function) 2. Specific or special materials that are used exclusively in an instructional program or project and that are not part of the central library (to be charged to the appropriate instructional function as instructional supplies) 3. Computer-assisted instructional activities of an experimental nature (to be charged to instructional supervision and administration) Function 2420 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal.

Code	Title
	Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.
2490	**Other Instructional Resources.** Other activities and materials that provide students the resources to achieve appropriate student learning outcomes.
2495	***Parent Participation (Optional).*** *Activities designed to include the parents in the student's education.*
2700	**School Administration.** Activities concerned with directing and managing the operation of a particular school. The activities include those performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate the staff members, assign duties to staff members, supervise and maintain the school records, and coordinate school instructional activities with those of the LEA. These activities also include the work of clerical staff in support of the teaching and administrative duties, including school-level attendance recording and reporting. Other school administration services include graduation expenditures and department chairpersons.

Pursuant to guidance in Procedure 905:

Small school districts and charter schools that have one person performing the functions of both the principal and the superintendent may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Board and Superintendent (Function 7100)

Small school districts and charter schools with staff members performing support duties for both school administration and business office administration may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Other General Administration (Function 7200)

Function 2700 is generally used with Goal 0000, Undistributed. It may be used with goals 1000–6999 if only one goal is served at the school (e.g., if the school only provides Special Education or ROC/P services). It may also be used with goals 7110–7150, Nonagency, Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Code	Title
3000–3999	**PUPIL SERVICES**
3110	**Guidance and Counseling Services.** Activities involving counseling with students and parents; consulting with other staff members on learning problems; evaluating the abilities of students; assisting students as they make their own educational and career plans and choices; assisting students in personal and social development; providing referral assistance; and working with other staff members in planning and conducting guidance programs for students.

Function 3110 includes information services, appraisal services, placement services, counseling services, and record maintenance services, as follows:

Information Services. Activities for disseminating educational, occupational, personal, and social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information may be provided directly to students through activities such as group or individual guidance, or it may be provided indirectly to students through staff members or parents.

Appraisal Services. Activities that assess student characteristics. They are used in administration, instruction, and guidance to assist the student in assessing his or her purposes and progress in career and personality development.

Placement Services. Activities that help place students in appropriate situations while they are in school. These could be educational situations, part-time employment while they are in school, and appropriate educational and occupational situations after they leave school. These activities also help ease the student's transition from one educational experience to another. The transition may require, for example, admissions counseling, referral services, assistance with records, and follow-up communications with employers.

Counseling Services. Activities concerned with the relationship between one or more counselors and one or more students or between counselors and other staff members. These activities are intended to help students understand their educational, personal, and occupational strengths and limitations; relate their abilities, emotions, and aptitudes to educational and career opportunities; utilize their abilities in formulating realistic plans; and achieve satisfying personal and social development.

Code	Title

Record Maintenance Services. Activities for compiling, maintaining, and interpreting cumulative records of individual students, including systematic consideration of such factors as:

- Home and family background
- Physical and medical status
- Standardized test results
- Personal and social development
- School performance

Function 3110 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

The following counseling services in this function should be coded to goals 5000–5999, Special Education:

Behavior Management Services. Services provided pursuant to an IEP to teachers, parents, or students by a professional counselor to promote lasting, positive changes in the student's behavior. These services result in the student gaining greater access to a variety of community settings, social contacts, public events, and placement in the least restrictive environment (*Title 5, California Code of Regulations*, Section 3001[d]).

Individual Counseling. One-on-one counseling pursuant to an IEP. Counseling may focus on educational, career, or personal aspects. It may include parents or staff members. Used with the special education goal, this service is expected to supplement the regular guidance and counseling program.

Group Counseling. Counseling in a group setting pursuant to an IEP. Typically, group counseling centers on social skills development, but it may also focus on educational, career, or personal aspects. It may be conducted with parents or staff. Used with the special education goal, this service is expected to supplement the regular guidance and counseling program.

Guidance Services. Interpersonal, intrapersonal, or family interventions pursuant to an IEP. Specific programs include social skills development, self-esteem building, parent training, and assistance to special education students. These services are expected to supplement the regular guidance and counseling program.

Code	Title

Parent Counseling. Individual or group counseling pursuant to an IEP to assist parents of special education students in better understanding and meeting their children's needs. Many counseling sessions include parenting skills or other pertinent issues. IEP-required parent counseling is expected to supplement the regular guidance and counseling program.

3120 **Psychological Services.** Activities concerned with administering psychological tests and interpreting the results; gathering and interpreting information about student behavior; working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests and behavioral evaluations; and planning and managing a program of psychological services, including psychological counseling for students, staff, and parents.

Function 3120 services include the following:

Psychological Testing Services. Activities concerned with administering psychological tests, standardized tests, and inventory assessments. These tests measure ability, aptitude, achievement, interests, and personality. Activities also include the interpretation of these tests for students, school personnel, and parents.

Psychological Counseling Services. Activities that take place between a school psychologist or other qualified person, a counselor, and one or more students in which the students are helped to perceive, clarify, and solve problems of adjustment and interpersonal relationships.

Psychotherapy Services. Activities that provide a therapeutic relationship between a qualified mental health professional and one or more students in which the students are helped to perceive, clarify, and solve emotional problems.

Function 3120 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Psychologist services for assessment testing for students with an individualized education program (IEP) are coded to goals 5000–5999.

3130 **Attendance and Social Work Services.** Activities designed to improve student attendance at school and prevent or solve student problems involving the home,

Code	Title
	the school, and the community. Attendance services consist of such activities as early identification of patterns of absence, promotion of pupils' and parents' positive attitudes toward attendance, analysis of causes of absences, and enforcement of compulsory attendance laws. The time spent on attendance recording and reporting on a school-level or districtwide basis is charged to the school or general administration function. Social work services consist of such professional services as diagnosing the problems of pupils arising out of the home, school, or community; undertaking casework services for the child or parent or both; interpreting the pupils' problems for other staff members; and promoting modification of the circumstances surrounding the individual pupil that is related to his or her problem insofar as the resources of family, school, and community can be brought to bear on the problem. Function 3130 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.
3140	**Health Services.** Physical and mental health services that are not direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services, as follows: **Medical Services.** Activities concerned with the physical and mental health of students, such as health appraisal, including screening for vision, communicable diseases, and hearing deficiencies; screening for psychiatric services; periodic health examinations; emergency injury and illness care; and communications with parents and medical personnel. **Dental Services.** Activities associated with dental screening, dental care, and orthodontic activities. **Nursing Services.** Activities associated with nursing, such as health inspection, treatment of minor injuries, and referrals for other health services. Function 3140 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Code	Title
	Goals 5000–5999, Special Education, may include the following services in this function:
	Assessment Testing. Individual health assessment done by a credentialed school nurse or physician for students who have or may be determined to need individualized education programs (*Education Code* Section 56324).
	Physical Therapy. Services provided pursuant to an IEP by a registered physical therapist or physical therapist assistant when assessment shows a discrepancy between gross motor performance and other educational skills.
	Occupational Therapy. Services provided to improve a student's postural stability, sensory processing and organization, environmental adaptation, motor planning and coordination, visual perception, and integration and fine motor abilities.
	Vision Services. The assessment of functional vision and therapy to correct visual impairments.
	Health and Nursing. Specialized physical health care services provided pursuant to an IEP, such as catheterization, nebulizer treatments, blood glucose monitoring, administration of oxygen, and any other specialized services that may be provided by a trained staff member and do not require the supervision of a physician. Other services provided pursuant to an IEP when a student has health problems that require nursing intervention beyond basic school health services include managing the health problem, consulting with staff, providing group and individual counseling, making appropriate referrals, and maintaining communication with agencies and health care providers.
3150	**Speech Pathology and Audiology Services.** Activities that identify, assess, and treat children with speech, hearing, and language impairments. Speech pathology services consist of activities that identify children with speech and language disorders; diagnose and assess specific speech and language disorders; refer problems for medical or other professional attention necessary to treat speech and language disorders; provide required speech treatment services; and counsel and guide children, parents, and teachers, as appropriate. Audiology services consist of activities that identify children with hearing loss; determine the range, nature, and degree of hearing function; refer problems for medical or other professional attention appropriate to treat impaired hearing; treat language impairment; involve auditory training, speech reading (lip-reading), and speech conversation; create and administer programs of hearing conversation; and counsel and guide children, parents, and teachers, as appropriate.

Code	Title
	Audiological services for special education students include measurements of acuity or consultation with speech pathologists. Classroom instruction by a certificated teacher in how to speak, read, or interpret verbal signals is more properly coded to Function 1190, Special Education: Other Specialized Instructional Services. Function 3150 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal. Goals 5000–5999, Special Education, may include language and speech services to provide remedial intervention for individuals with difficulty understanding or using spoken language. Services include referral and assessment, monitoring, reviewing, and consultation.
3160	**Pupil Testing Services.** Cost of staff or consultants assigned to coordinate the standardized testing of students in academic contents. The cost of classroom teachers administering tests to their students during the instructional day remains a part of the instructional function. Function 3160 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. It may also be used with Goal 8500, Child Care and Development Services, and Goal 8600, County Services to Districts. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.
3600	**Pupil Transportation.** Activities concerned with conveying students to and from school. Transportation other than from home to school is referred to as "Other Miles," which includes field trips and transportation between school sites. Costs of "Other Miles" are instructional costs to the user program or project. Costs in the Pupil Transportation function include: • Transportation supervisors, directors, bus drivers, clerks, and bus maintenance personnel • Fuel, oil, tires, and parts for buses • Contracted repair of buses • Bus driver training and certification • Contracts with individuals, other districts, and firms for transporting pupils

Code	Title

- Rental of buses
- Acquisition and replacement of equipment used for transporting pupils, including buses

Costs in this function exclude:

- Field trips
- Student organization trips
- Summer school miles
- Financing costs (e.g., principal and interest for acquisition of buses)
- Principal and interest on school bus loans/capital leases
- Vehicles other than those used for student transportation

Costs for transportation other than home to school ("Other Miles") that are first accumulated in Function 3600 are to be transferred to other functions and/or resources using Object 5710, Transfers of Direct Costs. (See various examples in Procedure 640.) The documented method shall be used to distribute these costs. Documentation methods could include actual costs from the bus contractor or a fixed rate per mile plus the paid driver's layover time. All charges for pupil transportation services to organizations outside the district (parent-teacher associations, recreation districts, and so on) shall be made to the appropriate ancillary or community service function.

Costs for home-to-school transportation accumulated in Function 3600 may be charged to goals 1000–7000 as documented direct support costs. All other home-to-school transportation costs are charged to Goal 0000, Undistributed, and distributed to user programs (goals) using the Pupils Transported allocation factors. (Refer to Procedure 910 for additional information regarding documenting and allocating costs.)

Costs of providing specialized transportation services (e.g., buses with wheelchair lifts, aides who accompany children on the bus) specified in IEPs of special education pupils who are severely disabled or orthopedically impaired are reported in Goal 5750, Special Education, Ages 5–22 Severely Disabled. These costs are normally reported in Resource 7240, Transportation: Special Education (SD/OI), if the LEA receives a state transportation apportionment. If these costs are initially accumulated in Resource 7230, Transportation: Home to School, they are to be transferred to Resource 7240, Goal 5750, using Object 5710, Transfers of Direct Costs.

Costs of providing transportation services specified in IEPs of special education students who are not severely disabled or orthopedically impaired are reported in special education goals other than 5750. These costs are normally reported in

Code	Title
	Resource 7230, Transportation: Home to School, if the LEA receives a state transportation apportionment.
3700	**Food Services.** Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery. Costs in this function include those for: • Food service supervisors, managers, directors, and related staff, such as bookkeepers and clerks • Cooks and helpers • Food purchases • Nonfood purchases (e.g., plates, silverware, napkins) essential to providing food services to students • Commodities • Food services laundry • Purchase of vehicles and other transportation costs, including insurance for those vehicles, for the purpose of transporting food from central locations to satellite locations • Acquisition and replacement of related equipment • Repair and maintenance of equipment used in this function • Snacks for kindergarten classes • Food purchased for lunches not reimbursed through the School Lunch Program Costs in this function exclude food purchases for meetings or workshops or to instruct students on food preparation. Function 6000, Enterprise, is used for a catering service. (See the examples in Procedure 635.) Function 3700 is generally used with Goal 0000, Undistributed.
3900	**Other Pupil Services**. Other support services to students not classified elsewhere in the 3000 functions. Function 3900 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific instructional goal, it may be used with that goal. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

Code	Title

4000–4999 ANCILLARY SERVICES

4000 **Ancillary Services.** School-sponsored activities during or after the school day that are not essential to the delivery of services in the functions 1000, 2000, and 3000 series. These activities are generally designed to provide students with experiences such as motivation and enjoyment and improvement of skills in either a competitive or noncompetitive setting.

Generally used with goals 0001–6999.

4100 ***School-Sponsored Co-curricular (Optional).*** *School-sponsored activities, under the guidance and supervision of LEA staff, designed to provide students such experiences as motivation, enjoyment, and improvement of skills. Co-curricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech, and debate. Also included are student-financed and student-managed activities, such as Class of 20XX, Chess Club, Senior Prom, and Future Farmers of America. Athletics is coded to Function 4200.*

4200 ***School-Sponsored Athletics (Optional).*** *School-sponsored activities, under the guidance and supervision of LEA staff members who provide opportunities for students to pursue various aspects of physical education. Athletics normally involves competition between schools and frequently involves offsetting gate receipts or fees.*

4900 ***Other Ancillary Services (Optional).*** *Activities that provide students with learning experiences not included in the other Function 4000, Ancillary Services, accounts.*

5000–5999 COMMUNITY SERVICES

5000 **Community Services.** Activities concerned with providing community services to community participants other than students. These include activities authorized by the Community Recreation Act (*Education Code* Section 10900 et seq.) and by the Civic Center Act (*Education Code* Section 38130 et seq.). Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, or a community child care center for working parents. This function is also used for scholarship payments.

Costs in this function include paid overtime or extra time for custodial services performed entirely as a result of community services activities.
Used with Goal 8100, Community Service, and Goal 8500, Child Care and Development Services.

Code	Title
5100	***Community Recreation (Optional).*** *Activities concerned with providing recreation for the community as a whole or for some segment of the community. Included are such staff activities as organizing recreation programs for all citizens of the community at city parks, swimming pools, or school playgrounds.*
5400	***Civic Services (Optional).*** *Activities concerned with providing services to civic affairs or organizations. This function includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.*
5900	***Other Community Services (Optional).*** *Community services activities that cannot be classified under the preceding areas of responsibility. "Other" may include public library services and welfare activities.*

6000–6999 ENTERPRISE

6000 **Enterprise.** Activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. Food services that are part of child nutrition programs should not be charged here, even if the food service program is reported in an enterprise fund, but rather to Function 3700 because costs are financed in large part through federal and state revenues. This function is used when an LEA is selling goods or services to outside organizations.

Function 6000 should be used with activities of Fund 67, Self-Insurance Fund, and Fund 71, Retiree Benefit Fund.

It is generally used with Goal 0000, Undistributed.

7000–7999 GENERAL ADMINISTRATION

General administration refers to agencywide administrative activities that are accounted for in the general fund. General administration functions are normally used with Resource 0000, Unrestricted, and Goal 0000, Undistributed. For information on resource-specific administrative costs, see Function 2100, Instructional Supervision and Administration.

7100 **Board and Superintendent.** Activities concerned with establishing and administering policy for operating the LEA.

Generally, this function is used with Goal 0000, Undistributed.

Code **Title**

Pursuant to guidance in Procedure 905, small school districts and charter schools that have one person performing the functions of both the principal and the superintendent may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Board and Superintendent (Function 7100)

7110 ***Board (Optional).*** *Activities of the elected body that has been created according to state law and vested with responsibilities for educational activities in a given administrative unit.*

Costs in this function include:

- *Activities of the members of the Board of Education*
- *Activities of the district performed in support of school district meetings*
- *Legal activities in interpretation of the laws and statutes and general liability situations. Note: Legal costs identifiable with a specific activity generally may be charged to that activity (e.g., Function 2100, Instructional Supervision and Administration; Function 7300, Fiscal Services; Function 7400, Personnel/Human Resources Services; Function 8500, Facilities Acquisitions and Construction).*
- *Services rendered in connection with any school system election, including elections of officers and bond elections*

7120 ***Staff Relations and Negotiations (Optional).*** *Incremental costs of activities, not including those of the board or superintendent or their immediate staff, concerned with staff relations systemwide and the responsibilities for contractual negotiations with both instructional and noninstructional personnel. Costs in this function are included in the LEA's indirect cost pool (see "Indirect Cost Rate Work Sheet," page 915-11).*

7150 ***Superintendent (Optional).*** *Activities associated with the overall general administration of or executive responsibility for the entire LEA.*

Costs in this function include:

- *Activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in generally directing and managing all affairs of the LEA, unless the activities of such assistants can be placed properly into an instructional or pupil service area, in which case they would be charged to that service area*

Code **Title**

- *Personnel and materials in the office of the chief executive officer*
- *Activities associated with community/public relations*
- *Activities associated with developing and maintaining good relationships with state and federal officials*
- *Activities associated with grant procurement*

7180 ***Public Information (Optional).*** *Writing, editing, and other activities necessary for the preparation and dissemination of educational and administrative information to the public through various news media or personal contact.*

7190 **External Financial Audit—Single Audit.** Annual independent financial audits conducted pursuant to both *Education Code* Section 14503 and the Single Audit Act as required for LEAs that expend more than $500,000 in federal funds. Costs in this function are included in the LEA's indirect cost pool (refer to "Indirect Cost Rate Work Sheet," page 915-11).

7191 **External Financial Audit—Other.** Annual independent financial audits conducted pursuant to *Education Code* Section 14503, where the LEA expends less than $500,000 in federal funds and a single audit is not required.

7200 **Other General Administration.** Activities other than Board and Superintendent (functions 71xx) which manage the LEA as an overall entity. Other General Administration activities include fiscal services, personnel services, and central support services. Include attendance recording and reporting activities performed at the LEA level. Attendance activities performed at the school level should be charged to Function 2700, School Administration.

Certain insurance should be charged to a specific function, such as Function 1000, Instruction, for pupil insurance and driver training vehicle insurance; Function 3600, Pupil Transportation, for insurance on buses; and Function 3700, Food Services, for insurance on food service vehicles. All other costs of property or general liability insurance not charged to a specific function should be charged to Function 7200, Other General Administration; or optionally to Function 7600, All Other General Administration.

Pursuant to guidance in Procedure 905:

> The costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

Code **Title**

- 50 percent to Instructional Supervision and Administration (Function 2100)
- 50 percent to Other General Administration (Function 7200)

Small school districts and charter schools with staff performing support duties for both school administration and business office administration may charge the costs as follows:

- 70 percent to School Administration (Function 2700)
- 30 percent to Other General Administration (Function 7200)

Agencywide administrative costs are not directly expended in any fund other than the general fund. Because of the agencywide nature of the costs, with few exceptions, Function 7200 and its optional subfunctions 7300–7600 are used with unrestricted resources (0000–1999). They are normally used with Goal 0000, Undistributed; Goals 7100–7199, Nonagency; or Goal 8600, County Services to Districts.

7210 **Indirect Cost Transfers.** Use in combination with Object 7310, Transfers of Indirect Costs, and Object 7350, Transfers of Indirect Costs—Interfund, to record indirect cost transfers.

Use this function to record both the debit and credit for these transfers. For transfers within a fund, this function must balance to zero at the fund level. For interfund transfers, the function will have a balance at the fund level but must balance to zero across all funds.

7300 ***Fiscal Services (Optional).*** *Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing, and managing funds. Include legal costs directly identifiable with fiscal services activities.*

7310 ***Budgeting (Optional).*** *Activities concerned with supervising budget planning, formulation, control, and analysis.*

7320 ***Accounts Receivable (Optional).*** *Activities concerned with receiving money. They include the current audit of receipts.*

7330 ***Accounts Payable (Optional).*** *Activities concerned with paying out money. They include the preaudit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine whether such disbursements are lawful expenditures of the LEA.*

Code	Title
7340	***Payroll (Optional).*** *Activities concerned with periodically paying individuals entitled to remuneration for services rendered.*
7350	***Financial Accounting (Optional).*** *Activities concerned with maintaining records of the financial operations and transactions of the school system. They include such activities as accounting and interpreting financial transactions and account records.*
7360	***Project-Specific Accounting (Optional).*** *Activities concerned with maintaining the records of financial operations and transactions of specific projects. Examples might include business office staff assigned to construction cost accounting or preparation of analyses or reports for specific project areas or activities. For resource-specific project activities, see Function 2100, Instructional Supervision and Administration, and optional Function 2150, Instructional Administration of Special Projects.*
7370	***Internal Auditing (Optional).*** *Activities concerned with verifying the account records, which include evaluating the adequacy of the internal control system, verifying and safeguarding assets, reviewing the reliability of the accounting and reporting systems, and ascertaining compliance with established policies and procedures.*
7380	***Property Accounting (Optional).*** *Activities concerned with preparing and maintaining current inventory records of land, buildings, and equipment. These records are used in equipment control and facilities planning.*
7390	***Other Fiscal Services (Optional).*** *Fiscal services that cannot be classified under the preceding functions.*
7400	***Personnel/Human Resources Services (Optional).*** *Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruitment and placement, staff transfers, health services, and staff accounting. Include legal costs directly identifiable with personnel/human resources services activities.*
7410	***Staff Development (Optional)****. Activities concerned with developing districtwide training programs for noninstructional personnel in all classifications.*
7430	***Credentials (Optional).*** *Activities related to credential services.*

Code **Title**

7490 ***Other Personnel/Human Resources Services (Optional).*** *Personnel services that cannot be classified under the preceding functions.*

7500 ***Central Support (Optional).*** *Activities other than general administration that support the instructional and supporting services programs. These activities include planning, research, development, evaluations, purchasing, distribution, and warehousing services for the LEA.*

7510 ***Planning, Research, Development, and Evaluation (Optional).*** *Activities associated with conducting and managing programs of planning, research, development, and evaluation for a school system on a systemwide basis, including costs of facility planning and administration not directly identifiable with a capital project.*

Planning Services include activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization. They also involve formulating various courses of action needed to achieve these goals. This is done by identifying needs and relative costs and benefits of each course of action.

Research Services include activities concerned with the systematic study and investigation of the various aspects of education and undertaken to establish facts and principles.

Development Services include activities in the deliberate, evolving process of improving educational programs, such as activities using the products of research.

Evaluation Services include activities concerned with ascertaining or judging the value or amount of an action or an outcome. Evaluation is done through a careful appraisal of previously specified data in light of the particular situation and goals previously established.

7530 ***Purchasing (Optional).*** *Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations.*

7540 ***Warehousing and Distribution (Optional).*** *Activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail.*

7550 ***Printing, Publishing, and Duplicating (Optional)****. Activities of printing and publishing administrative publications, such as annual reports, school directories, and manuals. Activities here also include centralized services*

Code **Title**

for duplicating school materials and instruments, such as school bulletins, newsletters, and notices. Those costs of centralized duplicating and reproduction services that benefit specific programs may be accumulated here but should be transferred to those programs as direct costs using Object 5710, Transfers of Direct Costs, or Object 5750, Transfers of Direct Costs—Interfund.

7600 ***All Other General Administration (Optional).*** *All other general administrative services not classified elsewhere in functions 7300–7500.*

7700 **Centralized Data Processing.** Agencywide data processing services, whether in-house or contracted. Examples of this function are costs for computer facility management, computer processing, systems development, analysis and design, and interfacing associated with general types of technical assistance to data users. Specific types of applications include attendance accounting, grade reporting, financial accounting, and human resources/personnel. Costs associated with mainframe computers, minicomputers, and networked or stand-alone microcomputers that provide services to multiple functions are recorded here.

Costs in this function include:

- Salaries and other expenditures (including hardware/software maintenance) for PC networks that include student and general administrative software and serve multiple functions. If these costs can be directly identified as instructional or support, they should be charged to the appropriate function. See "Categories of Costs," page 910-2, for information on instructional and support costs.
- Network managers for noninstructional computer networks.
- Salaries and other expenditures (including hardware/software maintenance) for minicomputers that include student and general administrative software and serve multiple functions.
- Salaries and other expenditures (including hardware/software maintenance) for mainframe computers that include student and general administrative software and serve multiple functions.
- Management Information Systems (MIS) directors

Data processing costs that support instructional programs (e.g., computers in the classroom, instructional computer labs, instructional networks, library computers) should be charged to Function 2420, Instructional Library, Media, and Technology, or Function 1000, Instruction. If data processing costs are accumulated in Function 7700 (for example, because one data processing person provides technology services for all functions), any instruction-related costs must be reclassified using Object 5710, Transfers of Direct Costs, to Function 2420 or

Code **Title**

1000, as appropriate. Methods of determining the amount of instruction-related costs to transfer include work orders or a count of workstations.

Costs in this function exclude:

- Stand-alone or networked computers used by a specific functional area
- Peripherals, including terminals and printers, used by a specific functional area
- Instructional computer networks
- Instructional technology coordinators

Function 7700 is generally used with Goal 0000, Undistributed.

8000–8999 **PLANT SERVICES.** Activities concerned with keeping the physical plant open, comfortable, and safe for use and keeping the grounds, buildings, and equipment in working condition and a satisfactory state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

8100 **Plant Maintenance and Operations.** This function is used for expenditures related to activities to keep the physical plant and grounds open, clean, comfortable, and in working condition and a satisfactory state of repair. This function is used to record expenditures for the maintenance and operation of the physical plant and grounds.

Do not use Function 8100 for a capital project that extends the life and the value of a capital asset. (See Function 8500, Facilities Acquisition and Construction.)

Function 8100 is generally used with Goal 0000, Undistributed. If directly identifiable with a specific goal, it may be used with that goal. Support costs charged directly to a specific goal require supporting documentation indicating how the costs relate to the goal.

8110 ***Maintenance (Optional).*** *Activities involved with repairing, restoring, or renovating school property, including grounds, buildings, site improvements, building fixtures, and service systems.*

Direct charges to the maintenance function may include contracts for repairing, restoring, or renovating the grounds, buildings, or equipment, including regrading sites and repairing retaining walls, walks, driveways, sprinkler systems, and playground apparatus or equipment; reseeding of lawns; repainting; repairs to or replacement of roofs, walls, heating and air-conditioning units, and electrical and plumbing installations; repairs to

Code **Title**

built-in fixtures; resurfacing and refinishing of floors; movement of movable walls or partitions; and acquisition and replacement of related equipment.

Use for building repairs and renovations that do not meet the LEA's capitalization threshold.

8200 ***Operations (Optional).*** *Activities concerned with keeping the physical plant clean and ready for daily use. Included activities are cleaning and disinfecting; heating, lighting and ventilation; maintenance of power; moving of furniture; caring for grounds; garbage and trash disposal; laundry and dry cleaning service, including the rental of towels; rental of equipment, such as floor polishers; softwater service; and such other housekeeping activities as are repeated on a daily, weekly, monthly, or seasonal basis.*

*Direct charges to the operations function may include salaries of directors and supervisors of operations, custodians, guards, gardeners, telephone switchboard operators, truck drivers, operational clerks, and similar employee(s); employee benefits for all employees in this program; supplies, including brooms, brushes, disinfectants, fuses, garbage cans, light bulbs and fluorescent tubes, mops, wax, soap, toilet paper, towels, outdoor flags, weed killers, and fertilizers; office supplies; repair and maintenance of equipment used in this program; acquisition and replacement of related equipment; and nonuse fees assessed by the state for unused school sites (*Education Code *Section 17219).*

8300 ***Security (Optional).*** *Activities concerned with maintaining order and safety in school buildings, on the school grounds, and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems, and hall monitoring services.*

8400 ***Other Plant Maintenance and Operations (Optional).*** *Operations and maintenance of plant services that cannot be classified elsewhere in functions 8100–8399.*

8500 **Facilities Acquisition and Construction.** Activities concerned with capital projects, such as acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites. Capitalize projects that extend the life and value of a site, building, or major equipment and that exceed the LEA's capitalization threshold. Documented time of a project manager to a

Code	Title
	capital project may be capitalized. Include legal costs directly identifiable with a capital project. Facility costs that are not clearly identifiable to a capital project should not be charged to Function 8500. Facility planning or administration should be charged to Function 7200, Other General Administration, or to optional Function 7510, Planning, Research, Development, and Evaluation. Facility improvements that do not significantly extend the life or increase the value of a site or building or that do not meet the LEA's threshold for capitalization should be charged to Function 8100, Plant Maintenance and Operations. Most commonly used with Objects 6100–6300 but may also be used with Object 6400 and with most objects in the 1000–5999 range. Refer to Procedure 770, "Distinguishing Between Supplies and Equipment," for additional information on capitalization concepts.
8700	**Facilities Rents and Leases.** Activities concerned with acquiring facilities through operating leases or rentals without the option to purchase. This function does not include capital lease payments. Capital lease payments are debt service and are charged to all other outgo. Generally, costs of leased or rented facilities are considered agencywide costs of doing business and are shared equitably by all programs. Costs may be charged to a specific program only if renting or leasing a facility is required by state or federal agencies for programmatic purposes, such as on a site where no agency-owned facilities are located. Supporting documentation of the requirement is necessary. As an example, a county office leases a classroom from a school district to house a special education class. The action is necessary for programmatic purposes because the special education class is required by the state to be conducted at a regular school site for mainstreaming purposes. The county office owns no regular education schools where the class could be located. The lease payments would be charged as documented direct support costs to a special education goal. Alternatively, a school district leases ROP classroom space in a facility that is near the shopping center where most ROP students are being trained. However, because housing the ROP classes rather than other program classes in the rented facility was a district administrative decision and not a state or federal requirement, the cost of the lease payments would be charged to the Goal 0000, Undistributed, and subsequently distributed to all district programs as allocated support costs.

Code	Title
	The temporary rental of a facility incidental to a particular activity, such as hourly or daily rental of a hall for a staff development workshop or rental of an auditorium for a school graduation, should be charged to the same function as the benefiting activity.
9000–9999	**OTHER OUTGO**
	Used with Goal 0000, Undistributed.
9100	**Debt Service.** Servicing the debt of the LEA, including issuance costs and payments of both principal and interest. Normally, only long-term debt service (obligations exceeding one year) is recorded here. It should also be used to record that portion of direct costs for issuing tax and revenue anticipation notes (TRANs), bonds, or certificates of participation (COPs), including interest expense, which is equal to or less than investment earnings on the proceeds. If costs exceed investment earnings, the excess costs are to be charged to Function 7200, Other General Administration. If long-term debt is issued at a discount, the discount should be recorded in this function with Object 7699, All Other Financing Uses.
9200	**Transfers Between Agencies.** These include outgoing tuitions and transfers of apportionments and resources. Transfers may be to other LEAs and to all other agencies.
9300	**Interfund Transfers.** Financial outflows to other funds of the LEA that are not classified as quasi-external transactions, reimbursements, loans, or advances.

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Procedure 330 Object Classification

The object field classifies expenditures according to the types of items purchased or services obtained. It classifies revenues by the general source and type of revenue. It also classifies balance sheet accounts as assets, liabilities, or fund balance.

How the Object Field Is Used

The object field applies to expenditures, revenues, and balance sheet accounts.

Flexibility of the Object Field

LEAs are required to code their transactions to at least the minimum object level required by CDE. However, LEAs may also use more detailed CDE-defined optional object codes (indicated by italics in the object code listing) or create their own locally defined object codes. Required and optional codes are reported to CDE; locally defined codes must be rolled up by the LEA when reporting data to CDE. For further information, see "Optional and Locally Defined Codes" and "Reporting Data to the State," beginning on page 301-4.

The fourth digit of objects 3000–3999 has been restricted by CDE to a specific definition. The third digit is available for LEA use if it is rolled up to zero when submitted to CDE. For example:

3401 Health and Welfare Benefits, certificated positions
- 3411 Health and Welfare Benefits, certificated positions, instructional
- 3421 Health and Welfare Benefits, certificated positions, administrative

In this example, the LEA has used locally defined objects using the third digit. These must be rolled up to Object 3401, Health and Welfare Benefits, certificated positions, when data are reported to CDE.

List of Object Codes

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Title
1000–7999	**EXPENDITURES AND OTHER FINANCING USES**
1000-7499	**Expenditures**
1000–1999	Certificated Personnel Salaries
1100	Certificated Teachers' Salaries
1200	Certificated Pupil Support Salaries
1300	Certificated Supervisors' and Administrators' Salaries
1900	Other Certificated Salaries
2000–2999	Classified Personnel Salaries
2100	Classified Instructional Salaries
2200	Classified Support Salaries
2300	Classified Supervisors' and Administrators' Salaries
2400	Clerical, Technical, and Office Staff Salaries
2900	Other Classified Salaries
3000–3999	Employee Benefits
3101	State Teachers' Retirement System, certificated positions
3102	State Teachers' Retirement System, classified positions
3201	Public Employees' Retirement System, certificated positions
3202	Public Employees' Retirement System, classified positions
3301	OASDI/Medicare/Alternative, certificated positions
3302	OASDI/Medicare/Alternative, classified positions
3401	Health and Welfare Benefits, certificated positions
3402	Health and Welfare Benefits, classified positions
3501	State Unemployment Insurance, certificated positions
3502	State Unemployment Insurance, classified positions
3601	Workers' Compensation Insurance, certificated positions
3602	Workers' Compensation Insurance, classified positions
3701	OPEB, Allocated, certificated positions
3702	OPEB, Allocated, classified positions
3751	OPEB, Active Employees, certificated positions
3752	OPEB, Active Employees, classified positions
3801	PERS Reduction, certificated positions
3802	PERS Reduction, classified positions
3901	Other Benefits, certificated positions
3902	Other Benefits, classified positions

Code	Title
4000–4999	Books and Supplies
4100	Approved Textbooks and Core Curricula Materials
4200	Books and Other Reference Materials
4300	Materials and Supplies
4400	Noncapitalized Equipment
4700	Food
5000–5999	Services and Other Operating Expenditures
5100	Subagreements for Services
5200	Travel and Conferences
5300	Dues and Memberships
5400	Insurance
5440	*Pupil Insurance*
5450	*Other Insurance*
5500	Operations and Housekeeping Services
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements
5700–5799	Transfers of Direct Costs
5710	Transfers of Direct Costs
5750	Transfers of Direct Costs—Interfund
5800	Professional/Consulting Services and Operating Expenditures
5900	Communications
6000–6999	Capital Outlay
6100	Land
6170	Land Improvements
6200	Buildings and Improvements of Buildings
6300	Books and Media for New School Libraries or Major Expansion of School Libraries
6400	Equipment
6500	Equipment Replacement
6900	Depreciation Expense (for proprietary and fiduciary funds only)
7000–7499	Other Outgo
7100–7199	Tuition
7110	Tuition for Instruction Under Interdistrict Attendance Agreements
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs

Code	Title
7200–7299	Interagency Transfers Out
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools
7212	Transfers of Pass-Through Revenues to County Offices
7213	Transfers of Pass-Through Revenues to JPAs
7221	Transfers of Apportionments to Districts or Charter Schools
7222	Transfers of Apportionments to County Offices
7223	Transfers of Apportionments to JPAs
7280	Transfers to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08)
7281	All Other Transfers to Districts or Charter Schools
7282	All Other Transfers to County Offices
7283	All Other Transfers to JPAs
7299	All Other Transfers Out to All Others
7300–7399	Transfers of Indirect Costs (Effective 2008-09)
7310	Transfers of Indirect Costs
7350	Transfers of Indirect Costs—Interfund
7370	Transfers of Direct Support Costs (Valid through 2007-08)
7380	Transfers of Direct Support Costs—Interfund (Valid through 2007-08)
7430–7439	Debt Service
7432	State School Building Repayments
7433	Bond Redemptions
7434	Bond Interest and Other Service Charges
7435	Repayment of State School Building Fund Aid—Proceeds from Bonds
7436	Payments to Original District for Acquisition of Property
7438	Debt Service—Interest
7439	Other Debt Service—Principal
7600–7699	**Other Financing Uses**
7600–7629	Interfund Transfers Out
7611	From General Fund to Child Development Fund
7612	Between General Fund and Special Reserve Fund
7613	To State School Building Fund/County School Facilities Fund from All Other Funds of the District
7614	From Bond Interest and Redemption Fund to General Fund
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund
7616	From General Fund to Cafeteria Fund
7619	Other Authorized Interfund Transfers Out
7630–7699	All Other Financing Uses
7651	Transfers of Funds from Lapsed/Reorganized LEAs
7699	All Other Financing Uses

Code	Title
8000–8999	**REVENUES AND OTHER FINANCING SOURCES**
8000-8799	**Revenues**
8010–8099	Revenue Limit Sources
8010–8019	Principal Apportionment
8011	Revenue Limit State Aid—Current Year
8015	Charter Schools General Purpose Entitlement—State Aid
8019	Revenue Limit State Aid—Prior Years
8020–8039	Tax Relief Subventions
8021	Homeowners' Exemptions
8022	Timber Yield Tax
8029	Other Subventions/In-Lieu Taxes
8040–8079	County and District Taxes
8041	Secured Roll Taxes
8042	Unsecured Roll Taxes
8043	Prior Years' Taxes
8044	Supplemental Taxes
8045	Education Revenue Augmentation Fund (ERAF)
8047	Community Redevelopment Funds
8048	Penalties and Interest from Delinquent Taxes
8070	Receipts from County Board of Supervisors
8080–8089	Miscellaneous Funds
8081	Royalties and Bonuses
8082	Other In-Lieu Taxes
8089	Less: Non-Revenue Limit (50 Percent) Adjustment
8090–8099	Revenue Limit Transfers
8091	Revenue Limit Transfers—Current Year
8092	PERS Reduction Transfer
8096	Transfers to Charter Schools in Lieu of Property Taxes (Effective 2007-08)
8097	Property Taxes Transfers
8099	Revenue Limit Transfers—Prior Years
8100–8299	Federal Revenue
8110	Maintenance and Operations (Public Law 81-874)
8181	Special Education—Entitlement
8182	Special Education—Discretionary Grants
8220	Child Nutrition Programs
8260	Forest Reserve Funds
8270	Flood Control Funds
8280	U.S. Wildlife Reserve Funds
8281	FEMA
8285	Interagency Contracts Between LEAs
8287	Pass-Through Revenues from Federal Sources

Code	Title
8290	All Other Federal Revenue
8300–8599	Other State Revenue
8311	Other State Apportionments—Current Year
8319	Other State Apportionments—Prior Years
8425	Year-Round School Incentive
8434	Class Size Reduction, Grades K–3
8435	Class Size Reduction, Grade Nine
8480	Charter Schools Categorical Block Grant
8520	Child Nutrition
8530	Child Development Apportionments
8540	Deferred Maintenance Allowance
8545	School Facilities Apportionments
8550	Mandated Cost Reimbursements
8560	State Lottery Revenue
8571–8579	Tax Relief Subventions
8571	Voted Indebtedness Levies, Homeowners' Exemptions
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes
8575	Other Restricted Levies, Homeowners' Exemptions
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes
8587	Pass-Through Revenues from State Sources
8590	All Other State Revenue
8600–8799	Other Local Revenue
8610–8629	County and District Taxes
8611	Voted Indebtedness Levies, Secured Roll
8612	Voted Indebtedness Levies, Unsecured Roll
8613	Voted Indebtedness Levies, Prior Years' Taxes
8614	Voted Indebtedness Levies, Supplemental Taxes
8615	Other Restricted Levies, Secured Roll
8616	Other Restricted Levies, Unsecured Roll
8617	Other Restricted Levies, Prior Years' Taxes
8618	Other Restricted Levies, Supplemental Taxes
8621	Parcel Taxes
8622	Other Non-Ad Valorem Taxes
8625	Community Redevelopment Funds Not Subject to Revenue Limit Deduction
8629	Penalties and Interest from Delinquent Non-Revenue Limit Taxes
8631–8639	Sales
8631	Sale of Equipment and Supplies
8632	Sale of Publications
8634	Food Service Sales
8639	All Other Sales
8650	Leases and Rentals

Code	Title
8660	Interest
8662	Net Increase (Decrease) in the Fair Value of Investments
8670–8689	Fees and Contracts
8671	Adult Education Fees
8672	Nonresident Student Fees
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8690–8719	Other Local Revenue
8691	Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment
8697	Pass-Through Revenue from Local Sources
8699	All Other Local Revenue
8710	Tuition
8780–8799	Interagency Transfers In
8780	Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08)
8781	All Other Transfers from Districts or Charter Schools
8782	All Other Transfers from County Offices
8783	All Other Transfers from JPAs
8791	Transfers of Apportionments from Districts or Charter Schools
8792	Transfers of Apportionments from County Offices
8793	Transfers of Apportionments from JPAs
8799	Other Transfers In from All Others
8900–8999	**Other Financing Sources**
8900–8929	Interfund Transfers In
8911	To Child Development Fund from General Fund
8912	Between General Fund and Special Reserve Fund
8913	To State School Building Fund/County School Facilities Fund from All Other Funds
8914	To General Fund from Bond Interest and Redemption Fund
8915	To Deferred Maintenance Fund from General, Special Reserve, and Building Funds
8916	To Cafeteria Fund from General Fund
8919	Other Authorized Interfund Transfers In
8930–8979	All Other Financing Sources
8931	Emergency Apportionments
8951	Proceeds from Sale of Bonds
8953	Proceeds from Sale/Lease Purchase of Land and Buildings
8961	County School Building Aid

Code	Title
8965	Transfers from Funds of Lapsed/Reorganized LEAs
8971	Proceeds from Certificates of Participation
8972	Proceeds from Capital Leases
8973	Proceeds from Lease Revenue Bonds
8979	All Other Financing Sources
8980–8999	Contributions
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
8995	Categorical Education Block Grant Transfers
8997	Transfers of Restricted Balances (Inactive as of 2004-05)
8998	Categorical Flexibility Transfers per Budget Act Section 12.40
9000–9999	**BALANCE SHEET**
9100–9499	**Assets**
9110	Cash in County Treasury
9111	Fair Value Adjustment to Cash in County Treasury
9120	Cash in Bank(s)
9130	Revolving Cash Account
9135	Cash with a Fiscal Agent/Trustee
9140	Cash Collections Awaiting Deposit
9150	Investments
9200	Accounts Receivable
9290	Due from Grantor Governments
9310	Due from Other Funds
9320	Stores
9330	Prepaid Expenditures (Expenses)
9340	Other Current Assets
9400–9499	Capital Assets
9410	Land
9420	Land Improvements
9425	Accumulated Depreciation—Land Improvements
9430	Buildings
9435	Accumulated Depreciation—Buildings
9440	Equipment
9445	Accumulated Depreciation—Equipment
9450	Work in Progress
9500–9699	**Liabilities**
9500	Accounts Payable (Current Liabilities)
9501–9589	Accounts Payable—Locally Defined (When reporting to CDE, LEAs must roll up these objects to Object 9500.)

Code	Title
9590	Due to Grantor Governments
9610	Due to Other Funds
9620	Due to Student Groups/Other Agencies
9640	Current Loans
9650	Deferred Revenue
9660–9669	Long-Term Liabilities (Not used in governmental funds)
9661	General Obligation Bonds Payable
9662	State School Building Loans Payable
9664	Net OPEB Obligation
9665	Compensated Absences Payable
9666	Certificates of Participation (COPs) Payable
9667	Capital Leases Payable
9668	Lease Revenue Bonds Payable
9669	Other General Long-Term Debt
9700–9799	**Fund Balance/Net Assets**
9700–9759	Fund Balance, Reserved
9710–9720	Reserve for Nonexpendable Assets
9711	Reserve for Revolving Cash
9712	Reserve for Stores
9713	Reserve for Prepaid Expenditures (Expenses)
9719	Reserve for All Others
9720	Reserve for Encumbrances (Budgetary account) (This account is not reported to CDE.)
9730	General Reserve
9740	Legally Restricted Balance
9760–9799	Fund Balance, Unreserved
9770	Designated for Economic Uncertainties
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury
9780	Other Designations
9790	Undesignated/Unappropriated
9791	Beginning Fund Balance
9793	Audit Adjustments
9795	Other Restatements
9800–9839	Budgetary Accounts (These accounts are not reported to CDE.)
9810	Estimated Revenue
9815	Estimated Other Financing Sources
9820	Appropriations
9825	Estimated Other Financing Uses
9830	Encumbrances

Code	Title
9840–9899	Control Accounts (These accounts are not reported to CDE.)
9840	Revenue
9845	Other Financing Sources
9850	Expenditures
9855	Other Financing Uses
9910–9979	Nonoperating Accounts (These accounts are not reported to CDE.)
9910	Suspense Clearing

Object Code Definitions

(Italicized codes are optional; if used, they must be reported to CDE.)

Code	Definition
1000–7999	**EXPENDITURES**
	Note: See also Appendix A, "Analysis of Salaries," for common function/object relationships found in salary expenditures.
1000–1999	**Certificated Personnel Salaries.** Certificated salaries are salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing. Salaries paid to an employee on leave of absence continue to be charged in the same manner and to the same account classification that was applicable while the employee was in active service of the LEA. For compensated time off, a substitute for a position recorded in objects 1000–1999 should be charged to the same goal and function as the absent employee. For other than compensated time off, such as released time for negotiations, the substitute should be charged to the applicable goal and function.
1100	**Certificated Teachers' Salaries.** Record the full-time, part-time, and prorated portions of salaries for all certificated personnel employed to teach the pupils of the district or pupils in schools maintained by a county superintendent of schools. Include salaries for teachers of children in homes or hospitals, all special education resource specialists and teachers, substitute teachers, and instructional television teachers. Include salaries of teachers who provide instruction to students on a pullout basis. The separate recording of teachers' salaries is required by *Education Code* Section 41011 and is limited to salaries of certificated employees paid to teach the pupils of the district or pupils in schools maintained by a county superintendent. The following comments, interpretations, and definitions are included to guide school officials in determining whether the total salary or a portion of the salary would be charged to Object 1100. The total salary is recorded in Object 1100 under the following conditions: The teacher is an employee of the district or office of the county superintendent in a position requiring certification qualifications. The teacher's duties require him or her to teach pupils of the district for at least one full instructional period on each school day for which he or she is employed, and he or she is assigned no duties

Code	Definition

other than those that are connected with, or extensions of, classroom teaching. Such activities are limited to the following:

- Preparation for and evaluation of classroom work
- Extracurricular activities that arise from classroom work and are extensions of it (e.g., class or club sponsorship or supervision at school functions)
- Management of and instruction in a study hall
- Duties that are ordinarily assigned to certificated personnel in connection with the custody and control of pupils at recess or lunchtime, after school, or at other times

If a certificated employee teaches at least one instructional period each day that he or she is employed to teach and is also assigned other duties neither in connection with nor as an extension of classroom teaching, his or her salary must be prorated and recorded in Object 1100 and in the other objects that provide for recording of expenditures for the other assignment(s). The amount recorded in Object 1100 is the product of the employee's complete salary and the fraction of the full-time school day that the employee spent as a classroom teacher performing duties that are in connection with, or an extension of, classroom teaching as limited herein. The remaining portion is then charged to the object(s) in which expenditures for the other assignments are recorded. Some of the other assignments may pertain to work outside the field of teaching. If a teacher performs such assignments, it will be necessary to prorate a portion of the teacher's salary to classifications other than Object 1100.

The term *other assignments* that must be recorded or prorated to other object codes includes, but is not limited to, assignments usually and specifically assigned to persons employed in the following types of positions:

Certificated:

- General supervisors, coordinators, directors, specialists, consultants, supervisors of special subjects or grades, and certificated assistants (use Function 2100, Instructional Supervision and Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)
- Chairperson of academic department (use Function 2700, School Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)
- Principals, vice principals, assistant principals, deans, and assistant deans in individual schools (use Function 2700, School Administration, with Object 1300, Certificated Supervisors' and Administrators' Salaries)

Code	Definition
	• Librarians, assistant librarians, and audiovisual personnel (use Function 2420, Instructional Library, Media, and Technology, with Object 1200, Certificated Pupil Support Salaries) • Counselors, nurses, psychologists, psychometrists, audiometrists, and guidance and attendance personnel (use Pupil Service functions 3110 through 3150 with Object 1200, Certificated Pupil Support Salaries) Classified: • School bus driver, custodian, secretary to the governing board, and supervisor of transportation
1200	**Certificated Pupil Support Salaries**. Record the full-time, part-time, and prorated portions of salaries of all certificated personnel performing services of librarian, social worker, or certificated personnel doing pupil personnel work; psychologists and psychometrists; counselors, as well as health services rendered by physicians, oculists, dentists, dental hygienists, nurses, optometrists, school audiometrists, psychiatrists, otologists, and other personnel as authorized in the field of physical and mental health and who are on the payroll of the LEA. Health services personnel must possess a services credential (*Education Code* sections 44872–44879 and 49422–49427).
1300	**Certificated Supervisors' and Administrators' Salaries**. Record the full-time, part-time, and prorated portions of salaries of principals, vice principals, administrative deans in individual schools, and other personnel performing similar duties; certificated personnel engaged in instructional supervision, including general supervisors, coordinators, directors, consultants, and supervisors of special subjects or grades and their certificated assistants (whether or not they supervise staff); superintendents and/or deputy, associate, area, and assistant superintendents in districts and offices of county superintendents of schools (*Education Code* sections 35028, 35029, 35030, 44065, 44066, and 44069). *Note*: The term *supervision* is used to designate those activities having as their purpose the actual improvement of instruction under the direction of supervisors and assistants. Such activities include (1) personal conferences with teachers on instructional problems; (2) classroom visitation; (3) group conferences with teachers; and (4) demonstration teaching.
1900	**Other Certificated Salaries**. Record the full-time, part-time, and prorated portions of salaries for all certificated personnel who do not fall within one of the categories previously specified. Examples of such personnel are special education and/or other program specialists, certificated civic center employees, or resource teachers not performing duties as a classroom teacher. Object 1900 is not open to instructional functions.

Code	Definition
2000–2999	**Classified Personnel Salaries**. Classified salaries are salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. Salaries paid to an employee on leave of absence will continue to be charged in the same manner and to the same account classification as was applicable while the employee was in active service for the LEA. For compensated time off, a substitute for a position recorded in objects 2000–2999 should be charged to the same goal and function as the absent employee. For other than compensated time off, such as released time for negotiations, the substitute should be charged to the applicable goal and function. Student employees are to be coded to the goal, function, and object that represent the position they are filling. However, if the student is being paid as part of an educational program such as work experience, use Function 1000, Instruction, and Object 2900, Other Classified Salaries.
2100	**Classified Instructional Salaries**. Record total salaries paid to instructional aides who are required to perform any portion of their duty under the supervision of a classroom teacher or that of a special education resource specialist teacher (*Education Code* Section 41011). This code also includes salaries of noncertificated charter school teachers and other noncertificated instructional personnel, such as classified coaches, tutors, and drug/alcohol program mentors.
2200	**Classified Support Salaries**. This code is used to record the full-time, part-time, and prorated portions of salaries of classified employees not defined elsewhere who are working in the instructional media and library, student support, pupil transportation, food services, and maintenance and operations functions. Salaries for the instructional media and library function include the salaries of library and media aides. Salaries for the student support function include the salaries of counselor aides and health aides. Salaries for the pupil transportation function include the salaries of bus drivers, mechanics, field coordinators, gasoline-pump attendants, and all other personnel whose assignments are related to the transportation of students. Salaries for the food service function include the salaries of nutritionists, cooks, helpers, and all other food service personnel except those engaged in the management of the food service program on a districtwide basis. The salary of a classified director of food services, if districtwide, is recorded in Object 2300,

Code	Definition
	Classified Supervisors' and Administrators' Salaries. The salary of a certificated director of food services, if districtwide, is recorded in Object 1300, Certificated Supervisors' and Administrators' Salaries. Salaries for the maintenance function include the salaries of carpenters, painters, plumbers, electricians, and other similar positions. The salaries for the operations function include the salaries of custodians, matrons, general utility workers, firefighters, dairy workers, guards, gardeners, elevator operators, warehouse workers, delivery personnel, truck drivers, and other similar positions.
2300	**Classified Supervisors' and Administrators' Salaries**. Record the full-time, part-time, and prorated portions of salaries of supervisory personnel who are business managers, controllers, directors, chief accountants, accounting supervisors, purchasing agents, site administrators, assistant superintendents, and superintendents. Include stipends for governing board members and personnel commission members. (For assistant superintendents and superintendents, see *Education Code* sections 35028, 35029, 35030, 44065, 44066, and 44069.)
2400	**Clerical, Technical, and Office Staff Salaries**. Record the full-time, part-time, and prorated portions of salaries paid to clerks, secretaries, accountants, bookkeepers, programmers and computer technical support, machine and computer operators, and others in similar positions.
2900	**Other Classified Salaries**. Record the full-time, part-time, and prorated portions of salaries not identifiable with objects 2100 through 2400 (e.g., noon supervision personnel, students employed for work experience, civic center aides, and building inspectors). Students employed as part of a work-study curriculum or job-training grant are coded to Function 1000, Instruction.
3000–3999	**Employee Benefits**. Record employers' contributions to retirement plans and health and welfare benefits, including cash in lieu of benefits for employees, their dependents, retired employees, and board members. Benefits are separated into two categories. A code that ends in 1 indicates benefits paid for personnel in certificated positions, and a code that ends in 2 indicates those paid for personnel in classified positions. Except for allocated costs of OPEB (objects 3701–3702) and retirement incentives (objects 3901–3902), employee benefits are charged to the program(s) to which the benefit-eligible employee's salary is charged.

Code	Definition
3101–3102	**State Teachers' Retirement System**. Record expenditures to provide personnel with retirement benefits under the State Teachers' Retirement System (STRS). This excludes employee contributions. Object 3101 is certificated personnel in STRS; Object 3102 includes those individuals who hold classified positions but are enrolled in STRS.
3201–3202	**Public Employees' Retirement System**. Record expenditures to provide personnel with retirement benefits under the Public Employees' Retirement System (PERS). This excludes employee contributions, although it does include the employer's payment of an employee's contribution. Object 3201 indicates those employees in certificated positions and enrolled in PERS; Object 3202 indicates employees in classified positions and enrolled in PERS.
3301–3302	**OASDI/Medicare/Alternative.** Record expenditures to provide employee benefits under the federal Social Security system. Include expenditures to qualifying alternative retirement plans for employees not covered under the Social Security system, STRS, or PERS. This excludes employee contributions. Object 3301 indicates that the Social Security benefits cover certificated positions; Object 3302 indicates that these benefits cover classified positions.
3401–3402	**Health and Welfare Benefits**. Record expenditures made to provide personnel with health and welfare insurance benefits. This excludes employee contributions but includes health and welfare benefit premiums paid to a self-insurance fund. Object 3401 indicates that the benefits cover certificated positions; Object 3402 indicates that the benefits cover classified positions.
3501–3502	**State Unemployment Insurance**. Record expenditures made to provide personnel with unemployment compensation. Object 3501 indicates that the state unemployment insurance covers certificated positions; Object 3502 indicates that the state unemployment insurance covers classified positions.
3601–3602	**Workers' Compensation Insurance**. Record expenditures made to provide personnel with workers' compensation benefits. This includes workers' compensation insurance premiums paid to a self-insurance fund. Object 3601 covers certificated positions; Object 3602 covers classified positions.
3701–3702	**OPEB, Allocated**. Record expenditures for postemployment benefits other than pensions (OPEB) for retirees and other former employees, whether for current-year benefit costs financed on a pay-as-you-go basis or for amortization of the past unfunded liability relating to retirees and other former employees. Record expenditures for amortization of the past unfunded liability relating to active employees, if such costs are not direct-charged (see objects 3751–3752).

Code	Definition
	Do not include expenditures for normal costs for active employees; these must be direct-charged using objects 3751–3752. Expenditures in objects 3701–3702 must be allocated to all activities in proportion to total salaries or total full-time equivalents (FTEs) in those activities. Object 3701 relates to certificated positions; Object 3702 relates to classified positions.
3751–3752	**OPEB, Active Employees**. Record expenditures for actuarially determined normal costs for postemployment benefits other than pensions (OPEB) for OPEB-eligible active employees. Record expenditures for amortization of the past unfunded liability relating to OPEB-eligible active employees to the extent that amortization costs are not unduly burdensome or distorting to programs. Where such costs would be unduly burdensome or distorting to programs, they should be allocated to all activities using objects 3701–3702. Do not include expenditures for retirees and other former employees; these must be allocated using objects 3701–3702. Expenditures in objects 3751–3752 must be direct-charged on a per-eligible-FTE basis to the same resource, goal, and function as the OPEB-eligible active employee's salary. Object 3751 relates to certificated positions; Object 3752 relates to classified positions.
3801–3802	**PERS Reduction**. Report the transfers of funds from the LEA to the state. Object 3801 covers certificated positions; Object 3802 covers classified positions. The charge for PERS Reduction should follow the function of the related salary. Function 9200, Transfers Between Agencies, may be used instead of identifying specific functions, but either method must be used exclusively, not together. Amounts reported in objects 3801–3802 must equal the amount reported in Object 8092, PERS Reduction Transfer.
3901–3902	**Other Benefits**. Record the payment for tax-sheltered annuities, deferred compensation, cash-in-lieu, retirement incentives such as Golden Handshake, and other employee benefits not specified above. With the exception of retirement incentives, expenditures reported in objects 3901–3902 are charged to the program(s) to which the benefit-eligible employee's salary is charged. For direction on charging retirement incentives, see Procedure 655. Object 3901 is used for certificated positions; Object 3902 is used for classified positions.

Code	Definition
4000–4999	**Books and Supplies**. Record expenditures for books and supplies, including any associated sales tax or use tax and freight and handling charges.
4100	**Approved Textbooks and Core Curricula Materials**. Record expenditures for classroom instructional materials designed for use by pupils and their teachers as the basic curriculum adopted by the State Board of Education or the district board for required subject matter. Instructional materials may be printed or appear in some other form and may consist of textbooks, technology-based materials, and other educational materials, such as manipulatives (*Education Code* Section 60010[h]). The cost includes all consumable materials available in the approved series, such as kits, audiovisual materials, or workbooks. Teachers' manuals and editions relate to specific, basic, or supplementary textbooks and are intended for teachers' use rather than for pupils' use. They are part of the approved curriculum used in the classroom and so are part of Object 4100. Single issues of state-approved textbooks for review by research committees or curriculum directors would be coded to this object with an instruction-related service function, such as Function 2130, Curriculum Development.
4200	**Books and Other Reference Materials**. Record expenditures for books and other reference materials used by district personnel. Books used for reference are further identified by the appropriate function. For example, reference books for use in the nurse's office, in the district business office, or in the cafeteria would be coded to Function 3140, Health Services; Function 7200, Other General Administration; or Function 3700, Food Services, respectively. Function 1000, Instruction, would include (1) books that have not been adopted by the proper authority for use as basic curricula; (2) books, such as reference books, that are available for general use by students even though such books may be used solely in the classroom; and (3) all other materials used for reference purposes. Generally, the purchase of library books or other reference materials is coded to Object 4200. However, expenditures for library books to stock a new school library or for material expansion are recorded in Object 6300, Books and Media for New School Libraries or Major Expansion of School Libraries. Consumable materials other than those directly related to adopted curricula (Object 4100) have a limited shelf life of less than one year. Such materials as periodicals, magazines, workbooks, drill books, exercise pads, and the like are recorded in Object 4300, Materials and Supplies.

Code	Definition
4300	**Materials and Supplies**. Record expenditures for consumable materials and supplies to be used by students, teachers, and other LEA personnel. Instructional materials and supplies are those used in the classroom by students and teachers. Other materials and supplies included in Object 4300 are those used in services and auxiliary programs, such as food service supplies; custodial supplies; gardening and maintenance supplies; supplies for operations; transportation supplies, including gasoline; supplies for repair and upkeep of equipment or buildings and grounds; and medical and office supplies. Expenditures for rentals of materials are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements. Incidental materials and supplies included in payments to outside vendors for repair and maintenance services are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements. Payments to outside vendors for duplication services should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.
4400	**Noncapitalized Equipment**. Record expenditures for movable personal property of a relatively permanent nature that has an estimated useful life greater than one year and an acquisition cost less than the LEA's capitalization threshold but greater than the LEA's inventory threshold pursuant to *Education Code* Section 35168 or local policy. For information on the capitalization threshold, refer to Procedure 770.
4700	**Food**. Record expenditures for food used in food-service activities for which the purpose is nourishment or nutrition (i.e., breakfast, snacks, lunch, and other similar items). Include food purchased by the food service program for student meals on field trips even if not reimbursed through the school lunch program. Object 4700, Food, is used only with Function 3700, Food Services. Expenditures for food used for instruction in a regular classroom (e.g., in a cooking class or as an instructional reward) are recorded in Object 4300, Materials and Supplies, with an instructional function. Expenditures for food for staff meetings and similar situations are recorded in Object 4300 with the appropriate function.
5000–5999	**Services and Other Operating Expenditures**. Record expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, and legal and other operating expenditures. Expenditures may be authorized by contracts, agreements, purchase orders, and so forth.

Code	Definition
5100	**Subagreements for Services**. Record expenditures for subagreements and subawards pursuant to certain contracts, subcontracts, and subgrants. Subagreements for Services may be formal or informal, written or verbal, and are indicated when a part or all of an instructional or support activity for which the LEA is responsible is conducted by a third party rather than by the LEA (see page 910-2, Categories of Costs, for definitions of instructional and support activities). The LEA's responsibility for the activity may originate from any grant, award, or entitlement, including general purpose entitlements. Following are general indicators of subagreements for services: • Subagreements are, by definition, subordinate to something—typically to a grant, award, or entitlement, but at least to some expectation that an LEA has a responsibility for some activity. • Subagreements are typically in functions 1000–3999 (and possibly 4000), but this is not the determining factor. Every contract or agreement in these functions is not necessarily a subagreement. • Contracts for services between LEAs are subagreements if they have the characteristics of the "Subagreements for Services" model described in Procedure 750. • Subcontracted expenditures generally do not generate or benefit from an LEA's administrative services (indirect costs) to the same extent that other expenditures do because the services provided under the subagreement are carried out by the other entity. Some examples of subagreements for services include: • Contracts with a third party to provide services required by a grant, such as the emergency services required by an Emergency Response Safety Grant • Contracts with other entities to provide home-to-school transportation for the LEA’s students • Contracts with nonpublic schools for services to the LEA’s special education students • Contracts between charter schools and management companies to provide instruction to the charter school’s students • Cooperative projects and pass-through grants in which LEAs have both administrative and direct financial involvement (refer to Procedure 750) Subagreements for services generally exclude: • Pass-through grants in which LEAs have only administrative involvement (refer to Procedure 750)

Code	Definition

- Contracts for central administrative or "other" services (see page 910-2, Categories of Costs, for definitions of these services)
- Routine purchases of standard commercial goods or services from a vendor (refer to Object 5800, Professional/Consulting Services and Operating Expenditures)

When a distinction must be made between a subagreement and a routine purchase from a vendor, the substance of the transaction is more important than the form. For example, a contract with a vendor to provide home-to-school transportation to the LEA's students would be a subagreement, but a contract with the same vendor to rent buses for the LEA to transport its own students would be a routine purchase from a vendor. The form of the written agreements might be identical in that both might be contracts with a transportation vendor, yet the substance of the transactions is different.

Unlike other costs in objects 5000–5999, Object 5100 costs are excluded from the calculation of the indirect cost rate and from eligible program expenditures on which indirect costs are charged (see Procedure 915). However, in recognition that some general administration is necessary to process a subagreement, indirect cost guidelines allow that up to $25,000 of each individual subagreement may be coded to Object 5800, Professional/Consulting Services and Operating Expenditures, with the remainder charged to Object 5100. The amount charged to Object 5800 is included in the calculation of the indirect cost rate and in eligible program expenditures on which indirect costs are charged. The $25,000 limit per subagreement applies for the duration of the subagreement.

5200 **Travel and Conferences**. Record actual and necessary expenditures incurred by and/or for employees and other representatives of the LEA for travel and conferences (*Education Code* sections 35044 and 44032). Included in this object are fees paid for those individuals to attend conferences or training classes. Expenditures for employee conferences charged to this object should follow the goal and function of the employee.

Expenditures for conferences sponsored by the LEA are not coded to this object but are coded to the appropriate object for specific services purchased, such as Object 4300 for food, Object 5800 for caterers, Object 5600 for room rentals, and Object 2400 for staff time in preparing for the conference, in combination with Function 2140, In-house Instructional Staff Development, or Function 7410, Staff Development. (The use of Object 4700, Food, is restricted to Function 3700, Food Services.)

Expenditures for college tuition paid on behalf of employees are recorded to Object 5800, Professional/Consulting Services and Operating Expenditures.

Code	Definition
5300	**Dues and Memberships**. Record the membership fee of an LEA in any society, association, or organization as authorized by *Education Code* Section 35172. Object 5300 may be used for the dues of an employee, such as a chief business official or a superintendent, if it is deemed that the LEA is represented and benefits from the membership. Use objects 3901–3902 for employee dues if it is deemed that the dues are a benefit only for the employee.
5400	**Insurance**. Record expenditures for all forms of insurance other than employee benefits. Use Function 9100, Debt Service, for bond insurance costs when issuing new bonds.
5440	***Pupil Insurance (Optional)**. Record expenditures for accidental death insurance and medical and hospital insurance for pupils. Use Function 1000, Instruction.*
5450	***Other Insurance (Optional).** Record expenditures for all forms of insurance other than pupils' insurance. For fire and theft liability and fidelity bond premiums, use Function 7200, Other General Administration; for school buses, use Function 3600, Pupil Transportation; for food service vehicles, use Function 3700, Food Services.*
5500	**Operations and Housekeeping Services.** Record expenditures for water, heating fuel, light, power, waste disposal, pest control, laundry and dry cleaning (such as laundering of curtains and cleaning of drapes), and so forth. Include contracts for these services. Object 5500 is used only with the maintenance and operation functions 8100–8500 and Function 6000, Enterprise. Cleaning of uniforms, such as band or custodial uniforms, is charged to the appropriate function and Object 5800, Professional/Consulting Services and Operating Expenditures. Fuel for pupil transportation is coded to Object 4300, Materials and Supplies.
5600	**Rentals, Leases, Repairs, and Noncapitalized Improvements.** Record expenditures for rentals, leases without option to purchase, and repairs or maintenance (including maintenance agreements) of sites, buildings, and equipment by outside vendors. Include incidental materials and supplies included in the cost of repairs. Include expenditures for site or building improvements that do not meet the LEA's threshold for capitalization. Capital leases should be recorded according to the accounting procedures for lease/purchase agreements in Procedure 710.

Code	Definition
	Rental of facilities is normally charged to Function 8700, Facilities Rents and Leases. The temporary rental of facilities incidental to a particular activity, such as the hourly or daily rental of a hall for a staff development workshop or the rental of an auditorium for a school graduation, is charged to the function of the benefiting activity.
5700–5799	**Transfers of Direct Costs.** Record the transfer of costs for services, other than indirect costs, between resources, goals, functions, and/or funds. Typical transfers of direct costs between functions include services provided or products developed by the LEA, such as maintenance and repair of duplicating, audiovisual, or other equipment; photocopying expenses; field trips; district vehicle use; and information technology expenses. These types of costs may be accumulated in a particular function for ease of accounting and then transferred to the benefiting function(s) based on supporting documentation. For example, costs of field trips initially recorded in Function 3600, Pupil Transportation, are instructional costs and therefore are transferred to Function 1000, Instruction (see Example 1 in Procedure 640). Typical transfers of direct costs between goals include the distribution of support costs to benefiting goals. For example, expenditures initially recorded to Function 8100, Plant Maintenance and Operations, with Goal 0000, Undistributed, may be transferred to the benefiting goal(s) on the basis of documentation or standardized allocation factors. This account is also used to record transfers of administrative costs on any basis other than the indirect cost rate, such as administrative costs incurred in the general fund to calculate and collect developer fees.
5710	**Transfers of Direct Costs.** Record transfers within a fund for direct costs of services provided, as described above. This account must net to zero at the fund level.
5750	**Transfers of Direct Costs—Interfund.** Record transfers between funds for direct costs of services provided, as described above. This account will reflect a balance at the fund level for the amount of between-funds costs. The total between-funds debit and credit transactions must net to zero.
5800	**Professional/Consulting Services and Operating Expenditures.** Record expenditures for personal services rendered by personnel who are not on the payroll of the LEA. Professional/consulting services are delivered by an independent contractor (individual, entity, or firm) that offers its services to the public. Such services are paid on a fee basis for specialized services that are

Code	Definition
	usually considered to be temporary or short term in nature, normally in areas that supplement the expertise of the LEA. This includes all related expenditures covered by the personal services contract.
	Record expenditures for services such as printing, engraving, and so forth performed by an outside agency. This includes but is not limited to copies made from masters provided by the LEA.
	Record expenditures for catering services provided by an outside vendor.
	Record expenditures for college tuition paid on behalf of employees.
	Record expenditures for lodging and admission tickets for students and staff on field trips.
	Record expenditures for all advertising, including advertising for items such as bond sales, contract bidding, and personnel vacancies. Record expenditures for judgments, penalties, legal advice, attorneys, hearing officers, elections, audits, and other similar costs. Record expenditures for services provided, such as administration, bus transportation, audiovisual, and library.
	Record assessments for other than capital improvements, including state assessment for nonuse of school sites. Record expenditures for surveys and appraisals of sites that are not purchased. Expenditures for surveys, appraisals, and assessments in connection with site purchases and/or improvements are recorded in Object 6100, Land, and/or Object 6170, Land Improvements.
	Record expenditures for fees charged to LEAs by other local governmental agencies, such as counties, cities, and special districts, for required services. Such fees include those charged for health, building, and operating inspections and permits, plan reviews, and utility connection fees. These charges typically relate to emissions, fuel-tank operations, hazardous waste generation, chemical storage, food safety, water safety, and fire safety. Examples of departments and special districts that assess these fees include Air Pollution Control, Environmental or Public Health Services, Fire Department, and Public Water Control.
	Record expenditures for Internet-based publications and materials. Record periodic costs of licensing, support, or maintenance agreements for nonequipment items, such as software. Initial licensing and other costs incurred as part of a major system acquisition should be recorded in Object 6400, Equipment.
	Record expenditures not otherwise designated, such as payments of interest on loans repaid within the fiscal year, payments for damages to personal property,

Code	Definition
	expenditures for fingerprints, physical and X-ray examinations required for employment, scholarship payments, and similar items. Debt issuance costs, including underwriter discounts and fees, should be recorded here. If long-term debt is issued at a discount, the discount should be recorded in Object 7699, All Other Financing Uses. May record up to $25,000 for each individual subagreement as defined in Object 5100, Subagreements for Services. This is optional. The $25,000 limit applies for the duration of the subagreement. The remainder of the subagreement must be recorded in Object 5100. Examples of subagreements are shown under Object 5100. *Note*: Expenditures to nonpublic, nonsectarian schools for the education of children with exceptional needs should be charged to Object 5100, Subagreements for Services. Expenditures for excess costs and/or deficits in special education programs paid to provider school districts or county offices should be charged to objects 7141–7143, Other Tuition.
5900	**Communications**. Record expenditures for periodic servicing of all methods of communication, including pagers, cell phones, beepers, and telephone service systems. This object also includes the monthly charges for fax lines, TV cable lines, and Internet service and lines. The cost of postage stamps and "refill" of postage meters should be coded to Communications, as should the cost of parcel service or other means used to deliver a letter or other outgoing communications. Incoming shipping of purchased goods by parcel service or other means is considered to be part of the cost of goods purchased and should not be charged to Object 5900. Generally, communication costs should be charged to either Function 2700, School Administration, or Function 7200, Other General Administration. Communication service fees may be charged to other functions by direct documentation, such as monthly statements. The monthly bills for pagers, cell phones, cable, and Internet services may follow the user if the charges can be documented. For example, Internet fees that are part of classroom instruction may be charged to Function 1000, Instruction. The cost of communication equipment is normally coded to Object 4400, Noncapitalized Equipment. If the cost of a unit of equipment exceeds the capitalization threshold of the LEA, use Object 6400, Equipment, or Object 6500, Equipment Replacement, as appropriate. However, if the cost is minor and the expected life short, the cost of the equipment should be coded to Object 4300, Materials and Supplies.

Code	Definition
	The cost of wiring and installing cables for communication equipment that become an integral part of the building or building service system is coded to Object 6200, Buildings and Improvement of Buildings, with Function 8500, Facilities Acquisition and Construction. Repairs to these lines would be coded to Function 8100, Plant Maintenance and Operations, with either Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements, or with the salary or supply object codes of the maintenance budget.
6000–6999	**Capital Outlay.** Record expenditures for land, buildings, equipment, capitalized complements of books for new libraries, and other intangible capital assets, such as computer software, including items acquired through leases with option to purchase. These object codes are not used in proprietary funds, in which capital assets are recorded in Objects 9400–9499 and subsequently depreciated.
6100	**Land.** Record the costs of acquisition of land and additions to old sites and adjacent ways. Include incidental expenditures in connection with the acquisition of sites, such as appraisal fees, search and title insurance, surveys, and condemnation proceedings, and fees. If a site is not purchased after the appraisal or survey, record the expenditure in Object 5800, Professional/Consulting Services and Operating Expenditures. Include costs to remove buildings on newly acquired sites. Use with Function 8500, Facilities Acquisition and Construction.
6170	**Land Improvements.** Record expenditures for each of the following with Function 8500, Facilities Acquisition and Construction: • Improvements of sites (new and old) and adjacent ways that meet the LEA's threshold for capitalization. Include such work as grading, landscaping, seeding, and planting shrubs and trees; constructing new sidewalks, roadways, retaining walls, sewers, and storm drains; installing hydrants; treating soil and surfacing athletic fields and tennis courts; furnishing and installing fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks that are not parts of building service systems; and doing demolition work in connection with improvement of sites. • Leasehold improvements to sites. Include costs of site improvements to leased property. • Payment of special assessments. Include assessments against the school district for capital improvements such as streets, curbs, sewers, drains, and pedestrian tunnels whether on or off school property.
6200	**Buildings and Improvements of Buildings**. Record costs of construction or purchase of new buildings (including relocatable buildings, such as portable

Code	Definition
	classrooms) and additions and replacements of obsolete buildings, including advertising; architectural and engineering fees; blueprinting; inspection service (departmental or contract); tests and examinations; demolition work in connection with construction of electrical, sprinkling, or warning devices; installation of heating and ventilating fixtures, attachments, and built-in fixtures; and other expenditures directly related to the construction or acquisition of buildings. Record costs of improvements of buildings, including alterations, remodeling, renovations, and replacement of buildings in whole or in part, that meet the LEA's threshold for capitalization. Include leasehold improvements. Use with Function 8500, Facilities Acquisition and Construction.
6300	**Books and Media for New School Libraries or Major Expansion of School Libraries**. Record expenditures for books and materials for new and materially expanded libraries.
6400	**Equipment**. Record expenditures for movable personal property, including such equipment as vehicles, machinery, computer systems, and playground equipment, that have both an estimated useful life over one year and an acquisition cost equal to or greater than the capitalization threshold established by the LEA. (For more detail, refer to Procedure 770.) Record the initial acquisition of computer software that exceeds the LEA's capitalization threshold, including research and development costs, licensing, and installation or training. Piece-for-piece replacements of equipment are recorded in Object 6500, Equipment Replacement, if the unit cost exceeds the LEA's capitalization threshold. Initial built-in fixtures that are integral parts of the building or building service system are recorded in Object 6200, Buildings and Improvement of Buildings.
6500	**Equipment Replacement.** Record expenditures for equipment replaced on a piece-for-piece basis. These expenditures must be identified for purposes of the calculation of the current expense of education (*Education Code* Section 41372).
6900	**Depreciation Expense (for proprietary and fiduciary funds only).** Record the portion of the cost of a capital asset charged as an expense during the fiscal year. In accounting for depreciation, the cost of a capital asset less any anticipated salvage value is prorated over the estimated service life of the asset, and each

Code	Definition
	period is charged with a portion of that cost. Through this process, the cost of the asset less salvage value is ultimately charged as an expense. *Note:* This object is applicable only for funds 61, 62, 63, 66, 67, and 73.
7000–7499	**Other Outgo**
7100–7199	**Tuition**
7110	**Tuition for Instruction Under Interdistrict Attendance Agreements.** Record expenditures for tuition under interdistrict attendance agreements incurred as a result of a district's realizing a reduction of 25 percent or more in PL 81–874 funds if the average daily attendance of pupils residing within the district is credited to the district of attendance (*Education Code* Section 46607[b]).
7130	**State Special Schools.** Record payments for students placed in state special schools.
7141	**Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools.** Record payments for tuition, excess costs, and/or deficits paid to programs operated by other school districts or charter schools. Use Function 9200, Transfers Between Agencies.
7142	**Other Tuition, Excess Costs, and/or Deficit Payments to County Offices.** Record payments for tuition, excess costs, and/or deficits paid to programs operated by county superintendents of schools. Use Function 9200, Transfers Between Agencies.
7143	**Other Tuition, Excess Costs, and/or Deficit Payments to JPAs.** Record payments for tuition, excess costs, and/or deficits paid to programs operated by a joint powers agency (JPA). Use Function 9200, Transfers Between Agencies.
7200–7299	**Interagency Transfers Out**
7211	**Transfers of Pass-Through Revenues to Districts or Charter Schools.** Report disbursements of pass-through grants to school districts or charter schools in which the recipient LEA has administrative involvement only for the grants. The recipient LEA does not also have a responsibility to operate the project.
7212	**Transfers of Pass-Through Revenues to County Offices.** Report disbursements of pass-through grants to county offices in which the recipient LEA has administrative involvement only for the grants. The recipient LEA does not also have a responsibility to operate the project.

Code	Definition
7213	**Transfers of Pass-Through Revenues to JPAs.** Report disbursements of pass-through grants to JPAs in which the recipient LEA has administrative involvement only for the grant. The recipient LEA does not also have a responsibility to operate the project.
7221	**Transfers of Apportionments to Districts or Charter Schools.** Record transfers to school districts or charter schools of apportionments, such as special education and regional occupational centers/programs.
7222	**Transfers of Apportionments to County Offices.** Record transfers to county offices of apportionments, such as special education and regional occupational centers/programs.
7223	**Transfers of Apportionments to JPAs**. Record transfers to JPAs of apportionments, such as special education and regional occupational centers/programs.
7280	**Transfers to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08).** Formerly used to record funds in lieu of property taxes transferred by the sponsoring LEA to a charter school according to *Education Code* Section 47635. Use Object 8096, Transfers to Charter Schools in Lieu of Property Taxes, beginning 2007-08.
7281	**All Other Transfers to Districts or Charter Schools.** Record transfers to school districts or charter schools of resources other than apportionments or pass-through revenues. An example is the transfer of funding from a county office of education to a direct service district for health services.
7282	**All Other Transfers to County Offices.** Record transfers to county offices of resources other than apportionments or pass-through revenues.
7283	**All Other Transfers to JPAs.** Record transfers to JPAs of resources other than apportionments or pass-through revenues.
7299	**All Other Transfers Out to All Others.** Record transfers of resources to non-LEAs.
7300–7399	**Transfers of Indirect Costs.** Record transfers of indirect costs between resources, goals, and funds. Use with Function 7210, Indirect Cost Transfers, for both the debit and the credit.

Code	Definition
	Note: Objects 7370 and 7380 are valid through 2007-08. Beginning in 2008-09, use objects 5710 and 5750, Transfers of Direct Costs, to transfer direct costs and administrative costs other than indirect costs.
7310	**Transfers of Indirect Costs.** Record transfers within a fund of indirect costs, as described above. This account must net to zero by function at the fund level.
7350	**Transfers of Indirect Costs—Interfund.** Record transfers between funds of indirect costs, as described above. This account will reflect a balance at the fund level for the amount of between-funds costs; the total between-funds debit and credit transactions must net to zero by object.
7370	**Transfers of Direct Support Costs (Valid through 2007-08).** Record transfers of direct support costs between programs within a fund. This account must net to zero by function at the fund level. The function used may be one of many support functions, such as Function 3110, Guidance and Counseling Services, or Function 8100, Plant Maintenance and Operations. This account may also be used to record transfers of administrative costs other than indirect costs using Function 7210. Use Object 5710, Transfers of Direct Costs, beginning 2008-09.
7380	**Transfers of Direct Support Costs—Interfund (Valid through 2007-08).** Record transfers of direct support costs between funds. This account will reflect a balance at the fund level but only for the amount of between-funds costs. The total between-funds debit and credit transactions must net to zero by object as well as by function. This account may also be used to record transfers of administrative costs other than indirect costs using Function 7210. Use Object 5750, Transfers of Direct Costs—Interfund, beginning in 2008-09.
7430–7439	**Debt Service.** Debt service consists of expenditures for the retirement of debt and for interest on debt, except principal and interest on current or short-term loans (money borrowed and repaid during the same fiscal year). Use with Function 9100, Debt Service.
7432	**State School Building Repayments.** Record expenditures for state school building loan repayments (*Education Code* Section 16090).
7433	**Bond Redemptions.** Record expenditures to retire the principal of bonds.
7434	**Bond Interest and Other Service Charges.** Record expenditures to pay interest and other service charges on bonds.

Code	Definition
7435	**Repayment of State School Building Fund Aid—Proceeds from Bonds.** Record expenditures for the repayment of the State School Building Aid Fund using the proceeds from the sale of bonds (*Education Code* Section 16058).
7436	**Payments to Original District for Acquisition of Property.** Record expenditures to cover the liability of a newly organized district to the original district for the new district's proportionate share of the bonded indebtedness of the original district.
7438	**Debt Service—Interest.** Record that portion of a debt service payment that represents the current interest expense due on the long-term debt.
7439	**Other Debt Service—Principal.** Record that portion of the other debt service payment that represents the repayment of principal of long-term debt. Examples of other long-term debt include capital leases and certificates of participation.
7600–7699	**Other Financing Uses.** The following objects are used for the transfer of funds or expenditures for other than general operations. They are used with the Other Outgo functions: Function 9100, Debt Service; Function 9200, Transfers Between Agencies; or Function 9300, Interfund Transfers.
7600–7629	**Interfund Transfers Out**
7611	**From General Fund to Child Development Fund**. Record transfers of moneys from the general fund to support the activities in the child development fund (*Education Code* Section 41013). Use Object 8911 in the fund receiving the transfer.
7612	**Between General Fund and Special Reserve Fund.** Record transfers of moneys between the general fund and the special reserve fund (*Education Code* sections 42840–42843). Use Object 8912 in the fund receiving the transfer.
7613	**To State School Building Fund/County School Facilities Fund from All Other Funds of the District.** Record transfers of any moneys of the district that are required to be expended for the project for which such apportionment was made. Use Object 8913 in the fund receiving the transfer.
7614	**From Bond Interest and Redemption Fund to General Fund.** Record transfers of moneys from the bond interest and redemption fund to the general fund or to the special reserve fund after all principal and interest payments have been made (*Education Code* sections 15234 and 15235). Use Object 8914 in the fund receiving the transfer.

Code	Definition
7615	**From General, Special Reserve, and Building Funds to Deferred Maintenance Fund.** Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (*Education Code* sections 17582–17587). Use Object 8915 in the fund receiving the transfer.
7616	**From General Fund to Cafeteria Fund.** Record transfers of moneys from the general fund to the cafeteria fund. LEAs may record the transfer of Meals for Needy Pupils as an interfund transfer rather than as a revenue limit transfer. Use Object 8916 in the fund receiving the transfer.
7619	**Other Authorized Interfund Transfers Out.** Record all other authorized transfers of moneys to another fund. Use Object 8919 in the fund receiving the transfer.
7630–7699	**All Other Financing Uses**
7651	**Transfers of Funds from Lapsed/Reorganized LEAs.** Record the disbursement of funds identified under *Education Code* sections 35560 and 35561. Also record the disbursement of funds from a defunct charter school or from a charter school whose authorizing agency changes.
7699	**All Other Financing Uses.** Record expenditures for other financing uses not specified above. If long-term debt is issued at a discount, record the discount here. Debt issuance costs such as underwriter discounts and fees should be recorded in Object 5800. Do not use Object 7699 for debt service payments or for the return of unexpended resources to the grantor agency.
8000–8999	**REVENUES AND OTHER FINANCING SOURCES**
8000–8799	**Revenues**
8010–8099	**Revenue Limit Sources.** By law, most State School Fund apportionments or allowances to an LEA must be deposited in the general fund of the LEA. All such amounts must be accounted for in terms of the gross amount apportioned. Deductions and withholdings made by the State Controller, as required by law, must be accounted for as expenditures just as they would if the full apportionment had been received and an LEA warrant had been drawn for such purposes. Before the gross revenue limit apportionment is determined, the state makes the adjustments of special education and county community school revenue limit funds for county-operated programs transferred from school districts to offices of

Code	Definition
	county superintendents of schools. These adjustments will not be accounted for as expenditures. Revenue that was not previously accrued but is the result of the correction of a prior apportionment, or is included in the final state apportionment, should be recorded in the revenue class or classes that define the original apportionment.
8010–8019	**Principal Apportionment**
8011	**Revenue Limit State Aid—Current Year.** Record amounts allowed for the current year, including amounts accrued at the end of the fiscal year. For school districts, this primarily includes general purpose funds allocated per regular kindergarten through grade twelve average daily attendance (*Education Code* Section 42238). For county offices of education, this primarily includes funds allocated for direct services provided to school districts and for performance of other county school service fund operations (*Education Code* sections 2550 and 14054), and services statutorily required or otherwise provided pursuant to *Education Code* sections 1240 through 1281.
8015	**Charter Schools General Purpose Entitlement—State Aid.** Record the state-aid portion of the general purpose entitlement funding for charter schools. Include prior year adjustments. (Direct-funded charter schools use Object 8311 for supplemental instruction revenue.)
8019	**Revenue Limit State Aid—Prior Years**. Record amounts received but not previously accrued for prior years' revenue limit state aid.
8020–8039	**Tax Relief Subventions**
8021	**Homeowners' Exemptions.** Record amounts received for loss of revenue because of homeowners' exemptions (*Revenue and Taxation Code* Section 218).
8022	**Timber Yield Tax.** Record the yield tax collected by the State Board of Equalization on timber harvested from private or public land (*Government Code* Section 27423; *Revenue and Taxation Code* Section 38905.1).
8029	**Other Subventions/In-Lieu Taxes.** Record amounts received for loss of revenue because of exemptions for motion picture films and wine and brandy products (*Revenue and Taxation Code* Section 988; *Education Code* Section 41052) and

Code	Definition
	severance-aid allowances for real property acquired for state highway purposes (*Education Code* Section 41960).
8040–8079	**County and District Taxes.** Record revenue from local sources in the appropriate subordinate classifications in this major classification. All revenue received from tax sources is to be accounted for when received (cash basis). Credits to the various LEA tax accounts are made on receipt of an apportionment notice from the county superintendent of schools indicating that taxes have been deposited in the county treasury.
8041	**Secured Roll Taxes.** Record revenue from taxes levied on the secured roll (*Revenue and Taxation Code* sections 2601–2636).
8042	**Unsecured Roll Taxes.** Record revenue from taxes levied on the unsecured roll (*Revenue and Taxation Code* sections 2901–2928.1).
8043	**Prior Years' Taxes.** Record revenue from tax levies of prior years. Include secured and unsecured receipts from redemptions and tax sales.
8044	**Supplemental Taxes.** Record taxes resulting from changes in assessed value due to changes in ownership and completion of new construction at the time they occur (*Revenue and Taxation Code* sections 75–75.9).
8045	**Education Revenue Augmentation Fund (ERAF).** Report the shift of property taxes from local agencies to schools according to SB 617 (Chapter 699, 1992), SB 844 (Chapter 700, 1992) and SB 1559 (Chapter 691, 1992).
8047	**Community Redevelopment Funds.** Report community redevelopment funds, except for any amount received pursuant to Section 33401 or Section 33676 of the *Health and Safety Code* that are used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance, and except for any amount received pursuant to sections 33492.15, 33607.5, and 33607.7 of the *Health and Safety Code* that is allocated exclusively for educational facilities (*Education Code* Section 42238[h][6]). These exceptions should be recorded in Object 8625, Community Redevelopment Funds Not Subject to Revenue Limit Deduction.
8048	**Penalties and Interest from Delinquent Taxes.** Record penalties and interest assessed on objects 8041–8044.
8070	**Receipts from County Board of Supervisors (County School Service Fund [CSSF] only).** Record receipts of taxes levied by county governments for the operations of fiscally dependent county offices of education.

Code	Definition
8080–8089	**Miscellaneous Funds.** Include miscellaneous funds received from federal, state, and local sources (*Education Code* Section 41604).
8081	**Royalties and Bonuses.** Record the total amount of payments of all or a portion of the royalties and bonuses received from the operation of any law under the terms of any agreement. Subsequently, 50 percent of the amounts recorded here should be transferred to Other Local Revenue by debiting Object 8089 and crediting Object 8691.
8082	**Other In-Lieu Taxes.** Record payments received by the school district or county office in lieu of taxes on property or other tax base not subject to taxation on the same basis as privately owned property. Subsequently, 50 percent of the amounts recorded here should be transferred to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Amounts received by a charter school in lieu of property taxes from its sponsoring LEA should be recorded in Object 8096, Transfers to Charter Schools in Lieu of Property Taxes.
8089	**Less: Non-Revenue Limit (50 Percent) Adjustment.** Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from unrestricted Revenue Limit Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.
8090–8099	**Revenue Limit Transfers**
8091	**Revenue Limit Transfers—Current Year.** Record transfers of Revenue Limit Sources to applicable restricted resources, such as special education or continuation education, in the general fund or other funds. This account should net to zero LEA-wide.
8092	**PERS Reduction Transfer.** Record the reduction to the revenue limit as a result of the PERS transfer. The amount reported in Object 8092 must equal the amounts reported in objects 3801–3802, PERS Reduction.
8096	**Transfers to Charter Schools in Lieu of Property Taxes (Effective 2007-08).** Record funds transferred in lieu of property taxes by the sponsoring LEA to a charter school pursuant to *Education Code* Section 47635. This account is debited by the sponsoring LEA making the payment and credited by the charter school receiving the payment. This account should net to zero statewide.
8097	**Property Taxes Transfers.** For county offices, report any transfer of taxes within the County School Service Fund, such as excess taxes transferred to the ROC/P;

Code	Definition
	or the Special Education portion of revenue limit taxes; or transfers between LEAs, such as excess special education taxes transferred to districts or transfers of special education taxes between counties. For school districts, report any excess special education taxes collected by the county offices of education and subsequently transferred to the school districts. This account should net to zero statewide.
8099	**Revenue Limit Transfers—Prior Years.** Record prior year adjustments of revenue limit sources transferred to applicable restricted resources, such as special education or continuation education. This account should net to zero LEA-wide.
8100–8299	**Federal Revenue.** Record in the appropriate subordinate classifications revenue received from the federal government. Record federal revenue for which the state or any other agency serves as the distributing agency.
8110	**Maintenance and Operations (Public Law 81-874).** Record the amounts allowed for maintenance and operations of the district resulting from the identification of students or parents in federally impacted areas in accordance with Impact Aid programs. These funds are in lieu of property taxes and, except for the additional funds provided for federally connected children with disabilities, are unrestricted.
8181	**Special Education—Entitlement.** Record the federal Individuals with Disabilities Education Act of 2004 (IDEA) entitlement, which is deducted from the state apportionment for special education (see Resource 3310).
8182	**Special Education—Discretionary Grants.** Record all other federal revenues for special education pursuant to the IDEA.
8220	**Child Nutrition Programs.** Record federal revenues for child nutrition programs.
8260	**Forest Reserve Funds.** Record all revenue from forest reserve funds apportioned by the federal government and distributed to the district by the county superintendent of schools with the approval of the county board of education (*Education Code* Section 2300).
8270	**Flood Control Funds**. Record all revenue from flood-control funds apportioned by the federal government and distributed to the district by the county superintendent of schools with the approval of the county board of education (*Education Code* Section 1606).

Code	Definition
8280	**U.S. Wildlife Reserve Funds**. Record amounts received from U.S. Wildlife Reserve funds.
8281	**FEMA**. Record revenues received from the Federal Emergency Management Agency.
8285	**Interagency Contracts Between LEAs**. Record federal revenues received from another LEA for providing services on a contractual basis for the other LEA.
8287	**Pass-Through Revenues from Federal Sources.** Record the receipt of those federal pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8290	**All Other Federal Revenue.** Record all other federal funds received.
8300–8599	**Other State Revenue**
8311	**Other State Apportionments—Current Year.** Report revenues received under the Principal Apportionment other than the state-aid portion of the revenue limit. Include apportionments for Regional Occupational Centers and Programs, Adult Education, the apprenticeship program, supplemental instruction programs, Community Day School additional hours funding, special education programs, and Gifted and Talented Education. Report revenues received under the Special Purpose Apportionment. They include apportionments for Home-to-School Transportation, Special Education Transportation, and Economic Impact Aid. This account is intended to record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.
8319	**Other State Apportionments—Prior Years.** Record the amounts received but not previously accrued for prior years' revenues received under the Principal Apportionment other than the state portion of the revenue limit.
8425	**Year-Round School Incentive.** Record revenues for year-round school pursuant to *Education Code* Section 42260 et seq.

Code	Definition
8434	**Class Size Reduction, Grades K–3.** Record revenues realized for reducing class size in kindergarten and grades one through three, inclusive, pursuant to *Education Code* sections 52120–52128.
8435	**Class Size Reduction, Grade Nine.** Record unrestricted revenues for reducing class size in grade nine pursuant to *Education Code* sections 52080–52090.
8480	**Charter Schools Categorical Block Grant.** Record the charter schools block grant amount in lieu of categorical funding.
8520	**Child Nutrition.** Record state revenues for child nutrition programs.
8530	**Child Development Apportionments.** Record revenues for child development programs.
8540	**Deferred Maintenance Allowance.** Record the allocation of State School Deferred Maintenance funds received by the LEA from the State Allocation Board (*Education Code* sections 17582–17587).
8545	**School Facilities Apportionments.** Record state apportionments received for school facilities projects funded pursuant to the Leroy F. Greene School Facilities Act of 1998 (*Education Code* sections 17070–17079).
8550	**Mandated Cost Reimbursements.** Record in the year received amounts for reimbursements of costs of legislatively mandated programs (*Government Code* sections 17500–17616).
8560	**State Lottery Revenue.** Record the revenue received under the California State Lottery Act of 1984 (*Government Code* Section 8880.4). This revenue is recorded in the general fund.
8571–8579	**Tax Relief Subventions**
8571	**Voted Indebtedness Levies, Homeowners' Exemptions.** Record amounts received for loss of revenue because of homeowners' exemptions. These amounts are restricted levies for debt service repayment proceeds.
8572	**Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes.** Record amounts received for loss of revenue because of certain exemptions. These amounts are restricted levies for debt service repayment proceeds.
8575	**Other Restricted Levies, Homeowners' Exemptions**. Record amounts received for loss of revenue because of homeowners' exemptions. These amounts are

Code	Definition
	restricted levies for other than debt service repayment proceeds, such as the County Free Library Tax.
8576	**Other Restricted Levies, Other Subventions/In-Lieu Taxes.** Record amounts received for loss of revenue because of certain exemptions. These amounts are restricted levies for other than debt service repayment proceeds, such as the County Free Library Tax.
8587	**Pass-Through Revenues from State Sources**. Record the receipt of those state pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8590	**All Other State Revenue.** Record all other state funds received.
8600–8799	**Other Local Revenue.** Record in the appropriate subordinate classifications in this major classification revenue from local sources. All revenue received from tax sources is to be accounted for when it is received (cash basis). Credits to an LEA's various tax accounts are made on receipt of an apportionment notice from the county superintendent of schools indicating that taxes have been deposited in the county treasury.
8610–8629	**County and District Taxes**
8611	**Voted Indebtedness Levies, Secured Roll.** Record revenue from taxes levied on the secured tax roll for debt service repayment.
8612	**Voted Indebtedness Levies, Unsecured Roll.** Record revenue from taxes levied on the unsecured tax roll for debt service repayment.
8613	**Voted Indebtedness Levies, Prior Years' Taxes.** Record revenue from tax levies of prior years for debt service repayment. Include secured and unsecured receipts from redemptions and tax sales.
8614	**Voted Indebtedness Levies, Supplemental Taxes.** Record taxes resulting from changes in assessed value because of changes in ownership and completion of new construction at the time they occur. Record in this account those taxes for debt service repayment.

Code	Definition
8615	**Other Restricted Levies, Secured Roll.** Record revenue from taxes levied on the secured tax roll in excess of the statutory rates authorized in the *Education Code* for purposes other than debt service repayment, such as the County Free Library Tax.
8616	**Other Restricted Levies, Unsecured Roll.** Record revenue from taxes levied on the unsecured tax roll in excess of the statutory rates authorized in the *Education Code* for purposes other than debt service repayment, such as the County Free Library Tax. Include secured and unsecured receipts from redemptions and tax sales.
8617	**Other Restricted Levies, Prior Years' Taxes.** Record revenue from tax levies of prior years in excess of the statutory rates authorized in the *Education Code* for purposes other than debt service repayment, such as the County Free Library Tax. Include secured and unsecured receipts from redemptions and tax sales.
8618	**Other Restricted Levies, Supplemental Taxes**. Record taxes resulting from changes in assessed value because of changes in ownership and completion of new construction at the time they occur. Record in this account those restricted levies for purposes other than debt service repayment, such as the County Free Library Tax.
8621	**Parcel Taxes.** Record the special taxes based on other than the value of properties (not ad valorem) levied by LEA.
8622	**Other Non-Ad Valorem Taxes.** Record all other non-ad valorem taxes, such as sales taxes or maintenance assessment district funds or Mello-Roos special tax receipts.
8625	**Community Redevelopment Funds Not Subject to Revenue Limit Deduction.** Record community redevelopment funds not subject to the revenue limit deduction pursuant to *Education Code* Section 42238(h)(6). Include amounts received pursuant to *Health and Safety Code* Section 33401 or Section 33676 that are used for land acquisition, facility construction, reconstruction, remodeling, or deferred maintenance and amounts received pursuant to *Health and Safety Code* sections 33492.15, 33607.5, or 33607.7 that are allocated exclusively for educational facilities.
8629	**Penalties and Interest from Delinquent Non-Revenue Limit Taxes.** Record penalties and interest collected on delinquent nonrevenue limit taxes.

Code	Definition
8631–8639	**Sales**
8631	**Sale of Equipment and Supplies.** Record revenue from the sale of supplies and equipment no longer needed by the LEA. The money received is to be placed to the credit of the fund from which the original expenditure for the purchase of the personal property was made (*Education Code* Section 17547).
8632	**Sale of Publications.** Record revenue from the sale of publications.
8634	**Food Service Sales.** Record sales of meals and other food items.
8639	**All Other Sales.** Record revenue received from all other sales, such as farm products and printed forms. In the Warehouse Revolving Fund, record revenue received for items requisitioned by site, program, or department staff.
8650	**Leases and Rentals.** Record revenue for the use of school buildings or portions thereof, houses and other real or personal property of the LEA, and fees collected for civic center use, including reimbursements for custodial salaries and other costs.
8660	**Interest.** Record revenue credited or prorated by the county auditor for interest on deposits of the LEA's funds with the county treasurer and interest earnings. Record any premium on issuance of short-term debt such as Tax and Revenue Anticipation Notes (TRANs).
8662	**Net Increase (Decrease) in the Fair Value of Investments.** Report gains and losses on investments, including changes in the fair value of investments that include the realized and unrealized gains and losses. Refer to Procedure 425 for information regarding accounting for and reporting the fair value of investments.
8670–8689	**Fees and Contracts**
8671	**Adult Education Fees.** Record revenue received from students enrolled in classes for adults under *Education Code* Section 52612. This revenue is recorded in the Adult Education Fund.
8672	**Nonresident Student Fees.** Record the revenue received from parents or guardians for the total cost of educating foreign residents in the schools of the LEA (*Education Code* Section 48052).

Code	Definition
8673	**Child Development Parent Fees.** Record revenue received from parents or guardians as fees for the instruction and care of children in child development programs. This revenue is recorded in the Child Development Fund.
8674	**In-District Premiums/Contributions.** Record revenue received by a self-insurance fund from other funds of the district for insurance protection, necessary reserves, or deductible amounts or revenue received by the Retiree Benefit Fund for restricted money from salary-reduction agreements, other contributions for employee retirement benefit payments, or both.
8675	**Transportation Fees from Individuals.** Report fees paid by students to be transported to school. This object may be used only with Resource 7230, Transportation: Home to School.
8677	**Interagency Services Between LEAs.** Record revenue received from another LEA for contract services provided for the other LEA, except for federal moneys. Include amounts received for supervisorial oversight or for administrative or other services provided to a charter school by an authorizing LEA pursuant to *Education Code* Section 47613. To ensure that federal interagency revenues retain their federal identity, they should be reported in Object 8285, Interagency Contracts Between LEAs. Expenditures made by an LEA to fulfill contracts on behalf of another LEA should be coded to Goal 7110, Nonagency—Educational.
8681	**Mitigation/Developer Fees.** Report, in the general fund, only those fees collected by agreement between the school district and the developer that are not imposed as a condition for approving a residential development. Any fees that are collected as a condition to approving a development must be deposited in the Capital Facilities Fund (Fund 25).
8689	**All Other Fees and Contracts.** Record revenue received for all other fees and contract services from entities other than LEAs.
8690–8719	**Other Local Revenue**
8691	**Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment.** Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from Revenue Limit Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.

Code	Definition
8697	**Pass-Through Revenue from Local Sources.** Record the receipts of those local pass-through grants in which the recipient LEA has administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8699	**All Other Local Revenue.** Record all other local revenue, except funds defined as "miscellaneous funds" in *Education Code* Section 41604, received from entities other than LEAs. Examples of revenue recorded in this account are library fines, contributions, gifts, and reimbursement for practice teaching.
8710	**Tuition.** Record tuition payments received from the following sources: Tuition contracts for general or specific instructional services, including transportation for interdistrict attendance agreement (IDAA) pupils (*Education Code* sections 46600–46611). See Object 8677, Interagency Services Between LEAs, for revenue from contracts for services provided for another LEA's pupils. Payments from governing boards or authorities in other states for the total cost of educating elementary or high school students whose places of residence are in the other states (*Education Code* Section 48050). No California state aid is apportioned for such students. Revenues received for excess costs and/or deficits for providing services to other LEAs' pupils. All other tuition payments not identified above.
8780-8799	**Interagency Transfers In**
8780	**Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete as of 2007-08).** Formerly used to record the transfer of local revenues from sponsoring LEAs to charter schools. Use Object 8096, Transfers to Charter Schools in Lieu of Property Taxes, beginning 2007-08.
8781	**All Other Transfers from Districts or Charter Schools.** Record transfers of resources other than apportionments or pass-through revenues from school districts or charter schools.
8782	**All Other Transfers from County Offices.** Record transfers of resources other than apportionments or pass-through revenues from county offices. An example is

Code	Definition
	the transfer of funding from a county office of education to a direct-service district for health services.
8783	**All Other Transfers from JPAs.** Record transfers of resources other than apportionments or pass-through revenues from JPAs.
8791	**Transfers of Apportionments from Districts or Charter Schools.** Record transfers of apportionments of special education or regional occupational centers/programs from school districts or charter schools.
8792	**Transfers of Apportionments from County Offices.** Record transfers of apportionments of special education or regional occupational centers/programs from county offices.
8793	**Transfers of Apportionments from JPAs.** Record transfers of apportionments of special education or regional occupational centers/programs from JPAs.
8799	**Other Transfers In from All Others.** Record transfers of resources from non-LEAs.
8900–8999	**Other Financing Sources**
8910–8929	**Interfund Transfers In**
8911	**To Child Development Fund from General Fund.** Record transfers of moneys from the general fund to support the activities in the child development fund (*Education Code* Section 41013). Use Object 7611 in the fund making the transfer.
8912	**Between General Fund and Special Reserve Fund.** Record transfers of moneys between the general fund and the special reserve fund (*Education Code* sections 42840–42843). Use Object 7612 in the fund making the transfer.
8913	**To State School Building Fund/County School Facilities Fund from All Other Funds.** Record transfers of any moneys of the district that are required to be expended for the project for which such apportionment was made. Use Object 7613 in the fund making the transfer.
8914	**To General Fund from Bond Interest and Redemption Fund.** Record transfers of moneys from the bond interest and redemption fund, after all principal and interest payments have been made, to the general fund or to the special reserve fund (*Education Code* sections 15234 and 15235). Use Object 7614 in the fund making the transfer.

Code	Definition
8915	**To Deferred Maintenance Fund from General, Special Reserve, and Building Funds.** Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (*Education Code* sections 17582–17587). Use Object 7615 in the fund making the transfer.
8916	**To Cafeteria Fund from General Fund.** Record transfers of moneys from the general fund to the cafeteria fund. LEAs may record the transfer of Meals for Needy Pupils as an interfund transfer rather than as a revenue limit transfer. Use Object 7616 in the fund making the transfer.
8919	**Other Authorized Interfund Transfers In.** Record all other authorized transfers of moneys from another fund. Use Object 7619 in the fund making the transfer.
8930–8979	**All Other Financing Sources**
8931	**Emergency Apportionments.** Record the amount of emergency apportionments authorized under *Education Code* sections 41320–41322.
8951	**Proceeds from Sale of Bonds.** Record proceeds from the sale of bonds at par value. The amounts received from the sale of bonds must be deposited in the building fund of the LEA (*Education Code* Section 15146).
8953	**Proceeds from Sale/Lease Purchase of Land and Buildings.** Record revenue from the sale or lease-purchase of land and buildings. The funds may be used under the provisions of *Education Code* Section 17462.
8961	**County School Building Aid.** Record revenue received for payments required pursuant to School Building Aid laws (*Education Code* sections 16196, 16202, and 16204).
8965	**Transfers from Funds of Lapsed/Reorganized LEAs.** Record revenue received under *Education Code* sections 35560 and 35561. Also record revenue received from a defunct charter school or from a charter school whose authorizing LEA changes.
8971	**Proceeds from Certificates of Participation.** Record the proceeds received from the issuance of certificates of participation.
8972	**Proceeds from Capital Leases.** Record the proceeds that result from entering into a capital lease.

Code	Definition
8973	**Proceeds from Lease Revenue Bonds.** Record the proceeds from the issuance of lease revenue bonds that are deposited to the general fund or to capital project funds (other than the special reserve fund).
8979	**All Other Financing Sources.** Record the proceeds from other financing sources not specified above. If long-term debt is issued at a premium, record the premium here. Use Object 8979 for charter school loans.
8980–8999	**Contributions**
8980	**Contributions from Unrestricted Revenues.** Record the amount of money that must be contributed from unrestricted resources in the general fund when the expenditures incurred for a given restricted resource exceed the amount available for expenditure. This account may also apply to contributions of unrestricted resources to other unrestricted resources. Also record in this account the LEA's contribution of matching funds (the cash match) if required by a special project. A contribution is recorded by debiting Object 8980 in Resource 0000, Unrestricted, and by crediting Object 8980 in the resource receiving the contribution. This account must net to zero at the fund level.
8990	**Contributions from Restricted Revenues.** Record contributions of restricted revenues to another resource, such as contributions to a School-Based Coordinated Program (SBCP) or a Schoolwide Program (SWP), or No Child Left Behind (NCLB) flexibility transfers. A contribution is recorded by debiting Object 8990 in the resource making the contribution and by crediting Object 8990 in the resource receiving the contribution. This account must net to zero at the fund level.
8995	**Categorical Education Block Grant Transfers**. Record transfers of categorical education block grant apportionments pursuant to *Education Code* Section 41500, enacted by AB 825. A maximum of 15 percent of these apportionments may be transferred to any other programs for which the school district or county office of education is eligible for state funding, including programs not in the block grants. The total amount of funding for a program to which funds are transferred may not exceed 120 percent of the amount of state funding originally allocated to the school district or county office for that program in a fiscal year. A transfer is recorded by debiting Object 8995 in the resource making the transfer and by crediting Object 8995 in the resource receiving the transfer. This account must net to zero at the fund level. Transfers involving these apportionments other than those transfers specified in *Education Code* Section 41500, such as the transfer of School and Library

Code	Definition
	Improvement Block Grant (Resource 7395) revenue into School Based Coordinated Programs (Resource 7250), should be recorded using Object 8990. Transfers among categorical programs pursuant to Section 12.40 of the annual Budget Act should be recorded using Object 8998.
8997	**Transfers of Restricted Balances (Inactive as of 2004-05).** Record the transfer of restricted account balances pursuant to enacted legislation authorizing such transfers. For example, this account was used in 2003-04 to record transfers of restricted account balances pursuant to AB 1754. AB 1754 authorized LEAs to use certain restricted account balances for general operating purposes to mitigate the effects of state budget reductions. Other transfers between or from restricted programs should be recorded in Object 8990 or Object 8998. This account must net to zero at the fund level.
8998	**Categorical Flexibility Transfers per Budget Act Section 12.40.** Record the reallocation of categorical revenue among categorical programs defined in Section 12.40 of the annual Budget Act (formerly referred to as Mega-Item Transfers and Flexibility Transfers). A transfer is recorded by debiting Object 8998 in the resource making the transfer and by crediting Object 8998 in the resource receiving the transfer. This account must net to zero at the fund level.
9000–9999	**BALANCE SHEET**
9100–9499	**Assets**
9110	**Cash in County Treasury.** Beginning cash balance, plus all moneys deposited in the county treasury less disbursements. Included are all amounts added or deducted at the county level.
9111	**Fair Value Adjustment to Cash in County Treasury.** The difference between the fair value and the reported amount of cash in county treasury.
9120	**Cash in Bank(s).** Indicated balances in separate bank accounts for adult education incidentals, scholarships and loans, school farm accounts, and cafeteria accounts (*Education Code* sections 35314, 52704, and 38093). This account also includes any money in a bank clearing account awaiting deposit in the county treasury (*Education Code* Section 41017).
9130	**Revolving Cash Account.** (1) A recording of the establishment and maintenance of a cash account for use of the chief accounting officer or other designated official of the LEA in accordance with *Education Code* sections 42800–42806, 42810, 42820, and 42821. This account is similar in use and control to accounts

Code	Definition
	known as petty cash funds and includes petty cash funds. Once this account is established, it should be carried indefinitely in the general ledger and shown in all balance sheets and budgets until it is abolished. The amount recorded will vary only through increase or decrease in the total amount approved for the account. It should be noted that the revolving cash account is a reservation of cash within an already established fund and is not to be considered or accounted for as a separate fund or entity. (2) A sum of money, either in the form of currency or a special bank account, set aside for the purpose of making change or immediate payments of small amounts. The invoices for these payments are accumulated, and the account is reimbursed from the LEA's funds, thus maintaining the account at the predetermined amount. Checks drawn on a prepayment account may not be for more than $1,000, including tax and freight (*Education Code* Section 42821).
9135	**Cash with a Fiscal Agent/Trustee.** Deposits with a fiscal agent, such as a third-party administrator for self-insurance. This account also includes the proceeds of certificates of participation deposited with a trustee and amounts in an escrow account.
9140	**Cash Collections Awaiting Deposit.** Money received by an LEA and not yet deposited in a bank account or the county treasury (*Education Code* Section 41001). This account is usually posted on June 30 for those material revenues in the LEA safe/vault.
9150	**Investments.** Investments authorized by the governing board of the LEA recorded at fair value (GASB Statement 31) (*Education Code* Section 41015).
9200	**Accounts Receivable.** Amounts due from private persons, firms, or corporations. Accounts receivable will be limited to auditable amounts (usually based on contractual agreements); to amounts billed but not received; and, within provision of law, to amounts that were earned by the close of the fiscal year and that might have been received and deposited in the county treasury by that date except for the lack of time for settlement.
9290	**Due from Grantor Governments.** This account is used to record amounts receivable from state and federal agencies. It represents amounts earned by or allocated to a school district from state sources or earned under a federal financial assistance program in excess of cash receipts during the fiscal year. This account is also used if the grantors are other governmental entities, including counties, cities, and other school districts.
9310	**Due from Other Funds.** Amounts due from other funds of the LEA.

Code	Definition
9320	**Stores.** Amounts of materials, supplies, and possibly certain equipment kept in a central warehouse and subject to requisition and use.
9330	**Prepaid Expenditures (Expenses).** Payments made in advance of the receipt and use of services. Prepaid insurance premiums are illustrative. That portion of the premium paid in advance for coverage beyond the current fiscal year may be charged to Prepaid Expenditures. Adjustments to this account in the succeeding fiscal years apportion the premium over the period covered. In governmental fund accounting, expenditures for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods but may be accounted for as expenditures in periods of acquisition.
9340	**Other Current Assets.** Assets that are available or that can be made readily available to meet operating costs or to pay current liabilities.
9400–9499	**Capital Assets.** Accounts used in the proprietary or trust funds to present the assets of the LEA. These assets are of a permanent character and are intended to continue to be held or used.
9410	**Land.** A capital asset account reflecting the cost of land owned by the LEA.
9420	**Land Improvements.** A capital asset account reflecting the cost of permanent improvements, other than buildings, which add value to land, such as sidewalks, gutters, pavement, and fences.
9425	**Accumulated Depreciation—Land Improvements.** A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using land improvements on a historical cost basis over the useful life of the improvement. The depreciation expense is reported in Object 6900, Depreciation Expense, in proprietary and fiduciary funds only.
9430	**Buildings.** A capital asset account reflecting the cost of permanent structures owned or held by the LEA.
9435	**Accumulated Depreciation—Buildings.** A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using buildings on a historical cost basis over the useful life of the building. The depreciation expense is reported in Object 6900, Depreciation Expense, in proprietary and fiduciary funds only.

Code	Definition
9440	**Equipment.** A capital asset account reflecting the cost of properties that do not lose their identity when removed from their location and are not changed materially or consumed immediately (e.g., within one year) by use. Equipment has relatively permanent value, and its purchase increases the total value of an LEA's physical properties. Examples include furniture, vehicles, machinery, motion-picture films, videotapes, furnishings that are not an integral part of the building or building system, and certain intangible assets, such as major software programs.
9445	**Accumulated Depreciation—Equipment.** A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using equipment on a historical cost basis over the useful life of the equipment. The depreciation expense is reported in Object 6900, Depreciation Expense, in the proprietary and fiduciary funds only.
9450	**Work in Progress.** An asset account representing the value of partially completed work.
9500–9699	**Liabilities**
9500	**Accounts Payable (Current Liabilities).** Amounts due to private persons, firms, or corporations for services rendered and goods received on or before the close of the fiscal year. Do not include encumbrances represented by purchase orders or contracts, or portions thereof, for services or goods to be furnished after the close of the fiscal year. Include salaries earned but not paid until after June 30, amounts owed to other LEAs for tuition payments, that portion of construction contracts represented by work done by the close of the fiscal period, invoices for materials or equipment received prior to June 30, and so forth. Use Object 9620, Due to Student Groups/Other Agencies, for the liabilities of a trust or agency fund. *Note*: Range 9501–9589 is reserved for local use, such as for payroll tax accruals.
9501–9589	**Accounts Payable—Locally Defined.** These accounts are used at the option of LEAs to track current liabilities, such as payroll withholdings and deductions. When data are reported to CDE, these objects must be rolled up by the LEA to Object 9500.
9590	**Due to Grantor Governments.** This account is used to record amounts owed to state entities and federal agencies. The account represents cash received from state sources or under a federal financial assistance program that exceeds the amounts earned and which must be returned to the grantors. This account would also be used if the grantors are other governmental entities, including counties, cities, and other school districts.

Code	Definition
9610	**Due to Other Funds.** Amounts due to other funds within the LEA.
9620	**Due to Student Groups/Other Agencies.** This account is used to record amounts owed to student groups or other agencies within agency funds. Amounts recorded as Due to Student Groups/Other Agencies equal the difference between amounts recorded as assets and any recorded liabilities of student groups/other agencies, such as accounts payable. The assets held should equal the net assets and liabilities of the agencies, and there is no ending fund balance. Do not use Object 9500, Accounts Payable, in a trust or agency fund. Other general receivables from students in the general fund should be coded to Object 9200, Accounts Receivable. There is no fund balance in an agency fund. Assets held equal the liability to the other agency.
9640	**Current Loans.** Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable. Such loans may be unsecured or secured by specific revenues to be collected, such as tax-anticipation notes.
9650	**Deferred Revenue**. Revenue that has been received but is unearned as of June 30.
9660–9669	**Long-Term Liabilities.** An account set up to reflect long-term liabilities in the proprietary or trust funds (not used in governmental funds).
9661	**General Obligation Bonds Payable.** The liability account reflecting the outstanding balance of general obligation bonds.
9662	**State School Building Loans Payable.** A liability account reflecting the outstanding principal balance of State School Building Loans. State School Building Loans were granted in the past to facilitate school construction. These loans are no longer being offered under this program; however, some LEAs still have outstanding balances that are being repaid.
9664	**Net OPEB Obligation.** The cumulative difference, following the effective date of GASB Statement 45, between an LEA's annual postemployment benefits other than pensions (OPEB) cost (in relation to its Annual Required Contribution) and the LEA's actual contributions to its OPEB plan, including any net OPEB obligation (or asset) at transition. The Net OPEB Obligation is reported only in the LEA's accrual-basis financial statements.
9665	**Compensated Absences Payable.** A liability account reflecting accumulated unpaid benefits that are provided to employees. These benefits include vacation

Code	Definition
	and sick leave and sabbatical leaves that are paid to employees upon termination or retirement. However, this liability account does not include sick-leave balances for which employees receive only additional service time for pension benefit purposes.
9666	**Certificates of Participation (COPs) Payable.** The liability account reflecting the outstanding principal balance of COPs.
9667	**Capital Leases Payable.** A liability account reflecting the noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that are capitalized.
9668	**Lease Revenue Bonds Payable.** A liability account reflecting the outstanding balance of lease revenue bonds.
9669	**Other General Long-Term Debt.** A liability account reflecting other long-term liabilities such as the noncurrent portions of liabilities for termination benefits paid over time, unfunded pension obligations, and other similar items.
9700–9799	**Fund Balance/Net Assets**. Fund balance represents the difference between the assets and liabilities of a governmental fund. Net assets represents the difference between the assets and liabilities of a proprietary or fiduciary fund. In the following definitions, references to fund balance also apply to net assets.
9700–9759	**Fund Balance, Reserved**
9710–9720	**Reserve for Nonexpendable Assets.** An account set up to reflect the value of nonexpendable asset accounts. At the beginning of the fiscal year, this account is credited with the same amounts that are set up as debits to the previously described asset accounts.
9711	**Reserve for Revolving Cash.** The portion of fund balance reflecting the value of the revolving cash account.
9712	**Reserve for Stores.** The portion of fund balance reflecting the value of stores.
9713	**Reserve for Prepaid Expenditures (Expenses).** The portion of fund balance reflecting the value of prepaid expenditures/expenses.
9719	**Reserve for All Others**. The portion of fund balance reflecting the value not specified above. For example, this object is used for the legal reserve required for Certificates of Participation.

Code	Definition
9720	**Reserve for Encumbrances (Budgetary account).** (This account is not reported to CDE.) An amount set aside to provide for encumbrances. Generally, encumbrances are closed at the end of the fiscal year, and new purchase orders or contracts are opened for the subsequent year. However, an LEA may disclose outstanding purchase orders or contracts that will be included in the budget either as a footnote to the financial statements or in the Reserve for Encumbrances.
9730	**General Reserve.** The amount set aside by the governing board to meet cash requirements in the succeeding fiscal year until adequate proceeds from the taxes levied or from the apportionment of state funds are available (*Education Code* Section 42124).
9740	**Legally Restricted Balance**. Segregation of a portion of a fund balance for legally restricted funds, such as unspent instructional material funds or unspent proceeds from Certificates of Participation.
9760–9799	**Fund Balance, Unreserved**
9770	**Designated for Economic Uncertainties.** The portion of the fund balance that has been designated (set aside) by the governing board to provide for emergencies or economic events, such as revenue shortfalls, that could not be anticipated.
9775	**Designated for the Unrealized Gains of Investments and Cash in County Treasury.** The portion of the fund balance attributable to an increase in the fair value of investments or cash in the county treasury, an unrealized gain that is not available for spending.
9780	**Other Designations.** The portion of the fund balance that has been set aside by the governing board for specific purposes.
9790	**Undesignated/Unappropriated.** This account represents the excess of the fund's assets over its liabilities and may include a budgetary element: the excess of estimated revenue (and estimated other financing sources) over appropriations (and estimated other financing uses).
9791	**Beginning Fund Balance.** This account represents the difference between the assets and liabilities of a fund at the beginning of the fiscal year. Audit adjustments and other restatements that correct the beginning fund balance are recorded using objects 9793 and 9795, as appropriate.
9793	**Audit Adjustments.** This account is used to record audit adjustments that correct the beginning fund balance.

Code	Definition
9795	**Other Restatements.** This account is used to record material corrections of prior-year errors that restate the beginning fund balance.
9800–9839	**Budgetary Accounts.** (These accounts are not reported to CDE.) The following budgetary accounts are used by LEAs to record the budget. These accounts are not reported to CDE.
9810	**Estimated Revenue.** The budgetary account that shows all revenue estimated to be received or accrued during the fiscal year. This account is a control account in a fund's general ledger, and it must agree with the subsidiary ledger.
9815	**Estimated Other Financing Sources.** The budgetary account that shows all the other financial resources that are estimated to be received or accrued during the fiscal year. This account is optional; LEAs may use Object 9810 to record both budgeted revenue and other sources.
9820	**Appropriations.** Authorization granted by the governing board to make expenditures and to incur obligations for specific purposes and amounts within the fiscal year. This account is a control account in the general ledger, and it must agree with the subsidiary ledger.
9825	**Estimated Other Financing Uses.** The budgetary account that shows all of the other financial obligations that will be paid or will accrue during the fiscal year. This account is optional; LEAs may use Object 9820 to record both appropriations and estimated other uses.
9830	**Encumbrances.** Obligations in the form of purchase orders, contracts, salaries, or other commitments that are chargeable to an appropriation and for which part of the appropriation is reserved. Encumbrances are canceled when the obligation is paid or when the actual liability is set up. This control account represents the total amount of the appropriations that has been designated for expenditures for specified purposes. Details of encumbrances by classification or account are recorded in the same subsidiary appropriations ledger in which expenditures are recorded.
9840–9899	**Control Accounts.** (These accounts are not reported to CDE.)
9840	**Revenue.** The control account for all revenue that is received or accrued during the fiscal year.

Code	Definition
9845	**Other Financing Sources.** The control account for other financing sources. This account is optional; LEAs may use Object 9840 as the control account for revenue and other financing sources.
9850	**Expenditures.** The control account for all expenditures that are paid or accrued during the fiscal year.
9855	**Other Financing Uses**. The control account for other financing uses. This account is optional; LEAs may use Object 9850 as the control account for expenditures and other financing uses.
9900–9979	**Nonoperating Accounts.** (These accounts are not reported to CDE.)
9910	**Suspense Clearing.** An account that carries charges or credits temporarily pending determination of the proper account or accounts to which they are to be posted and that may be used for posting of amounts not yet analyzed to decide whether they should be revenue, expenditure, or abatement. Charges that must be allocated or prorated may be posted in this account until such allocation or proration can be calculated. This account must balance to zero at the close of the fiscal year and should be reviewed monthly.

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The school field designates a specific, physical school structure or group of structures that form a campus as identified in the *California Public School Directory*. The field refers to the physical location of the school building or buildings where students attend class. It is a unit under a principal's responsibility for which a unique set of test scores is reported.

How the School Field Is Used

The school field applies to expenditure accounts and may be used in revenue accounts and balance sheet accounts. A generic districtwide site or clearing account is used to capture costs not readily assignable to a particular site. These districtwide costs may be distributed back to the school sites.

Although the field is mandated, reporting to the state at this level is not required at this time. However, counties and districts should build into their systems a capacity to house this field for use in the future.

The codes for the school field will be assigned by each school district. The California Department of Education will create a translation table that will match the district-assigned code with the CDS (county-district-school) code in the *California Public School Directory*. District-assigned codes that do not correspond to the CDS codes in the *California Public School Directory* will be considered districtwide sites.

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All of the fields used in the standardized account code structure (SACS) must work together to form valid account code strings. Although there are hundreds of individual account codes, many are valid only in combination with certain other codes.

Tables of valid combinations are maintained and updated periodically for validating the appropriateness of the account combinations used in the data LEAs submit to CDE through the use of CDE's data collection (SACS) software. The tables are also available in an easy-to-reference spreadsheet format. The spreadsheet format provides a useful tool for users to research coding combinations prior to using them in their financial systems. The spreadsheets, available in both Microsoft Excel and PDF format, can be downloaded from CDE's Web site:

http://www.cde.ca.gov/fg/ac/ac/sprvalidcombs.asp

The following tables are abbreviated examples of the seven tables of valid combinations and discussion of the coding principles associated with each. An "x" in a cell indicates the combination is valid; however, it does not indicate that the combination is valid for every LEA type (districts, COEs, and JPAs). LEAs should refer to the complete versions of the tables to determine the LEA types for which a certain combination is valid.

Function by Object Combinations

All expenditure objects (1000–7999) are validated in combination with all functions.

Object Codes	Function 1000 Instruction	Function 2100 Instructional Supervision and Administration	Function 3110 Guidance and Counseling Services	Function 4000 Ancillary Services	Function 5000 Community Service
1100 Teachers' Salaries	X	X		X	X
1200 Certificated Pupil Support Salaries			X	X	X
1300 Certificated Supervisor and Administrator Salaries			X		
2100 Instructional Aide Salaries	X			X	X
2200 Classified Support Salaries					
2400 Clerical, Technical, and Office Staff Salaries		X	X	X	X

All expenditures must be coded to a function. Revenue and balance sheet accounts do not require a function and are not included in this table.

Certain expenditures are not appropriate in certain functions. For example, teachers perform instructional activities. Their salaries are appropriately coded to Function 1000, Instruction, but not to Function 3110, Guidance and Counseling Services, which is a pupil support activity.

Fund by Function Combinations

All functions are validated in combination with all funds.

Function Codes	Fund 01 General/County School Service Fund	Fund 13 Cafeteria Fund	Fund 21 Building Fund	Fund 51 Bond Interest and Redemption Fund	Fund 63 Other Enterprise Fund
1000 Instruction	X				
3700 Food Services	X	X			
6000 Enterprise	X				X
8500 Facilities Acquisition and Construction	X		X		
9100 Debt Service	X			X	
9300 Interfund Transfers	X	X	X	X	X

Certain functions (activities) are not appropriate in certain funds. For example, Function 1000, Instruction, is not valid in combination with Fund 13, Cafeteria Fund, or Fund 21, Building Fund, because the activities accounted for in these funds are not instructional.

Fund by Goal Combinations

All goals are validated in combination with all funds.

Goal	Fund 01 General/County School Service Fund	Fund 13 Cafeteria Fund	Fund 21 Building Fund	Fund 51 Bond Interest and Redemption Fund	Fund 63 Other Enterprise Fund
0000 Undistributed	X	X	X	X	X
1110 Regular Education, K-12	X				
4110 Regular Education, Adult	X				
5001 Special Education—Unspecified	X				
7110 Nonagency—Educational	X	X			
8100 Community Services	X				

Certain goals are not appropriate in certain funds. For example, Goal 1110, Regular Education, K–12, is not valid in Fund 21, Building Fund, or Fund 51, Bond Interest and Redemption Fund, because specific populations of students, such as K–12 students, are not served by the activities of these funds. Rather, the activities of these funds are for the benefit of all student populations and should be coded to Goal 0000, Undistributed.

Fund by Object Combinations

All objects are validated in combination with all funds.

Object	Fund 01 General/County School Service Fund	Fund 13 Cafeteria Fund	Fund 21 Building Fund	Fund 51 Bond Interest and Redemption Fund	Fund 63 Other Enterprise Fund
1100 Teachers' Salaries	X				X
1200 Certificated Pupil Support Salaries	X				X
1300 Certificated Supervisor and Administrator Salaries	X				X
2100 Instructional Aide Salaries	X				X
2200 Classified Support Salaries	X	X	X		X
2400 Clerical, Technical, and Office Staff Salaries	X	X	X		X

Certain types of revenues, expenditures, assets, and liabilities are not appropriate in certain funds. For example, Object 1100, Teachers' Salaries, is not valid in Fund 13, Cafeteria Fund, or Fund 21, Building Fund. Teachers provide instructional services, and the activities accounted for in funds 13 and 21 are not instructional.

Fund by Resource Combinations

All resources are validated in combination with all funds.

Resource	Fund 01 General/County School Service Fund	Fund 13 Cafeteria Fund	Fund 21 Building Fund	Fund 51 Bond Interest and Redemption Fund	Fund 63 Other Enterprise Fund
0000 Unrestricted	X	X	X	X	X
1100 State Lottery	X	X			X
3010 NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	X				
5310 Child Nutrition: School Programs	X	X			
6285 Community-Based Tutoring Grants	X				
9010 Other Local	X	X	X	X	X

Most resources represent restricted sources of revenue that must be spent on specific activities, and most funds exist for the accounting for specific activities. Not all resources will be appropriate with all funds. For example, Resource 5310, Child Nutrition: School Programs, is valid in Fund 13, Cafeteria Fund, because the cafeteria fund exists for the accounting of child nutrition programs, such as provided by Resource 5310. However, Resource 5310 is not valid in Fund 21, Building Fund, because the building fund exists for the accounting of capital projects, not child nutrition programs.

Goal by Function Combinations

Functions in the 1000, 4000, 5000, and 7000 series (except 7210) are validated in combination with all goals.

Function	Goal 0000 Undistributed	Goal 1110 Regular Education, K–12	Goal 5750 Special Ed., Age 5-22 Severely Disabled	Goal 7110 Nonagency–Educational	Goal 8100 Community Services
1000 Instruction		X		X	
1110 Special Education: Separate Classes			X	X	
4000 Ancillary Services		X		X	
5000 Community Services				X	X
7200 Other General Administration	X			X	

Instructional (1xxx), ancillary services (4xxx) and community services (5xxx) functions must be coded to a specific goal. They may not be coded to Goal 0000, Undistributed, or Goal 5001, Special Education—Unspecified.

General administration functions (7xxx), except Function 7210, General Administration Cost Transfers, should generally only be coded to Goals 0000, Undistributed; 7110, Nonagency—Educational; 7150, Nonagency—Other; and 8600, County Services to Districts.

Noninstructional functions, such as the pupil support function range of 3000–3999, do not require a specific goal. They may be coded to Goal 0000, Undistributed. Therefore, combinations of noninstructional functions with specific goals are not addressed in this table, although most of these combinations are valid.

Resource by Object Combinations

All resources are validated in combination with all revenue and balance sheet objects.

Resource	Object 8290 All Other Federal Revenue	Object 8590 All Other State Revenue	Object 9110 Cash in County Treasury	Object 9650 Deferred Revenue	Object 9790 Undesignated/ Unappropriated
0000 Unrestricted	X	X	X	X	X
3010 NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	X		X	X	
5600 Workforce Investment Act (WIA)	X		X	X	
6285 Community-Based Tutoring Grants		X	X	X	
7156 Instructional Materials Realignment, IMFRP (AB 1781)		X	X		X
9010 Other Local	X	X	X	X	X

Restricted resources are generally funded by either state or federal revenues. Carryovers of restricted resources are subject to either restricted ending balance or deferred revenue. Combinations are validated to ensure that LEAs are using the correct revenue designation(s) and are accounting for carryover correctly.

The following are examples of valid and invalid combinations:

- Resource 3010, Title I, Part A, Basic Grants Low-Income and Neglected, is federal revenue and, therefore, Object 8290, All Other Federal Revenue, is open to this resource. But state objects, such as Object 8590, All Other State Revenue, are not open to this federal resource.
- A carryover balance in this same Resource 3010 is subject to deferred revenue and, therefore, Object 9650, Deferred Revenue, is open to this resource. But Object 9790, Undesignated/ Unappropriated, which is a fund balance object rather than a deferred revenue object, is not.

The following are basic examples of entries for recording revenue, expenditure, and balance sheet transactions using the standardized account code structure (SACS). These examples illustrate how the SACS fields are combined to create valid account strings.

More detailed examples of the transactions for specific programs and activities can be found in numerous procedures throughout the manual.

Revenue Transactions

Revenues are classified by source and type in the object field. When revenues are for restricted uses or have reporting requirements, they are identified by the resource field with a specific resource number in the range 1000 through 9999; otherwise they are identified with Resource 0000, Unrestricted. When revenues are for federal projects that cross the LEA reporting fiscal year, they are also coded by the ending year of the project in the project year field.

Revenue Example 1

A school district receives unrestricted lottery funding. The revenue would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	0000	0000	8560	000

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted, which has a special reporting requirement.
- Project Year is not necessary in this example.
- Goal is generally not required for revenues.
- Function is not required for revenues.
- Object 8560 is State Lottery Revenue.
- School is not required.

Revenue Example 2

A school district receives After School Education and Safety (ASES) funding. The revenue would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6010	0	0000	0000	8590	000

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal is generally not required for revenues.
- Function is not required for revenues.
- Object 8590 is All Other State Revenue.
- School is not required.

Revenue Example 3

A school district receives two federal IDEA Preschool Grants. One grant will end in September 2007, and the subsequent grant will begin in October 2007 and end in September 2008. For the 2007-08 fiscal year, the revenue would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3315	7	5001	0000	8182	000
01	3315	8	5001	0000	8182	000

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year is 7 for the first grant, which ends in September 2007 during the LEA fiscal year. Project Year is 8 for the second grant, which begins during the LEA fiscal year and will end in September 2008.
- Goal 5001 is Special Education—Unspecified. Goal is required for special education revenues.
- Function is not required for revenues.
- Object 8182 is Special Education—Discretionary Grants.
- School is not required.

Expenditure Transactions

Expenditures for instructional activities must be classified by goal. Expenditures for support activities may be classified by goal when there is supporting documentation. Otherwise, they are recorded in Goal 0000, Undistributed.

Expenditure Example 1

Lottery funds are used to pay for upgrading the equipment in the computer lab. The expenditure would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	1110	2420	4400	123

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not necessary in this example.
- Goal 1110 is Regular Education, K–12. The computer lab is used primarily by the regular K–8 students of the ABC Elementary School.
- Function 2420 is Instructional Library, Media, and Technology.
- Object 4400 is Noncapitalized Equipment.
- School 123 is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Expenditure Example 2

ASES funds are used to purchase instructional supplies for the after-school program operated at ABC Elementary School. The expenditure would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6010	0	1110	1000	4300	123

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal 1110 is Regular Education, K–12. A goal is required with an instructional function.
- Function 1000 is Instruction.
- Object 4300 is Materials and Supplies.
- School 123 is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Expenditure Example 3

IDEA preschool grant funds are used to hire teachers to work with preschoolers with special needs. The teachers are paid during fiscal year 2007-08 for periods that cover both the first and second grants. The expenditures would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3315	7	5730	1190	1100	456
01	3315	8	5730	1190	1100	456

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year is 7 for the first grant, which ends during the LEA 2007-08 fiscal year and would cover expenditures through September 2007. Project Year is 8 for the second grant, which begins in the LEA fiscal year and would cover expenditures from October 2007 to June 2008.
- Goal 5730 is Special Education, Preschool Students.
- Function 1190 is Special Education: Other Specialized Instructional Services.
- Object 1100 is Certificated Teachers' Salaries.
- School 456 is the XYZ Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Balance Sheet Transactions

Balance sheet accounts (i.e., assets, liabilities, and fund balances) are classified in the object field. If the transactions are from restricted revenues, the balance sheet accounts are also coded to the resource field.

Balance Sheet Example 1

At year-end an invoice for materials purchased with unrestricted lottery funds has not been paid. The payable would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	0000	0000	9500	000

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not required for balance sheet transactions.
- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9500 is Accounts Payable.
- School is not required.

Balance Sheet Example 2

ASES revenue received for the fiscal year exceeds ASES expenditures for the fiscal year. Deferral of ASES revenue would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6010	0	0000	0000	9650	000

- Fund 01 is the General Fund.
- Resource 6010 is ASES.
- Project Year is not necessary for this resource.
- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9650 is Deferred Revenue.
- School is not required.

Balance Sheet Example 3

On June 30, 2007, the final payment has not yet been received from the granting agency for the remainder of the first IDEA preschool grant or for the beginning months of the second IDEA preschool grant. The two receivables would be recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3315	7	0000	0000	9290	000
01	3315	8	0000	0000	9290	000

- Fund 01 is the General Fund.
- Resource 3315 is the federal Special Ed-IDEA Preschool Grant.
- Project Year separates the receivables for the two grants. However, its use is optional in balance sheet accounts.

- Goal is not required for balance sheet transactions.
- Function is not required for balance sheet transactions.
- Object 9290 is Due from Grantor Governments.
- School is not required.

Section 400

Topics Relating to Assets and Liabilities

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Procedure 405 Accounting for Inventories

LEAs often maintain an inventory of significant amounts of classroom materials, maintenance supplies, and food for the food service program to allow sites, programs, and departments to obtain the needed supplies on an as-needed basis and to take advantage of large quantity discounts. LEAs maintaining an inventory or stores system will establish procedures to allow the sites, programs, or departments to requisition items from inventory together with accounting procedures to charge the requisitioned goods to the requisitioning site, program, or department. (Procedures and controls for stores systems are discussed in Procedure 415.)

Fund Type

LEAs have the option of using the following funds to record the inventory:

Governmental Funds

1. The General Fund/County School Service Fund: This is the fund most commonly used to account for inventory in an LEA.

2. Adult Education Fund: LEAs may use this fund to record a separate inventory strictly for the use of the adult education program. If this fund is used, it is in addition to the general fund.

3. Child Development Fund: LEAs may use this fund to record a separate inventory strictly for the use of the child development program. If this fund is used, it is in addition to the general fund.

4. Cafeteria Fund: LEAs operating a food service program may record the food service inventory in this fund.

Proprietary Fund

LEAs may use a Warehouse Revolving Fund to account for their inventory. This is an internal service fund accounted for on the full accrual basis of accounting. (The accounting for an inventory in a Warehouse Revolving Fund is described in Procedure 775.)

Typical Entries

The following entries assume the inventory is accounted for in the general fund.

When inventory is purchased, the following entry is recorded:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
10-11-xx	Stores	01-0000-0-0000-0000-9320	$25,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$25,000

This entry records the purchase of inventory in an asset account and reduces the cash account for the payment.

When items are requisitioned by site, program, or department staff, the following entry is recorded:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
10-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	$300	
	Stores	01-0000-0-0000-0000-9320		$300

This entry reduces the inventory account and charges the cost of the goods to the site, program, or department. Object 4700, Food, would be used if food items were requisitioned for the food service program.

Determining the Cost of Inventory

The cost of the inventory debited to the Stores account (Object 9320) at the time of the purchase includes the total cost of the merchandise, including sales tax, postage, freight, and other charges.

When the inventory is issued to a site, program, or department, there are several acceptable methods that may be used to cost the inventory. Typically, the software used by the LEA is programmed to cost the inventory by using one of these methods:

1. Last-in-first-out (LIFO): Under this method, the goods are costed using the latest invoice price of goods in inventory. If 50 items are issued from inventory and only 40 items were purchased on the

last invoice (and 10 on the previous invoice), the cost will be computed using the last invoice and the next-to-last invoice.

2. First-in-first-out (FIFO): Under this method, the goods are costed using the oldest invoice price of goods in inventory. If 50 items are issued from inventory and only 40 were purchased on the oldest invoice, the next 10 from the next-to-oldest invoice will be used in the computation.

3. Weighted average: Under this method, the goods are costed using an average of the invoice prices of goods in the inventory. For example:

Date of Purchase	Number of Items	Cost Per Item	Total Cost
08-12-xx	400	$3.00	$1,200
10-02-xx	600	5.00	3,000
12-06-xx	1,200	4.00	4,800
Total	2,200	N/A	$9,000

The weighted average for this item is $\frac{\$9,000}{2,200}$ = $4.09 per item.

Commercial businesses may have tax reasons for using one inventory cost method over another; however, for LEAs, the weighted average method is probably the most appropriate since it smoothes out price fluctuations and results in a more consistent charge to the sites, programs, or departments.

Overhead

LEAs using a Warehouse Revolving Fund will include a charge for overhead in the price of the goods charged to the sites, programs, or departments consistent with the intent for full recovery of all costs of programs accounted for in internal service funds. LEAs accounting for the inventory in another fund may also add an overhead charge to the goods requisitioned if they wish.

The following is an example of how to compute overhead:

During 2001-02, a total of $5,000,000 was requisitioned from the warehouse. Using the 2001-02 information, the overhead rate for 2002-03 would be determined as follows:

2001-02 Warehouse Costs		
Salaries and Benefits	$	450,000
Rent		45,000
Utilities		32,000
Other Expenses		73,000
Total Warehouse Costs	$	600,000

$$\frac{\text{Total Warehouse Cost}}{\text{Total Amount Requisitioned}} = \frac{\$\ 600{,}000}{\$5{,}000{,}000} = 12\%$$

If this method of computing overhead is used, an additional 12 percent would be added to the cost of all items requisitioned in the 2002-03 year. This same method, using the estimated 2002-03 costs and amounts to be requisitioned, could also be used.

If an LEA accounting for its inventory in the general fund charges overhead in addition to the cost of the requisitioned goods, the following entry is recorded:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	$36	
	Overhead Clearing Account	01-0000-0-0000-7540-43xx		$36

This entry increases the charge to the site, program, or department receiving the goods by the overhead rate ($300 x 12%). The costs of overhead that were initially collected in Function 7540, Warehousing and Distribution, are recaptured using contra-account Object 43xx when they are added to the cost of the goods.

As a practical matter, the LEA would typically include the overhead charge in the entries prepared at the time the goods were requisitioned from the warehouse. The combined entries would appear as follows:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	$336	
	Overhead Clearing Account	01-0000-0-0000-7540-43xx		36
	Stores	01-0000-0-0000-0000-9320		$300

If the calculation of the overhead rate is reasonable, at the end of the year the amount of overhead costs recaptured using Object 43xx will approximately equal the costs accumulated in Function 7540.

Physical Inventory

As discussed in Procedure 410, LEA staff should take a physical count of the inventory at least once a year to confirm that the amount recorded on the LEA's books is correct or to adjust the amount on the books to the actual amount. Once the count is complete, an entry must be made to adjust the books to the physical count. If the physical count is lower than the amount recorded on the books, the following adjusting entry is recorded:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	$545	
	Stores	01-0000-0-0000-0000-9320		$545

This entry increases the charge to the site, program, or department receiving the goods. If the physical count is higher than the amount recorded on the books, a debit is made to Object 9320, and a credit is made to Object 4300.

LEAs may charge the amount of the adjustment to one program, or to all user programs (or sites or departments) according to the percentage of requisitions made by each program during the year. Charging to all programs is usually done if the amount of the adjustment is significant.

Date	Object Title	SACS Account String	Debit	Credit
9-30-xx	Instructional Supplies	01-6500-0-5001-1000-4300	$325	
	Instructional Supplies	01-7250-0-1110-1000-4300	100	
	District Office Supplies	01-0000-0-0000-7200-4300	120	
	Stores	01-0000-0-0000-0000-9320		$545

In this example, Special Education (Resource 6500) and the School-Based Coordination Program (Resource 7250) are charged for a portion of the inventory shortage in instructional supplies. The district office is charged with a shortage in office supplies. The stores account is reduced to reflect the actual count.

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Procedure 410 Conducting a Physical Inventory

The purpose of taking a physical inventory is to verify the physical existence of the property and equipment that appear in the LEA's records and to check the accuracy of the inventory control system. For a good internal control system, CDE recommends that a physical inventory of the LEA's property and equipment be taken at least annually. The *Federal Register* states that:

> A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every 2 years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. Any differences between quantities determined by the physical inspection and those shown in the accounting records should be investigated to determine the causes of the differences. The results of the physical inventory can be used as a basis for writing off items that have been lost, stolen, or discarded and also for adding unrecorded items.

The suggested procedures that follow can be used in the initial inventory or retaking of inventory because they are basic and can be modified to fit the needs of the LEA. Adequate planning is critical to the physical inventory process, which should include the following:

1. Designation of the person responsible for coordinating the LEA's inventory

2. Determination of the duties and responsibilities of persons and/or departments involved in the inventory (e.g., Centralized Data Processing, Purchasing, and Warehouse)

3. Determination of the inventory procedures to be used

4. Provision for materials needed for the count

5. Schedule for taking the inventory, including cutoff dates

6. Design of final inventory reports

There are three major stages in taking the physical inventory: the *precount*, the *actual count*, and the *recount*.

Precount Procedures

At this stage, the coordinator should clearly instruct the persons who will do the counting. The following steps are suggested:

1. Notify personnel of the schedule for starting and completing the inventory counts.

2. Anticipate problems that might interfere with the inventory count and take corrective action if necessary.

3. Return equipment that has been temporarily moved to its permanent location.

4. Arrange for the removal of or identify non-LEA property, such as teachers' personal belongings.

5. Distinguish and identify on-loan equipment and leased equipment (e.g., equipment on trial from a vendor or on loan from the maintenance department).

6. Note equipment that is moved out temporarily or is out for repair. This equipment should be included in the count at the site having permanent custody of the equipment.

7. Distribute count materials, including written procedures for counting and controlling count sheets. The count sheet should include (1) the inventory number; (2) the description of the items to be counted; (3) the prior inventory quantity; (4) the original count and the second count; and (5) the discrepancy as in the following sample:

Sample Count Sheet

Inventory number	Description	Prior inventory quantity	Count 1	Count 2	Discrepancy	Reason for discrepancy

Counting Procedures

At this stage, the actual count is performed. This process involves matching the inventory number affixed to each piece of equipment with the inventory number listed on the count sheet. Ideally, the inventory count should be taken by a person who is not primarily responsible for the

inventory's safekeeping; however, it should be taken by the person who is the most knowledgeable about the type of property and equipment being inventoried.

The following are *suggested procedures* for counting inventory, by room:

1. Limit the inventory count to individual rooms. If the equipment is in the room, include it in the count; if not, list it as missing.

2. Work from equipment in the room to a count sheet.

3. Put an identification mark on each item counted (by tag, paint, indelible ink, or some other means) to indicate that the item has been counted.

4. If a count sheet is used, the following procedure can be used for counting:

   a. **Group Items** (tables, chairs, desks, and the like):

      (1) Count the quantity of all similar types of equipment in the room.

      (2) Determine whether the type of equipment is listed on the count sheet. If the equipment is listed and if the quantity is the same as that listed on the count sheet, circle the quantity listed. If the quantity is different from that listed, enter that quantity under "Count 1" and enter the difference in the "Discrepancy" column. Enter the reason for the discrepancy if it is known.

      (3) If there are group items listed on the count sheet that are not in the room, enter a zero under "Count 1" and the difference in the "Discrepancy" column. Enter the reason for the discrepancy if known.

   b. **Unit Items** (audiovisual equipment, typewriters, machines, and the like and all equipment for special projects):

      (1) If the *inventory number* for the item is on the count sheet, circle the quantity.

(2) If the *inventory number* for the item is *not* on the count sheet, enter the inventory number, a description of the item, and the quantity.

(3) If there are unit items listed on the count sheet that are not in the room, enter a zero under "Count 1" and the difference in the "Discrepancy" column. Enter the reason for the discrepancy if known.

c. **Noninventoriable Items** (items not on the count sheet but that appear inventoriable to the person doing the count):

(1) These items should be counted and listed by the person doing the counting.

(2) The inventory coordinator should determine whether the item is inventoriable or noninventoriable.

5. Date, sign, and return the count sheets to the office of the site administrator when the count is completed.

6. After receiving the completed count sheets from the person who took the inventory, the administrator should verify that all of the pages have been completed, dated, signed, and returned and should send them to the inventory coordinator for a comparison of the count with the inventory records.

Recount Procedures

For substantiation of the validity of the inventory, a recount (second count) should be taken. A recount is the process of verifying the differences between the actual count (first count) and the LEA's inventory record to correct differences or affirm discrepancies. Suggested procedures for the recount follow:

1. Explain the recount procedure to the person who will be doing the second count.

2. For lost items check repair requests, equipment transfers, and reports on lost or damaged equipment moved from the site. If an item is being repaired, it should be included in the count.

3. For *group items* verify existing quantities and indicate any corrections under "Count 2" on the recount sheet.

4. For *unit items* attempt to locate the items listed on the count sheet. Check room closets, storage rooms, and other storage areas. If items are located, so indicate under "Count 2" on the count sheet.

5. When the recount is completed, it should be dated, signed, and submitted to the administrator for verification and approval.

6. The administrator should then send the count sheet to the inventory coordinator for summarization and preparation of a report.

When all the counting is complete and summarized, an equipment inventory report, like the following sample, is prepared to show the actual count to be used to adjust the Property and Equipment Ledger:

Sample Equipment Inventory Report

(1) Inventory number	(2) Complete description	(3) Acquisition date	(4) Location of use	(5) Quantity	(6) Acquisition cost	(7) Replacement cost (optional)

The suggested procedure discussed previously is only one of many inventory procedures that can be applied in an LEA. The basic procedure can be used in either a manual or computerized inventory system.

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Procedure 415 Adopting a Stores System

A central stores system enables an LEA to take advantage of the economies of quantity buying and to fill requisitions for standard supplies promptly. However, no set rules can be established to determine when it would be in the best interest of an LEA to adopt a stores system. Availability of material, storage facilities, means of delivering merchandise, and the size and number of plants in an LEA all must be taken into consideration in determining the stores system. Costs of receiving, storing, and delivering stock items, as well as costs of stock control, should be included in the total cost of a stores system (as compared to the cost of direct purchasing) in deciding on the desirability of a stores system.

Methods of Financing, Controlling, and Accounting for Stores

Either of two methods may be used for a stores system:

Stores Account Method: The establishment and maintenance of a stores system by the use of a Stores account (Object 9320) carried within the general fund is a long-established practice. Stores accounts may also be maintained within other funds.

Revolving Fund Method: *Education Code* sections 42830–42833 authorize and prescribe procedures for the establishment of a revolving warehouse stock fund for LEAs. Permission is also given for two or more LEAs to establish a common revolving fund for this purpose.

Types of Supplies in a Stores System

Items purchased for a stores system should be those that are used in sufficient quantity to justify the cost of establishing them as stock items. Initial purchase of a new item should be conservative as to quantity to test its turnover, thereby establishing a basis for determining the quantity needed. Committees composed of users of the various items can be helpful in determining standard items to be warehoused and in encouraging their use. The types of items most frequently stocked are included in the list that follows:

- Instructional supplies, including paper, pencils, chalk, paste, art supplies, and the like
- Office supplies, including typewriter ribbons, duplicating supplies, desk files, and the like
- Custodial supplies

- Maintenance supplies, including lumber, small tools, electrical supplies, paints, sandpaper, and the like
- Food and related supplies
- Preprinted forms
- Equipment (When it is known that computers, videocassette recorders, scrubbing machines, and other items of equipment will be needed in the near future, it is sometimes economical to purchase this equipment in quantity. It is recommended that equipment items such as these be maintained on a minimum-maximum basis as are items of supply.)

Essentials of a Stores System

The essential features that are to be provided in connection with the establishment and operation of a stores system are presented in this section.

Devices for Control of Purchases

Provisions for Numbering, Cataloging, and Standardizing Stock Items. Printed catalogs that list all items by stock number, unit of issue, description, and unit cost should be available to all who will requisition such items from the warehouse. The catalog should preferably be loose-leaf to allow for replacing pages in the event of substitutions, additions, or deletions.

Provisions for the Addition or Deletion of Stock Items. A special form may be used to convey the necessary information regarding the action taken to all departments concerned.

Provisions for Minimizing Losses Because of Obsolescence. Special committees can be helpful in giving information in advance on planned changes in curriculum that will affect the use of supplies already stocked. If it is known that a change is planned, supplies to be discontinued can be allowed to run out without reordering when the stock drops to the minimum.

Control of Maximum and Minimum Stock Balances. Care should be exercised in the setting of maximum and minimum quantities. Continual study of stock activity and periodic readjustment of the limits set are required because of such conditions as enrollment growth, grade levels of users, changes in curriculum, changes of personnel placing requisitions, and storage capacity. Because some items will deteriorate when stored too long, this factor should be considered when placing orders. Very small,

inexpensive items should be ordered in adequate supply for anticipated need; more expensive items should be ordered in accordance with conservative estimates of need.

Records of Perpetual Inventory

Individual cards or records that contain the following information should be kept for each item stocked:

1. Identifying stock number
2. Specification of unit of issue
3. Description of item
4. Unit price
5. Posting references: date, document number, and the like
6. Receipts in terms of stock units
7. Issues in terms of stock units
8. Balances on hand in terms of stock units

Note: The following additional information on the stock records may be desirable: (1) minimum and maximum quantities to be stocked; (2) reference to vendors from whom stock is purchased; (3) memoranda of orders placed; (4) memoranda of unfilled requisitions; (5) reference to warehouse location of item if the identifying stock number cannot be used for this purpose; and (6) provision for values of receipts, issues, and balances on hand.

Verification by Physical Inventory

Provisions should be made for at least an annual count of all stocked items. The count can be done on a cyclical basis, with only a portion of the total stock inventoried during each period. Persons other than warehouse personnel should make this count. In the event warehouse personnel are used to make the count, persons other than those responsible for stock should spot-check the record. A common practice is for the firm performing the LEA's audit to make the spot checks.

Security Control and System of Internal Checks

In planning the stores system, the LEA should make provisions for adequate security of stock and a system of internal checks. Buildings used for warehouse storage should be as fireproof as possible and should have adequate locks. Only specified personnel should be allowed to issue stock. Preferably, the stock records should be maintained in an office removed

from the warehouse (stock records are commonly maintained in the accounting or purchasing offices). At inventory time or other periodic checkup time, any difference between the record and actual quantity count should be investigated and necessary adjustments made.

Planned Procedures for Receiving and Issuing

Procedures for receiving and issuing stock should include the following:

1. Items to be stocked should be purchased by means of an official LEA purchase order issued in compliance with the *Education Code* and the LEA's policies covering bidding and purchasing. An "on order" notation may be made on the individual stock control records at this point. On receipt of merchandise, the items should be counted and inspected for condition and compliance with specifications. The signed receiving copy of the purchase order or other receiving document authorizes payment to the vendor and charge of the cost of the merchandise to the Stores account. Either the receiving document or the payment warrant may be used as the basis for entering receipt of stock by quantity and value on the stock control records that are affected by the purchase.

2. Stores should be issued only on the authority of a properly approved, prenumbered requisition, which should give the following information:

    a. Source and date of requisition
    b. Delivery instructions
    c. Account(s) to be charged
    d. Provision for approvals as to budget, items allowed, quantities, and the like
    e. Provision for posting reference
    f. For each item: quantity ordered, unit stock number, description, unit price, and total dollar amount; and, on each requisition, columns for noting substitutions, back orders, and the like
    g. Provision for evidence of receipt and date of delivery. A multiple-copy snap-out form is commonly used for warehouse issues, with copies of each transaction being sent to the requisitioner, the warehouseperson, and the recording office. Posting is done from this document to the stock-control records.

Note: The term *requisition* as used here should be understood to include requisitions, billings, stores invoices, or similar documents for use by certain LEAs that find it desirable to use additional documents between the time of preparation of the requisition for the materials and the actual delivery of these materials to the school or department requesting them.

Lines of Authority and Responsibility of Personnel

Lines of authority and responsibility should follow a logical plan and be clear-cut and definite. There should be a clear distinction between staff authorized to order or pay for stores and those authorized to receive or disburse the materials.

Physical Location of the Stores

In planning the establishment of a stores system, the LEA should consider the location of the warehouse or warehouses and the transmittal of documents between the warehouse and the accounting office. The space requirements, physical requirements for proper storage, and arrangement of stock items should be determined in advance. Stored items should be arranged, when possible, in an order corresponding to their order on standard supply lists.

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LEAs often disburse cash for services or materials, a portion or all of which actually applies to a future fiscal period. The most common disbursement of this type is for insurance; the full premium is paid immediately, but the coverage extends into future years. In governmental accounting, expenditures for insurance and similar services extending over more than one accounting period may be accounted for as expenditures of the period of acquisition or allocated to subsequent accounting periods.

Assume, for example, that an LEA purchases a five-year insurance policy on July 1, 2008, for $5,000. If the LEA treats the cost of this insurance policy as an expenditure of the period of acquisition, the following entry will be made:

General Ledger

Date	Object Title	Object Code	Debit	Credit
7-1-08	Insurance	5400	$5,000.00	
	Cash in County Treasury	9110		$5,000.00
	To record the payment for a five-year insurance policy.			

If the LEA treats the cost of this insurance policy as a prepaid expenditure and allocates a portion of the cost to subsequent years, the following entry will be made in the year of acquisition:

Date	Object Title	Object Code	Debit	Credit
7-1-08	Insurance	5400	$1,000.00	
	Prepaid Expenditures	9330	4,000.00	
	Cash in County Treasury	9110		$5,000.00
	To record the payment for a five-year insurance policy, one year of which applies to the current year.			

At the end of the year, when the books are closed, the Prepaid Expenditures asset account is included with other ending balances and becomes a part of the beginning balance for the next year.

After the books are opened for the next year, it is necessary to determine whether all or a portion of Prepaid Expenditures applies to the current year. This amount must be charged to the appropriate expenditure account of the new year, leaving as a remainder in the asset account any amounts not yet applicable. These, in turn, must be carried over as Prepaid Expenditures to the next year. A good way to determine the amount to charge to a year other than the year in which the original cash

disbursement was made is to prepare a schedule of amounts and periods applicable at the time when the original cash disbursement is made, as shown in the following example:

Schedule of Prepaid Expenditures						
Policy number	Carrier	Overall total	Analysis of total applying to each succeeding year			
			First year	Second year	Third year	Fourth year
		$4,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00

This schedule is retained for reference at the time of a future year's charge-off to ensure that the correct amounts are charged to each succeeding year in which a benefit is received. The schedule would be updated at the beginning of each year by reducing the control total by the amount of the first year succeeding, which is charged to expenditure, and by moving each figure in the next several columns one column to the left.

Charging off the portion applicable to a new year at the beginning of that year requires that a journal entry be made, with the debit charged to the appropriate expenditure account and the credit applied to Prepaid Expenditures. This entry should be one of the first entries made.

Another common example of prepaid expenditures is the payment of a fee for a teacher to attend a class that will be held during the next fiscal year. If the fee is paid in May of one year to reserve a place at a conference that will be held in the subsequent year, the charge is made to a prepaid account in the first year, to be expensed in the following year when the teacher attends the conference.

This procedure will create a timing problem if the prepayment is recorded in a categorical program subject to deferred revenues. A prepaid expenditure requires a reserve to the fund balance. Because there is not a fund balance for this type of categorical program, the reserve would generate a negative undesignated fund balance. The prepayment should therefore be recorded in an unrestricted resource and later expended against the categorical program at the time the conference is attended.

A prepaid reservation fee for a summer class to be held August 30, 2008, would appear as follows:

Date	Object Title	SACS Account String	Debit	Credit
5-01-08	Prepaid Expenditures	01-0000-0-0000-0000-9330	$450.00	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$450.00
	To record payment of August registration for college training session.			

Date	Object Title	SACS Account String	Debit	Credit
8-30-08	Cash in County Treasury	01-0000-0-0000-0000-9110	$450.00	
	Prepaid Expenditures	01-0000-0-0000-0000-9330		$450.00
	Travel and Conference	01-3170-0-1110-1000-5200	$450.00	
	Cash in County Treasury	01-3170-0-0000-0000-9110		$450.00
	To charge the prepaid conference expenditure to the NCLB Comprehensive School Reform program.			

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Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Governmental Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, establishes accounting and reporting standards for certain investments held by governmental entities, including school districts and county offices of education.

GASB Statement 31 requires school districts and county offices to report their investments at fair value on the balance sheet. This requirement is similar to the one for businesses under Financial Accounting Standards Board (FASB) Statement 115, *Accounting for Certain Investments in Debt and Equity Securities*, and to the one for not-for-profit organizations under FASB Statement 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.*

LEA investments affected by this statement are:

- Participating interest-earning investment contracts
- External investment pools, including cash with county treasurer
- Open-end mutual funds
- Debt securities
- Equity securities, option contracts, stock warrants, and stock rights

The provisions in GASB Statement 31 apply only to investments that are held primarily for the purpose of income or profit. Most school districts and county offices deposit their receipts and collections of moneys with their county treasurer because they are required to by *Education Code* Section 41001, not "primarily for the purpose of income or profit." The LEA's cash is nonetheless in external investment pools, however, because most of the county treasurers in California sponsor external investment pools. An external investment pool commingles (pools) the moneys of more than one entity and invests, on the participants' behalf, in an investment portfolio. Because GASB Statement 31 applies to external investment pools, LEAs should report their cash in the county treasury at fair value on the balance sheet.

GASB Statement 31 provides certain exceptions to the general rule requiring that investments be reported at fair value. These exceptions include:

- Investments with a remaining maturity of one year or less at the time of purchase

- Nonparticipating investment contracts, such as nonnegotiable certificates of deposit
- Investments in 2.a.7-like pools, which are external investment pools that adopt policies similar to those of private companies that operate under the Securities and Exchange Commission's Rule 2.a.7 of the Investment Company Act of 1940. They invest only in short-term securities and are required to sell securities whose market values deviate more than a set percentage from amortized costs.

Determining Fair Value

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is determined from the published market price in newspapers or trade journals and quotes from recognized stock exchanges or over-the-counter markets. For investments without a quoted market price, the fair value may be determined by using the market price of similar instruments, discounted cash flow, or any other valuation technique that provides the best estimates. The fair value of investments in external pools (i.e., cash in the county treasury) is based on the fair value of the pools' underlying portfolio. LEAs should obtain this information from the county treasurer.

Recognition and Reporting of Investment Income

All investment income, including changes in the fair value of investments, should be recognized as revenue on the operating statement. The change in fair value of investments should be captioned "net increase (decrease) in the fair value of investments." Realized gains and losses should not be reported separately from unrealized gains and losses except in the notes to the financial statements.

There are two revenue object accounts for reporting investment income:

Object 8660, Interest
Object 8662, Net Increase (Decrease) in the Fair Value of Investments

All investment income other than changes in the fair value of investments should be reported in Object 8660. The change in the fair value of investments, which includes realized and unrealized gains and losses, should be reported in Object 8662.

The change in the fair value of investments is defined as the ending fair value, plus proceeds from investments maturing or sold during the year, less investment purchases made during the year, less the beginning fair value. The following examples illustrate how to calculate the changes in the fair value for cash in the county treasury and the accompanying accounting entries. The examples cover two fiscal years.

Note that Object 9110, although titled Cash in County Treasury, really represents the book value of the LEA's share of an external investment fund. However, for most purposes, Object 9110 is administered as a cash account. To avoid making non-cash adjusting entries to this "cash" account, entries for unrealized gains or losses on the value of cash with the county treasurer are made to Object 9111, Fair Value Adjustment to Cash in County Treasury.

Fiscal Year 2007-08

Assume that on July 1, 2007, the school district had $100,000 cash in the county treasury with a fair value of $105,000. During the fiscal year the district had deposits of $900,000 and disbursements of $925,000. On June 30, 2008, the district has $75,000 cash in the county treasury with a fair value of $78,000.

The change in fair value is calculated as follows:

Fair Value, ending 6-30-08	$78,000
Add: Disbursements (comparable to proceeds of investments sold)	925,000
Less: Receipts (comparable to costs of investments purchased)	(900,000)
Less: Fair Value, beginning 7-1-07	(105,000)
Net increase (decrease) in fair value for fiscal year 2007-08	$ (2,000)

Although the fair value of the cash in the county treasury at the end of the fiscal year is $3,000 higher than the actual cash balance ($78,000 minus $75,000), the change in fair value during the year is a decrease of $2,000. The reason is that the fair value of the cash in the county treasury at the beginning of the fiscal year was $5,000 higher than the actual cash balance ($105,000 minus $100,000), and the $5,000 difference would already have been recognized by the end of the prior year.

The entry is as follows:

Date	Object Title	Object Code	Debit	Credit
6-30-08	Net Increase (Decrease) in the Fair Value of Investments	8662	$2,000	
	Fair Value Adjustment to Cash in County Treasury	9111		$2,000
	To report the ending cash balance at fair value and the current year decrease in the fair value of investments.			

Fiscal Year 2008-09

Assume that during fiscal year 2008-09, the district had deposits of $1,000,000 and disbursements of $985,000. At June 30, 2009, the district has $90,000 cash in the county treasury with a fair value of $94,000.

The change in fair value is calculated as follows:

Fair Value, ending 6-30-09	$94,000
Add: Disbursements (comparable to proceeds of investments sold)	985,000
Less: Receipts (comparable to costs of investments purchased)	(1,000,000)
Less: Fair Value, beginning 7-1-08	(78,000)
Net increase (decrease) in fair value for fiscal year 2008-09	$1,000

Although the fair value of the cash in the county treasury at the end of the fiscal year is $4,000 higher than the actual cash balance ($94,000 minus $90,000), the change in fair value during the year is an increase of $1,000. The other $3,000 difference between the fair value of cash and the actual cash balance was already recognized at the end of the prior fiscal year.

The entry is as follows:

Date	Object Title	Object Code	Debit	Credit
6-30-09	Fair Value Adjustment to Cash in County Treasury	9111	$1,000	
	Net Increase (Decrease) in the Fair Value of Investments	8662		$1,000
	To report the ending cash balance at fair value and the current year increase in the fair value of investments.			

To achieve an understanding of the cumulate effect of the preceding entries and those following, it is helpful to consider the entries from the perspective of the account for Object 9111, a permanent account.

Following is a recap of the changes in Object 9111:

Object Account 9111, Fair Value Adjustment to Cash in County Treasury

Ending Balance 6/30/07:	$5,000	($105,000 Fair Value vs. $100,000 "Cash" in County Treasury)
2007-08 Change in Fair Value:	$(2,000)	
Ending Balance 6/30/08:	$3,000	($78,000 Fair Value vs. $75,000 "Cash" in County Treasury)
2008-09 Change in Fair Value:	$1,000	
Ending Balance 6/30/09:	$4,000	($94,000 Fair Value vs. $90,000 "Cash" in County Treasury)

Alternative Method for Adjusting Fair Value

As an alternative, LEAs may choose to reverse their prior year fair value adjustments for cash in the county treasury at the beginning of each fiscal year. If the LEA chooses to reverse the prior year adjustments, the entries for 2008-09 would be as follows:

Date	Object Title	Object Code	Debit	Credit
7-1-08	Net Increase (Decrease) in the Fair Value of Investments	8662	$3,000	
	Fair Value Adjustment to Cash in County Treasury	9111		$3,000
	To reverse the 6-30-08 fair value adjustment to cash in country treasury.			

Date	Object Title	Object Code	Debit	Credit
6-30-09	Fair Value Adjustment to Cash in County Treasury	9111	$4,000	
	Net Increase (Decrease) in the Fair Value of Investments	8662		$4,000
	To report the ending cash balance at fair value and the current year increase in the fair value of investments.			

The effect on the account balances is the same by either method.

Designation of Fund Balance for Net Unrealized Gains

The LEA may designate that portion of the fund balance attributable to the fair value changes for net unrealized gains to make clear that it is not available for spending. By designating the fund balance, the LEA's management is indicating its intent not to liquidate investments to realize reported gains. However, LEAs should not designate a portion of the fund balance for net unrealized losses because they cannot plan to spend negative balances.

The designation of fund balance should be reported in Object 9775, Designated for the Unrealized Gains of Investments and Cash in County Treasury.

Materiality of Adjustments to Fair Value

Generally accepted accounting principles (GAAP) require that LEAs report their cash in the county treasury at fair value. However, like all other GASB statements, GASB Statement 31 states that it does not apply to nonmaterial items. For many LEAs, the difference between the fair value and the book value of their cash in the county treasury may not be material.

If an LEA chooses not to record the adjustment necessary to report its cash with the county treasurer at fair value, the LEA's independent auditor must determine whether the omission is material enough to the financial statements to require an adjustment and whether the LEA's departure from GAAP is significant enough to impact the auditor's opinion on the financial statements.

Procedure 430 Capital Assets

Property and equipment of material value are commonly referred to as fixed or capital assets. These include land and land improvements, buildings and building improvements, equipment, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Recordkeeping Requirements for Capital Assets

Since capital assets represent one of the largest investments of an LEA, control and accountability are of significant concern. Generally accepted accounting principles regarding internal controls, *Education Code* Section 35168, and federal funding agencies require LEAs to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections. The need for data on capital assets is important regardless of the size of the LEA.

The accounting system for capital assets should accomplish the following:

1. Conform with *Education Code* requirements for inventorying capital assets.

2. Enable the LEA to report capital assets and accumulated depreciation in conformity with generally accepted accounting principles.

3. Enable administrators to account for and control all assets under their care.

4. Assist the site administrator in planning and providing proper equipment for schools by furnishing such data as useful life, location, and condition.

5. Aid LEAs in determining insurable values and in securing insurance appraisals.

6. Aid LEAs in substantiating loss in the event of fire, theft, or other catastrophe.

7. Encourage employees and others to better discharge their responsibilities in the care and use of the LEA's equipment.

Education Code Requirements

Education Code Section 35168 requires LEAs to maintain records that properly account for equipment whose market value exceeds $500. To meet this requirement, the LEA must keep records containing the following information about the item:

1. Description
2. Name
3. Identification number
4. Cost
5. Date of acquisition
6. Location of use
7. Time and mode of disposal

Not all items of equipment for which the LEA maintains records pursuant to *Education Code* Section 35168 should necessarily be reported as capital assets on the LEA's government-wide statement of net assets. The threshold for capitalization is typically higher than the threshold for inventory. (The capitalization threshold is discussed in Procedure 770.)

Accounting for Acquisition of Capital Assets

Capital assets can be acquired permanently, through purchase or capital lease (lease with option to purchase), or temporarily, through rental or operating lease. These acquisitions are accounted for as follows:

- The purchase of a capital asset is charged as any other purchase for which title passes on receipt of payment. In governmental funds, capital assets are typically charged to a capital outlay expenditure account in the 6000 range of object codes.

- The lease with option to purchase (capital lease) of a capital asset for which title passes to the LEA is charged as described in Procedure 710.

- The rental or lease of a capital asset for which title does not pass to the LEA does not increase the assets of the LEA. Rentals are charged to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements. *Exception:* If equipment is rented for a specific capital outlay project (e.g., a tractor for a major landscaping project), the amount paid should be charged to that project as a capital expenditure. This is achieved by charging the

rental to Function 8500, Facilities Acquisition and Construction, but the rental may also be charged to a capital outlay object, such as Object 6170, Land Improvements.

Valuation of Property and Equipment

Generally accepted accounting principles require the use of "historical cost" to measure an entity's investment in property and equipment.

Historical cost simply means actual cost at the time of acquisition. It includes the invoice cost of the item plus any applicable sales tax, freight, or installation charges. Such cost represents the value to be derived over the useful life of the asset through depreciation.

When items are disposed of in any manner, their cost is removed from the capital asset account. Any accumulated depreciation is also removed from the depreciation allowance account.

Valuation of existing inventory of property and equipment can be made on the basis of:

1. Actual historical cost of each item (if records are available to support such costs)
2. Estimated historical cost (based on date of acquisition)

The following guidelines are to be used in determining the method of valuation for inventory purposes:

1. Actual historical cost

   The actual cost should include the invoice cost paid by the LEA plus tax, freight charges, or costs of other forms of transportation for delivery to the LEA, whether added to the invoice or paid separately to a carrier. To these costs the LEA should add any labor and other costs of installation. Labor and other costs of installation by the vendor will usually be included in the original invoice price or may be billed separately by the vendor.

2. Estimated historical cost

a. Appraised acquisition cost. When LEAs first establish a capital asset inventory, they may find it desirable to employ an outside agency to set up the inventory and/or update it. Appraisal companies have the ability to compute the estimated historical cost

on the basis of the estimated date of acquisition of the particular items. Costs developed in this manner would be acceptable in either establishing a new inventory or adding to the inventory items that may have been missed in the establishment of the initial inventory. Use of an appraisal service also has the additional advantage of developing current market values for insurance purposes, either on a replacement-cost basis or a depreciated-replacement-cost basis, although current market values or replacement costs are not used for accounting purposes. Once the inventory listing is established, it is necessary to update it for current-year purchases and disposals of capital assets.

b. Reasonable estimate of acquisition cost. If the original acquisition cost cannot be traced through the LEA's records, a reasonable estimate of original acquisition cost may be used. Methods of determining such reasonable estimates of cost are many and varied. It is important for auditing purposes that the methods employed be carefully documented. While it is not necessary to use the same method for each item, the methods should be designed to produce a consistent result. Care should be exercised in the establishment of each item's cost. Among the methods that may be employed are the following:

- Compare the item with a similar one of more recent acquisition for which you have a price. Adjust that price through a formula that would eliminate the effect of inflation/deflation for the number of years the older item has been in your possession.
- Research bid files for bids on similar items and apply any necessary inflation adjustments.
- Seek assistance from vendors who manufacture or sell items similar to the items you are attempting to price.
- Check with other LEAs that may have purchased similar items.

Any other method that can be shown to reflect a reasonable estimate of the original acquisition cost of the item may also be used.

c. In accepting donated items, the LEA's governing board should approve the valuations based on their fair market values as of the dates of acceptance.

Reporting Capital Assets of Governmental Activities

In governmental funds, expenditures for acquisitions of capital assets are accounted for in Objects 6000-6999, Capital Outlay. Consistent with the modified accrual basis of accounting used in governmental funds, the capital assets themselves and their related depreciation are not reported in the funds. Rather, capital assets of governmental activities are reported only in the government-wide financial statements. Capital assets and accumulated depreciation are reported on the Statement of Net Assets, and depreciation expense is reported on the Statement of Activities.

Reporting Capital Assets of Business-Type Activities

Unlike capital assets relating to governmental activities, capital assets of business-type activities accounted for in proprietary funds (enterprise funds and internal service funds) are recorded both in the respective funds and in the government-wide statements. These funds reflect their capital assets for the following reasons:

- Capital assets are used in the production of the funds' services or products.
- Depreciation of the capital assets is an essential element in determining the funds' total expenses, net income, and changes in fund equity.
- Capital assets may serve as security for the issuance of debt by enterprise or internal service funds.

In proprietary funds, capital assets are accounted for in Objects 9400–9499, Capital Assets. Depreciation is accounted for in Object 6900, Depreciation Expense.

Reporting Capital Assets of Fiduciary Activities

Capital assets of fiduciary trust funds are reported in the funds' financial statements but not in the government-wide statements because fiduciary funds are not included in those statements.

This manner of accounting for capital assets by trust funds results in the following benefits:

- Enhances the likelihood of compliance with trust agreement terms
- Discourages mismanagement of trust assets
- Facilitates the computation of depreciation when the trust corpus must not be spent

In fiduciary funds, capital assets are reported using Objects 9400–9499, Capital Assets.

Estimated Useful Life

Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was intended. Estimated useful lives are used to allocate depreciation expense to the appropriate periods.

In estimating an asset's useful life, LEAs should consider the asset's present condition, use, construction type, maintenance policy, and the length of time the asset is expected to meet service demands.

LEAs may depreciate assets either individually or in groups. If the LEA elects to depreciate assets in groups, the estimated life of the group may be based on the weighted average or the simple average of the useful lives of the individual items or on an assessment of the life of the group as a whole.

The following table of estimated useful lives is included for general information only. Estimation of useful lives should be a local decision based on local factors. LEAs are not required to utilize the estimated useful lives suggested in this table.

Table of Estimated Useful Lives

The following table is used by permission. It is provided as general guidance regarding reasonable estimated useful lives. In estimating an asset's useful life, LEAs should consider the asset's present condition, use of the asset, construction type, maintenance policy, and other local variables.

ASSET CLASS	EXAMPLES	YEARS
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical / Plumbing		30
Sprinkler / Fire System	Fire-suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and Tools	Shop and maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating, and printing equipment	10
Copiers		5
Communications Equipment	Mobile, portable radios, noncomputerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audiovisual Equipment	Projectors, cameras (still and digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors' Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

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Procedure 465 Liability for Compensated Absences in Governmental Funds

This procedure provides guidance in the accounting and reporting of the liability for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Interpretation 6. The definition of compensated absences includes vacation leave benefits earned but not yet taken by employees, sabbatical leave, and those accumulated unused sick-leave days that will be paid to employees upon their termination or retirement. In most LEAs, because sick-leave days are not normally paid at termination, they are not a liability for purposes of this procedure.

In governmental funds, expenditures or liabilities for compensated absences are recognized only to the extent that they have come due for payment in each period. There is no recognition of either the current or the long-term portions of the unmatured liability. This means that amounts expected to be paid within the next fiscal year are not recognized. Only amounts that have actually become due and payable as of the end of the fiscal year because relevant events have occurred, such as employee resignations and retirements, are recognized.

The calculation of the liability should include certain payments associated with payment for compensated absences, such as the employer's share of Social Security, Medicare taxes, PERS, State Unemployment Insurance, and workers' compensation.

In the government-wide statements, generally accepted accounting principles require that the full expense and liability for compensated absences be recognized as the compensated absences are earned by employees. The entire unmatured portion (the portion that has not yet come due for payment) of the liability for compensated absences is recognized as long-term debt in the statement of net assets.

For presentation on that statement, the current portion of the liability may be estimated. The estimate could be based on such factors as historical trends or budgeted amounts, or other factors, including the LEA's policy on whether unused leave balances from prior periods must be used before amounts earned in the current period.

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Procedure 470 Long-Term Debt in Proprietary and Fiduciary Trust Funds

Proprietary funds and fiduciary trust funds are accounted for using the same measurement focus and basis of accounting used by commercial enterprises. Long-term obligations that are directly related to enterprise funds, internal service funds, and fiduciary trust funds and that are expected to be repaid from those funds should be reported as liabilities of those funds.

Even though some enterprise fund debt may be a "general obligation" of the LEA, it should still be reported in the enterprise fund if it was issued for enterprise fund purposes and if it is expected to be repaid from enterprise fund resources. The expected source of repayment, rather than the security interest for the debt, is the determining factor in classification as an enterprise fund liability.

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Section 500

Topics Relating to Revenues and Expenditures

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Procedure 501 Revenue and Other Financing Sources

Increases in the resources of a fund are the result of revenues, interfund transfers (transfers from other funds), or debt issue proceeds. Each source is described as follows:

1. *Revenues* are defined as the increases in a fund's financial resources other than increases from interfund transfers or debt issue proceeds. Increases are recognized as revenues when assets are increased without liabilities being increased or an expenditure reimbursement being incurred.

2. *Interfund transfers* are not classified as revenues but as other financing sources because they do not increase the financial resources of a local educational agency (LEA) as a whole. They represent a transfer of existing resources between funds.

3. *Debt issue proceeds*, such as proceeds from a loan or a bond issue, are also classified as other financing sources, not as revenues, because when these resources are increased, an offsetting debt is incurred. An example of debt issue proceeds is an emergency apportionment (Object 8931).

Revenues and other financial resources must be classified by fund and source. They are classified to produce information in a form useful to management in (1) preparing and controlling the budget; (2) controlling revenues; (3) preparing financial statements; and (4) preparing financial statistics. LEAs are required to classify resources in accordance with major and subordinate source classifications.

The major object classifications of revenues, by source, are as follows:

8010–8099	Revenue Limit Sources
8100–8299	Federal Revenue
8300–8599	Other State Revenue
8600–8799	Other Local Revenue
8900–8979	Other Financing Sources
8980–8999	Contributions

The subordinate classifications within the major object classifications for revenues and other sources are provided in Procedure 330. The subordinate classifications should be used in (1) day-to-day accounting; (2) preparation of budgets; and (3) preparation of financial reports.

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For revenue to be recorded in the appropriate fund and revenue object classification, sufficient source documentation is required. Source documents for posting revenues are primarily apportionment notices from the county superintendent of schools for deposits made directly to the county treasury or copies of receipts for moneys received directly by the LEA.

Deposits Made Directly to the County Treasury

The following is an example of an apportionment notice from the county superintendent of schools:

Apportionment Notice

County of_____

To_____School District

This notice certifies that the revenue shown below has been received and has been placed to the credit of your district on_____.
Date

8011	Revenue Limit State Aid—Current Year	$ 62,300.00
8041	Secured Roll Taxes	129,370.00
8042	Unsecured Roll Taxes	568.00
	Total Revenue	$192,238.00

The items of actual revenue should be accounted for separately so that they may be compared with revenue estimates. This separate accounting is accomplished by posting receipts to the revenue ledger. The total from any given apportionment notice is posted to the general ledger, and individual items are posted to the subsidiary revenue ledger.

Preparing the Journal Entry for Revenue Deposits Made Directly to the County Treasury. The journal entry to record revenue receipts lists the general ledger and subsidiary ledger accounts and the amounts for each, as shown in the following example:

Date	Object Title	Object Code	Debit	Credit
	General Ledger			
7-31-xx	Cash in County Treasury	9110	$192,238.00	
	Revenue	9840		$192,238.00
	Subsidiary Revenue Ledger			
	Revenue Limit State Aid—Current Year	8011		$ 62,300.00
	Secured Roll Taxes	8041		129,370.00
	Unsecured Roll Taxes	8042		568.00
				$192,238.00

The subsidiary revenue ledger is posted from the journal entry in a manner similar to that used for posting estimated revenue. Each account is posted to show, in the "Amounts received" column, the amount that has been carried in the journal entry, as shown in the following example:

Account 8042 *Unsecured Roll Taxes*

Date	Ref #	Estimated revenue	Amounts received	Total received to date	Estimated amount to be received
7-01-xx	J2	$ 2,700.00			$ 2,700.00
7-31-xx	J_		$ 568.00	$ 568.00	2,132.00

Account 8011 *Revenue Limit State Aid—Current Year*

Date	Ref #	Estimated revenue	Amounts received	Total received to date	Estimated amount to be received
7-01-xx	J2	$277,528.00			$277,528.00
7-31-xx	J_		$62,300.00	$62,300.00	$215,228.00

Receipts for Moneys Received Directly by the LEA

A summary of receipts issued for moneys received directly by the LEA serves as the basis for preparing the journal entry to record this type of revenue and other cash receipts. If this summary is a formal record, it might look like the following sample of a cash receipts journal:

Cash Receipts Journal							*July xxxx*
		Current revenue		Abatements of expenditure		General Ledger	
Date	Description	Account	Amount	Account	Amount	Account	Amount
7-3-xx	Receipt 6801						
	Insurance claim			6400	xxxx		
	Receipt 6802						
	PL 81-874 payment	8110	xxxx				
	Receipt 6803						
	Sale of typewriter	8631	xxxx				
	Receipt 6804						
	Gym rental	8650	xxxx				
	Receipt 6805						
	Woodshop supplies			4300	xxxx		
	Receipt 6806						
	Art class supplies			4300	xxxx		
	Receipt 6807						
	Lost workbook			4300	xxxx		
	Receipt 6808						
	Library fine	8699	xxxx				
	Totals		xxxx		xxxx		

Preparing the Journal Entry to Record Moneys Received Directly by the LEA. The journal entry to record revenues and other moneys received directly by the LEA lists the general ledger and subsidiary ledger accounts and the amounts for each, as shown in the following example:

Date	Object Title	Object Code	Debit	Credit
	General Ledger			
7-31-xx	Cash in County Treasury	9110	xxxx	
	Revenue	9840		xxxx
	Expenditures	9850		xxxx
	Subsidiary Revenue Ledger			
	Maintenance and Operations	8110		xxxx
	Sale of Equipment and Supplies	8631		xxxx
	Leases and Rentals	8650		xxxx
	Other Local Revenue	8699		xxxx
	Subsidiary Appropriation Ledger			
	Materials and Supplies	4300		xxxx
	Equipment	6400		xxxx
	To record receipt numbers 6801–6808.			

The general ledger is posted in the usual manner. The subsidiary revenue ledger is posted in the same manner as that illustrated for revenue deposits made directly to the county treasury.

The subsidiary appropriation ledger is posted as shown in the following example:

Account 4300 *Materials and Supplies*

Date	Ref #	Appropriation	Encumbrances	Encumbered to date	Expended	Expended to date	Unencumbered balance
7-31-xx			xxxx	xxxx	xxxx	xxxx	xxxx

Account 6400 *Equipment*

Date	Ref #	Appropriation	Encumbrances	Encumbered to date	Expended	Expended to date	Unencumbered balance
7-31-xx			xxxx	xxxx	xxxx	xxxx	xxxx

Procedure 510 Recognition of Common Revenue Sources

This procedure contains specific guidance for recognition of certain revenue sources commonly received by California LEAs. The following revenue sources are explained or illustrated: revenue limit and other state apportionments, prior year corrections to state apportionments, local property taxes, state-mandated cost revenues, deferred maintenance apportionments, local interest, State Lottery revenues, and categorical funds (deferred or fund balance).

General accounting principles relating to revenue recognition are discussed in Procedure 101.

Year-End Corrections for Revenue Limits and Other State Apportionments

Revenue limits and other state apportionments are government-mandated nonexchange transactions and are recognized when all eligibility requirements have been met. Second period to annual corrections for revenue limits and other state apportionments, either positive or negative, should be accrued at the end of the fiscal year.

For example, the annual calculation of the revenue limit (Form K–12 Annual) should be made, and the LEA's actual tax receipts as reported by the county auditor should be subtracted, to determine the annual state aid to which the LEA is entitled. Any difference between the calculated annual state aid and the state aid received on the second principal apportionment is recorded as follows:

If the adjustment is positive, and more revenue is due than has been received, a receivable is recorded:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	Due from Grantor Governments	01-0000-0-0000-0000-9290	xxxx	
	Revenue Limit State Aid—Current Year	01-0000-0-0000-0000-8011		xxxx
	To record the second period to annual adjustment to the state revenue limit apportionment.			

If the adjustment is negative and less revenue was due than was received, a payable is recorded:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	Revenue Limit State Aid—Current Year	01-0000-0-0000-0000-8011	xxxx	
	Due To Grantor Governments	01-0000-0-0000-0000-9590		xxxx
	To record the second period to annual period adjustment to the state revenue limit apportionment.			

Under California's apportionment schedule, LEAs do not receive the amounts they accrue for adjustments to state aid until the following February, which is beyond the period normally defined in the modified accrual basis of accounting as "available." However, adjustments to state aid result from the overcollection or undercollection of annual property taxes compared with the initial estimates on which state-aid apportionments were based. Consequently, one LEA might vary from the next as to whether the accrual for adjustment to state aid is a payable or a receivable. It would be inconsistent for one LEA to accrue a payable for its adjustment to state aid and for the next LEA not to accrue a receivable for its adjustment to state aid. In the interest of comparable revenue reporting among California LEAs, all LEAs should use the CDE definition of *available* in Procedure 101, "Revenue Recognition," and should accrue their receivables for adjustments to state aid.

Prior Years' Corrections to State Apportionment

Any corrections to state apportionments from amendments to prior years' state reports are reflected as revenue and accrued as accounts receivable or payable in the year in which the adjustment amounts become known and the amendments are filed, provided that the actual cash adjustments are expected to be made no later than the following fiscal year.

For example, if the LEA filed an amended second-period attendance report for the preceding year, the LEA would accrue the anticipated adjustment at the end of the current fiscal year, even though the adjustment would not be received until the following February. The accrued revenue is recorded in a current year revenue account.

Property Taxes

California LEAs should recognize property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district

and county taxes. LEAs should make no accrual for property taxes receivable as of June 30.

While this guidance may seem contrary to generally accepted accounting principles, it must be remembered that under California's unique Revenue Limit funding formula, an LEA's total Revenue Limit entitlement is funded through a combination of local property taxes and state aid. The amount of property taxes the LEA actually receives by June 30 is applied toward the total entitlement. The difference is funded through state aid. Recognition of only those property taxes received by June 30 is therefore appropriate because accruing additional property taxes receivable as of June 30, unless the LEA were to make an offsetting adjustment to its state-aid accrual, would misstate the LEA's Revenue Limit entitlement. Making an offsetting adjustment to the state-aid accrual would be unnecessarily burdensome for the LEA and would result in the accrual no longer matching the amount actually receivable from the state as reported on apportionment documents.

Mandated Costs Revenue

Mandated costs revenue does not become available until appropriated by the Legislature and approved by the Governor. Therefore, revenue from claims for mandated costs is recorded on a cash basis. However, if a known amount is received within 60 days of the close of the fiscal year, the LEA will accrue the amount as follows:

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Due from Grantor Governments	01-0000-0-0000-0000-9290	xxxx	
	Mandated Cost Reimbursements	01-0000-0-0000-0000-8550		xxxx
	To accrue the mandated costs revenue due from the state.			

Deferred Maintenance Apportionment

The Deferred Maintenance Apportionment is recognized in the year it is appropriated in the state Budget Act and apportioned to LEAs. The LEA's matching transfer to the deferred maintenance fund is recognized in the year that it is made or accrued.

Interest

Interest revenue is accrued so that the amount earned during the four quarters of the fiscal year is reflected as revenue in that fiscal year.

State Lottery Revenue

The estimated fourth-quarter payment of State Lottery revenue is accrued at the end of the fiscal year. The adjusting payment of lottery revenues from the prior year to current ADA is reflected as revenue in the year in which the adjusting payment is received.

Categorical Funds Subject to Deferred Revenue

LEAs commonly receive grant awards that are "reimbursement type" or "expenditure driven." These awards may be mandated by the government or may have been accepted voluntarily by the LEA. The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended. For example, if a $10,000 federal grant has been received but only $8,125 has been expended by the end of the fiscal year, only $8,125 revenue is recognized:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	All Other Federal Revenue	01-3XXX-0-0000-0000-8290	$ 1,875.00	
	Deferred Revenues	01-3XXX-0-0000-0000-9650		$ 1,875.00
	To reduce $10,000 revenue of the XYZ Grant by the amount not expended.			

Categorical Funds Subject to Fund Balance

LEAs commonly receive funds for which they have fulfilled specific eligibility requirements or have provided a particular service. For example, a district may be granted funds to transport students, to provide meals to students, or to offer supplemental classes to at-risk students. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

Labels such as "grants" or "entitlements" are sometimes used for restricted categorical resources. These terms do not necessarily define the characteristics necessary for proper revenue recognition. Care should be taken to understand the characteristics of each resource to determine how revenue should be recognized by the LEA.

When part or all of the revenue of a local educational agency (LEA) must be returned to the source from which it was received, the transaction shall be accounted for as an *abatement of revenue* (i.e., the cancelation of a part or the whole of a specific receipt previously recorded). Such cancelations of previously recorded receipts usually result from tax refunds, refunds of money received from state or federal sources, or refunds of moneys previously received in error.

It is appropriate to abate a revenue account only if revenue would be incorrectly stated otherwise. Accounting for such transactions in the manner described keeps both revenue and expenditures in true perspective.

Accounting Instructions for Abatement of Revenue

In accounting, netting revenues and expenditures is generally avoided. Revenues and expenditures should both be reported in their entirety.

When a transaction occurs that represents a cancelation or a reduction of revenue receipts, it must be accounted for as an abatement of revenue by debiting revenue. The revenue account debited is the same account that was credited when the original revenue was received. The current year revenue account is debited even if the original revenue was received in a prior fiscal year.

The distribution to others of moneys received on their behalf is not a return of revenue to the source from which it was received and therefore is not recorded as an abatement of revenue. For instructions on accounting for the distribution to others of moneys received on their behalf, refer to Procedure 750, "Pass-Through Grants and Cooperative Projects."

Items Allowable as Abatements of Revenue

The following are examples of transactions that should be accounted for as abatements of revenue:

1. Tax refunds

2. Rental refunds

3. Tuition refunds
   a. To students, parents, or guardians
   b. To other LEAs because of overpayments

4. Refunds of revenue from federal sources

5. Refunds of revenue from state sources

6. Refunds of other moneys received in error

7. Direct expenditures (e.g., consultant-broker fees and the like) made in conjunction with real-estate sales (Such transactions may be abated to sale proceeds. Usually, such abatement occurs in escrow, and only net proceeds are recorded as revenue.)

Relationship of Abatements of Revenue to Revenue Control

Because payments that constitute abatements of revenue are not expenditures, they are not subject to appropriation control. However, any abatement of revenue that constitutes a major reduction of revenue compared with estimated revenue requires a corresponding reduction in estimated revenue and the fund balance.

When the resources of a fund decrease, the decrease is the result of *expenditures, expenses,* or *other financing uses,* including interfund transfers.

Expenditures

Expenditures are decreases in net spendable resources. They include expenses (the term used in the proprietary funds), payments toward the retirement of long-term debt, and capital outlay for acquisition of long-term assets, such as land, buildings, and equipment.

Object account numbers 1000–7499 and 7651–7699 are used to record a local educational agency's (LEA's) expenditures.

Interfund Transfers

Interfund transfers are flows of assets without equivalent flows of assets in return and without a requirement for repayment. The two major categories of interfund transfers are:

1. *Residual equity transfers.* Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds. Examples of transfers of this type are (a) transfers of residual balances of discontinued funds to the general fund; and (b) nonroutine contributions of internal service fund capital by the general fund.

2. *Operating transfers*. Operating transfers, which comprise all interfund transfers other than residual equity transfers, are routine, legally authorized transfers between funds. Examples of operating transfers are (a) transfers from the general fund to a special revenue or capital projects fund; and (b) operating subsidy transfers from the general fund to an enterprise fund.

Both residual equity transfers and operating transfers are nonreciprocal interfund activities. Reciprocal interfund activities, such as interfund loans and interfund services provided and used, are not recorded as interfund transfers.

Interfund transfer accounts are closed at the end of the fiscal year in the same manner as that used for closing expenditure accounts.

Object account numbers 7600–7629 are used to record an LEA's interfund transfers out.

Recognition of Expenditures and Interfund Transfers

Expenditures of governmental funds are accounted for on the modified accrual basis. Expenditures and interfund transfers out are recorded when the related liabilities, if measurable, are incurred, except for unmatured interest on general long-term debt, which is recognized when due. Accruals for accounts payable at the end of the fiscal year are recorded for services rendered or for goods received by June 30.

Expenses of proprietary and fiduciary funds are accounted for on the accrual basis. Expenses, if measurable, are recognized during the period in which they are incurred. Transfers out are recognized during the accounting period in which the interfund transfer obligation arises.

Certain obligations and commitments that are not recognizable as expenditures for purposes of financial accounting may be claimed for purposes of federal grant reporting. (These are discussed in Procedure 765.)

Classification of Expenditures as Commitments are Made

The *Education Code* limits an LEA's expenditures to amounts appropriated for the several major expenditure classes in the LEA's budget as adopted or as subsequently revised. To allow budgetary control of expenditures, the budget and all documents dealing with appropriations must be prepared using the same classifications as employed in accounting for expenditures. Similarly, financial reports for local, county, state, or federal use should use the same classifications.

LEA officials who have direct knowledge of the nature and purpose of each expenditure should designate the complete expenditure classification on the orders, requisitions, or contracts at the time that commitments are made. Accounts to be charged should be identified when goods or services are ordered or when employees are assigned or reassigned.

Where feasible, notices of employment, contracts, and other LEA documents relating to expenditures or commitments that will result in expenditures should bear the complete expenditure classifications for review and approval by the county office of education. The inclusion of these classifications on the documents permits the prompt settling of any

questions concerning the classification of expenditures. One decision regarding expenditure classification can thus serve for multiple disbursements (such as monthly salary payments) to be made at future dates.

Whether or not expenditure classifications are shown on commitment documents, all LEA warrant orders should show the complete expenditure classifications applicable to the disbursement. In examining and approving such orders, county offices should make sure that the expenditure classifications are correct. They should serve as coordinating officers to ensure that school districts understand and uniformly apply the guidance contained in this manual. When necessary, county offices should confer with school districts regarding any seemingly incorrect expenditure classification and advise the school district of any changes made by the county office.

When county offices draw requisitions on school district funds in those relatively infrequent instances in which they are authorized or required by law to initiate disbursements, they should designate the complete expenditure classifications applicable to such disbursements and inform the districts of the date, payee, purpose, amount, and expenditure classification of each requisition so drawn. They should also notify the districts of (1) the date, purpose, amount, and expenditure classification of any withdrawal from the funds of the school district other than by district order or county superintendent's requisition; and (2) the amounts withheld from apportionments of state funds to be treated as expenditures, such as the amounts withheld for district repayments of school building loans.

The complete expenditure classifications should be designated on every warrant or warrant register so that county offices can maintain the accounting records of expenditures necessary for budgetary control of expenditures and annual reporting purposes.

School districts and county offices are required to report expenditures in accordance with defined account classifications. They may establish subclassifications of required account classifications to capture additional data for their own internal reporting requirements. (This is discussed in Procedure 301.)

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Procedure 560 Abatement of Expenditures

Abatement of expenditure is the cancelation of a part or the whole of a charge previously made, usually because of refunds, rebates, resale of materials originally purchased by the local educational agency (LEA), or collections for loss of or damage to the LEA's property. Abatement of expenditure applies to both current expenditures and capital outlay expenditures from any fund for the current fiscal year.

The basic distinction between revenue and an abatement of expenditure is that an abatement of expenditure cancels a part or the whole of a determinable item of previous expenditure for the current fiscal year. If a receipt cannot be substantiated as a cancelation of a specific expenditure, it must be recorded as revenue. This definition must be observed in making all decisions as to whether a receipt is to be recorded as revenue or as an abatement of expenditure.

Adjustments between expenditure accounts to correct errors in the distribution of charges are reclassifying entries, not abatements of expenditures.

Accounting Instructions for Abatement of Expenditures

In accounting, the netting of revenues and expenditures is generally avoided. Both revenues and expenditures should be reported in their entirety. It is typically appropriate to credit a receipt to an expenditure account only if not doing so would overstate the expenditure account.

Receipts that represent cancelations of expenditures are accounted for as abatements by crediting the original expenditure accounts for the fiscal year in which the expenditures and receipts occur. Receipts canceling expenditures from a prior year that were not accrued in the prior year must be accounted for as revenue in the current year. Receipts significantly in excess of the related expenditure are accounted for as revenue.

Appropriations, apportionments, subsidies, or grants-in-aid from any governmental unit must be accounted for as revenue, not as abatements of expenditures.

LEAs may record an abatement of expenditure prior to the receipt of cash (i.e., as an account receivable).

Use of Contra Accounts

Whenever abatements of a particular type are numerous, and especially if considerable amounts are involved, credits should be made to a contra account instead of directly to the expenditure account. The contra account should be identified as "Abatements of _____ " (the name of the expenditure account to which it relates). It should be maintained adjacent to the corresponding expenditure account in the expenditure (or appropriation) subsidiary ledger. The contra account will receive only credit entries for abatements. Through the use of this procedure, the undesirable features of a "mixed" account are avoided, and gross expenditures, abatements, and net expenditures can be determined easily at any time.

Receipts Allowable as Abatements of Expenditures

The following are examples of receipts that must be accounted for as abatements of expenditures if the receipt and expenditure occur in the same fiscal year:

1. Receipts from sales of supplies and new materials at cost (a) to students for personal ownership (e.g., art and shop materials); (b) to students by means of vending machines dispensing articles supplied by LEAs; (c) to PTAs or other school-related organizations; or (d) to other governmental units, including LEAs (Note that some of these sales may be credited to stores accounts instead of expenditure accounts depending on the local accounting methods employed.)

2. Refunds of overpayment from (a) teachers and other employees; or (b) vendors and other payees

3. Refunds for return of containers, oil drums, wire spools, and the like

4. Reimbursement of cost of repairs or replacement of damaged or lost property from (a) pupils, parents, or guardians for loss of books or damage to LEA property; or (b) contractors or any other individuals for damage to or loss of LEA property

5. Refunds from a transportation company for the unused portions of carfare books, tickets, and the like

6. Refunds of gasoline taxes for non-highway use

7. Canceled and voided warrants (not staledated warrants)

8. Sale in lieu of trade-in of used equipment being replaced, such as automobiles and typewriters

9. Refunds of insurance premiums overpaid

10. Receipts of settlements from commercial insurance carriers, JPAs, or self-insurance funds because of building, supply, or equipment losses

11. Workers' compensation payments received by the employee and endorsed over to the LEA that offset all or part of the salary being paid by the LEA to the employee (See also "Special Considerations Regarding Abatement of Salaries," page 560-4).

12. Receipts from subleasing an unused portion of premises that the district had to rent as a whole in order to obtain the portion desired for school purposes

13. Contributions for health insurance premiums from retirees or former employees who continue their health coverage at their own expense following retirement or termination of their employment

Receipts Not Allowable as Abatements of Expenditures

The following are examples of receipts that are not allowed as abatements of expenditure and must be accounted for as revenue:

1. Tuition

2. Fees

3. Rentals, including collections for the use of swimming pools, tennis courts, and the like

4. Library fines

5. Receipts from the sale of surplus property and equipment no longer needed

6. Donations, contributions, and gifts

7. Receipts from the sale of courses of study, printed forms, and the like

8. Amounts received from forfeitures of bonds or deposits because of noncompliance with contracts

9. Staledated warrants and warrants canceled in a fiscal year subsequent to the year of expenditure

10. Receipts from a teacher training institution for practice teaching services (See "Special Considerations Regarding Abatement of Salaries," following.)

11. Jury duty fees received by employees and endorsed over to the LEA as a condition of the employee receiving full salary while on jury duty (See "Special Considerations Regarding Abatement of Salaries," following.)

12. Amounts received from another entity for amounts paid to an employee or a substitute while the employee performs services for the other entity (See "Special Considerations Regarding Abatement of Salaries," following.)

Special Considerations Regarding Abatement of Salaries

There are particular payroll reporting issues to consider regarding abatement of salaries. Salary expenditure accounts should never be abated unless:

- The salary actually paid by the LEA to the employee is being reduced or corrected in the payroll records as well;

  and/or

- The payroll-reporting responsibility for the salary paid to the employee and being reimbursed to the LEA is being assumed by another entity.

LEAs have a payroll reporting responsibility for all salaries paid to their employees. Unless the payroll reporting responsibility for a particular salary amount is being assumed by another entity, an LEA should not abate a salary account for receipts relating to that particular salary amount. Thus, amounts received by the LEA for jury duty stipends turned over by

the employee to the LEA, or amounts received from another entity to reimburse the LEA for salary paid to an employee or a substitute while the employee performed services for the other entity, should be recorded as revenue and not as abatements of salaries.

In general, salary accounts in the general ledger should match gross employee earnings in the payroll history records.

Relationship of Abatements of Expenditures to Appropriation Control

Regardless of whether abatements of expenditure are treated as direct credits to expenditure accounts or as indirect reductions of expenditures by the use of contra accounts, budgetary control of expenditures must be in terms of net expenditures. LEAs that anticipate significant abatements of expenditure items should prepare their budgets on the basis of net expenditures and maintain supporting schedules indicating the anticipated gross expenditures and the anticipated reduction of such expenditures by reason of abatements.

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Section 600

Coding Common Transactions

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The following are examples of the recording of transactions affecting balance sheet accounts in which the standardized account code structure (SACS) is used. Balance sheet accounts are classified in the object field. If the transactions are from restricted revenues, the balance sheet accounts are also coded in the resource field.

Example 1: Unrestricted Transactions Resulting in Change to Fund Balance

(a) Cash is deposited in the county treasury for the K–12 revenue limit and expended for various functions and objects. At year-end, closing of the books results in an increase in the unrestricted fund balance.

To record receipt of property taxes:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	8011	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not used in this example.
- Goal is generally not required for revenues (required for special education revenues) and is not required for balance sheet accounts.
- Function is not required for revenues or balance sheet accounts.
- Object 8011 is Revenue Limit State Aid—Current Year, and Object 9110 is Cash in County Treasury.
- School is not required.

(b) During the year many transactions occur (e.g., the payment of teachers' salaries).

To record the payment of salaries:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	1100	000
Dr	01	0000	0	1110	1000	3101	000
Dr	01	0000	0	1110	1000	3401	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not used in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction; a function is not required for balance sheet accounts.
- Object 1100 is Teachers' Salaries; Object 3101 is State Teachers' Retirement System, Certificated Positions; Object 3401 is Health & Welfare Benefits, Certificated Positions; and Object 9110 is Cash in County Treasury.
- School is not required.

(c) At year-end the books are closed and the ending fund balance has increased, changing the components of ending fund balance. The designation for economic uncertainties is increased, reducing the undesignated fund balance.

To record fund balance designations at the end of the year:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9790	000
Cr	01	0000	0	0000	0000	9770	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not used in this example.
- Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts.
- Object 9770 is Designated for Economic Uncertainties, and Object 9790 is Undesignated/ Unappropriated.
- School is not required.

Example 2: Recording Components of Ending Fund Balance

At year-end the district records the reservations and designations of the ending fund balance when the books are closed (assuming that the excess of revenues over expenditures is automatically posted to Object 9790, Undesignated/Unappropriated Fund Balance):

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9790	000
Cr	01	0000	0	0000	0000	9711	000
Cr	01	0000	0	0000	0000	9712	000
Cr	01	0000	0	0000	0000	9770	000
Dr	01	7140	0	0000	0000	9790	000
Cr	01	7140	0	0000	0000	9740	000
Dr	01	7156	0	0000	0000	9790	000
Cr	01	7156	0	0000	0000	9740	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted; Resource 7140 is GATE; and Resource 7156 is Instructional Materials Realignment, (AB 1781).
- Project Year is not used in this example.
- Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts.
- Object 9790 is Undesignated/Unappropriated; Object 9711 is Reserve for Revolving Cash; Object 9712 is Reserve for Stores; Object 9740 is Legally Restricted Balance; and Object 9770 is Designated for Economic Uncertainties.
- School is not required.

Example 3: Identifying Cash by Resource

LEAs using financial systems that do not post the resource code to the balance sheet accounts during the year will need to make an additional entry at year-end to balance the restricted and unrestricted resources.

For example, during the year-end closing, the LEA posted deferred revenue to three resources. In addition, the LEA posted restricted ending balance to two resources. The LEA must make the following year-end closing entry to separate out the cash represented by these amounts:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3010	0	0000	0000	9110	000
Dr	01	3326	0	0000	0000	9110	000
Dr	01	5600	0	0000	0000	9110	000
Dr	01	7140	0	0000	0000	9110	000
Dr	01	7156	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 3010 is NCLB: Title I, Part A, Basic Grants Low Income and Neglected; Resource 3326 is Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619; Resource 5600 is Workforce Investment Act; Resource 7140 is Gifted and Talented Education (GATE); Resource 7156 is Instructional Materials Realignment, IMFRP (AB 1781); and Resource 0000 is Unrestricted Resources.
- Project Year is not used in this example.
- Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts.
- Object 9110 is Cash in County Treasury.
- School is not required.

Revenues are classified by source and type in the object field. When the revenues are for restricted uses or have reporting requirements, they are further identified by the resource field. If the revenues are for federal projects that cross the LEA reporting fiscal year, they are also identified by the ending year of the project in the project year field.

For additional information regarding account codes, refer to the procedures in Section 300, "Chart of Accounts."

Example 1: Unrestricted Revenue

A district receives property taxes, the local portion of the revenue limit. The secured roll taxes will be coded as follows:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	8041	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 8041 is Secured Roll Taxes, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 2: Restricted Revenue

A district receives a federal grant for bilingual programs. The revenue would be coded as follows:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	4230	3	0000	0000	9110	000
Cr	01	4230	3	0000	0000	8290	000

-

Fund 01 is the General Fund.

- Resource 4230 is Federal Bilingual Education Discretionary Grants.
- Project Year is 3 because this federal project ends in October 2003; project year may be used for balance sheet transactions.
- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 8290 is All Other Federal Revenue, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 3: Transfer of Unrestricted Money to a Restricted Resource

If the district receives restricted revenue that requires a cash match by the district, the match would be recorded as a contribution from unrestricted resources. The following example shows the receipt of revenue and the recording of the cash match:

(a) To record district receipt of a federal grant that requires a match:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	5810	0	0000	0000	9110	000
Cr	01	5810	0	0000	0000	8290	000

(b) To record district match to restricted revenue from unrestricted revenues with corresponding transfer of cash:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8980	000
Cr	01	0000	0	0000	0000	9110	000
Dr	01	5810	0	0000	0000	9110	000
Cr	01	5810	0	0000	0000	8980	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted, and Resource 5810 is Other Federal.
- Project Year is not required in this example.
- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.

- Object 8980 is Contributions from Unrestricted Revenues; Object 8290 is All Other Federal Revenue; and Object 9110 is Cash in County Treasury.
- School is not required.

The expenditures would be tracked by the resource. The following are the sample expenditures for this resource:

(c) To record the payment of salaries:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	5810	0	1110	1000	1100	456
Dr	01	5810	0	1110	2100	1300	000
Dr	01	5810	0	1110	3110	1200	000
Cr	01	5810	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 5810 is Other Federal.
- Project Year is not required in this example.
- Goal 1110 is Regular Education, K–12; goal is generally not required for balance sheet transactions.
- Function 1000 is Instruction; Function 2100 is Instructional Supervision and Administration; Function 3110 is Guidance and Counseling Services; and function is not required for balance sheet accounts.
- Object 1100 is Teachers' Salaries; Object 1300 is Certificated Supervisors' and Administrators' Salaries; Object 1200 is Certificated Pupil Support Salaries; and Object 9110 is Cash in County Treasury.
- School 456 is Sample High School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Example 4: Multiple Revenue Sources in a Single Resource or Project

The home-to-school transportation activities are funded from different sources. These include state apportionments, user fees, and unrestricted revenues for any encroachment. The expenditures are not required to be identified to each source; they are identified by a single resource. The following are sample transportation transactions:

(a) To record state apportionments and transportation fees:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	0000	8311	000
Cr	01	7230	0	0000	0000	8675	000

(b) To record the contribution from unrestricted revenues to transportation to cover excess costs:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8980	000
Cr	01	0000	0	0000	0000	9110	000
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	0000	8980	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home-to-School, and Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal is generally not required for revenues and balance sheet accounts.
- Function is not required for revenues and balance sheet accounts.
- Object 8311 is Other State Apportionments—Current Year; Object 8675 is Transportation Fees from Individuals; Object 8980 is Contributions from Unrestricted Revenues; and Object 9110 is Cash in County Treasury.
- School is not required.

(c) To record transportation expenditures:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	3600	2200	000
Dr	01	7230	0	0000	3600	4300	000
Dr	01	7230	0	0000	3600	6500	000
Cr	01	7230	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home-to-School.
- Project Year is not required in this example.
- Goal 0000 is Undistributed; goal is not required for balance sheet transactions.
- Function 3600 is Pupil Transportation; function is not required for balance sheet accounts.

- Object 2200 is Classified Support Salaries; Object 4300 is Materials and Supplies; Object 6500 is Equipment Replacement; and Object 9110 is Cash in County Treasury.
- School is not required.

Example 5: Activities Paid from Two or More Revenue Sources with Separate Reporting Requirements

The special education programs are operated with money from different revenue sources. These include federal grants, state aid, unrestricted revenues, tuition, and transfers of apportionments from other LEAs. LEAs are required to identify and report expenditures of federal revenues separately from expenditures of state and local revenues; however, they are not required to report expenditures of state and local revenues separately from each other. The following are sample special education transactions:

(a) To record the payment of instructional aide wages funded by federal IDEA grant money:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3310	3	5750	1110	2100	456
Cr	01	3310	3	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 3310 is IDEA Basic Local Assistance Entitlement.
- Project Year is 3; the project year for this federal resource extends beyond the LEAs' fiscal year.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled; goal is not required for balance sheet transactions.
- Function 1110 is Special Education: Separate Classes; function is not required for balance sheet transactions.
- Object 2100 is Instructional Aides' Salaries, and Object 9110 is Cash in County Treasury.
- School 456 is Sample High School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

(b) To record the amount receivable from the IDEA grant:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3310	3	0000	0000	9290	000
Cr	01	3310	3	5001	0000	8181	000

- Fund 01 is the General Fund.
- Resource 3310 is IDEA Basic Local Assistance Entitlement.
- Project Year is 3; the project year for this federal resource extends beyond the LEA's fiscal year.
- Goal 5001 is Special Education—Unspecified. A goal is required for Special Education revenue. Goal is not required for balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 9290 is Due from Grantor Governments, and Object 8181 is Special Education—Entitlement.
- School is not required.

(c) To record receipt of the state special education program apportionment:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	6500	0	0000	0000	9110	000
Cr	01	6500	0	5001	0000	8311	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A goal is required for Special Education revenue. Goal is not required for balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 8311 is Other State Apportionments–Current Year, and Object 9110 is Cash in County Treasury.
- School is not required.

(d) To record contributions from unrestricted revenues to special education and the corresponding transfer of cash:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8980	000
Cr	01	0000	0	0000	0000	9110	000
Dr	01	6500	0	0000	0000	9110	000
Cr	01	6500	0	5001	0000	8980	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A goal is required for Special Education revenue. Goal is not required for balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 9110 is Cash in County Treasury, and Object 8980 is Contributions from Unrestricted Revenues.
- School is not required.

(e) To record the payment of certificated teacher and speech therapist wages from the special education resource, which includes the state apportionment and contributed unrestricted monies:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	6500	0	5770	1190	1100	456
Dr	01	6500	0	5770	3150	1200	000
Cr	01	6500	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled; goal is not required for balance sheet accounts.
- Function 1190 is Special Education: Other Specialized Instructional Service, and Function 3150 is Speech Pathology and Audiology Services. Function is not required for balance sheet accounts.
- Object 1100 is Teachers' Salaries; Object 1200 is Certificated Pupil Support Salaries; and Object 9110 is Cash in County Treasury.
- School 456 is Sample High School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

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In addition to an identified fund, resource, and object, which all transactions must include, expenditure transactions must also include a specific function to indicate the type of activity being performed (e.g., instruction, counseling, general administration, maintenance). Expenditures in the instruction, ancillary, and community service functions must also include a specific goal to indicate the instructional setting or group of students receiving the services.

While expenditures are often charged directly to a program (fund, resource, goal, and function) at the time of the initial transaction, there are also instances where costs are subsequently transferred from one area to another using Objects 5700–5799, Transfers of Direct Costs, or Objects 7300–7399, Transfers of Indirect Costs.

Direct-Charged Costs

Example 1: Expenditures Direct-Charged to a Program

Salary is paid for an adult education math teacher at a high school. The salary is coded as follows:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	11	3905	0	4110	1000	1100	456
Cr	11	3905	0	0000	0000	9110	000

- Fund 11 is the Adult Education Fund.
- Resource 3905 is Adult Basic Education & ESL.
- Project Year is not applicable in this example.
- Goal 4110 is Regular Education, Adult; goal is not required for balance sheet accounts.
- Function 1000 is Instruction; function is not required for balance sheet accounts.
- Object 1100 is Certificated Teachers' Salaries, and Object 9110 is Cash in County Treasury.
- School 456 is Sample High School. Coding to the school field is not required; however, LEAs may wish to code expenditures to this level of detail for local information.

Example 2: Reclassification of Expenditures

An LEA may initially charge expenditures to a program and then later determine that the expenditures should have been charged elsewhere, such as when expenditures were erroneously charged or when a different decision is made based on subsequent information. The expenditures should be reclassified on a line-by-line basis.

(a) Teacher salaries and benefits are initially charged to the regular education program:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	1100	123
Dr	01	0000	0	1110	1000	3101	123
Dr	01	0000	0	1110	1000	3401	123
Cr	01	0000	0	0000	0000	9110	000

(b) A subsequent determination is made that the costs should have been charged to the Title I program. The reclassification to the Title I program is done on a line-by-line basis:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3010	0	1110	1000	1100	123
Dr	01	3010	0	1110	1000	3101	123
Dr	01	3010	0	1110	1000	3401	123
Cr	01	3010	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	1110	1000	1100	123
Cr	01	0000	0	1110	1000	3101	123
Cr	01	0000	0	1110	1000	3401	123

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted, and Resource 3010 is NCLB: Title I Basic Grants Low-Income and Neglected.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K-12, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 1000 is Instruction; function is not required for balance sheet accounts.
- Object 1100 is Certificated Teachers' Salaries; Object 3101 is State Teachers' Retirement System, certificated positions; Object 3401 is Health & Welfare Benefits, certificated positions; and Object 9110 is Cash in County Treasury.

- School 123 is Sample Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures to this level of detail for local information.

Transfers of Direct Costs

Certain direct costs may be pooled in an unrestricted resource and the undistributed goal for later transfer to specific programs. There are also instances where costs are initially accumulated in one function and subsequently transferred to another function. The basis for these transfers will vary but may include a per-unit amount, a work order, or a fee structure.

Direct cost transfers are done using Object 5710, Transfers of Direct Costs, or Object 5750, Transfers of Direct Costs – Interfund.

Example 1: Transfer of Direct Costs between Resources Based on a Work Order

A gardener is responsible for maintaining the yards at multiple sites in the district. The bulk of the work will be performed at high school sites but occasionally some landscaping work will be done at the adult education centers. The district charges the initial expenditures to unrestricted general fund revenues and then later transfers costs to the adult education fund based on approved work orders documenting the time and materials costs.

(a) The gardener's salary, benefits, and supplies are initially recorded as unrestricted in the general fund:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	8100	2200	000
Dr	01	0000	0	0000	8100	3202	000
Dr	01	0000	0	0000	8100	3402	000
Dr	01	0000	0	0000	8100	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; goal is not required in balance sheet accounts.

- Function 8100 is Plant Maintenance and Operations; function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 3202 is Public Employees' Retirement System, classified positions; Object 3402 is Health and Welfare Benefits, classified positions; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
- School is not required.

(b) Work orders support the transfer of landscaping costs from the general fund to the adult education fund. Note that this transfer shifts costs between resources and goals, but the nature of the activity (plant maintenance and operations) remains the same so the function does not change when the costs are transferred.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9310	000
Cr	01	0000	0	0000	8100	5750	000
Dr	11	6390	0	4110	8100	5750	000
Cr	11	6390	0	0000	0000	9610	000

- Fund 01 is the General Fund, and Fund 11 is the Adult Education Fund.
- Resource 0000 is Unrestricted, and Resource 6390 is Adult Education Apportionment.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; Goal 4110 is Regular Education, Adult; a goal is not required for balance sheet accounts.
- Function 8100 is Plant Maintenance and Operations; a function is not required for balance sheet accounts.
- Object 9310 is Due from Other Funds; Object 5750 is Transfers of Direct Costs—Interfund; and Object 9610 is Due to Other Funds.
- School is not required.

Example 2: Transfer of Direct Costs between Functions Based on a Work Order

An LEA needs a moveable storage cabinet for one its classrooms. Rather than purchasing it from an outside source, the LEA decides to utilize its maintenance staff to build the cabinet. The salaries of the maintenance staff and the costs of the materials are initially charged to the maintenance department.

(a) Record the payment of maintenance department salaries, benefits, and materials expenditures:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	8100	2200	000
Dr	01	0000	0	0000	8100	3202	000
Dr	01	0000	0	0000	8100	3402	000
Dr	01	0000	0	0000	8100	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 3202 is Public Employees' Retirement System, classified positions; Object 3402 is Health and Welfare Benefits, classified positions; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
- School is not required.

The costs should be transferred to the function and goal codes that would have been used if the product or service had initially been charged directly. In this example, although maintenance staff built the storage cabinet, the cost should ultimately be charged as an instructional cost, as it would have been if the LEA had simply bought the cabinet from a vendor.

(b) Based on a work order for the storage cabinet that shows time and materials, the accumulated costs are transferred from the maintenance department to the benefiting instructional goal and function:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	8100	5710	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K-12.

- Function 1000 is Instruction, and Function 8100 is Plant Maintenance and Operations.
- Object 5710 is Transfers of Direct Costs.
- School is not required.

Example 3: Transfer of Direct Costs between Functions Based on a Per-Unit Basis

LEAs sometimes collect costs in a "cost pool" and then transfer those costs to benefiting programs on the basis of supporting documentation. For example, the costs of a centralized copy center may be accumulated in a cost pool and then be transferred out as a direct cost to benefiting programs. The transfer from the cost pool to a benefiting program usually involves a change in function because the nature of the activity changes from the function where the costs were collected to the function of the activity that utilized the service.

(a) Initially, all costs of the copy center (salaries, benefits, supplies, services, capital outlay) are charged to Function 7550, Printing, Publishing, and Duplicating, and Resource 0000, Unrestricted. This example shows the charging of salaries and supplies:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	7550	2400	000
Dr	01	0000	0	0000	7550	4300	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7550 is Printing, Publishing, and Duplicating. Function is not required for balance sheet accounts.
- Object 2400 is Clerical, Technical, and Office Staff Salaries; Object 4300 is Materials and Supplies; and Object 9110 is Cash in County Treasury.
- School is not required.

(b) Photocopies are made for a teacher in the GATE program. Based on a per-copy amount, the GATE program is charged for the photocopies. Note that this transfer shifts costs not only between resources and goals, but also between functions, because the costs

are moved from the general cost pool (district-wide printing) to the benefiting activity (instruction).

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7140	0	1110	1000	5710	000
Cr	01	7140	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7550	5710	000

- Fund 01 is the General Fund.
- Resource 7140 is GATE, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7550 is Printing, Publishing, and Duplicating, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 4: Transfer of Administrative Costs on a Basis Other Than the Indirect Cost Rate

Costs to calculate and collect developer's fees are incurred in the general fund in Function 7200, Other General Administration. These costs, not to exceed 3 percent of the fees collected during the period *(Education Code* Section 17620[a][1][c][5]), may be transferred to Fund 25, Capital Facilities Fund.

The initial costs were charged to an indirect cost function (Function 7200), but because these administrative charges are being transferred on a basis other than the indirect cost rate, the transfer is a transfer of direct costs rather than a transfer of indirect costs. Note that this type of transfer can possibly shift costs between funds, resources, and goals, but the nature of the activity (administration) remains the same, so the function does not change.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7200	5750	000
Dr	25	0000	0	0000	7200	5750	000
Cr	25	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund, and Fund 25 is the Capital Facilities Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7200 is Other General Administration. Function is not required for balance sheet accounts.
- Object 5750 is Transfers of Direct Costs—Interfund, and Object 9110 is Cash in County Treasury.
- School is not required.

Transfers of Indirect Costs

Indirect costs consist of agencywide business and administrative costs such as accounting, budgeting, personnel, purchasing, and centralized data processing. The standardized method for charging indirect costs to programs is the indirect cost rate (see Procedure 915).

A transfer of indirect costs generally shifts costs between resources (and possibly between funds and goals), but the nature of the activity (indirect costs) remains the same, so the function does not change.

Record indirect cost transfers using Object 7310, Transfers of Indirect Costs, or Object 7350, Transfers of Indirect Costs—Interfund, with Function 7210, Indirect Cost Transfers.

Example 1: Indirect Costs are Charged to State and Federal Programs

Costs of general administration (salaries, benefits, supplies, services, operating expenditures) are accumulated throughout the year in Function 7200, Other General Administration, and Function 7700, Centralized Data Processing.

At the end of the year, the LEA charges its various programs for their share of indirect costs based on the LEA's approved indirect cost rate. Note that this transfer shifts costs between resources and goals, but as with all indirect cost transfers, Function 7210 is used for both the debit and credit entries.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3010	0	1110	7210	7310	000
Cr	01	3010	0	0000	0000	9110	000
Dr	01	3310	0	5001	7210	7310	000
Cr	01	3310	0	0000	0000	9110	000
Dr	01	6670	0	3550	7210	7310	000
Cr	01	6670	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7210	7310	000

- Fund 01 is the General Fund.
- Resource 3010 is NCLB: Title I Basic Grants Low-Income and Neglected; Resource 3310 is Special Ed: IDEA Basic Local Assistance; Resource 6670 is Tobacco-Use Prevention Education: Grades Nine through Twelve; and Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 1110 is Regular Education, K–12; Goal 5001 is Special Education—Unspecified; Goal 3550 is Community Day Schools; and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7210 is Indirect Cost Transfers.
- Object 7310 is Transfers of Indirect Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

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Federal Forest Reserve revenues are a unique type of revenue in that pursuant to Education Code Section 2300 at least 85 percent of the revenue is passed through from county offices of education (COEs) to qualifying school districts and community college districts. Forest Reserve revenues are accounted for in the Forest Reserve Fund and are an example of pass-through revenue.

Example 1: Receipt and Distribution of Funds by the Recipient LEA

In this example, the COE receives the Forest Reserve money from the federal government. It then allocates the Forest Reserve money in a predetermined pattern to the school districts and to its own County School Service Fund (CSSF).

First, the COE deposits $100,000 of federal Forest Reserve money into its Forest Reserve Fund, a special revenue fund. The transaction is coded as follows:

Received $10,000 for COE

Fund	Resource	Project Year	Goal	Function	Object	School
16	0000	0	0000	0000	8260	000

Received $90,000 for LEAs

Fund	Resource	Project Year	Goal	Function	Object	School
16	0000	0	0000	0000	8287	000

- Fund 16 is the Forest Reserve Fund.
- Resource 0000 is Unrestricted. The money is restricted by the fund itself.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for revenue.
- Object 8260 is Forest Reserve Funds, and Object 8287 is Pass-through Revenues from Federal Sources.
- School is not required.

Then the COE allocates the money to all the participating school districts and to the CSSF according to the agreement with the county.

Transferred $90,000 to districts

Fund	Resource	Project Year	Goal	Function	Object	School
16	0000	0	0000	9200	7211	000

Transferred $10,000 to CSSF

Fund	Resource	Project Year	Goal	Function	Object	School
16	0000	0	0000	9300	7619	000

- Fund 16 is the Forest Reserve Fund.
- Resource 0000 is Unrestricted. The money is restricted by the fund itself.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 9200, Transfer Between Agencies, is used to transfer the money to the school districts, and Function 9300, Interfund Transfers, is used to transfer the COE portion to its CSSF.
- Object 7211 is Transfer of Pass-through Revenues to Districts, and Object 7619 is Other Authorized Interfund Transfers Out.
- School is not required.

The Forest Reserve Fund now reflects the authorized transaction of splitting the Forest Reserve Funds among participating LEAs. The following entry into the CSSF reflects the receipt of its budgeted share of the Forest Reserve money, which is unrestricted buy may have a locally defined resource code to distinguish the source of the money and how it was spent.

Transferred $10,000 from Forest Reserve Fund to CSSF

Fund	Resource	Project Year	Goal	Function	Object	School
01	0650	0	0000	0000	8919	000

- Fund 01 is the County School Service Fund.
- Resource 0650 is a COE locally defined unrestricted resource used to track the Federal Forest Reserve funds.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for revenue.
- Object 8919 is Other Authorized Interfund Transfers In.
- School is not required.

Finally, the COE chooses to spend half its own Forest Reserve Funds to supplement the school districts' GATE programs. The transaction would be coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0650	0	0000	9200	7281	000

- Fund 01 is the County School Service Fund.
- Resource 0650 is a locally defined unrestricted resource used by the COE to track its Forest Reserve money.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 9200 is Transfers Between Agencies.
- Object 7281 is All Other Transfers to Districts.
- School is not required.

Example 2: Receipt and Expenditure of Funds by Subrecipient LEA

First, the school districts receive their share of Forest Reserve money from their COE. They may use the same locally defined unrestricted resource to identify the source of the money as follows:

Received $90,000 of Forest Reserve from COE

Fund	Resource	Project Year	Goal	Function	Object	School
01	0650	0	0000	0000	8260	000

- Fund 01 is the General Fund.
- Resource 0650 is a locally defined unrestricted resource for Forest Reserve money.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for revenue.
- Object 8260 is Forest Reserve Funds.
- School is not required.

Second, they receive the COE's donation toward their GATE program and code it as follows:

Received $5,000 Contribution from COE

Districts will record the COE's contribution of $5,000 as a transfer toward their GATE program and code it as follows:

(a) Transfer from COE is recorded in the unrestricted resource:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8782	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for revenue.
- Object 8782 is All Other Transfers from County Offices. Funds are recorded by the district as a transfer and not recognized as federal revenues, as it is not a district entitlement but a transfer from the county office from its share of federal forest funds.
- School is not required.

(b) Contribution is made from the unrestricted resource to GATE:

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8980	000
Cr	01	7140	0	0000	0000	8980	000

Generally, the cost of a staff development class designed to improve an employee's job performance follows the goal and function of the employee. Thus, the cost of improving a teacher's knowledge of classroom computer use should be coded to the teacher's instructional function. The cost of instructing a maintenance employee on hazardous materials should be coded to the maintenance and operations function. If the school nurses are sent to a seminar on current health issues, the cost should be coded to the health services function.

The costs of a staff development department or of persons hired to create a staff development program for LEA personnel are charged to Function 2100, Instructional Supervision and Administration, or the optional Function 2140, In-house Instructional Staff Development; or, for noninstructional personnel in all classifications, to Function 7200, Other General Administration, or the optional Function 7410, Staff Development.

For example:

- Function 1000, Instruction, is used to record the salaries and related costs such as registration fees, transportation, and lodging in the following situations:

  a. A teacher attending a conference
  b. A substitute teacher who replaces a regular teacher while the regular teacher is away at a conference
  c. A teacher paid for taking classes to obtain a master's degree
  d. Stipends paid to paraprofessionals in a teacher training program
  e. The costs of obtaining the college education necessary for a teaching credential

- Function 2100, Instructional Supervision and Administration, or optional Function 2140, In-house Instructional Staff Development, is used to record the cost of in-house staff or an external contractor providing in-house instructional staff development, including the time to develop and deliver the training material.

- Function 7200, Other General Administration, or optional Function 7410, Staff Development, is used to record the personnel cost to develop districtwide staff development programs for noninstructional staff, such as safety training for classified employees.

Example 1: Cost of Staff to Coordinate Staff Development Programs

If a school district hires staff to develop and deliver instructional staff development programs, that cost should be charged to Function 2100, Instructional Supervision and Administration, or, optionally, Function 2140, In-house Instructional Staff Development. The 2000 functions cover "support to facilitate and enhance instruction" services designed to support the instructional staff.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	2140	1300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 2140 is In-house Instructional Staff Development.
- Object 1300 is Certificated Supervisors' and Administrators' Salaries.
- School is not required.

Function 7410, Staff Development, is an optional subset of Function 7200, Other General Administration. This function accounts for staff members in the personnel department who are responsible for coordinating or developing districtwide classes for classified personnel. For example, if the personnel department is responsible for conducting districtwide classes on employee safety, the cost may be coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	7410	2400	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7410 is Staff Development.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

Example 2: Cost of Sending Employees to Staff Development Classes

If a speaker is engaged to give instructional training to the district's instructional teachers and teacher's aides, the function should be coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	5800	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted, which might be the Staff Development Day buy-out funding.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction.
- Object 5800 is Professional/Consulting Services and Operating Expenditures.
- School is not required.

Function 1000, Instruction, is for "activities dealing directly with the interaction between teachers and students." The direct cost of improving a teacher's ability to teach is an instructional cost.

Example 3: Payment of Tuition for Employees

An LEA might obtain funding to assist paraprofessionals with the costs of obtaining the college education necessary for a teaching credential. These costs are incurred to develop the capability of the employee and to increase the level of competency of the teaching staff. Just as a teacher may be paid for taking classes to obtain a master's degree (a cost charged to Function 1000, Instruction), these costs enable a classroom teaching assistant to obtain a credential and may be charged to Function 1000, Instruction.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6263	0	1110	1000	5800	000

- Fund 01 is the General Fund.
- Resource 6263 is Paraprofessional Teacher Training, a grant issued by the Commission on Teacher Credentialing.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.

- Function 1000 is Instruction.
- Object 5800 is Professional/Consulting Services and Operating Expenditures.
- School is not required.

The following examples are offered to illustrate the coding of expenditures for computer hardware, software, and other technological components.

For information on equipment inventory requirements and capitalization thresholds, see Procedure 405, "Accounting for Inventories," and Procedure 770, "Distinguishing Between Supplies and Equipment."

Example 1: Purchase of Software

(a) In this example, the software is an integral part of a core curriculum adopted by the State Board of Education and is a part of the approved list of instructional materials.

Fund	Resource	Project Year	Goal	Function	Object	School
01	7156	0	1110	1000	4100	000

- Fund 01 is the General Fund.
- Resource 7156 is Instructional Materials Realignment, IMFRP.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4100 is Approved Textbooks and Core Curricula Materials.
- School is not required.

(b) Instructional software is purchased for use as a reference tool for students in the classroom.

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	1110	1000	4200	000

- Fund 01 is the General Fund.
- Resource 1100 is Lottery: Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4200 is Books and Other Reference Materials.
- School is not required.

(c) Computer games are purchased for use in the classroom during rainy day recesses.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, Grades K–12.
- Function 1000 is Instruction.
- Object 4300 is Materials and Supplies.
- School is not required.

(d) The district's data processing department purchases a new financial accounting software system. This is a major system that handles financial data, personnel data, student attendance, and student grades. The contract includes four costs: a software purchase price of $15,000, a software maintenance agreement of $10,000, a one-time research and development cost of $5,000, and one-time training for $3,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7700	6400	000	$33,000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Centralized Data Processing.
- Object 6400 is Equipment.
- School is not required.

In this example, the initial cost of the software is capitalized; often, a purchase contract does not specify the price for each of these components. The cost includes the research and development fee and the software maintenance agreement, following the capitalization rules that include all costs of acquisition and installation in the cost of the asset. If an annual software maintenance fee is paid each year, the subsequent cost should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures. Additional training would also be coded to Object 5800.

(e) The district's business office purchases an off-the-shelf spreadsheet program for use by staff members. Their personal computers are on a network, and the software cost includes an original license fee for multiple users. There is an annual software maintenance agreement included with this program to provide users with help. The total cost of the contract is $18,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7200	6400	000	$18,000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 6400 is Equipment.
- School is not required.

A purchase is reported as "equipment" and capitalized if it has a life of over one year and if the cost exceeds the LEA's capitalization threshold.

(f) The district's business office purchases an off-the-shelf spreadsheet program for use by the accountant on a stand-alone personal computer. An annual software maintenance agreement included with this program provides users with help. The total cost is $350.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7200	4300	000	$350

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies.
- School is not required.

During the following year, the software vendor offers an upgrade of the software.

Fund	Resource	Project Year	Goal	Function	Object	Amount
01	0000	0	0000	7200	4300	$225

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 4300 is Materials and Supplies.
- School is not required.

A software upgrade is considered a new purchase of materials.

In all of these examples, the initial cost of the software includes the license fee and maintenance agreement. If, during subsequent years, annual software license or maintenance fees were incurred, they would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.

Example 2: Purchase of Hardware

(a) The data processing department purchases a computer system that includes hardware and some software packages for the operating system.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7700	6400	000	$6,750

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7700 is Centralized Data Processing.
- Object 6400 is Equipment.
- School is not required.

In this example the entire package has been capitalized; the operating software is considered part of the cost of getting the hardware installed and functioning. Additional software added later would be coded either to

Object 4300, Materials and Supplies, or Object 6400, Equipment, depending on the district's capitalization policy.

Generally, software is a separate and independent item; it is not a part of hardware. A purchase of a software license enables the user to move the software from one piece of equipment to another, and thus the software exists independently of the equipment. Therefore, if hardware and software were purchased at the same time, and if the costs could be distinguished, two items would be entered under Object 6400, Equipment: the cost of the hardware and the cost of the software.

(b) The school nurse buys a personal computer for his desk, with some software. The cost includes (1) the hardware (with operating software) for $5,500, which includes a maintenance agreement; (2) additional software designed for school nurse applications for $1,500; (3) a license fee of $500 for that software; and (4) an annual software maintenance agreement for $350. The district's capitalization threshold is $5,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	3140	6400	000	$5,500
01	0000	0	0000	3140	4300	000	$2,350

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 3140 is Health Services.
- Object 4300 is Materials and Supplies, and Object 6400 is Equipment.
- School is not required.

The software for school nurses is not a part of the hardware system and may be considered a supply, Object 4300, because of its relatively short useful life, low vulnerability to theft, and difficulty in tagging. The license fee and fee for the first year of software maintenance may be part of the initial cost of the nursing software and therefore may be categorized as a single cost. If either fee is separate from the price of the software and/or is optional in the purchase contract, then the fees would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures. In the following year, any upgrade of the software would be coded to Object 4300, and a renewal of the software license fee or of the software maintenance agreement would be coded to Object 5800.

Example 3: Installation and Maintenance of Technology Systems

(a) XYZ District is ordering a complete workover to wire each classroom for the Internet and other technological advances. False floors with wires in conduits are added to the buildings. Underground wiring has also been installed in the classrooms.

Underground wiring up to a building is a land improvement cost; wiring inside the building is a building cost.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	0000	8500	6170	000
01	9010	0	0000	8500	6200	000

- Fund 01 is the General Fund.
- Resource 9010 is a locally defined resource representing a restricted donation from a local business.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8500 is Facilities Acquisition and Construction.
- Object 6170 is Land Improvements, and Object 6200 is Buildings and Improvement of Buildings.
- School is not required.

(b) Two years later there is a wiring problem in Room 23, which is a classroom. The staff electrician locates the problem and repairs the wiring in the cable under the floor. The costs are reported in the salary, benefits, and supplies in Maintenance and Operations as costs of maintaining the facility.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

Although the costs are originally charged to the Maintenance and Operation function, they may be transferred through Object 5710, Transfers of Direct Costs, from Goal 0000, Undistributed, to an instructional goal based on a work order or another method of documentation. The function is not changed even though the costs can be directly documented; the essence of the maintenance work does not change to instructional work.

(c) The library has a multimedia area for student use. A work order has been completed for construction of a built-in cabinet to house a television set, a compact disk player, and a videocassette recorder. The resulting cabinet is built into the wall and is an integral part of the building.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resources.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 8100 is Plant Maintenance and Operations.
- Object 2200 is Classified Support Salaries, and Object 4300 is Materials and Supplies.
- School is not required.

If the LEA wishes to capitalize the cost of the building improvement, the final cost of the addition to the room can be transferred by work order to Function 8500, Facilities Acquisition and Construction. In this case, because the function changes, the correct object is 5710, Transfers of Direct Costs.

If the cabinet were a rolling cabinet instead of a built-in, it would be considered a piece of equipment. The transfer would be to the relevant goals, such as Goal 1110, Regular Education, K–12; and Function 2420, Instructional Library, Media, and Technology.

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Pursuant to *Education Code* sections 38090–38093, LEAs may establish a cafeteria fund to account separately for federal, state, and local resources to operate a food service program. LEAs may establish either of the cafeteria funds defined in SACS: the Cafeteria Special Revenue Fund, Fund 13, or the Cafeteria Enterprise Fund, Fund 61. LEAs may also account for their food service program in a restricted account within the general fund. Although the cafeteria fund is meant to account for the LEA's food service program (*Education Code* sections 38091 and 38100), there may be certain costs associated with providing food that are initially accounted for in this fund and then subsequently transferred to other funds.

In these examples, it is assumed that the LEA uses Fund 13, Cafeteria Special Revenue Fund:

Example 1: Meals for Field Trips Funded by the Child Nutrition Program

The cafeteria prepares sack lunches for students to take on a field trip. The sack lunches are included in the daily lunch count and qualify for reimbursement from the Child Nutrition Program.

Fund	Resource	Project Year	Goal	Function	Object	School
13	5310	0	0000	3700	4700	000

- Fund 13 is the Cafeteria Special Revenue Fund.
- Resource 5310 is Child Nutrition: School Programs.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 3700 is Food Services.
- Object 4700 is Food.
- School is not required.

Example 2: Meals for Field Trips Not Provided Through the LEA's Food Service Program

Sometimes meals provided for a field trip are not provided through the food service program and are not paid for with Child Nutrition Program money or included in the lunch count on the Child Nutrition Program report. In this case, Function 3700 is not used because the cost of the

meals is part of the cost of the field trip. For example, a local fundraiser provides the money to send a class on a field trip, and part of the cost of the field trip is for meals.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	1110	1000	4300	000

- Fund 01 is the General Fund.
- Resource 9010 is Restricted Other Local.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12, for a specific class taking the field trip.
- Function 1000 is Instruction. The cost of the lunch is a part of the cost of the field trip.
- Object 4300 is Materials and Supplies; the lunches are part of the supplies provided for the field trip.
- School is not required.

Example 3: Meals Provided by the Food Service Program but Not Funded by the Child Nutrition Program

If an LEA does not participate in the Child Nutrition Program but still operates a food service program, the costs of meals served are normally paid from unrestricted funds.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	3700	4700	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 3700 is Food Services.
- Object 4700 is Food.
- School is not required.

Example 4: Refreshments for Meetings

The cafeteria program provides a pastry and coffee service for the superintendent's cabinet meeting on an incidental basis. The cost of the service is transferred from the cafeteria fund to the general fund.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	3700	5750	000
Dr	01	0000	0	0000	7100	5750	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 13 is the Cafeteria Special Revenue Fund; Fund 01 is the General Fund.
- Resource 5310 is Child Nutrition: School Programs, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for balance sheet accounts; Function 3700 is Food Services; and Function 7100 is Board and Superintendent.
- Object 9110 is Cash in County Treasury, and Object 5750 is Transfers of Direct Costs—Interfund. Here the cost of the food is transferred from the cafeteria special revenue fund to the general fund as a cost of supplies for the meeting.
- School is not required.

Example 5: Reclassification of Costs for Food Used by Another Program

The cafeteria program purchases many food products in bulk and allows the Home Economics department to purchase certain ingredients at cost for use in cooking classes. The cafeteria program does not provide any services to the Home Economics department. The cost of the food is reclassified to the instructional program.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	4300	000
Cr	01	0000	0	0000	0000	9110	000
Dr	13	5310	0	0000	3700	9110	000
Cr	13	5310	0	0000	3700	4700	000

- Fund 01 is the General Fund; Fund 13 is the Cafeteria Special Revenue Fund.
- Resource 0000 is Unrestricted; Resource 5310 is Child Nutrition: School Programs.
- Project Year is not applicable in this example.

- Goal 1110 is Regular Education, K–12; Goal 0000 is Undistributed.
- Function 1000 is Instruction; Function 3700 is Food Services.
- Object 4300 is Materials and Supplies; Object 9110 is Cash in County Treasury; Object 4700 is Food.
- School is not required.

Example 6: Catering Services

A cafeteria program engages in catering activities and offers its services to outside customers, with profits supporting the Child Nutrition Program. For example, the Rotary Club contracts with the cafeteria to provide a dinner for local business people. The cafeteria identifies the cost of food, supplies, and labor for the dinner and is paid by the Rotary Club for the service.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	6000	5710	000
Cr	13	5310	0	0000	3700	5710	000
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	6000	8699	000

- Fund 13 is the Cafeteria Special Revenue Fund.
- Resource 5310 is Child Nutrition: School Programs.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 6000 is Enterprise; Function 3700 is Food Services. In this entry, the costs of the food, salaries, and labor are transferred from the Food Services function to the Enterprise function. A function code is not required when recording revenue; but in this example, the use of the function code with both revenue and expenditure might be helpful in analyzing the profitability of the catering activity in the Cafeteria Fund.
- Object 5710 is Transfers of Direct Costs; Object 9110 is Cash in County Treasury; Object 8699 is All Other Local Revenue. This object is separate from food service sales (Object 8634).
- School is not required.

Example 7: Central Kitchen Serving Other Districts' Students

An LEA operates a central kitchen that provides meals not only for its own students but also for the students of several other school districts. At

the end of every month, the LEA reclassifies the prorated share of costs attributable to other LEAs (on the basis of the number of meals provided to those LEAs' students) and will bill the other LEAs.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	7110	3700	5710	000
Cr	13	5310	0	0000	3700	5710	000

- Fund 13 is the Cafeteria Special Revenue Fund.
- Resource 5310 is the Child Nutrition: School Programs.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; Goal 7110 is Nonagency—Educational. It is used here because the contract is with other LEAs who retain prime responsibility for delivery of the service.
- Function 3700 is Food Services.
- Object 5710 is Transfers of Direct Costs.
- School is not required.

Example 8: District Receiving Revenues for Food Services Provided

The LEA operating the central kitchen records the revenue it receives from the other LEAs for services provided to them under contract, its own federal and state reimbursements, and its own sales of adult a la carte lunches.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	0000	8677	000
Cr	13	5310	0	0000	0000	8220	000
Cr	13	5310	0	0000	0000	8520	000
Cr	13	5310	0	0000	0000	8634	000

- Fund 13 is the Cafeteria Special Revenue Fund.
- Resource 5310 is the Child Nutrition: School Programs.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function is not required for revenues.
- Object 8677 is Interagency Services Between LEAs; Object 8220 is federal Child Nutrition Programs; Object 8520 is state Child Nutrition Programs; Object 8634 is Food Service Sales; Object 9110 is Cash in County Treasury.
- School is not required.

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The main purpose of most LEA transportation departments is to provide home-to-school transportation for its own students, but other types of transportation services may be provided as well. Transportation other than from home to school (such as for field trips, athletic events, summer school and extended year, and transporting pupils from one school to another school) is considered "Other Miles." The transportation department may also provide home-to-school transportation for students of other districts.

Example 1: Transportation Costs for "Other Miles" Are Transferred Out of the Home-to-School Transportation Program.

Many LEAs collect costs in a "cost pool" and then transfer out costs on the basis of documentation. For example, the costs of instructional field trips ("Other Miles") are often charged to the home-to-school transportation resource and function (the transportation "cost pool") and subsequently transferred to the user program. The accounting for costs of various activities that are not part of the home-to-school transportation program are illustrated in this example. Such costs ("Other Miles") are excluded from Resource 7230, Transportation: Home to School, and Function 3600, Pupil Transportation.

(a) Initially, all costs of the transportation system are collected in the home-to-school transportation resource and function. These costs include salaries, benefits, supplies, services, and capital outlay.

Fund	Resource	Project Year	Goal	Function	Object	School
01	7230	0	0000	3600	2200	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. The home-to-school activity is provided for all students.
- Function 3600 is Pupil Transportation.
- Object 2200 is Classified Support Salaries.
- School is not required.

(b) The cost of the field trip is documented and moved out of the home-to-school transportation resource and function. Field trips ("Other Miles") are not included in the home-to-school transportation program.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs; Object 9110 is Cash in County Treasury.
- School is not required.

(c) During the year, students are transported by bus from School Site A to School Site B to participate in an instructional program. The documented costs are transferred to the instructional program. Again, this type of activity is considered "Other Miles" and is not included in the home-to-school transportation program (resource and function).

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed, and Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation, and Function 1000 is Instruction. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

(d) Costs of other than home-to-school transportation may be directly charged to the proper resource, goal, and function. In this example, the high school band charters a private bus to attend a weekend parade.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1677	4000	5800	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1677 is a locally defined goal for a regular high school music program.
- Function 4000 is Ancillary Services. The optional Function 4100, School-Sponsored Co-Curricular, may be used.
- Object 5800 is Professional/Consulting Services and Operating Expenditures.
- School is not required.

LEAs often provide transportation services for other LEAs' pupils. In some cases, the operating LEA contracts with the other LEAs and the LEAs for which the services are provided retain prime responsibility. In other cases, the operating LEA is directly funded and has prime responsibility. The accounting for these two scenarios is different.

Example 2: A School District Provides Transportation Services for Contracting LEAs.

a) District A contracts with District B to provide busing service from home to school for its students. District B, the providing district, transfers those costs associated with providing services to District A from the pool of costs it has incurred to transport its own students. Those costs are identified using Goal 7110, Nonagency—Educational.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	7110	3600	5710	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of District B.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.

- Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed.
- Function 3600 is Pupil Transportation.
- Object 5710 is Transfers of Direct Costs.
- School is not required.

b) District A contracts with District B to provide buses for its football team. Again, District B, the providing district, transfers those costs associated with providing services to District A from the pool of costs it has incurred to transport its own students. Unlike Example 2, however, these costs are considered "Other Miles" and may not be charged to the home-to-school transportation program (function).

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0100	0	7110	4000	5710	000
Cr	01	0100	0	0000	0000	9110	000
Dr	01	7230	0	7110	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of the providing district.
- Resource 7230 is Transportation: Home to School. The district has optionally defined an unrestricted Resource 0100 to track the revenue and expenditures of transportation contracts other than home-to-school contracts.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 4000 is Ancillary Services, and Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

c) District B has a central garage that provides services for the vehicles of other LEAs as well as for its own buses and other vehicles. District A contracts with District B to provide maintenance service for District A's vehicles other than its school buses. District B transfers the costs of the maintenance services it provides for District A from the pool of costs it has accumulated in its home-to-school transportation program, which includes all costs of vehicle maintenance. These costs are not considered home-to-school transportation costs because the maintenance is not

performed on buses used to transport pupils between home and school; rather, the costs are considered part of the maintenance and operations function.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0100	0	7110	8100	5710	000
Cr	01	0100	0	0000	0000	9110	000
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	5710	000

- Fund 01 is the General Fund of the district operating the central garage.
- Resource 7230 is Transportation: Home to School. The district has optionally defined an unrestricted Resource 0100 to track the revenue and expenditures of transportation contracts other than home-to-school contracts.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational, and Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 8100 is Plant Maintenance and Operations, and Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 5710 is Transfers of Direct Costs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 3: A School District Receives Payment from Contracting LEAs.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0100	0	0000	0000	9110	000
Cr	01	0100	0	0000	4000	8677	000
Cr	01	0100	0	0000	8100	8677	000
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	3600	8677	000

- Fund 01 is the General Fund of the providing district.
- Resource 7230 is Transportation: Home to School. The district has created an unrestricted Resource 0100 to track transportation contracts other than home-to-school contracts.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet accounts.

- Function 0000 is not required for revenue accounts or balance sheet accounts. However, the LEA may use the function field to match revenue to the expenditures. In this case, Function 4000 is Ancillary Services; Function 8100 is Plant Maintenance and Operations; and Function 3600 is Pupil Transportation.
- Object 8677 is Interagency Services between LEAs, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 4: A Contracting LEA Pays Another School District for Transportation Services.

(a) District A records the payment to District B for home-to-school transportation services.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	3600	5100	000
Cr	01	7230	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 5100 is Subagreements for Services, and Object 9110 is Cash in County Treasury.
- School is not required.

(b) District A records the payment to District B for the use of buses for a field trip and the transport of the football team.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	5800	000
Dr	01	0000	0	1110	4000	5800	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.

- Goal 1110 is Regular Education, K–12. Goal is not required for balance sheet accounts.
- Function 1000 is Instruction, and Function 4000 is Ancillary Services. Function is not required for balance sheet accounts.
- Object 5800 is Professional/Consulting Services and Operating Expenditures, and Object 9110 is Cash in County Treasury.
- School is not required.

(c) District A records the payment to District B for the cost of vehicle maintenance performed on the superintendent's car, the cafeteria's delivery van, and a maintenance pickup truck.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	7100	5800	000
Dr	01	0000	0	0000	3700	5800	000
Dr	01	0000	0	0000	8100	5800	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 7100 is Board and Superintendent; Function 3700 is Food Services; and Function 8100 is Plant Maintenance and Operations. Function is not required for balance sheet accounts.
- Object 5800 is Professional/Consulting Services and Operating Expenditures, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 5: An LEA Pays a Transportation JPA for the Excess Costs of Providing Transportation Services to the LEA's Pupils.

A transportation joint powers agreement/agency (JPA) is funded for and provides transportation services for another LEA's pupils. The JPA is responsible for reporting all costs of its home-to-school transportation services since it receives the home-to-school apportionment, not the participating LEA. In providing the services, the JPA incurs excess costs beyond what is covered by the home-to-school apportionment; therefore, it charges the participating LEA for these excess costs.

A contract for services does not exist in this situation. Therefore, the JPA would not record the costs associated with providing transportation

services to the LEA's pupils using Goal 7110, Nonagency—Educational, and would not record the revenue received from billing the LEA for the excess costs of transporting the LEA's pupils using Object 8677, Interagency Services Between LEAs. (For additional JPA accounting guidance, refer to Procedure 805.)

For the same reason, the participating LEA would not record the payment of excess costs to the JPA using Object 5800, Professional/Consulting Services and Operating Expenditures. Doing so could result in double counting expenditures at the state level.

The JPA and the LEA will record excess cost payments and receipts as shown below:

a) The JPA records the transportation costs in the home-to-school transportation resource and function using the undistributed goal.

Fund	Resource	Project Year	Goal	Function	Object	School
01	7230	0	0000	3600	2200	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. The home-to-school activity is provided for all students.
- Function 3600 is Pupil Transportation.
- Object 2200 is Classified Support Salaries.
- School is not required.

b) The LEA records the payment to the transportation JPA for the excess costs of transporting the LEA’s pupils.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	9200	7143	000
Cr	01	0000	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function 9200 is Transfers Between Agencies. Function is not required for balance sheet accounts.

- Object 7143 is Other Tuition, Excess Costs, and/or Deficit Payments to JPAs, and Object 9110 is Cash in County Treasury.
- School is not required.

c) The JPA records the receipt of the LEA's payment for excess costs.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	0000	0000	8710	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts or revenues.
- Object 9110 is Cash in County Treasury, and Object 8710 is Tuition.
- School is not required.

Example 6: A School District Transfers the Cost of Home-to-School Transportation to Special Education Goals.

The following are three different illustrations of how the costs of home-to-school transportation can be charged to special education goals. The examples vary according to the accounting used at the time the costs are initially incurred. Note that only the costs of transporting severely disabled students are accounted for in Resource 7240, Transportation: Special Education (Severely Disabled/Orthopedically Impaired).

(a) Initially, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are distinguished from the costs of transporting regular and other special education students by using the goal appropriate to each population.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	1110	3600	2200	000
Dr	01	7230	0	5001	3600	2200	000
Dr	01	7230	0	5770	3600	2200	000
Dr	01	7240	0	5750	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000
Cr	01	7240	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/Orthopedically Impaired).
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12; Goal 5001 is Special Education—Unspecified; Goal 5750 is Special Education, Ages 5–22 Severely Disabled; and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries, and Object 9110 is Cash in County Treasury.
- School is not required.

(b) Initially, all the costs of the transportation system are collected using Goal 0000, Undistributed, in the home-to-school resource.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are transferred from Resource 7230 and Goal 0000 to Resource 7240 and Goal 5750. The costs of transporting nonseverely disabled students are transferred from Goal 0000 to Goal 5770, but the resource remains 7230 whether transportation is required by their IEPs or not.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Dr	01	7230	0	5770	3600	5710	000
Cr	01	7230	0	0000	3600	5710	000
Dr	01	7240	0	5750	3600	5710	000
Cr	01	7240	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/ Orthopedically Impaired).
- Project Year is not applicable in this example.

- Goal 0000 is Undistributed; Goal 5750 is Special Education, Ages 5–22 Severely Disabled; and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 5710 is Transfers of Direct Costs; and Object 9110 is Cash in County Treasury.
- School is not required.

(c) Initially, the costs of transporting all Special Education students are charged to Goal 5001, Special Education—Unspecified.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	3600	2200	000
Dr	01	7230	0	5001	3600	2200	000
Cr	01	7230	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their individualized education programs (IEPs) are transferred from Resource 7230 and Goal 5001 to Resource 7240 and Goal 5750.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	7230	0	0000	0000	9110	000
Cr	01	7230	0	5001	3600	5710	000
Dr	01	7240	0	5750	3600	5710	000
Cr	01	7240	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 7230 is Transportation: Home to School, and Resource 7240 is Transportation: Special Education (Severely Disabled/ Orthopedically Impaired).
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed; Goal 5001 is Special Education—Unspecified; and Goal 5750 is Special Education, Ages 5–22 Severely Disabled. Goal is not required for balance sheet accounts.
- Function 3600 is Pupil Transportation. Function is not required for balance sheet accounts.
- Object 2200 is Classified Support Salaries; Object 5710 is Transfers of Direct Costs; and Object 9110 is Cash in County Treasury.

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County offices of education (i.e., offices of county superintendents of schools) perform various activities in support of school districts or other educational entities, including, but not limited to:

a. Coordination activities and professional services, such as supervision of instruction, health, guidance, attendance, and school library services (*Education Code* Section 1700 et seq.)
b. Financial services (*Education Code* Section 41200 et seq.)
c. Credential services (*Education Code* Section 44330)

Following are examples of common county office of education (COE) activities:

Example 1: COE Financial Office Staff Processes Districts' Payrolls.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	7200	2400	000

- Fund 01 is the County School Service Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 8600 is County Services to Districts.
- Function 7200 is Other General Administration.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

Example 2: COE Processes Internal Payroll.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	7200	2400	000

- Fund 01 is the County School Service Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

Example 3: COE Examines District Budgets for Solvency and Compliance with State Criteria and Standards (*Education Code* Section 42127 et seq.).

Fund	Resource	Project Year	Goal	Function	Object	School
01	0500	0	8600	7200	2300	000

- Fund 01 is the County School Service Fund.
- Resource 0500 is a locally defined resource to track COE Fiscal Oversight funding.
- Project Year is not required in this example.
- Goal 8600 is County Services to Districts.
- Function 7200 is Other General Administration.
- Object 2300 is Classified Supervisors' and Administrators' Salaries.
- School is not required.

Example 4: COE Administers the Tobacco Use Prevention Education (TUPE) Program for School Districts in the County.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	8600	2100	1200	000

- Fund 01 is the County School Service Fund.
- Resource 6680 is TUPE: COE Administrative Grants.
- Project Year is not required in this example.
- Goal 8600 is County Services to Districts. The COE's role is administrative and is not directly involved with instructing students; the districts are implementing the TUPE curriculum.
- Function 2100 is Instructional Supervision and Administration.
- Object 1200 is Certificated Pupil Support Salaries.
- School is not required.

Example 5: COE Holds Annual Math, Spelling, and Language Arts Contests for the School Districts' Students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	4900	4000	4300	000

- Fund 01 is the County School Service Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 4900 is Other Supplementary Education. This goal is for services the COE provides directly to students of other districts who are not on COE attendance rolls.
- Function 4000 is Ancillary Services.
- Object 4300 is Materials and Supplies.
- School is not required.

Example 6: COE Employs Nurses for Direct Service Districts to Provide Nursing Care for the Students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	3140	1200	000

- Fund 01 is the County School Service Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 8600 is County Services to Districts.
- Function 3140 is Health Services.
- Object 1200 is Certificated Pupil Support Salaries.
- School is not required.

Example 7: COE Assistant Superintendent Coordinates Curriculum Development with School Districts.

The COE's assistant superintendent in charge of curriculum works with LEA teachers and curricula experts to coordinate programs between school districts. (This person is not primarily involved with COE general administration.)

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	2100	1300	000

- Fund 01 is the County School Service Fund.
- Resource 0000 is Unrestricted.
- Project Year is not required in this example.
- Goal 8600 is County Services to Districts.
- Function 2100 is Instructional Supervision and Administration.

- Object 1300 is Certificated Supervisors' and Administrators' Salaries.
- School is not required.

Example 8: COE Receives Funding to Operate a County Community School Based on the Attendance of COE Students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	2420	0	3500	1000	1100	000

- Fund 01 is the County School Service Fund.
- Resource 2420 is County Community Schools.
- Project Year is not applicable in this example.
- Goal 3500 is County Community Schools.
- Function 1000 is Instruction.
- Object 1100 is Teachers' Salaries.
- School is not required.

Example 9: COE Receives Funding to Operate a Cal-SAFE County Classroom Program.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6093	0	3100	1000	1100	000

- Fund 01 is the County School Service Fund.
- Resource 6093 is Cal-SAFE County Classroom Program.
- Project Year is not applicable in this example.
- Goal 3100 is Alternative Schools.
- Function 1000 is Instruction.
- Object 1100 is Teachers' Salaries.
- School is not required.

Local educational agencies (LEAs) that participate in certain school facility programs are required by state law to establish various restricted funds or accounts for facility maintenance purposes. These facility maintenance programs, which are administered by the Office of Public School Construction (OPSC), include the Deferred Maintenance Program and the School Facility Program Restricted Maintenance Account.

For guidance and coding examples for routine facilities maintenance expenditures, refer to Procedure 770, Distinguishing Between Supplies and Equipment.

Deferred Maintenance Fund

To receive deferred maintenance money, LEAs must establish a restricted fund referred to as the Deferred Maintenance Fund (Fund 14) and make annual deposits to this fund (Section 1866, Title 2, of the *California Code of Regulations*). Fund 14 is established in the standardized account code structure (SACS) to account for state apportionments and LEA contributions for deferred maintenance purposes pursuant to these requirements. (For additional information, refer to the definition of Fund 14 in Procedure 305.) Deposits to the Deferred Maintenance Fund are coded to Fund 14 and Resource 6205. Both codes are necessary for proper treatment.

Example 1: An LEA Makes Its Deferred Maintenance Match with an Interfund Transfer from the General Fund to the Deferred Maintenance Fund.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	9300	7615	000
Cr	01	0000	0	0000	0000	9110	000
Dr	14	6205	0	0000	0000	9110	000
Cr	14	6205	0	0000	0000	8915	000

Note: LEAs frequently make their deferred maintenance match using Ongoing and Major Maintenance Account funds (Resource 8150). See page 650-5 for coding examples.

- Fund 01 is the General Fund, and Fund 14 is the Deferred Maintenance Fund.
- Resource 0000 is Unrestricted, and Resource 6205 is Deferred Maintenance Apportionment.
- Project Year is not applicable in this example.

- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet transactions.
- Function 9300 is Interfund Transfers. Function is not required for revenues or balance sheet transactions.
- Object 7615 is From General, Special Reserve, and Building Funds to Deferred Maintenance Fund; Object 9110 is Cash in County Treasury; and Object 8915 is To Deferred Maintenance Fund from General, Special Reserve, and Building Funds.
- School is not required.

Example 2: An LEA Receives a Deferred Maintenance Apportionment from the State Allocation Board.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	6205	0	0000	0000	9110	000
Cr	14	6205	0	0000	0000	8540	000

- Fund 14 is the Deferred Maintenance Fund.
- Resource 6205 is Deferred Maintenance Apportionment.
- Project Year is not applicable in this example.
- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 9110 is Cash in County Treasury, and Object 8540 is Deferred Maintenance Allowance.
- School is not required.

Example 3: An LEA Posts Interest Earnings to the Deferred Maintenance Fund.

Generally, any interest earned on money deposited in the Deferred Maintenance Fund is applied to the fund and used for projects listed on the LEA's Five-Year Plan approved by the State Allocation Board (Section 1866.12, Title 2, of the *California Code of Regulations*).

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	6205	0	0000	0000	9110	000
Cr	14	6205	0	0000	0000	8660	000

- Fund 14 is the Deferred Maintenance Fund.
- Resource 6205 is Deferred Maintenance Apportionment.
- Project Year is not applicable in this example.

- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 9110 is Cash in County Treasury, and Object 8660 is Interest.
- School is not required.

Example 4: An LEA Transfers Unmatched Deferred Maintenance Funds to the General Fund.

If the deferred maintenance funds allocated by the State Allocation Board pursuant to *Education Code* sections 17584 and 17585 are insufficient to fully match the local funds deposited in the Deferred Maintenance Fund, the LEA may use the unmatched funds in various ways. The OPSC encourages LEAs to use any unmatched local funds on deferred maintenance projects. However, the OPSC also allows LEAs to count unmatched local funds toward the subsequent year's deposit. Additionally, the governing board of the LEA may adopt a resolution to transfer the excess local funds deposited in this fund to any other expenditure classifications in other LEA funds (*Education Code* Section 17583).

If an LEA chooses to transfer the excess funds back to the fund from which it made the initial deposit in the same fiscal year as the deposit, it should reverse that portion of the original transfer.

If an LEA chooses to transfer the excess funds in a subsequent fiscal year or to a fund other than the fund from which it made the initial deposit, the LEA would record the transfer in the following manner (example assumes transfer back to the general fund in a subsequent fiscal year):

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	6205	0	0000	9300	7619	000
Cr	14	6205	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	8919	000

- Fund 14 is the Deferred Maintenance Fund, and Fund 01 is the General Fund.
- Resource 6205 is Deferred Maintenance Apportionment, and Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet transactions.

- Function 9300 is Interfund Transfers. Function is not required for revenues or balance sheet transactions.
- Object 7619 is Other Authorized Interfund Transfers Out; Object 9110 is Cash in County Treasury; and Object 8919 is Other Authorized Interfund Transfers In.
- School is not required.

Ongoing and Major Maintenance Account

To ensure that state-funded facility projects are kept in good repair, pursuant to *Education Code* Section 17070.75, LEAs with a project funded by the State Allocation Board after November 1998 under the Leroy F. Greene School Facilities Act of 1998 must establish and maintain a restricted maintenance account within their general fund to be used for ongoing and major maintenance of school buildings. For the next 20 years after receiving facility funds, districts must annually make a deposit into the account that is equal to or greater than 3 percent of their total general fund budgeted expenditures, including other financing uses, for that fiscal year; for the COEs, the 3 percent requirement shall be based on the COE's county school service fund less any restricted accounts. (See *Education Code* Section 17070.75 for exceptions to the annual contribution requirement.)

Activity for this restricted account is recorded in Resource 8150, Ongoing and Major Maintenance Account (OMMA), which is sometimes referred to as the Restricted Maintenance Account (RMA).

LEAs must be sure to make OMMA contributions to Resource 8150 and not confuse them with contributions made to Resource 8100, Routine Repair and Maintenance (RRRMF: *Education Code* Section 17014). Resource 8100 is related to the Leroy F. Greene State School Building Lease-Purchase Law of 1976 and does not apply to school districts that received funds under the Leroy F. Greene School Facilities Act of 1998. Failure to correctly code the contributions may adversely affect reports such as the LEA’s Criteria and Standards report.

Example 1: An LEA Makes a Contribution to the Ongoing and Major Maintenance Account.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8980	000
Cr	01	0000	0	0000	0000	9110	000
Dr	01	8150	0	0000	0000	9110	000
Cr	01	8150	0	0000	0000	8980	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted, and Resource 8150 is Ongoing and Major Maintenance Account.
- Project Year is not applicable in this example.
- Goal is generally not required for revenues or balance sheet transactions.
- Function is not required for revenues or balance sheet transactions.
- Object 8980 is Contributions from Unrestricted Revenues, and Object 9110 is Cash in County Treasury.
- School is not required.

Example 2: An LEA Makes an Expenditure in the Ongoing and Major Maintenance Account.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	8150	0	0000	8100	4300	000
Cr	01	8150	0	0000	0000	9110	000

- Fund 01 is the General Fund.
- Resource 8150 is Ongoing and Major Maintenance Account.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet transactions.
- Function 8100 is Plant Maintenance and Operations.
- Object 4300 is Materials and Supplies.
- School is not required.

Example 3: An LEA Makes a Transfer of Ongoing and Major Maintenance Account Funds to the Deferred Maintenance Fund.

Annual deposits to the OMMA (Resource 8150) in excess of 2½ percent may count toward the required contribution to the Deferred Maintenance Fund (*Education Code* Section 17070.75 [b][2]).

(a) The LEA transfers the funds from the General Fund to the Deferred Maintenance Fund.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	8150	0	0000	9300	7615	000
Cr	01	8150	0	0000	0000	9110	000
Dr	14	6205	0	0000	0000	9110	000
Cr	14	6205	0	0000	0000	8915	000

- Fund 01 is the General Fund, and Fund 14 is the Deferred Maintenance Fund.
- Resource 8150 is Ongoing and Major Maintenance Account, and Resource 6205 is Deferred Maintenance Apportionment.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet transactions.
- Function 9300 is Interfund Transfers. Function is not required for revenue or balance sheet transactions.
- Object 7615 is From General, Special Reserve, and Building Funds to Deferred Maintenance Fund; Object 9110 is Cash in County Treasury; and Object 8915 is To Deferred Maintenance Fund from General, Special Reserve, and Building Funds.
- School is not required.

(b) Alternatively, for tracking purposes, the LEA may post the transfer of funds in a two-step process, beginning with the transfer of funds to Fund 14 in Resource 8150. Then, once the money is in the Deferred Maintenance Fund, the LEA will post a contribution to Resource 6205, Deferred Maintenance Apportionment.

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	8150	0	0000	9300	7615	000
Cr	01	8150	0	0000	0000	9110	000
Dr	14	8150	0	0000	0000	9110	000
Cr	14	8150	0	0000	0000	8915	000

	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	8150	0	0000	0000	8990	000
Cr	14	8150	0	0000	0000	9110	000
Dr	14	6205	0	0000	0000	9110	000
Cr	14	6205	0	0000	0000	8990	000

- Fund 01 is the General Fund, and Fund 14 is the Deferred Maintenance Fund.
- Resource 8150 is Ongoing and Major Maintenance Account, and Resource 6205 is Deferred Maintenance Apportionment.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal is generally not required for revenues or balance sheet transactions.
- Function 9300 is Interfund Transfers. Function is not required for revenues or balance sheet transactions.

- Object 7615 is From General, Special Reserve, and Building Funds to Deferred Maintenance Fund; Object 9110 is Cash in County Treasury; Object 8915 is To Deferred Maintenance Fund from General, Special Reserve, and Building Funds; and Object 8990 is Contributions from Restricted Revenues.
- School is not required.

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When an employee separates from service (e.g., retires or terminates), the LEA may incur costs associated with the separation in addition to the employee's regular salary and benefits for the final pay period. These additional separation costs can be categorized as "normal" and "abnormal or mass." While most separation costs can be charged to the same goal and function as the employee's regular salary, special treatment may be required for the resource and object.

Normal Separation Costs

Normal separation costs include items such as pay for accumulated unused leave or routine severance pay authorized by governing board policy. These normal separation costs are charged to the same goal, function, and object as the employee's regular salary. However, special consideration must be given to the resource.

Federal guidelines prohibit charging normal separation costs directly to a federal program; rather, an unrestricted resource (0000–1999) must be used. State programs may have similar restrictions.

Optional Adjustment to the Indirect Cost Pool

Federal guidelines and California's indirect cost plan allow that normal separation costs that would have been charged to a restricted resource but, in keeping with federal guidelines, are instead charged to an unrestricted resource may be included in the LEA's indirect cost pool. LEAs that choose to do this will manually identify and enter the costs during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 1: Normal Separation Costs for Employees Funded from an Unrestricted Resource

A general education teacher leaves the district. In addition to receiving regular pay for the final pay period, the teacher also receives payment for accumulated unused leave. Since the teacher's position was funded from an unrestricted resource, both the regular salary for the final pay period and the payment for accumulated unused leave can be charged to the same resource, goal, function, and object as the teacher's regular salary:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	1100	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 2: Normal Separation Costs for an Employee Funded from a Federal Resource

An instructional aide retires from a federal Title I position. The amounts paid to the aide at separation include regular salary for the final pay period, plus normal separation costs for accumulated unused leave. Since federal guidelines prohibit charging separation costs directly to the program, the regular salary for the final pay period can be charged to the same resource, goal, function, and object as the aide's regular salary, but the separation costs must be charged to an unrestricted resource:

Regular Salary Costs:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3010	0	1110	1000	2100	000

Normal Separation Costs:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	2100	000

- Fund 01 is the General Fund.
- Resource 3010 is NCLB, Title I, Part A; Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12.
- Function 1000 is Instruction.
- Object 2100 is Classified Instructional Salaries.
- School is not required.

Because the normal separation costs were charged to an unrestricted resource rather than to the employee's regular restricted resource, the LEA

will have the option during the indirect cost rate calculation to manually include the costs in the indirect cost pool.

Example 3: Leave Is Used Before Separation Occurs

An employee working in a federal program retires on June 30, and uses up his accumulated leave time during the period(s) leading up to retirement.

In this example, special coding is not required. The leave is charged to the same resource, goal, function, and object as the employee's regular salary. This is because federal guidelines provide that costs of leave taken during authorized absences from the job are allowable to the extent the leave is reasonable and required by law, and is consistent with employer–employee agreement or established policy of the LEA (refer to Office of Management and Budget [OMB] Circular A-87 Section 8[d][1]).

Abnormal or Mass Separation Costs

Costs resulting from actions taken by an LEA to influence employees to terminate their employment earlier than they normally would have are considered abnormal or mass separation costs. The most common examples of these costs include early retirement incentives offered in the form of additional pay or added benefits (e.g., a Golden Handshake) and severance packages negotiated to effect termination.

Abnormal or mass separation costs generally may not be charged to a federal program either as a direct or indirect cost. State programs may have similar restrictions. Note that in very limited circumstances, such as when a federal program is eliminated, an exception may be made to this rule. However, prior approval by the federal government is required (such requests should be submitted to CDE).

Abnormal or mass separation costs may be charged to the same goal and function (and possibly the same object) as the employee's regular salary, but absent an approved exception, they must be charged to an unrestricted resource (0000–1999).

Required Adjustment to the Indirect Cost Pool

Unless prior federal approval has been obtained, abnormal or mass separation costs may not be charged to a federal program, either directly or indirectly. Because of this requirement, in addition to using an unrestricted resource, LEAs must also ensure that the costs are excluded

from the indirect cost pool. To do this, where there are abnormal or mass separation costs relating to employees charged to indirect activities (Function 7200, Other General Administration, and Function 7700, Centralized Data Processing), LEAs must manually identify and exclude them during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 1: Teachers Receive Enhanced Pension Benefits in Exchange for Early Retirement

Teachers are offered two extra years of retirement service credit in exchange for early retirement (e.g., a Golden Handshake), and a teacher working in a federal special education program accepts the offer. The benefit cost can be charged to the employee's regular goal and function, along with an object for Golden Handshake, but because it is a federal program and this is an abnormal or mass separation cost, the resource must be unrestricted (0000–1999):

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	5770	1110	3901	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled.
- Function 1110 is Special Education: Separate Classes.
- Object 3901 is Other Benefits, Certificated Positions.
- School is not required.

Example 2: Downsizing of Fiscal Services Staff Effects an Early Separation

An LEA is considering downsizing its fiscal services staff. Employees in the accounting office are offered a two-month salary severance package in exchange for voluntary termination of employment, and one accepts the offer. Since this position is already being coded to an unrestricted resource, the costs of the two-month salary severance package can be charged to the employee's regular resource, goal, function, and object:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	7200	2400	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed.
- Function 7200 is Other General Administration.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

However, because abnormal separation costs may not be included in the indirect cost pool, and this employee's costs are charged to a function within the pool, the LEA must manually exclude these costs during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 3: A Federally Funded Teacher Accepts a Salary Bonus in Exchange for Early Retirement

Teachers are offered a two-month salary bonus in exchange for early retirement, and a teacher working in a federal Title III program accepts the offer. Because this salary bonus is an abnormal or mass separation cost, it cannot be charged to a federal program; rather, it must be coded to an unrestricted resource:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	4760	1000	1100	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted.
- Project Year is not applicable in this example.
- Goal 4760 is Bilingual.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

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Section 700

Guidance for Certain Programs and Activities

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General Obligation (G.O.) Bonds are debt instruments backed by the full faith and credit of the issuing government. G.O. Bonds issued by LEAs in California are authorized by election under the provisions of *Education Code* Section 15100 and are secured by the statutory obligation to levy an ad valorem property tax sufficient for the interest on and redemption of the bonds.

Two funds are used to account for an LEA's G.O. Bond transactions: the Building Fund (Fund 21) and the Bond Interest and Redemption Fund (Fund 51).

The Building Fund is used to account for the receipt and expenditure of proceeds from the sale of bonds. The major expenditures in an LEA's Building Fund are related to the purchase and improvement of sites and the construction and modification of buildings.

The Bond Interest and Redemption Fund is used to account for the repayment of bonds from taxes levied by the county auditor-controller.

It is important that bond issuance transactions be presented correctly in the fund statements and the government-wide statements. The accounting must reflect the bonds' selling price, any issue costs deducted from the proceeds, and any accrued interest included in the selling price.

Selling price. Bonds are not always sold at face value (par). They may be sold at one of three prices:

- At par (selling price equal to the bonds' face value).
- At a discount (selling price lower than face value). When market interest rates are higher than the bonds' stated interest rate on the day of issuance, the bonds are less attractive to investors. The bond price must be lowered or "discounted" until the yield equals the market rate. The discount is recognized as an expenditure in Object 7699, All Other Financing Uses, in the Building Fund.
- At a premium (selling price higher than face value). When market interest rates are lower than the bonds' stated interest rate on the day of issuance, the bonds are more in demand, and investors are willing to pay a premium to buy them. The premium is recognized in Object 8979, All Other Financing Sources, in the Bond Interest and Redemption Fund.

Issue costs. Issue costs are normally deducted from the net proceeds received by the LEA. Issue costs typically include the underwriter's discount and fees, bond insurance, or other administrative fees.

Accrued interest. When bonds are sold between scheduled interest payment dates, the accrued interest is typically "sold" to the purchaser. It will offset the first interest payment made to the purchaser.

A series of typical transactions and entries relating to the issuance and repayment of bonds, using the modified accrual basis of accounting appropriate in governmental funds, are illustrated as follows. (For the purpose of these illustrations, encumbrance accounting entries are ignored.)

1. The bond issuance is sold to the purchaser of the bonds.

Bonds issued at par:

Assumptions:	$5,000,000	Face amount of bonds
	$ 75,000	Issue costs deducted from proceeds
	$4,925,000	Cash received

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	21-9010-0-0000-0000-9110	$4,925,000	
	Professional/Consulting Services and Operating Expenditures	21-9010-0-0000-9100-5800	$75,000	
	Proceeds from Sale of Bonds	21-9010-0-0000-0000-8951		$5,000,000

Bonds issued at a discount:

Assumptions:	$5,000,000	Face amount of bonds
	$ 100,000	Discount
	$ 75,000	Issue costs deducted from proceeds
	$4,825,000	Cash received

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	21-9010-0-0000-0000-9110	$4,825,000	
	Professional/Consulting Services and Operating Expenditures	21-9010-0-0000-9100-5800	$75,000	
	All Other Financing Uses	21-9010-0-0000-9100-7699	$100,000	
	Proceeds from Sale of Bonds	21-9010-0-0000-0000-8951		$5,000,000

Bonds issued at a premium:

Assumptions:	$5,000,000	Face amount of bonds
	$ 100,000	Premium (deposit to Bond Interest and Redemption Fund per *Education Code* Section 15146[b])
	$ 75,000	Issue costs deducted from proceeds
	$5,025,000	Cash received

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	21-9010-0-0000-0000-9110	$4,925,000	
	Professional/Consulting Services and Operating Expenditures	21-9010-0-0000-9100-5800	$75,000	
	Proceeds from Sale of Bonds	21-9010-0-0000-0000-8951		$5,000,000
	Cash with a Fiscal Agent/Trustee	51-9010-0-0000-0000-9135	$100,000	
	All Other Financing Sources	51-9010-0-0000-0000-8979		$100,000

Bonds issued between interest payment dates (accrued interest sold to purchaser):

Assumptions:	$5,000,000	Face amount of bonds
	$ 5,000	Accrued interest "sold" to bond purchaser (deposit to Bond Interest and Redemption Fund per *Education Code* Section 15146[b])
	$ 75,000	Issue costs deducted from proceeds
	$4,930,000	Cash received

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	21-9010-0-0000-0000-9110	$4,925,000	
	Professional/Consulting Services and Operating Expenditures	21-9010-0-0000-9100-5800	$75,000	
	Proceeds from Sale of Bonds	21-9010-0-0000-0000-8951		$5,000,000
	Cash with a Fiscal Agent/Trustee	51-9010-0-0000-0000-9135	$5,000	
	Accounts Payable	51-9010-0-0000-0000-9500		$5,000

A bond issuance is considered to have taken place as of the closing date for accounting and financial reporting purposes. An LEA should report the bond proceeds as of that date, which may require the LEA to record a receivable.

Bonds authorized but not issued are not recorded in governmental funds. They are treated like a line of credit that has not been used.

2. Costs of site acquisition and construction are paid in the amount of $4,500,000.

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Land	21-9010-0-0000-8500-6100	$1,000,000	
	Buildings and Improvement of Buildings	21-9010-0-0000-8500-6200	$3,500,000	
	Cash in County Treasury	21-9010-0-0000-0000-9110		$4,500,000

At the close of the project, there may be a remaining cash balance in the project fund that represents the excess amount of bond proceeds over the project's actual costs. The LEA should refer to the bond authorization for guidance in the disposition of the remaining funds.

3. The county auditor-controller maintains control over the Bond Interest and Redemption Fund and levies taxes in amounts sufficient to redeem the bonds as they come due. Interest is earned on the cash balance in the fund.

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash with a Fiscal Agent/Trustee	51-9010-0-0000-0000-9135	$221,000	
	Voted Indebtedness Levies, Secured Roll	51-9010-0-0000-0000-8611		$200,000
	Voted Indebtedness Levies, Unsecured Roll	51-9010-0-0000-0000-8612		$20,000
	Interest	51-9010-0-0000-0000-8660		$1,000

4. The county treasurer makes payments of bond principal and interest. The accrued interest "sold" to the purchaser when the bonds were issued offsets the first interest payment.

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Bond Redemptions	51-9010-0-0000-9100-7433	$190,000	
	Bond Interest and Other Service Charges	51-9010-0-0000-9100-7434	$5,000	
	Accounts Payable	51-9010-0-0000-0000-9500	$5,000	
	Cash with a Fiscal Agent/Trustee	51-9010-0-0000-0000-9135		$200,000

5. Any money remaining in the Bond Interest and Redemption Fund after payment of all bonds payable from the fund is transferred to the district's general fund (*Education Code* Section 15234).

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	From Bond Interest and Redemption Fund to the General Fund	51-9010-0-0000-9300-7614	$1,100	
	Cash with a Fiscal Agent/Trustee	51-0000-0-0000-0000-9135		$1,100
	Cash in County Treasury	01-0000-0-0000-0000-9110	$1,100	
	To General Fund from Bond Interest and Redemption Fund	01-0000-0-0000-0000-8914		$1,100

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One of the most common ways school districts acquire equipment is through lease-purchase agreements. *Governmental Accounting and Financial Reporting Standards (GASB Codification)* Section L20.109 requires that a lease agreement that meets any one of the following criteria be capitalized:

1. The lease transfers ownership of the property to the lessee by the end of the lease term. This is a common situation in LEAs.
2. The lease contains a bargain purchase option. This is a common situation in LEAs.
3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
4. The value at the beginning of the lease's term of the minimum lease payments, excluding that portion of the payments representing executory costs to be prepaid by the lessor but including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease.

When an LEA's lease agreements are capitalized, the property rights acquired under the lease are reported in the government-wide statement of net assets.

The following rules apply to accounting for capital leases in the governmental funds:

1. At the inception of the lease, record the capital lease in the fund acquiring the asset as a debit to Object 6400, Equipment, for the amount of the entire principal that is due. The credit is to Object 8972, Proceeds from Capital Leases.
2. As lease payments are made, record the payments in the fund acquiring the asset as a debit to Objects 7438, Debt Service—Interest, and 7439, Other Debt Service—Principal.

As an example of accounting for a capital lease, assume that a photocopy machine used in the accounting department is leased for a five-year period, which is the economic life of the equipment. The lease is signed on June 30, 2007, and beginning on this date, five annual payments of $50,000 will be made.

The lease agreement contains the following amortization schedule, which shows the breakdown of the annual payments into the principal and interest components:

Amortization Schedule

Date	Lease Payment	Interest Expenditure @ 10%	Principal Expenditure	Principal Balance of Long-Term Debt*
6/30/07				$208,493
6/30/07	$ 50,000		$ 50,000	158,493
6/30/08	50,000	$15,849	34,151	124,342
6/30/09	50,000	12,434	37,566	86,776
6/30/10	50,000	8,678	41,322	45,454
6/30/11	50,000	4,546	45,454	-0-
	$250,000	$41,507	$208,493	

**This column was computed from the amortization schedule provided in the lease agreement. To compute this column, subtract the amount of principal paid each year from the total principal due at the beginning of the lease.*

This amortization schedule is necessary to make the entries that are needed to record the capital lease.

The entries for the photocopy machine lease would be recorded as follows:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-07	Equipment	01-0000-0-0000-7200-6400	$208,493	
	Proceeds from Capital Leases	01-0000-0-0000-0000-8972		$208,493
	To record the acquisition of equipment with a capital lease.			

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-07	Other Debt Service—Principal	01-0000-0-0000-9100-7439*	$50,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$50,000
	To record the first lease payment.			

**If a restricted resource will be used to make the payments on the capital lease, the appropriate resource and goal would be used.*

The second lease payment (6/30/08) would be recorded in the following manner:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-08	Debt Service—Interest	01-0000-0-0000-9100-7438*	$ 15,849	
	Other Debt Service—Principal	01-0000-0-0000-9100-7439*	34,151	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$50,000
	To record the second lease payment.			

**If a restricted resource will be used to make the payments on the capital lease, the appropriate resource and goal would be used.*

Repayments of debt such as capital leases, which normally do not involve the advance accumulation of resources for repayment of amounts maturing in future years, are normally made from the general fund or a special revenue fund. If the lease payments were to be paid from a debt service fund, the above entry would be recorded in the debt service fund. Any transfers from the general fund to the debt service fund would be treated as operating transfers, not as general fund expenditures.

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Tax and revenue anticipation notes (TRANs) are short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date. They are used to finance temporary cash flow shortfalls arising from the normal mismatch between the timing of expenditures and the receipt of revenues. The notes are repaid from the revenues to which they relate.

Tax and revenue anticipation notes can mature in either the same fiscal year as issued or in the following fiscal year. Because tax and revenue anticipation notes are short term rather than long term, they are reported as a fund liability in the fund receiving the proceeds. The proceeds are typically held by a fiscal agent or trustee, except for amounts drawn down by the LEA to avoid cash shortfalls.

Assume, for example, that the LEA issues a TRAN on July 1. The issue is for $1,000,000 at 5 percent interest and is issued at a premium of $1,000. The repayment schedule requires that the fiscal agent move 50 percent of the principal from the proceeds account to a repayment reserve account in December. The entire principal, plus interest for the entire issue, is to be repaid in April. In this example, the administrative costs ($9,500) are deducted from the note's proceeds at the time of issuance, and the LEA draws down part of the proceeds to cover temporary general fund cash shortfalls in November.

The following entries would be made:

Date	Object Title	SACS Account String	Debit	Credit
7-1-xx	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	$991,500	
	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-9100-5800	9,500	
	Current Loans	01-0000-0-0000-0000-9640		$1,000,000
	Interest	01-0000-0-0000-0000-8660		1,000
	To record the receipt of the TRAN's proceeds plus issue premium and the associated administrative costs.			

Date	Object Title	SACS Account String	Debit	Credit
11-15-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	$200,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		$200,000
	To record the drawdown of TRAN proceeds to cover temporary cash shortfalls during November.			

Date	Object Title	SACS Account String	Debit	Credit
12-15-xx	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	$200,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$200,000
	To record the return of TRAN proceeds drawn down during November.			

Date	Object Title	SACS Account String	Debit	Credit
4-30-xx	Current Loans	01-0000-0-0000-0000-9640	$1,000,000	
	Interest Expense	01-0000-0-0000-9100-5800	50,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110	10,000	
	Interest	01-0000-0-0000-0000-8660		$60,000
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		1,000,000
	To record the repayment of the TRAN principal plus interest, the interest earned on the invested proceeds, and the transfer of the difference to Cash in County Treasury.			

Note that no entry is made in the LEA's general ledger to record the transfer by the fiscal agent of 50 percent of the principal from the proceeds account to a repayment reserve account in December. Since the funds are merely moved from one account to another within the custody of the fiscal agent, the entry if the transfer were recorded would be a debit and a credit to Cash with a Fiscal Agent/Trustee, which would be unnecessary. Also note that the accounting is the same whether the fiscal agent service is provided by a financial services institution or by the county treasurer.

In the event that the LEA is assessed a penalty for issuing tax and revenue anticipation notes without a demonstrable cash flow need, the penalty would be recorded as follows:

Date	Object Title	SACS Account String	Debit	Credit
xx-xx-xx	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-7110-5800	$xx,xxx	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$xx,xxx
	To record the penalty assessed for issuing TRANs without a demonstrable cash flow need.			

An issuance of certificates of participation (COPs) is a mechanism for providing capital to school districts and county offices to purchase equipment, finance construction projects, or refinance existing leases. This financing technique provides long-term financing through a lease with an option to purchase or a conditional sales agreement.

The major disadvantage of a COP is that there is no repayment source connected to its issuance, such as there is with an issuance of general obligation debt. The lease obligation is payable out of the general fund or from other available revenues.

The following points are important to understanding how certificates of participation are accounted for in conformity with generally accepted accounting principles (GAAP):

1. The financing of certificates of participation typically involves the following parties:

   Lessee (Issuer)—A school district or county office of education

   Lessor—A nonprofit corporation, joint powers authority, leasing company, bank, or other entity that holds title to the equipment during the lease period

   Trustee—A commercial bank or trust company that receives the proceeds, collects the lease payments on behalf of the lessor, and/or repays the notes. The trustee is required to adhere to the standards in the trust agreement and maintain the trust fund accounts. The trust fund accounts show all disbursements made against the certificates of participation's proceeds as well as any interest earned.

   Underwriter—A municipal securities dealer who commits to the purchase of the certificates and remarkets them to investors. The underwriter will charge a fee, known as the underwriter's discount, to assume the underwriting risk of the COPs.

2. At the time the proceeds of the COPs are deposited with the trustee, the money legally belongs to the local educational agency (LEA). Therefore, at this time, the LEA must record the proceeds in its books.

3. The proceeds of the COPs should be reported in the fund that will be used to acquire or construct the assets. This will typically be the general fund or a capital projects fund.

   School districts may identify developer fees as the repayment source for COPs. If this is the case, the LEA will record the proceeds of the COPs in the Capital Facilities Fund.

4. The LEA must review the section of the COPs' documents titled "Sources and Uses of Funds" to determine the opening entry needed on the LEA's books to account for the COPs. The following sources or uses of funds will typically be found:

   Accrued Interest—The amount of interest accrued on COPs from the issue date until closing. The underwriter pays this amount to the trustee at closing, and the money is held by the trustee in the lease payment account as a credit toward the first scheduled lease payment. For this reason the accrued interest is recorded as interest payable.

   Capitalized or Funded Interest—The amount of interest on a COP that will accrue from the COP's issue date to the date the project or property being financed is projected to be completed. California law precludes issuers from making lease payments unless they have constructive use or occupancy of the property being financed. The funded interest is a component of the COP's proceeds and is used to pay the investors their semiannual interest payments during the construction period. As a matter of practice, funded interest normally extends two to three months beyond the projected completion date to cover unforeseen delays.

   Reserve Account (Reserve for Debt Service)—Underwriters typically require a debt service reserve funded by the proceeds of the COP. The reserve is held by the trustee to pay investors in the event of the issuer's default or in the case of late payment. If neither of these events occurs, the reserve account is used to make the final lease payment. Because the amount of the COP's proceeds that represents the Reserve for Debt Service is legally restricted, this amount must be shown as a reservation of fund balance at year-end.

   Underwriter's Discount—The fee a municipal underwriter charges to assume the underwriting risk of the COP. The underwriter's fees

will typically be deducted from the proceeds before the proceeds are deposited with the trustee.

5. The trustee will maintain the proceeds in various trust accounts. The trustee will provide information to the LEA on all activity in the trust accounts. The LEA must account for all such activity in its books.

6. It is not necessary to make the lease payments for COPs out of a separate debt service fund.

The following examples show the accounting for COPs in conformity with generally accepted accounting principles:

Assume that on August 1, 2007, a school district issues certificates of participation for the purchase of 193 school buses from the ABC Bus Company. The XYZ Bank is designated as trustee of the certificates and is assigned the right to enforce amounts payable by the district under the agreement. The first lease payment is due in February 2008, and the final payment is due in August 2012.

Estimated Sources and Uses of Proceeds

Sources		
	Certificate Proceeds	$18,200,000
	Accrued Interest	100,000
	Total Sources	$18,300,000
Uses		
	Cost of Equipment	$14,950,000
	Capitalized Interest	500,000
	Reserve for Debt Service	2,700,000
	Underwriter's Discount	150,000
	Total Uses	$18,300,000

Assume that the Reserve for Debt Service of $2,700,000 was invested and estimated to earn interest of $110,000 through January 31, 2008, and $92,000 from February 1 through June 30, 2008.

The lease payment schedule is as follows:

Lease payment dates	Principal Component	Interest Component	Total Payment
February 1, 2008		$ 500,000	$ 500,000
August 1, 2008	3,200,000	500,000	3,700,000
February 1, 2009		400,000	400,000
August 1, 2009	3,300,000	400,000	3,700,000
February 1, 2010		300,000	300,000
August 1, 2010	3,500,000	300,000	3,800,000
February 1, 2011		200,000	200,000
August 1, 2011	3,800,000	200,000	4,000,000
February 1, 2012		100,000	100,000
August 1, 2012	4,400,000	100,000	4,500,000
Total	$18,200,000	$ 3,000,000	$ 21,200,000

Key Entries for Certificates of Participation

1. Proceeds from the sale of the certificates of participation (COPs) are deposited with the trustee in the name of the LEA. The terms of the COPs require a debt service reserve of $2,700,000. All interest earned on the debt service reserve is available for debt repayment.

Date	Object Title	SACS Account String	Debit	Credit
8-1-07	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	$18,150,000	
	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-9100-5800	150,000	
	Proceeds from COPs	01-0000-0-0000-0000-8971		$18,200,000
	Accounts Payable	01-0000-0-0000-0000-9500		100,000
	To record the receipt of the proceeds from the sale of the COPs to be used for the purchase of equipment and the underwriter's discount.			

2. Equipment is purchased.

Date	Object Title	SACS Account String	Debit	Credit
9-1-07	Equipment	01-0000-0-0000-3600-6400	$14,950,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$14,950,000
	To record the purchase of 193 buses acquired through the issuance of COPs.			

3. Reimbursement is received from the trustee.

Date	Object Title	SACS Account String	Debit	Credit
11-1-07	Cash in County Treasury	01-0000-0-0000-0000-9110	$14,950,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		$14,950,000
	To record the reimbursement received from the trustee.			

4. Interest is received on the investments of the $2,700,000 debt service reserve.

Date	Object Title	SACS Account String	Debit	Credit
2-1-08	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	$ 110,000	
	Interest	01-0000-0-0000-0000-8660		$ 110,000
	To record the interest earned on the debt service reserve.			

5. The first lease payment, which represents interest only, is made in accordance with the lease payment schedule.

Date	Object Title	SACS Account String	Debit	Credit
2-1-08	Debt Service—Interest	01-0000-0-0000-9100-7438	$ 400,000	
	Accounts Payable	01-0000-0-0000-0000-9500	100,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		$ 500,000
	To record the first payment on the COPs.			

6. Interest of $92,000 is earned, but not yet received, on the debt service reserve.

Date	Object Title	SACS Account String	Debit	Credit
6-1-08	Accounts Receivable	01-0000-0-0000-0000-9200	$ 92,000	
	Interest	01-0000-0-0000-0000-8660		$ 92,000
	To accrue interest earned on the investment of the debt service reserve.			

7. At the end of the fiscal year, the LEA records a reservation of fund balance for the COPs legally restricted Reserve for Debt Service.

Date	Object Title	SACS Account String	Debit	Credit
6-30-08	Undesignated/Unappropriated	01-0000-0-0000-0000-9790	$ 2,700,000	
	Reserve for All Others	01-0000-0-0000-0000-9719		$ 2,700,000
	To reserve that portion of fund balance that represents the COPs required debt service reserve.			

8. The interest earned on the debt service reserve is received.

Date	Object Title	SACS Account String	Debit	Credit
7-5-08	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	$ 92,000	
	Accounts Receivable	01-0000-0-0000-0000-9200		$ 92,000
	To record the receipt of interest earned on the debt service reserve through June 30.			

9. The second lease payment is made.

Date	Object Title	SACS Account String	Debit	Credit
8-1-08	Debt Service—Interest	01-0000-0-0000-9100-7438	$ 500,000	
	Other Debt Service—Principal	01-0000-0-0000-9100-7439	3,200,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$3,498,000
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		202,000
	To record the second lease payment on the COPs.			

LEAs may receive from the state various types of loans that have to be repaid in the future. Two of these loans are the following:

1. Emergency apportionments (loans) to LEAs as provided by *Education Code* sections 41320–41324
2. Building repayment loans

These loans are recorded as debt issue proceeds (Object 8931, Emergency Apportionments, or Object 8979, All Other Financing Sources) and not as revenue because an offsetting debt is incurred.

When the proceeds of these loans are received, the following entry is made to the appropriate funds:

Date	Object Title	Object Code	Debit	Credit
x-xx-xx	Cash in County Treasury	9110	xxxx	
	Emergency Apportionments	8931		xxxx
	To record the receipt of the emergency apportionment loan from the state.			

Or

Date	Object Title	Object Code	Debit	Credit
x-xx-xx	Cash in County Treasury	9110	xxxx	
	All Other Financing Sources	8979		xxxx
	To record the receipt of the building loan from the state.			

Building Loans

The repayment of a state loan for a construction project will be accomplished automatically during the loan's repayment period, as specified in the loan agreement, by the state's withholding of the annual repayment amount from the regular apportionments credited to the LEA. The practice of the State Controller is to make the withholdings over a period of four months—February, March, April, and May. Accordingly, during each of these months, a prorated portion of the total loan and the interest due will be subtracted from the amounts due the LEA from the State School Fund in accordance with regular apportionments calculations.

This means that the credit to the LEA's funds as reported by the county superintendent will be smaller, by the same amount as the repayment on the loan, than the State Superintendent of Public Instruction's certification

of the LEA's apportionment. The LEA must record as revenue the full amount of the apportionment before the reduction for the loan repayment and interest, and it must record as expenditures the loan repayment and interest.

Assume, for example, that the LEA received a building repayment loan for $80,000 during the spring of year one. The LEA will repay the building loan from the Tax Override Fund. The loan agreement specifies that the loan will be repaid over a two-year period.

In year two, $40,000 plus $4,800 interest will be deducted from the LEA's principal apportionment in four payments. The February, March, April, and May apportionments will each be reduced by $11,200 ($10,000 + $1,200 interest).

The following entries will be made:

In Year One in the General Fund

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	$80,000.00	
	All Other Financing Sources	01-0000-0-0000-0000-8979		$80,000.00
	To record the proceeds of the building repayment loan.			

Assume that the LEA's February apportionment in year two was $100,000. The LEA will receive $88,800 ($100,000 - 11,200), and the following entries will be made:

In Year Two in the General Fund and the Tax Override Fund

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	$100,000.00	
	Revenue Limit State Aid—Current Year	01-0000-0-0000-0000-8011		$100,000.00
	State School Building Repayment	53-0000-0-0000-9100-7432	$10,000.00	
	Debt Service—Interest	53-0000-0-0000-9100-7438	$1,200.00	
	Cash in County Treasury	53-0000-0-0000-0000-9110		$11,200.00
	To record the receipt of the February principal apportionment. The apportionment was reduced by $11,200 (for the building loan repayment and interest due to the state), which is being expended out of the Tax Override Fund.			

Note that the net effect of the entries in the two funds is $88,800, the amount the LEA actually received.

Emergency Apportionments

The repayment of emergency apportionments (loans) is done in the same manner as the repayment of building loans, except that the principal repayment must be accomplished over not more than a five-year period if the loan is issued pursuant to *Education Code* Section 41323, or ten years if the loan is issued pursuant to *Education Code* Section 41327. The interest and principal payments due annually on an emergency loan will be withheld from the LEA's regular apportionments and must be recorded as expenditures. All emergency loan proceeds and repayments are normally recorded in the general fund.

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Frequently, local educational agencies (LEAs) have occasion to pass grant funds on to other LEAs. As examples, school districts and county offices of education often enter into subagreements with other LEAs to operate a program more effectively, or several LEAs may pool their resources to operate certain projects cooperatively (cooperative projects), or an LEA may simply pass funds to other LEAs (pass-through grants). There are three models commonly used to account for these transactions between LEAs: cash conduits, pass-through grants, and subagreements for services.

Cash Conduit Model

Governmental Accounting Standard Board (GASB) Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, generally requires the original recipient LEA to report pass-through grants in a governmental fund. However, when the recipient LEA acts only as a cash conduit that transfers money to the subrecipient grantee and has no administrative or direct financial involvement in the program, the recipient LEA should report the grant in an agency fund. Unlike governmental funds, agency funds are custodial, where only the assets held for other agencies and the corresponding amounts due to those agencies are reported. Revenues and expenditures are not recorded in an agency fund. As a practical matter, it is rare for a grant to qualify as a pure cash conduit.

Pass-Through Grants and Subagreements for Services Models

For recipient LEAs that have either administrative or direct financial involvement in a pass-through grant, the pass-through transactions must be recorded in a governmental fund. The model used to account for the pass-through transactions depends on whether the recipient LEA has (1) only administrative involvement; or (2) both administrative and financial involvement. Generally, an LEA with only administrative involvement will use the pass-through grant model. An LEA with both administrative and direct financial involvement will use the subagreement for services model.

1. **Administrative Involvement Only: Pass-through Grant Model**
   A recipient LEA has only administrative involvement in a pass-through grant if it (a) monitors subrecipient LEAs for compliance with requirements; (b) determines eligibility of subrecipient LEAs, even if using grantor-established criteria; or (c) has the ability to

exercise discretion in how the funds are allocated. The accounting for this type of pass-through grant is as follows:

Recipient LEA (administrative involvement only)
The recipient LEA reports the receipt of the grant revenue as a pass-through revenue using object 8287, 8587, or 8697 with the resource code for the grant. The recipient LEA reports the pass-through of funds to the subrecipient LEA as an interagency transfer using object 7211, 7212, or 7213 with Goal 0000, Undistributed, and Function 9200, Transfers Between Agencies.

Subrecipient LEAs
Subrecipient LEAs report receipt of the grant revenues in the normal revenue object for the grant (e.g., 8290, All Other Federal Revenue) with the resource code for the grant. Subrecipient LEAs report their grant expenditures in the resource for the grant with the normal goals, functions, and objects.

Exception for Special Education and ROC/P
Pass-throughs of state apportionments for special education and ROC/P are accounted for as "transfers of apportionment" rather than as pass-through grants. For example, a district participating in an ROC/P Joint Power Authority or Agreement (JPA) would recognize its ROC/P apportionment as other state apportionments (Resource 6350 and Object 8311) and would record the pass-through of funds to the JPA as a transfer of apportionment (Resource 6350, Function 9200, and Object 7223).

2. **Administrative and Direct Financial Involvement: Subagreement for Services Model**
A recipient LEA has direct financial involvement in a pass-through grant if it is liable for disallowed costs or if it funds part of the costs. By having financial involvement in a pass-through grant, a recipient LEA automatically has administrative involvement as well. These types of pass-through grants are commonly referred to as "subagreements for services" between LEAs, that is, transactions in which the recipient LEA to whom the funding was originally awarded contracts with subrecipient LEAs to carry out the terms of the grant under the direction of the recipient LEA. The accounting for this type of pass-through grant is as follows:

Recipient LEA (administrative and direct financial involvement)
The recipient LEA reports the receipt of the grant revenue in the normal revenue object for the grant (e.g., 8290, Other Federal Revenue) with the resource code for the grant. The recipient LEA reports the disbursement of funds to subrecipient LEAs in Object 5100, Subagreements for Services, in the normal goals and functions for the grant expenditures.

Subrecipient LEAs
Subrecipient LEAs report the receipt of subagreement revenues in Object 8677, Interagency Services Between LEAs (or in Object 8285, Interagency Contracts Between LEAs, if the original grant is of federal origin) and in an applicable resource. Subrecipient LEAs report their subagreement expenditures in Goal 7110, Nonagency—Educational, in the normal functions and objects.

Cooperative Projects

California school districts and county offices of education often pool their resources and operate certain federal and state projects cooperatively for economic efficiency.

Some cooperative projects are formed to meet certain objectives established by the participants. This approach usually calls for the participants to pool their resources and for one school district or county office to serve as the lead and operate the project for the others. Typically this is a local decision, not a condition of the grant itself, and the appropriate accounting is the "subagreement for services" model.

Other cooperative projects are formed in order to meet specific federal grant or entitlement conditions and requirements. This approach usually requires that one LEA serve as the applicant for purposes of receiving federal funds and disbursing them to the other participating LEAs that operate their own projects. Periodic cash advances may be made directly to the applicant LEA for deposit and disbursement. The appropriate accounting for this type of cooperative project is the "pass-through" model.

Summary Examples of Pass-Through Transactions

I. Transfer of Apportionment (Special Education and ROC/P only)

Original Recipient	Subrecipient
Receipt of ROC/P apportionment 01-6350-0-0001-0000-8311	
Transfer of ROC/P apportionment 01-6350-0-0001-9200-7221, 2, 3	Receipt of transfer of ROC/P apportionment 01-6350-0-0000-0000-8791, 2, 3
	Expenditure of ROC/P funds 01-6350-0-6000-XXXX-XXXX

II. Pass-Through of All Other Resources (Federal, State, or Local)

Original Recipient	Subrecipient
Receipt of federal revenue to be passed through 01-3310-0-5001-0000-8287	
Pass-through of federal revenue 01-3310-0-5001-9200-7211, 2, 3	Receipt of passed-through federal revenue 01-3310-0-5001-0000-8181
	Expenditure of federal program funds 01-3310-0-5XXX-XXXX-XXXX
Receipt of state revenue to be passed through 01-7110-0-0000-0000-8587	
Pass-through of state revenue 01-7110-0-0000-9200-7211, 2, 3	Receipt of passed-through state revenue 01-7110-0-0000-0000-8590
	Expenditure of state program funds 01-7110-0-XXXX-XXXX-XXXX
Receipt of local revenue to be passed through 01-9010-0-0000-0000-8697	
Pass-through of local revenue 01-9010-0-0000-9200-7211, 2, 3	Receipt of passed-through local revenue 01-9010-0-0000-0000-8699
	Expenditure of local program funds 01-9010-0-XXXX-XXXX-XXXX

III. Subagreements for Services

Original Recipient	Subrecipient
Receipt of grant revenue 01-6500-0-5001-0000-8311	
Payment to subrecipient for subagreement services 01-6500-0-5750-1110-5100	Receipt of payment for subagreement services 01-9010-0-7110-0000-8677 (or 8285 if federal)
	Expenditures for subagreement services 01-9010-0-7110-1110-XXXX

Sample Journal Entries for a Cooperative Project

Small school districts may find it advantageous to pool their resources to provide programs that could not be financed by one district alone. The following example assumes that five small districts contract with the county office of education (COE) to use Tobacco-Use Prevention Education (TUPE) money to run a program designed to reach students at risk of using tobacco.

Example: COE Receives TUPE Grant Money for Administrative Purposes, and Districts Receive TUPE Money for Program Purposes; Districts and the COE Form a Cooperative Project for TUPE Services

(a) The following entries record the receipt of the TUPE grants:

For the COE:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	0000	0000	8590	000

- Fund 01 is the County School Service Fund.
- Resource 6680 is TUPE: COE Administration Grants.
- Project Year is not applicable in this example.
- Goal is not required for revenue.
- Function is not required for revenue.
- Object 8590 is All Other State Revenue.
- School is not required.

For the districts:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6660	0	0000	0000	8590	000
01	6670	0	0000	0000	8590	000

- Fund 01 is the General Fund.
- Resource 6660 is TUPE: Elementary Grades 4–8, and Resource 6670 is TUPE: High School Competitive Grants.
- Project Year is not applicable in this example.
- Goal is not required for revenues.
- Function is not required for revenues.
- Object 8590 is All Other State Revenue.
- School is not required.

(b) According to the contractual agreement, the districts use their TUPE program funds to pay the COE to operate a Friday Night Live program designed for regular education students.

The COE records the revenue received from the districts in a locally defined restricted local resource:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	0000	0000	8677	000

- Fund 01 is the County School Service Fund.
- Resource 9150 is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Local, when data are submitted to CDE at year-end.
- Project Year is not applicable in this example.
- Goal is not required for revenue.
- Function is not required for revenue.
- Object 8677 is Interagency Services Between LEAs.
- School is not required.

The districts, as the original recipient LEAs, are responsible for reporting their expenditures to CDE; they use the applicable goal and functions, and the object illustrates that they subcontracted with the COE:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6660	0	1110	4000	5100	000
01	6670	0	1110	4000	5100	000

- Fund 01 is the district's General Fund.
- Resource 6660 is TUPE: Elementary Grades 4–8, and Resource 6670 is TUPE: High School Competitive Grants.
- Project Year is not applicable in this example.
- Goal 1110 is Regular Education, K–12 because the Friday Night Live program targets regular education students.
- Function 4000 is Ancillary Services.
- Object 5100 is Subagreements for Services.
- School is not required.

(c) The COE operates the Friday Night Live program using the funds received from the districts:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	7110	4000	1200	000

- Fund 01 is the County School Service Fund.
- Resource 9150 is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Local, when data are submitted to CDE at year-end.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational. The money of another entity is used to provide services on behalf of that entity, not on behalf of its own student population.
- Function 4000 is Ancillary Services.
- Object 1200 is Certificated Pupil Support Salaries.
- School is not required.

The districts have no further entries because they have spent their grants.

When the COE spends its own TUPE money administering the districts' TUPE programs, the TUPE resource is retained.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	8600	2100	2400	000

- Fund 01 is the County School Service Fund.
- Resource 6680 is TUPE: COE Administrative Grants.
- Project Year is not applicable in this example.
- Goal 8600 is County Service to Districts.
- Function 2100 is Instructional Supervision and Administration.
- Object 2400 is Clerical, Technical, and Office Staff Salaries.
- School is not required.

(d) At year-end, not all funds have been spent, and the remaining funds are carried over into the next year. The terms of the contract with the districts allow carryover only into the following year; money not spent in the following year must be returned to the districts.

The COE books deferred revenue as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	0000	0000	9650	000

- Fund 01 is the County School Service Fund.
- Resource 9150 is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Local, when data are submitted to CDE at year-end.
- Project Year is not applicable in this example.
- Goal is not required for balance sheet accounts.
- Function is not required for balance sheet accounts.
- Object 9650 is Deferred Revenue.
- School is not required.

Special education budgets are complex and are of great interest to the public, both locally and statewide. *Education Code* Section 56205(b)(1) requires that a special education budget shall separately identify the following elements:

1. Apportionment received by the local educational agency (LEA) in accordance with the allocation plan adopted by the special education local plan area (SELPA). (The state funding is tracked in SACS in the resource field in combination with a specific revenue code in the object field.)
2. Administrative costs of the plan. (These costs are tracked in the function field.)
3. Costs of special education services to pupils with severe disabilities and low-incidence disabilities. (This population is identified by the goal field.)
4. Costs of special education services to pupils with nonsevere disabilities. (This population is identified by the goal field.)
5. Costs of supplemental aids and services provided to meet the individual needs of pupils placed in regular education classrooms and environments. (Costs of these aids and services, which may be provided to both severe and nonsevere students, are tracked in the function field.)
6. Costs of regionalized operations and services and direct instructional support by program specialists in accordance with Part 30, Chapter 7.2, Article 6, of the *Education Code*, *Program Specialists and Administration of Regionalized Operations and Services.* (These costs are tracked in the goal field for regionalized operations and in the function field for instructional services.)
7. Use of property taxes allocated to the SELPA pursuant to *Education Code* Section 2572. (Property taxes allocated to the SELPA are tracked in the resource field and identified by a specific revenue code in the object field.)

Maintenance of Effort

Funds provided under Part B of the federal Individuals with Disabilities Education Act (IDEA) are subject to a maintenance of effort (MOE) requirement. This is stipulated in Section 1413 of Title 20 of the *United States Code*, Title 34, Section 300.203 of the *Code of Federal Regulations*, and *Education Code* Section 56205.

The MOE requirement is that Part B IDEA funds shall not be used, except in specified situations, to reduce the level of expenditures for the

education of children with disabilities made by the LEA from state and local funds or from local funds only, below the prior year's level. This test must be met on either an aggregate or a per capita basis.

Recording Special Education Transactions

For state reporting, LEAs use the goal field to report direct special education costs for different objectives, such as the costs of providing services to infants or to severely disabled students from ages five through twenty-two. The costs are further broken down by the type of instructional service provided, such as special education instruction in separate classes, using the function field.

Shown below are discussions of how certain special education transactions are accounted for. Later in this section, examples of transactions are given to illustrate the accounting entries.

1. Salaries of certificated employees providing other specialized instructional services are recorded in Function 1190, Special Education: Other Specialized Instructional Services, with Object 1100, Certificated Teachers' Salaries.

2. Salaries of instructional aides are recorded in the special education instructional functions 1100–1199, except 1180, with Object 2100, Classified Instructional Salaries. If a classified employee provides other support services, that cost should be coded to a support function with Object 2200, Classified Support Salaries.

3. Administrative costs of the SELPA administrative unit (AU) are recorded in Function 2200, Administrative Unit of Multidistrict SELPA. A school district or county superintendent of schools may be the Administrative Unit (AU) of a SELPA.

4. Salaries of a program specialist providing regionalized services as defined by *Education Code* Section 56836.23 are recorded in Goal 5060, Regionalized Program Specialist, with Function 2100, Instructional Supervision and Administration, and Object 1900, Other Certificated Salaries.

   Salaries of a program specialist not providing regionalized services but instead working locally with students as a support to teachers are recorded in Function 2100, Instructional Supervision and Administration, with the appropriate special education goal, and Object 1900, Other Certificated Salaries.

5. Apportionments for regionalized operations and services and the direct instructional support of program specialists are made directly to the SELPA administrative unit (AU) (*Education Code* Section 56836.23). These apportionments are recorded by the AU using Object 8311, Other State Apportionments—Current Year (or Object 8319, Other State Apportionments—Prior Year).

   The AU, by agreement, may transfer these apportionments to a participating agency. It can do the transfer in one of two ways: by transferring to the other LEA the responsibility for providing regionalized services or by contracting with the other LEA to provide the services while retaining the responsibility for providing the services.

   An AU transferring to another LEA the responsibility for providing regionalized services records the transfer as a transfer of apportionments using Function 9200, Transfers Between Agencies, and the transfers of apportionments objects, such as Object 7221, Transfers of Apportionments to Districts or Charter Schools; Object 7222, Transfers of Apportionments to County Offices; or Object 7223, Transfers of Apportionments to JPAs.

   The LEA receiving the apportionment under this arrangement records the revenues in Resource 6500, Special Education, in the appropriate special education goals, with a transfers of apportionments object, such as Object 8791, Transfers of Apportionments from Districts or Charter Schools; or Object 8792, Transfers of Apportionments from County Offices. The expenditures are recorded in the same goals as the revenues, in Function 2100, Instructional Supervision and Administration, and in the appropriate object (e.g., Object 1300, Certificated Supervisors' and Administrators' Salaries).

   An AU contracting with another LEA to provide regionalized services while retaining the responsibility for providing the services records the payments to the other LEA as payments for contracted services. The AU records these payments in Object 5100, Subagreements for Services, still in Resource 6500 with a special education goal (e.g., Goal 5xxx), and an appropriate expenditure function.

   The LEA providing the services under the contract does not record the revenues and expenditures in the special education resource or

a special education goal but in Resource 9010, Other Restricted Local (or a locally defined resource), and Goal 7110, Nonagency—Educational (use of this goal in this revenue transaction is optional; otherwise, use Goal 0000), with Object 8677, Interagency Services Between LEAs. It records expenditures in Goal 7110, Nonagency—Educational (whether or not Goal 7110 was used for the revenue), Function 2100, Instructional Supervision and Administration, and the appropriate objects for salaries, benefits, and supplies.

See Example 8 and Example 9 later in this procedure for coding examples for these types of transactions.

6. Apportionments for other than regionalized services may be allocated to districts and county offices of education in accordance with the allocation plan adopted pursuant to *Education Code* Section 56836.05 unless the allocation plan specifies that funds will be apportioned to the AU of the SELPA (*Education Code* Section 56195.7).

Method 1—Special Education Apportionment Allocated to the Administrative Unit (AU):

If the SELPA has elected for the apportionments to be made to the AU, the AU records the receipt of apportionment and the transfer of funds to the members basically in the same manner as recording the transfer of apportionments for program specialists and regionalized services, where the AU also transfers to the participating LEA the responsibility for providing regionalized services, as discussed in item 5.

By the same token, the participating LEA records the receipt of these moneys from the AU and the expenditures basically in the same manner as discussed in that part of item 5.

Method 2—Special Education Apportionment Allocated to Districts and County Superintendents of Schools

If the SELPA has opted for special education apportionments (other than for regionalized services) to be made directly to the participating agencies, each district or county office records the apportionment as Resource 6500, Special Education, an appropriate special education goal, such as Goal 5001, Special

Education—Unspecified, and Object 8311, Other State Apportionments—Current Year.

7. A district, county office, or JPA billing for and receiving payment for special education excess costs or deficits, or payments for special education transportation excess costs or deficits, records the revenue received as Object 8710, Tuition, with the appropriate special education resource and an appropriate special education goal.

   The LEA paying the excess costs or deficits records the payment with an appropriate resource, a special education goal, Function 9200, Transfers Between Agencies, and Object 7141, Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools; Object 7142, Other Tuition, Excess Costs, and/or Deficit Payments to County Offices; or Object 7143, Other Tuition, Excess Costs, and/or Deficit Payments to JPAs.

8. A district or county office receiving the federal Individuals with Disabilities Education Act (IDEA) basic local assistance revenue records the revenue in Resource 3310, IDEA Basic Local Assistance Entitlement, Part B, with a special education goal, in Object 8181, Special Education—Entitlement, and records the expenditures in Resource 3310, with the appropriate special education goals, functions, and objects.

9. A district or county office that receives a federal IDEA grant-in-aid for approved special projects records the revenue as Object 8182, Special Education—Discretionary Grants, with the appropriate resource and the appropriate special education goal.

10. Any AU receiving federal IDEA money of either the local assistance entitlement or a discretionary grant that is to be distributed to a district or county office records the revenue to be passed to participating LEAs as Object 8287, Pass-Through Revenues from Federal Sources, with the appropriate resource and Goal 5001, Special Education—Unspecified.

    The AU distributes these funds, using the appropriate resource, the appropriate special education goal, Function 9200, Transfers Between Agencies, and Object 7211, Transfers of Pass-Through Revenues to Districts or Charter Schools; Object 7212, Transfers of Pass-Through Revenues to County Offices; or Object 7213, Transfers of Pass-Through Revenues to JPAs.

The following are examples of recording revenues received and expenditures incurred to educate special education students. The illustration of which codes to use for these transactions has been simplified. Only one side of the accounting entry is shown; in actual entries, the debit(s) must equal the credit(s).

Sample Journal Entries

Example 1: Splitting an Employee's Costs Between Functions

A teaching assistant is hired to work half a day in a separate class for severely disabled children and half a day in assisting a severely disabled student who has been mainstreamed in a regular education class.

Because the teaching assistant is working solely with severely disabled students, his salary has one goal. However, his work is split between two functions.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1110	2100	000
01	6500	0	5750	1130	2100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not required in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1110, Special Education: Separate Classes, captures the costs of running a separate class for severely disabled students; and Function 1130, Special Education: Supplemental Aids and Services in Regular Classrooms, captures the costs of providing a teaching assistant for a student who attends a regular education class.
- Object 2100 is Classified Instructional Salaries.
- School is not required.

Example 2: Splitting an Employee's Salary Between Goals

An adaptive physical education teacher is hired to provide physical education classes for special education students attending regular education classes on several campuses and for students attending special education separate classes. Some of the students are categorized as

severely disabled, others as nonseverely disabled. The teacher's salary is split between two goals because two populations of students are served.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1190	1100	000
01	6500	0	5770	1190	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not required in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled, and Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled. (The salary may be coded instead to one goal during the year and split between the goals at year-end when the ratio of service to severely and nonseverely disabled students is documented.)
- Function 1190 is Special Education: Other Specialized Instructional Services. This function includes pullout services that may be provided to students who are normally found in separate classes or regular education classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 3: Costs for Special Education Students in Regular Education Classrooms

A student who has a low-incidence disability has been placed in a juvenile court school. His individualized education program (IEP) necessitates the presence of an interpreter and the services of a resource specialist. The following services are being provided by different resources and for different populations. The cost of the teacher in the juvenile court school is chargeable to regular education; the costs of the interpreter and the resource specialist are chargeable to special education.

The cost of the juvenile court school teacher is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	2400	0	3600	1000	1100	000

- Fund 01 is the County School Service Fund.
- Resource 2400 is Juvenile Court/County Community Schools.
- Project Year is not required in this example.

- Goal 3600, Juvenile Courts, identifies the costs of educating juvenile court school students.
- Function 1000 is Instruction. General education teachers are coded to the general population they are contracted to teach. A special education student who attends a regular education class is considered a part of the general education class.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

The cost of the interpreter assigned to the student who has an IEP and has been placed in the juvenile court classroom is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1130	2100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled. (Students with a low-incidence disability are classified as severely disabled. The LEA may have locally defined goals to separate low-incidence disabilities from other severe disabilities if management needs to identify these costs locally.)
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms.
- Object 2100 is Classified Instructional Salaries. (The LEA may have locally defined objects if it is important to track the costs of interpreters separately from those of classroom assistants.)
- School is not required.

The cost of the resource specialist who works with this student on a pullout basis is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1120	1100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled. (Students with a low-incidence disability are classified as severely disabled students. The LEA may have locally defined

goals to separate low-incidence disabilities from other severe disabilities if management needs to identify these costs locally.)

- Function 1120 is Special Education: Resource Specialist Instruction. This is a resource specialist who works directly with the students in an instructional setting.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 4: Costs for Special Education Students in a Regional Occupational Center/Program (ROC/P)

Some special education students are in transition, going from the special education K–12 program into the adult workforce. The students have been placed in an ROC/P class, where they receive training at a fast-food business supplemented with ROC/P classes. The cost of the ROC/P instructor is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6360	0	6000	1000	1100	000

- Fund 01 is the school district's General Fund.
- Resource 6360 is Pupils with Disabilities Attending ROC/P.
- Project Year is not applicable in this example.
- Goal 6000 is Regional Occupational Center/Program.
- Function 1000 is Instruction.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

The cost of a teaching assistant assigned to the special education students to enable them to participate in the ROC/P class is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5770	1130	2100	000

- Fund 01 is the school district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5770 is Special Education, Ages 5–22 Nonseverely Disabled.
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms.

- Object 2100 is Classified Instructional Salaries.
- School is not required.

Example 5: Costs of Instruction Provided on a Pullout Basis

An orientation and mobility (O & M) specialist is hired to teach students how to travel safely and independently around the school and in the community. He or she works with blind students who attend regular classes at the elementary and high schools. This service is provided on a pullout basis. The O & M specialist has a teaching credential and is trained to teach special education students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1190	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled, which includes students with a low-incidence disability.
- Function 1190 is Special Education: Other Specialized Instructional Services. This function includes pullout services that may be provided to students who are normally found in separate classes or regular education classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 6: Costs of Pupil Services

A counselor is hired to provide special education students with behavior management services, a systematic implementation of procedures designed to promote lasting, positive changes in the students' behavior, resulting in greater access to a variety of community settings, social contacts, and public events, and placement in the least restrictive environment. The counselor is a licensed professional with a certificate for school service. The salary is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	3110	1200	000

- Fund 01 is the General Fund.

- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 3110 is Guidance and Counseling Services.
- Object 1200 is Certificated Pupil Support Salaries.
- School is not required.

The students receiving this behavior modification training are enrolled in a separate class for severely emotionally disabled students or autistic students. This class is taught by a special education teacher who works with the counselor to apply the behavior modification procedures in the classroom. The cost of the teacher is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1110	1100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1110 is Special Education: Separate Classes.
- Object 1100 is Certificated Teachers' Salaries.
- School is not required.

Example 7: Costs Related to Federal Resources

(a) Funds from the Individuals with Disabilities Education Act (IDEA) basic local assistance entitlement were used to pay a classified assistant to work with students who are in transition from K–12 special education into gainful employment in local businesses.

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	7	5750	1190	2100	000

- Fund 01 is the school district's General Fund.
- Resource 3310 is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611.
- Project Year refers to the report year for this program; 7 in this case stands for federal fiscal year 2006-07, which ended September 30, 2007.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.

- Function 1190 is Special Education: Other Specialized Instructional Services. The student has been transferred from a regular or separate classroom to a work site or other setting.
- Object 2100 is Classified Instructional Salaries.
- School is not required.

(b) An LEA uses IDEA basic local assistance entitlement funds to purchase assistive technology for a student who will use the computer to communicate with teachers and peers in a regular education classroom.

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	7	5750	1130	6400	000

- Fund 01 is the General Fund.
- Resource 3310 is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611.
- Project Year refers to the report year for this program; 7 in this case stands for federal fiscal year 2006-07, which ended September 30, 2007.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1130 is Special Education: Supplemental Aids and Services in Regular Classrooms. The equipment is an aid to the student in a regular classroom.
- Object 6400 is Equipment.
- School is not required.

Example 8: A County Office, as the SELPA Administrative Unit (AU), Receives the Apportionment and Transfers It to Participating LEAs.

(a) As the SELPA AU, the county office records the receipt of the state apportionment.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	0000	8311	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).

- Function is not necessary for revenue.
- Object 8311 is Other State Apportionments—Current Year.
- School is not required.

(b) The SELPA AU distributes the apportionment to the participating LEAs.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	9200	7221	000
01	6500	0	5001	9200	7222	000
01	6500	0	5001	9200	7223	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified.
- Function 9200 is Transfers Between Agencies.
- Object 7221 is Transfers of Apportionments to Districts or Charter Schools; Object 7222 is Transfers of Apportionments to County Offices; and Object 7223 is Transfers of Apportionments to JPAs.
- School is not required.

(c) The member LEA (in this case a school district) makes the following entry to record receipt of apportionment from the SELPA AU (in this case a county office):

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	0000	8792	000

- Fund 01 is the school district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified. A Special Education goal is required for Special Education revenue.
- Function is not required for revenue.
- Object 8792 is Transfers of Apportionments from County Offices. In this case, the AU is a county office of education.
- School is not required.

Example 9: A County Office, as the AU, Receives the Apportionment for Regionalized Services and Then Contracts with a Participating District to Provide Regionalized Services.

(a) The county office, as the SELPA AU, records payment on a contract with a district to provide regionalized services, in this case to coordinate curriculum development.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5050	2130	5100	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5050 is Regionalized Services.
- Function 2130 is Curriculum Development.
- Object 5100 is Subagreements for Services.
- School is not required.

(b) The district records the interagency revenue from the AU.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	7110	0000	8677	000

- Fund 01 is the General Fund.
- Resource 9010 is Other Restricted Local, in this case a contract with another LEA.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational. (Use of this goal for a revenue transaction is optional; it will enable the LEA to match contract revenue with the contract expenditures.)
- Function is not required for revenue.
- Object 8677 is Interagency Services between LEAs.
- School is not required.

(c) As part of this contract, the district pays a program specialist who provides regionalized services to members of the SELPA.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	7110	2100	1900	000

- Fund 01 is the General Fund.

- Resource 9010 is Other Restricted Local.
- Project Year is not applicable in this example.
- Goal 7110 is Nonagency—Educational.
- Function 2100 is Instructional Supervision and Administration.
- Object 1900 is Other Certificated Salaries.
- School is not required.

Example 10: A School District, a Member of a SELPA, Makes Payments to Another Entity for a Special Education Student's Education.

(a) The district makes payments to a State Special School using unrestricted resources.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	5001	9200	7130	000

- Fund 01 is the General Fund.
- Resource 0000 is Unrestricted Resource.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified.
- Function 9200 is Transfers Between Agencies.
- Object 7130 is State Special Schools.
- School is not required.

(b) The district makes payments to a nonpublic school for a severely disabled student's education.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	1180	5100	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 1180 is Special Education: Nonpublic Agencies/Schools.
- Object 5100 is Subagreements for Services.
- School is not required.

(c) A school district pays excess costs for a program run by the SELPA.

(1) The SELPA AU (a county office of education) bills the district for excess costs. The revenue is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	0000	8710	000

- Fund 01 is the County School Service Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable for this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function is not required for revenue or balance sheet accounts.
- Object 8710 is Tuition.
- School is not required.

(2) The school district pays the SELPA AU its share of excess costs of the program per the local plan agreement.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5750	9200	7142	000

- Fund 01 is the district's General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable for this example.
- Goal 5750 is Special Education, Ages 5–22 Severely Disabled.
- Function 9200 is Transfers Between Agencies.
- Object 7142 is Other Tuition, Excess Costs, and/or Deficit Payments to County Offices.
- School is not required.

Example 11: Identifying Administrative Costs

(a) A multidistrict SELPA AU pays its director.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	2200	1300	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.

- Goal 5001 is Special Education—Unspecified.
- Function 2200 is Administrative Unit of a Multidistrict SELPA.
- Object 1300 is Certificated Supervisors' and Administrators' Salaries.
- School is not required.

(b) A district charges its special education programs its indirect cost rate as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	7210	7310	000

- Fund 01 is the General Fund.
- Resource 6500 is Special Education.
- Project Year is not applicable in this example.
- Goal 5001 is Special Education—Unspecified.
- Function 7210 is Indirect Cost Transfers.
- Object 7310 is Transfers of Indirect Costs.
- School is not required.

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The ROC/P program is different from regular instructional programs in that *Education Code* Section 52301 allows two or more school districts to form a joint powers agency (JPA) to provide ROC/P vocational training.

The California Department of Education (CDE) apportions ROC/P funding to school districts and county offices of education on the basis of their ROC/P average daily attendance (ADA). The school districts and county offices of education may then provide ROC/P instruction themselves or contract for services or transfer the apportionment to JPAs to provide ROC/P instruction. School districts, county offices of education, and joint powers agencies have structured their ROC/P instruction in a variety of ways in California to meet local needs for ROC/P education.

The following examples of coding address the various forms of interagency agreements between LEAs:

Example 1: Both a County Office of Education (COE) and School Districts Receive Funding Based on ROC/P ADA Reported to CDE.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6350	0	0000	0000	8311	000

- Fund 01 is the General Fund or the County School Service Fund.
- Resource 6350 is ROC/P Apportionment.
- Project Year is not applicable in this example.
- Goal is not required for revenue. Goal 6000, Regional Occupational Center/Program, may be used for local purposes.
- Function is not necessary for revenue.
- Object 8311 is Other State Apportionments—Current Year.
- School is not required.

Example 2: A COE Contracts with a School District to Operate an Auto-Body Class for the County ROC/P Program.

(a) The COE makes the following entry to record payment of the contract for services. The COE retains full administrative and financial authority over the program.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6350	0	6150	1000	5100	000

- Fund 01 is the County School Service Fund.
- Resource 6350 is ROC/P Apportionment.
- Project Year is not applicable in this example.
- Goal 6150 is a locally defined classification for trade and industry classes. LEAs have the option of tracking ROC/P subject matter in the goal field as long as it rolls up to Goal 6000 when data are submitted to CDE at year-end.
- Function 1000 is Instruction.
- Object 5100 is Subagreements for Services.
- School is not required.

(b) The school district makes the following entry to record receipt of funds to operate the shop class. The district is performing a contract service on behalf of the COE and does not report the ADA as its own.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9635	0	0000	0000	8677	000

- Fund 01 is the district's General Fund.
- Resource 9635 is a unique code the district is using for its ROC/P contract. This and other local restricted resources must roll up to Resource 9010, Other Local, when data are submitted to CDE.
- Project Year is not applicable in this example.
- Goal is not required for revenue.
- Function is not required for revenue.
- Object 8677 is Interagency Services Between LEAs.
- School is not required.

(c) The district expenditures for the shop class are coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9635	0	7110	1000	1100	000

- Fund 01 is the district's General Fund.
- Resource 9635 is the district's code for the contract.
- Project Year is not applicable in this example.

- Goal 7110 is Nonagency—Educational. The district's expenditures are made on behalf of the COE, which retains the final responsibility for the ROC/P class.
- Function 1000 is Instruction.
- Object 1100 is Teachers' Salaries.
- School is not required.

Example 3: Participating School Districts Transfer Their Apportionments to the Joint Powers Agency (JPA) Operating the ROC/P.

Pursuant to *Education Code* Section 52301, school districts may form a JPA to operate ROC/Ps, and the *Education Code* section allows the JPA to receive the apportionments through the participating districts.

(a) The districts transfer their apportionment to the JPA.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6350	0	0000	9200	7223	000

- Fund 01 is the district's General Fund.
- Resource 6350 is ROC/P Apportionment.
- Project Year is not applicable in this example.
- Goal 0000 is Undistributed. Goal 6000, ROC/P, may be used for local identification.
- Function 9200 is Transfers Between Agencies.
- Object 7223 is Transfers of Apportionments to JPAs.
- School is not required.

(b) The JPA receives the transfer of apportionment.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6350	0	0000	0000	8791	000

- Fund 01 is the JPA's General Fund.
- Resource 6350 is ROC/P Apportionment.
- Project Year is not applicable in this example.
- Goal is not required for revenue.
- Function is not required for revenue.
- Object 8791 is Transfers of Apportionments from Districts or Charter Schools.
- School is not required.

(c) The JPA operates various ROC/P classes. For example, the JPA operates an auto-body class and has designated a locally defined goal to track the class.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6350	0	6150	1000	1100	000

- Fund 01 is the JPA's General Fund.
- Resource 6350 is ROC/P Apportionment.
- Project Year is not applicable in this example.
- Goal 6150 is the JPA's code for trade and industry classes. LEAs have the option of tracking ROC/P subject matter in the goal field as long as it rolls up to Goal 6000 when data are submitted to CDE at year-end.
- Function 1000 is Instruction.
- Object 1100 is Teachers' Salaries.
- School is not required.

Procedure 765 Recognition of Legal Obligations in Reporting for Federal Grants

Legal obligations are commitments made by an LEA to purchase goods or services immediately or in a future period. Commitments are generally made in the form of a purchase order or a written contract.

For purposes of accounting at year-end, obligations for future periods are not reflected in the current year's books. Rather, the obligated goods or services are recognized in the following year's books, when the goods or services are actually received. But for purposes of grant reporting, federal funding may be claimed under a current-year grant for certain qualifying legal obligations incurred by the end of the grant period, even though the goods or services will not be received until after the grant period ends.

The question of whether or not an obligation is claimable for funding under a current-year grant is determined by what the obligation is for. The following table from the *Education Department General Administrative Regulations (EDGAR) Code of Federal Regulations (CFR)*, Title 34, Part 76.707, shows when various commitments are considered to be legal obligations:

If the obligation is for . . .	*The legal obligation is made . . .*
Acquisition of real or personal property	On the date on which the LEA makes a binding written commitment to acquire the property
Personal services by an employee of the LEA	When the services are performed
Personal services by a contractor who is not an employee of the LEA	On the date on which the LEA makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the LEA makes a binding written commitment to obtain the work
Public utility services	When the LEA receives the services
Travel, conferences	When the travel is taken or conference attended
Rental of real or personal property	When the LEA uses the property

On the basis of the preceding table, an example of a legal obligation that would qualify for funding under a current year grant ending June 30 is the cost of books for which a purchase order was issued in June, even though the books will not be received until July. An example of a legal obligation that would not qualify for funding under a current-year grant ending June 30 is the cost of a conference to be held in July. Regardless of when a

purchase order or contract is signed, that legal obligation occurs when the conference is attended, not before.

When federal grant funds are claimed for legal obligations in one year for expenditures that are recognized in the following year, unexpended federal revenue will remain on the books at year-end and will be deferred to the following year because the expenditures for the legal obligations will not occur until the following year. The unexpended revenue is deferred by debiting the income account and crediting the deferred revenue account. The grant funds claimed for grant reporting purposes, therefore, will exceed the federal grant revenues recognized in the current year's books.

An example follows:

	Grant Claim (ends 6/30)		Current-Year Books (as of 6/30)		Subsequent-Year Books (begin 7/1)
Federal Revenue Received	100		100		
Federal Revenue Deferred			(20)		20
Subtotal, Revenue	**100**		**80**		**20**
Actual Expenditures	80		80		20
Legal Obligations	20				
Subtotal, Expenditures/Obligations	**100**		**80**		**20**

This is a normal difference between governmental accounting principles and grant reporting procedures.

When federal grant funds are claimed for legal obligations in one year for expenditures that are recognized in the following year, as described previously, the LEA must be careful not to claim these amounts again the following year. The grant funds claimed for grant reporting purposes in the following year, then, would be less than the federal grant revenues recognized in the following year's books.

Common accounting challenges LEAs face are distinguishing between supplies and equipment, between equipment and improvements of grounds, and between equipment and building fixtures or service systems. LEAs must correctly identify each item if they are to achieve the necessary uniformity of accounting.

Basics of Supplies, Noncapitalized Equipment, and Capitalized Equipment

Whether an item should be classified as a supply or equipment is determined by the length of time the item is serviceable and on its contribution to the overall value of the physical assets of the LEA. For example, supplies are constantly consumed and replaced without substantially increasing the value of the physical assets of the LEA. Equipment has relatively permanent value and substantially increases the value of the physical assets of the LEA. For accounting purposes there are two types of equipment: noncapitalized and capitalized.

Equipment with an acquisition cost less than the LEA's capitalization threshold is treated as noncapitalized equipment; otherwise, it is treated as capitalized equipment. Expenditures for noncapitalized equipment, supplies, and noncapitalized improvements are charged as current expense; that is, they are recognized as an expense of the current period rather than as an asset. Expenditures for capitalized equipment, land improvements, building fixtures, and service systems are those that result in the acquisition of capital assets or additions to capital assets.

Criteria for Distinguishing Between Supplies and Capitalized Equipment

(Note: For purposes of the following discussion, "supplies" includes both Object 4300, Materials and Supplies, and Object 4400, Noncapitalized Equipment; "capitalized equipment" includes both Object 6400, Equipment, and Object 6500, Equipment Replacement.)

Supplies are items of an expendable nature that are consumed or worn out, deteriorate in use, or are easily broken, damaged, or lost. In LEA accounting, items of equipment that are not capitalized because of their low acquisition cost are considered to be supplies.

It is sometimes difficult to classify articles as either supplies or capitalized equipment. They may have the characteristics of equipment but have a low unit cost or are frequently lost, broken, or worn out and replaced in normal

use. To obtain uniformity, the LEA should classify items on the basis of answers to the questions below:

1. Does the item lose its original shape and appearance with use?
2. Is it consumable, with a normal service life of less than one year?
3. Is it easily broken, damaged, or lost in normal use?
4. Is it usually more feasible to replace it with an entirely new unit than to repair it?
5. Is the cost of the item below the LEA's capitalization threshold?

If the answer to any one of the preceding questions is yes, the item should normally be classified as a supply. If all the answers are no, the item should be classified as capital outlay.

A way to visualize the distinction between capitalized equipment and supplies is by using the following flowchart provided by the federal government. At the first NO, the item is declared to be a supply.

Distinguishing Capitalized Equipment from Supplies

Lasts more than one year → NO
↓ YES

Repair rather than replace → NO
↓ YES

Independent unit rather than being incorporated into another unit item → NO
↓ YES

Cost of tagging and inventory small percentage of item cost → NO
↓ YES

Exceeds minimum dollar value of capitalization threshold established by the LEA → NO
↓ YES

CAPITALIZED EQUIPMENT

At the first NO, the item is declared to be a SUPPLY.

Inventory Requirements and Capitalization Thresholds

Property inventory requirements and capitalization thresholds are different subjects that are commonly confused because of their overlapping terminology.

An *inventory* is an itemized list for tracking and controlling property. *Capitalization* is an accounting treatment whereby an item of property is accounted for as an asset rather than as an expense of the current period. All items owned by an LEA can rightfully be considered assets; but, as a practical matter, LEAs do not need to capitalize all of the items.

Inventory Requirements

Education Code Section 35168 requires LEAs to maintain an inventory of equipment whose current value exceeds $500. However, this requirement does not mean that LEAs must capitalize all equipment costing more than $500. While all capitalized items should be inventoried, not all inventoried items should be capitalized.

For purposes of compliance, accountability, and internal control, LEAs should maintain inventories of many items they do not capitalize in their financial statements. Some LEAs set an inventory threshold lower than that required by statute, and some LEAs inventory certain items in addition to those that would be required by statute. For example, LEAs might inventory VCRs and computers for internal control purposes, even if they do not capitalize these items because of their low cost and even if these items' cost is below the threshold defined in statute.

Capitalization Threshold

The capitalization threshold is the per-unit cost at which a given item qualifies for capitalization. Capitalization thresholds may differ from one LEA to another depending on materiality. Typically, the larger the LEA, the higher is its capitalization threshold.

The Government Finance Officers Association (GFOA) recommends that capitalization thresholds be set so that about 80 percent of the dollar value of an LEA's assets are capitalized (not 80 percent of the individual items of property), but in no case should the threshold be less than $5,000.

For most LEAs, a capitalization threshold of at least $5,000 is recommended. For larger LEAs, a higher capitalization threshold is appropriate.

The Office of Management and Budget (OMB) Circular A-87, *Costs Principles for State, Local, and Indian Tribal Governments*, allows property costing up to $5,000 to be charged to federal grants as supplies, rather than as equipment, unless the LEA's capitalization threshold is lower. If an LEA elects to set a capitalization threshold higher than $5,000 for most items, it still needs to have a separate threshold of $5,000 for items paid for with federal funds. It is recommended that LEAs set a similar threshold for items paid for with restricted state funds.

It is further recommended that LEAs capitalize any item acquired through long-term debt, such as equipment acquired through a capital lease, even if the item does not otherwise meet the LEA's threshold for capitalization. Doing so ensures that when the LEA reports the liability for the long-term debt, the LEA will also report the corresponding asset for which the debt was issued.

LEAs may wish to establish a separate, higher threshold for capitalization of site and building improvements than for capitalization of equipment. Professional judgment should be used in the application of this separate threshold so that only those improvements that meet the threshold for capitalization *and* that significantly enhance the value or extend the life of the site or building, regardless of the cost, are capitalized.

LEAs may choose to capitalize groups of items acquired at the same time that do not meet the threshold for capitalization individually. Examples might include major acquisitions of library books for a new library or large quantities of computers for an entire computer laboratory. However, unless the group of items would represent a very significant asset for the LEA, it is not recommended that groups of items whose unit cost does not meet the capitalization threshold be capitalized.

Reconciling Inventory Additions to Accounting Records

It is easy to reconcile additions to the property inventory with accounting records. First, assets that are capitalized are always also inventoried. Acquisitions of capitalized assets are usually recorded in Objects 6000, Capital Assets, or occasionally in other objects in combination with Function 8500, Facilities Acquisition and Construction. Expenditures in these accounts should always reconcile to the additions of capital assets to the property inventory.

Second, acquisitions of assets that will not be capitalized but that will be inventoried are recorded in Object 4400, Noncapitalized Equipment. For example, assume that an LEA maintains an inventory of items of property costing more than $500 and that the LEA has a capitalization threshold of $5,000. The LEA would charge expenditures for items of property costing more than $500, but less than $5,000, to Object 4400, Noncapitalized Equipment. Expenditures in this account should reconcile to the additions of noncapitalized assets to the property inventory.

This LEA would charge items of property costing less than $500, such as adding machines and electric staplers, to Object 4300, Materials and Supplies. These items would be neither capitalized nor inventoried.

Criteria for Repairs, Maintenance, and Betterments

Repair parts that LEAs purchase for the maintenance of buildings, equipment, and grounds, regardless of cost, are normally charged as supplies (e.g., Object 4300, Materials and Supplies, or Object 4400, Noncapitalized Equipment).

Examples include:

- Plumbing fixtures
- Compressors (if part of a larger unit)
- Bus transmissions
- Engines
- Timer devices for automatic sprinkler systems

Repair costs are those outlays that are necessary to keep an asset in its intended operating condition but that do not materially increase the value or physical properties of the asset. Building repair costs are charged to Function 8100, Maintenance and Operations. Equipment repair costs are charged to the function in which the equipment is used.

By contrast, all additions and betterments to capital facilities should be charged to a capital outlay account when acquired or when construction or installation is completed. An addition refers to a physical extension of some existing asset. A betterment exists when a part of an existing asset is replaced by another and the replacement provides a significant increase in the life or value of the asset.

Building additions and betterments are typically charged to Object 6200, Buildings and Improvements, in combination with Function 8500, Facilities Acquisition and Construction.

Criteria for Identification of Building Fixtures and Service Systems

The following criteria provide a uniform basis for the identification of building fixtures and service systems. To be classified as either a building fixture or a service system, as opposed to equipment, an item must conform to five criteria:

1. The item is attached permanently to the building.
2. The item functions as part of the building.
3. Removal of the item would result in appreciable damage to the building or would impair the designed use of the facility.
4. The item is generally accepted as real property (not personal property).
5. The item loses identity as a separate unit.

Building fixtures and service systems are typically charged to Object 6200, Buildings and Improvements, in combination with Function 8500, Facilities Acquisition and Construction.

Building Fixtures

Building fixtures include attachments to a building that are not subject to transfer or removal, presumably function as integral parts of the building, and have fairly long and useful lives. Such fixtures are generally accepted as real property and lose functional identity as separate units.

Examples include bleachers installed in a gymnasium, built-in cabinetry, and walk-in freezers.

Service Systems

Service systems include any parts of a building that are intended to serve a single function throughout the building, are usually included as a part of the original construction or subsequently added in whole or in part, are built as integral parts of buildings, and are expected to have long and useful lives. Such systems are generally accepted as real property and lose identity as separate units.

Examples include air-conditioning systems and intercommunication systems.

Generally accepted accounting principles (GAAP) permit that internal service funds may be used "to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis." GAAP never requires the use of an internal service fund.

Internal service funds use the economic resources measurement focus and the accrual basis of accounting, similar to private-sector business enterprises. Costs relating to a given activity are accumulated so that they can be allocated to benefiting funds in the form of fees and charges.

Purpose of an Internal Service Fund

The purpose of an internal service fund is to measure the full cost of providing goods or services with the intent of fully recovering that cost, including some measure of the cost of capital assets, through user fees and charges. The use of an internal service fund is not appropriate for activities that a local educational agency (LEA) only partially intends to finance through fees and charges.

An internal service fund should be used only if the reporting LEA is the predominant participant in the internal service activity. If the LEA is not the predominant participant, the service is not “internal,” and an enterprise fund should be used instead.

A surplus or a deficit in an internal service fund may indicate that the funds and programs benefiting from the internal service activity are being over- or undercharged for the costs of the goods or services they receive from the internal service activity.

Self-Insurance Fund

Self-insurance activities are subject to various statutory provisions found in *Education Code* Section 17566 and *Government Code* Section 53205 and to accounting standards found in Governmental Accounting Standards Board (GASB) Statements 10 and 30. An actuarial valuation of the annual cost of self-insured benefits is required at least every three years.

LEAs may establish separate funds for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566). If an LEA establishes

more than one self-insurance fund, the LEA must roll these funds up to Fund 67, Self-Insurance Fund, when reporting data to CDE.

LEAs may also assign locally defined resource codes in the 0001–0999 range for their different self-insurance activities. The LEA must roll these resources up to Resource 0000, Unrestricted, when reporting to CDE.

Amounts contributed to a self-insurance fund are treated as expenditures of the fund from which the moneys are contributed and as revenue in the self-insurance fund. For example, a contribution from the general fund to a self-insurance fund for property and liability insurance should be recorded as an expenditure in the general fund using Object 5400, Insurance, and as revenue in the property and liability self-insurance fund using Object 8674, In-District Premiums/Contributions.

Sample Journal Entries

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Insurance	01-0000-0-0000-7200-5400	$3,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$3,000
	To record payment of property and liability insurance premiums for November.			

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury	67-0000-0-0000-0000-9110	$3,000	
	In-District Premiums/Contributions	67-0000-0-0000-0000-8674		$3,000
	To record receipt of property and liability insurance premiums for November.			

Other expenditure accounts, descriptive of the type of insurance being provided, are used to record the expenditure in the fund that provides the contribution/premium.

For example, LEAs record a contribution from the general fund to a self-insurance fund for workers' compensation using the appropriate object and the same resource, goal, and function as the salaries of the individuals being insured:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Workers' Comp. Insurance (Cert)	01-2430-0-3550-1000-3601	$1,000	
	Workers' Comp. Insurance (Class)	01-2430-0-3550-2100-3602	$1,000	
	Cash in County Treasury	01-2430-0-0000-0000-9110		$2,000
	To record payment of Work Comp insurance premiums for November.			

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury	67-0000-0-0000-0000-9110	$2,000	
	In-District Premiums/Contributions	67-0000-0-0000-0000-8674		$2,000
	To record receipt of Work Comp insurance premiums for November.			

Payments from the self-insurance fund for claims or judgments and payments to independent contractors for administrative services are recorded using Object 5800, Professional/Consulting Services and Operating Expenditures.

A trust account may be established for the payment of claims by a contracting firm. The balance in the trust account is recorded in the self-insurance fund in Object 9135, Cash with a Fiscal Agent/Trustee. Claims paid from the trust account are replenished by payments from the self-insurance fund in amounts equal to claims paid. These payments are recorded in the self-insurance fund in Object 5800.

The cost of excess insurance to provide coverage over and above self-insurance capabilities should be recorded as an expense of the self-insurance fund using Object 5450, Other Insurance.

Self-insurance activities are reported in Function 6000, Enterprise.

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Other Insurance	67-0000-0-0000-6000-5450	$1,500	
	Cash in County Treasury	67-0000-0-0000-0000-9110		$1,500
	To record the purchase of excess insurance to provide coverage over and above self-insurance capabilities.			

Measurement and Recognition of Expenses and Liabilities

LEAs that self-insure for workers' compensation, current year health and welfare benefits for active employees, and deductible property loss should

recognize claims expenses and liabilities in accordance with GASB Statements 10 and 30. Liabilities for claims, including liabilities for incurred but not reported (IBNR) claims, should be based on the total estimated cost of settling the claims, including claim adjustment costs, net of any estimated recoveries.

LEAs that self-insure for postemployment benefits other than pensions (OPEB) should recognize OPEB expenses and liabilities in accordance with GASB Statement 45. LEAs should report a net OPEB obligation (or asset) equal to the cumulative difference between annual OPEB cost and the LEA's employer contributions. The accounting for OPEB costs and employer contributions is discussed in Procedure 785.

Surpluses and Deficits in a Self-Insurance Fund

Amounts contributed to a self-insurance fund are lawfully restricted for that purpose (*Education Code* Section 17566 and *Government Code* Section 53205).

If amounts held in a self-insurance fund exceed amounts required as determined on an actuarial basis (a surplus), current and/or future contributions may be reduced by adjusting the rates used to charge the contributing funds.

If amounts charged by the self-insurance fund to the contributing funds do not recover the full cost of the self-insured benefits over a reasonable period of time, any deficit fund balance in the self-insurance fund should be charged back to the contributing funds by adjusting the rates used to charge those funds.

Warehouse Revolving Fund

Education Code sections 42830–42833 authorize and prescribe procedures for the establishment of a revolving warehouse stock fund, more commonly called the Warehouse Revolving Fund. Permission is also given for two or more LEAs to establish a common revolving fund for this purpose.

The Warehouse Revolving Fund is an internal service fund that may be used to account for all the costs of an LEA's warehousing operations, including the purchase of inventories and the costs of receiving, storing, and delivering them. Its use is optional. For additional discussion of inventories, see Procedure 405.

The Warehouse Revolving Fund is reimbursed for all items furnished from warehouse stock to any office or school. The transactions of the warehouse revolving fund are to be conducted insofar as possible without a profit or loss and are accounted for on the accrual basis of accounting.

LEAs using the Warehouse Revolving Fund record the following in this fund:

1. The cost of the inventory.
2. The salaries and benefits of personnel working in the warehouse operation.
3. New acquisitions of land, building, and equipment for the warehouse. These items are recorded as capital assets and depreciated over their estimated useful lives.
4. The cost of other expenses for maintaining the warehouse, such as utilities, noncapitalized warehouse equipment, maintenance, and warehouse operation supplies.
5. Depreciation expense on buildings and equipment used for the warehouse.

Warehouse Revolving Fund activities are reported in Function 6000, Enterprise.

Sample Journal Entries

When inventory is purchased, the following entry is made:

Warehouse Revolving Fund

Date	Object Title	SACS Account String	Debit	Credit
10-11-xx	Stores	66-0000-0-0000-0000-9320	$25,000	
	Cash in County Treasury	66-0000-0-0000-0000-9110		$25,000
	To record purchase of inventory for the warehouse.			

This entry increases an asset account for the purchase of inventory and reduces the cash account for the payment.

The cost of the inventory debited at the time of receipt of goods includes the total cost of the merchandise, including sales tax, postage, freight, and other charges.

When items are requisitioned from the warehouse by site, program, or department staff, the following entries are recorded:

Warehouse Revolving Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury	66-0000-0-0000-0000-9110	$336	
	All Other Sales	66-0000-0-0000-0000-8639		$336
	Materials and Supplies	66-0000-0-0000-6000-4300	$300	
	Stores	66-0000-0-0000-0000-9320		$300
	To record the sale of items requisitioned from the warehouse, including overhead.			

This entry increases the cash account, recognizes revenue from the sale of inventory items, reduces the inventory account, and records the cost of goods sold.

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Materials and Supplies	01-0000-0-0000-8100-4300	$336	
	Cash in County Treasury	01-0000-0-0000-0000-9110		$336
	To record the receipt of custodial supplies requisitioned from the warehouse, and payment by cash.			

This entry recognizes the cost of custodial supplies received and payment by cash.

Note that LEAs using a warehouse revolving fund include a charge for overhead in the price of the goods charged to school sites, programs, or departments. In this example, the overhead charge is 12 percent ($300 cost of goods sold + 12% = $336). If the calculation of the overhead rate is reasonable, at the end of the year the amount of sales recorded in the Warehouse Revolving Fund will approximately equal the total costs incurred in that fund. The calculation of overhead is discussed in Procedure 405.

There are several accepted methods for determining the cost to be assigned to inventory requisitioned from the warehouse. These methods are discussed in Procedure 405.

The LEA should take a physical count of the inventory at least once a year. Procedures for conducting a physical inventory and adjusting the books to accurately reflect the physical inventory are provided in Procedures 410 and 405.

Procedure 780 Consolidation of NCLB Administrative Funds

The No Child Left Behind (NCLB) Act allows a local educational agency (LEA), upon approval by the California Department of Education (CDE), to consolidate funds from various NCLB programs for use in the administration of one or more NCLB programs (refer to *United States Code*, Title 20, Section 7823). LEAs may request permission to consolidate the funds in Part II of the Consolidated Application (for further information on the Consolidated Application, refer to CDE's Web site at *http://www.cde.ca.gov/fg/aa/co*).

Benefits of Consolidation

Consolidation of funds will provide flexibility in charging administrative costs and result in simplified accounting and personnel activity timekeeping. LEAs that consolidate administrative costs will have considerable discretion in how those costs get distributed back to the individual NCLB programs, as discussed later. Further, the consolidated funds may be treated as one cost objective; as such, LEAs are not required to maintain separate records by individual program to account for costs relating to administration, nor maintain personnel activity reports to document the time spent for administrative activities performed exclusively for the programs. (*Note:* Semiannual certifications are still required. Refer to Procedure 905, Documenting Salaries and Wages.)

Allowable Expenditures

For programs with no specified limits, the maximum amount available for administrative costs is what is reasonable and necessary for the proper and efficient administration of the programs, provided that the LEA budgets and expends at least 85 percent of the grant amounts at school sites for direct services to pupils.

When an LEA chooses to consolidate administrative funds in a particular fiscal year, it must pay all administrative costs from an administrative cost pool; no additional administrative cost may be charged directly to a participating program. (However, see treatment of indirect costs beginning on page 780-4.)

Consolidated funds may be used for the administration of any program included in the consolidation. The funds may be used at the school district and school levels for activities such as coordination of the NCLB programs with other federal and nonfederal programs, establishment and operation of peer-review mechanisms for NCLB, administration of Title

IX of the Elementary and Secondary Education Act (ESEA) (General Provisions), dissemination of information regarding model programs and practices, technical assistance for any NCLB program, and training personnel engaged in audit and other monitoring activities.

Accounting for Consolidated Administrative Funds

Accounting for consolidated administrative funds is a three-step process. As costs are incurred, they are recorded in a pooled resource, and then the pooled costs are distributed to the various NCLB programs. Finally, using funds available for the consolidation, indirect costs are charged directly to the programs.

Incurring Costs

Expenditures for administration are initially recorded in Resource 3155, NCLB: Consolidated Administrative Funds, rather than in the resources of the individual participating programs. LEAs should charge administrative costs they incur for participating programs (except for indirect costs, as explained later) to Resource 3155 in combination with the optional Function 2150, Instructional Administration of Special Projects, or the more general Function 2100, Instructional Supervision and Administration:

Object Title	SACS Account String	Debit	Credit
Certificated Supervisors' and Administrators' Salaries	01-3155-0000-2150-1300	$5,500	
Clerical, Technical, and Office Staff Salaries	01-3155-0000-2150-2400	$8,900	
Health and Welfare Benefits, Certificated Positions	01-3155-0000-2150-3401	$2,000	
Health and Welfare Benefits, Classified Positions	01-3155-0000-2150-3402	$2,300	
Materials and Supplies	01-3155-0000-2150-4300	$700	
Noncapitalized Equipment	01-3155-0000-2150-4400	$3,000	
Cash in County Treasury	01-3155-0000-2150-9110		$22,400

To record expenditures made from funds available in the NCLB consolidated administrative cost pool.

(*Note:* After these entries, Resource 3155 has a negative cash balance of $22,400.)

Distributing Accumulated Costs

Because Section 1127 of the ESEA, as amended by the NCLB Act, requires that allowable program carryover be calculated based on total program expenditures, LEAs must distribute the pooled costs (Resource 3155 expenditures) to the programs participating in the consolidation before carryover can be calculated. LEAs may do this at the end of the year or at other intervals they deem appropriate. The costs are distributed

using Object 5710, Transfers of Direct Costs, and will result in zero net expenditures in Resource 3155 at the end of the year.

LEAs do not have to distribute pooled costs back to the individual programs on the basis of benefits received by each program or in the same ratio that each program contributed to the pool. Rather, LEAs may distribute the costs as they see fit provided that:

- The amount distributed to any program, when combined with the program's indirect costs, does not exceed 15 percent of total program expenditures or the program's maximum allowable administrative costs, whichever is less.
- The total grant amount is not exceeded after the distribution.

For the following example, assume that the LEA recorded expenditures in Resource 3155 with Function 2150, and it is now ready to distribute the expenditures to the following programs in the following amounts:

Title I, Part A (Resource 3010)	$16,300
Title I, Part C (Resource 3060)	$3,500
Title I, Part D (Resource 3025)	$2,300
Title II, Part A (Resource 4035)	$300
Total	$22,400

The LEA records the distribution using Function 2150 in combination with Object 5710, Transfers of Direct Costs:

Object Title	SACS Account String	Debit	Credit
Transfers of Direct Costs	01-3010-0000-2150-5710	$16,300	
	01-3060-0000-2150-5710	$3,500	
	01-3025-0000-2150-5710	$2,300	
	01-4035-0000-2150-5710	$300	
	01-3155-0000-2150-5710		$22,400
Cash in County Treasury	01-3155-0000-0000-9110	$22,400	
	01-3010-0000-0000-9110		$16,300
	01-3060-0000-0000-9110		$3,500
	01-3025-0000-0000-9110		$2,300
	01-4035-0000-0000-9110		$300

To distribute costs recorded in Resource 3155 to the various NCLB programs.

(*Note:* After the distribution, Resource 3155 has zero net expenditures and zero cash balance, but the details of the accumulated costs and distribution are retained.)

Indirect Costs

Indirect costs are considered administrative costs for purposes of consolidating administrative funds. However, to simplify the necessary accounting entries CDE recommends that, rather than using Resource 3155, LEAs charge indirect costs pertaining to the individual programs directly to those programs after the LEA has distributed all pooled administrative costs.

The process is as follows:

1. At the end of the year, distribute all remaining Resource 3155 costs to the participating programs.

2. Compute indirect costs that may be charged to the programs. Depending on program guidelines, this is usually done by multiplying the direct costs of the program (objects 1000–5999, less object 5100) times the LEA's approved indirect cost rate.

3. Charge up to the computed indirect cost amounts to the individual programs, making sure to take into account any indirect or administrative cost caps the programs may have.

As shown in the following example, the indirect costs are charged to the programs using Function 7210, General Administration Cost Transfers, and Object 7310, Transfers of Indirect Costs. The corresponding transfer of cash between resources is done at the same time.

Object Title	SACS Account String	Debit	Credit
Transfers of Indirect Costs	01-3010-0000-7210-7310	$ 5,100	
	01-3060-0000-7210-7310	$ 2,050	
	01-3025-0000-7210-7310	$ 1,200	
	01-4035-0000-7210-7310	$ 550	
	01-0000-0000-7210-7310		$ 8,900
Cash in County Treasury	01-0000-0000-0000-9110	$ 8,900	
	01-3010-0000-0000-9110		$ 5,100
	01-3060-0000-0000-9110		$ 2,050
	01-3025-0000-0000-9110		$ 1,200
	01-4035-0000-0000-9110		$ 550

To record transfers of indirect costs to programs included in the consolidation of NCLB administrative funds.

The administrative costs, including indirect costs, charged to each program in the consolidation should be verified to make sure that administrative cost limits have not been exceeded.

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Postemployment benefits are benefits that employees earn during employment but take after employment has ended. They are part of the total compensation offered by employers to attract and retain the services of qualified employees. The most common example of postemployment benefits other than pensions (OPEB) is retiree health care.

This procedure discusses accounting standards relating to OPEB, matters relating to administration of federal and state categorical programs, and accounting for OPEB in the standardized account code structure (SACS). Additional information on implementation of OPEB accounting standards, effective dates, transition, and fiscal solvency issues can be found in CDE's letter of February 26, 2007, available on the CDE Web site at *www.cde.ca.gov/fg/ac/co*.

To ensure an understanding of the OPEB concepts discussed in this procedure, local educational agencies (LEAs) are encouraged to first review the definitions of key terms provided on page 785-29. For an in-depth understanding of OPEB accounting standards, LEAs should review Governmental Accounting Standards Board (GASB) Statements 45 and 43.

Definition of OPEB

OPEB includes any postemployment medical, dental, vision, and prescription benefits, whether administered through a defined benefit pension plan or separately. OPEB also includes any other nonpension and nonhealth care postemployment benefits that are administered outside a pension plan, such as life insurance, disability, long-term care, and legal services. OPEB refers to benefits for any former employees, not only retirees, including former employees on permanent disability.

OPEB does not include pension benefits or other nonhealth care postemployment benefits that are administered through a pension plan, or cash payments to retirees that may be used at the retiree's option to pay employee health care premiums. It does not include termination benefits such as retirement incentives unless the incentives involve changes to existing OPEB obligations. Generally, retirement incentives are considered inducements to terminate employment rather than compensation for employment.

Financial Reporting Requirements

The accounting standards by which governmental employers report their costs and obligations relating to OPEB are contained in GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), and the related GASB Statement 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43). LEAs that offer OPEB apply GASB 45, and established OPEB plan entities apply GASB 43.

GASB 45 requires that governmental employers recognize their accrual-basis costs and obligations relating to OPEB systematically over the eligible employees' years of service in the same manner as they do for pensions. GASB 45 does not require that OPEB obligations be funded.

In accrual-basis financial statements (government-wide statements, proprietary fund statements, and fiduciary fund statements), LEAs recognize OPEB expense equal to their accrual-basis annual OPEB cost, and a liability (or asset) known as the net OPEB obligation for the cumulative difference between their annual OPEB costs and amounts actually contributed. The net OPEB obligation is calculated from the date that the LEA implemented GASB 45. The net OPEB obligation begins at zero unless the LEA elected to recognize a liability retroactively at transition.

In modified accrual-basis financial statements (governmental fund statements), LEAs recognize OPEB expenditures to the extent of amounts actually funded, including any current liabilities (amounts expected to be liquidated with expendable available resources). LEAs do not recognize unfunded accrual-basis OPEB costs or long-term OPEB obligations in governmental fund statements.

Where an LEA's OPEB expenditures in governmental funds are not equal to its accrual-basis OPEB cost, a conversion entry is necessary when the government-wide statements are prepared.

In the notes to the financial statements, LEAs provide disclosures and required supplementary information (RSI) for each plan in which they participate. RSI includes a schedule of funding progress and a schedule of employer contributions. The schedule of funding progress compares the actuarial value of plan assets (AVA) with the actuarial accrued liability (AAL) and reflects any unfunded actuarial accrued liability (UAAL). The

schedule of employer contributions shows the LEA's annual required contributions and the percentage contributed.

Disclosures for more than one plan should be combined in a manner that avoids unnecessary duplication. LEAs need not present RSI if the OPEB plan issues its own separate financial statements or if the OPEB plan is included in the financial statements of another entity.

Because the AAL and the UAAL are actuarial liabilities, not accounting liabilities, both are disclosed in the notes to the financial statements, but neither is recognized in the financial statements. LEAs that fully fund their annual required contributions for OPEB each year thus report no OPEB liability in their financial statements, no matter how large their UAAL.

GASB 45 applies to any LEA that offers OPEB, regardless of how the OPEB are financed and regardless if OPEB are offered for only a limited period after employment ends, such as to age 65. GASB 45 applies to OPEB benefits administered through a defined benefit pension plan. It also applies to OPEB for retirees who pay for their own benefits but who pay a blended plan rate rather than an age-adjusted premium; the resulting implicit rate subsidy must be measured and reported as OPEB. Implicit rate subsidy is discussed on page 785-14.

OPEB Cost and Annual Required Contributions

The basic approach for measuring OPEB costs is to project the future cash outflows that will be needed to fund benefits based on the substantive plan (the terms of the existing plan as understood by the employer and members), discount those future cash flows to their present value, and allocate that present value to specific years of employee service. This approach is similar to how pension systems such as STRS and PERS calculate rates for pension contributions.

There are three situations in which no special calculation of OPEB cost is required, although the other provisions of Statements 43 and 45 still apply. These are defined contribution OPEB plans, insured defined benefit OPEB plans, and cost-sharing OPEB plans established as a trust or similar arrangement. In these three situations, the required contribution or premium is used as the measure of OPEB cost. As most LEAs do not have these types of plans, this procedure does not address them.

Annual Required Contributions

An annual required contribution, known as the ARC, is calculated periodically to estimate the amount necessary to fund the anticipated OPEB obligation. The ARC is also the basis for measurement of annual OPEB cost.

The ARC has two components: the normal cost relating to the current period, and the amortization of any unfunded liability for past service over a prescribed time period (see Amortization Period on page 785-6). The ARC is the actuarially determined level of employer contribution that would be necessary on a sustained, ongoing basis to meet OPEB obligations as they come due and to amortize any unfunded liability over a period not to exceed 30 years.

Where an employer fully contributes its ARC each year, annual OPEB cost is equal to the ARC. Where an employer does not fully contribute its ARC and a net OPEB obligation is created, or where an employer elected to recognize a liability at the time that it implemented GASB 45, the calculation of annual OPEB cost becomes more complicated.

Calculation of Annual OPEB Cost

Annual OPEB cost is the accrual-basis measure of the periodic cost of offering OPEB. It is the cost that is recognized in accrual-basis financial statements, regardless of amounts actually funded.

Normally, the ARC serves as the measure of annual OPEB cost. However, where a net OPEB obligation exists, the calculation of annual OPEB cost becomes more complicated because ARCs calculated in subsequent valuations include an amount for amortization of the past contribution deficiencies. Where a net OPEB obligation exists, the ARC must be adjusted in two ways before it can serve as a measure of OPEB cost:

- OPEB cost must be **increased** to reflect lost interest earnings on amounts not contributed, and
- OPEB cost must be **decreased** by amounts included in the subsequent calculation of the ARC to recapture, or amortize, the prior contribution deficiency. This second adjustment only becomes necessary once a subsequent valuation is performed.

Annual OPEB cost thus derives from, but is not necessarily equal to, the ARC. If these adjustments were not made, annual OPEB cost and the net

OPEB obligation would be overstated by the amounts previously recognized in annual OPEB cost.

For example:

ARC in Year 1 = $7,000
ARC in Year 2 = $7,500
ARC in Year 3 = $7,859

In Year 1, the employer fully contributes its ARC. There is no net OPEB obligation, so the ARC in Year 2 ($7,500) is the measure of OPEB cost in Year 2.

In Year 2, the employer contributes only $2,500, creating a net OPEB obligation of $5,000. Prior to the creation of the net OPEB obligation, the ARC for Year 3 ($7,859) would have served as the measure of OPEB cost, but the existence of the net OPEB obligation necessitates two adjustments.

1. OPEB cost must be increased for the lost interest earnings on the amount not contributed:

Net OPEB Obligation	$5,000
Interest rate assumption	x .055
Increase to OPEB cost	$ 275

2. Once a subsequent valuation is performed, OPEB cost must be decreased for the amount included in the subsequent calculation of the ARC for recapture of the prior contribution deficiency. The amortization factor used in the actuarial valuation to calculate the subsequent ARC is used for this adjustment (13.91 in this example).

Net OPEB Obligation	$5,000
Amortization factor	÷ 13.91
Decrease to OPEB cost	$ 359

Annual OPEB cost thus differs from the ARC:

ARC	$7,859
Increase for lost interest earnings	275
Decrease for portion of the ARC representing recapture, or amortization, of the prior contribution deficiency	(359)
OPEB cost	$7,775

These two adjustments prevent accrual-basis OPEB costs that were recognized previously from being recognized again.

Fully funding the ARC in subsequent years would systematically eliminate the net OPEB obligation:

Employer's contribution based on ARC	$7,859
OPEB cost	(7,775)
Reduction of net OPEB obligation	$ 84

Amortization Period

The maximum period for amortization of the UAAL is 30 years. Within certain parameters, employers may use shorter periods if they wish.

GASB 45 allows either a closed or an open amortization period for amortization of the UAAL. CDE suggests that an open amortization period is appropriate for that portion of the UAAL arising from actuarial gains or losses, but that a closed amortization period is more prudent for portions of the UAAL arising from past underfunding of OPEB obligations or from increases in the level of benefits offered, because it takes substantially longer to amortize a liability using an open amortization period rather than a closed amortization period. However, the size of the liability and the implications for future solvency should be considered when it is time to choose which type of amortization to use.

Employer Contributions Defined

For purposes of calculating OPEB cost, employer contributions for OPEB are defined as any of the following irrevocable payments to outside parties:

- Payments of benefits to or on behalf of retirees or beneficiaries.
- Premium payments to an insurer (including any implicit rate subsidy).

- Irrevocable transfers of resources to a trust or equivalent arrangement in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

GASB 45 specifically precludes counting the following revocable actions as contributions:

- Designations of net assets of a governmental or proprietary fund to be used for OPEB.
- Internal transfers of assets to a separate governmental or proprietary fund for the same purpose.

These actions are regarded as earmarking of employer assets to reflect the employer's current intent to apply these assets to finance the cost of benefits at some time in the future and thus do not qualify as contributions. Consequently, even if an LEA earmarks an amount equal to its ARC each year, the LEA will report a net OPEB obligation in its accrual-basis financial statements. The liability will be offset by the earmarked assets, but both the liability and the asset are reported; the two are not netted.

Valuations

Although GASB 45 and GASB 43 are accounting standards, they require a significant number of actuarial calculations on which accounting entries and disclosures are based. LEAs must obtain a valuation of their OPEB obligations either every two or every three years, depending on the size of their plans.

LEAs with fewer than 100 plan members may use an alternative measurement method that does not require the services of an actuary. This nonactuarial method takes the same basic approach used in an actuarial validation but allows for certain simplified assumptions.

Frequency of Valuations

The required frequency of valuations depends on the number of members in the plan. Membership means eligible employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently receiving benefits. A retired employee (or beneficiary) and a covered spouse or other dependent are counted as a single plan member for this purpose.

Total Plan Membership	Required Frequency
200 or more	Every two years
Fewer than 200 (including plans of fewer than 100 using the alternative measurement method)	Every three years

A new valuation is required sooner if significant changes affect the results of the valuation. Significant changes include changes in benefit provisions, such as the employer enhancing or curtailing benefits; changes in the covered population, such as the employer limiting or expanding eligibility; and other factors that impact long-term assumptions. Short-term investment fluctuations or differences between assumed and actual experience in a given year are not considered significant changes for this purpose.

A valuation is required for each plan. A plan might have different classes of members with different eligibility requirements and different benefit structures, but if plan assets can legally be used to pay benefits for any of the members, it is one plan for purposes of financial reporting. Where plan assets can be used to pay benefits only for certain members, there is more than one plan for purposes of financial reporting.

Timing of Valuations

The valuation date must be no earlier than 24 months before the start of the first year covered by the valuation. The valuation date need not be the same as the financial reporting date, but it should be approximately the same each valuation year. When scheduling a valuation, LEAs should allow sufficient turnaround time for the actuary to perform the valuation and sufficient lead time to include the resulting ARC in the coming year's budget if the LEA plans to do so.

Charging OPEB to Programs

In developing the guidance in this procedure, CDE consulted extensively with the United States Department of Education (ED) regarding the allowability of OPEB costs to federal programs. The following guidance represents the resulting agreements between the ED and CDE. This guidance applies to state and local programs as well.

"Funded" Defined

The ED emphasizes that to be allowable charges to federal programs, OPEB costs must be funded. Accrual-basis costs that are not actually funded are not allowable.

In contrast to the requirements of GASB 45, the ED does not require that funded amounts be contributed to an irrevocable trust, as long as the amounts funded can be used only for providing postemployment benefits to retirees and other beneficiaries. For example, where an LEA self-insures for OPEB benefits, self-insured OPEB premiums are allowable charges to federal programs. Procedure 775 contains guidance relating to self-insurance activities.

Interfund transfers and designations of fund balances are not expenditures for purposes of generally accepted accounting principles (GAAP) and are not allowable charges to programs.

Underlying Principles for Allowability of OPEB Costs to Federal Programs

Federal cost principles generally provide that costs that can be identified specifically with a particular program objective are allowable as direct costs of federal awards. Compensation of employees for time devoted specifically to a federal award is an allowable direct cost. Except as provided below, OPEB expenditures relating to eligible active employees should therefore be direct-charged to the program(s) in which the employee works, along with the employees' salary and other fringe benefits.

By contrast, OPEB expenditures relating to already retired employees represent costs that were not funded during the employees' years of service and that cannot be identified with any program objective now. These costs are simply overhead; that is, they are an obligation for which the LEA is liable but from which current programs derive no direct benefit. The ED agrees that federal programs may absorb a share of OPEB costs relating to retirees only if the costs are allocated to all activities, much like indirect costs, and only if the allocation base is as broad as possible.

Conditions of Allowability of OPEB Costs to Federal Programs

OPEB-eligible active employees: Federal cost principles provide that when OPEB costs are funded in accordance with an acceptable actuarial cost method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP. An LEA's OPEB expenditures for amortization of the UAAL for eligible active employees are therefore potentially allowable as direct costs of federal awards, along with the normal cost for those employees.

However, the cost principles also provide that any cost must be reasonable and necessary for efficient performance of the program objectives. Where an LEA's expenditures for amortization of the UAAL for its OPEB-eligible active employees would be *unduly burdensome or distorting* if direct-charged to the employees' programs, the LEA may not direct-charge the amortization costs but rather must allocate them to all programs in the same manner as OPEB costs relating to retirees.

An example in which amortization costs for active employees would be distorting or unduly burdensome is an LEA whose OPEB-eligible employees have a high number of years of service and whose OPEB plan is largely unfunded. In this LEA, the amortization of the UAAL for OPEB-eligible active employees will likely be high in comparison with the normal costs for those employees and may be unduly burdensome if direct-charged to the programs in which those employees work. By contrast, in an LEA whose OPEB-eligible active employees have a low number of years of service or whose OPEB plan is largely funded, the amortization of the UAAL for OPEB-eligible active employees will likely be lower in comparison with the normal costs for those employees and is less likely to be unduly burdensome if direct-charged to the programs in which the employees work.

"Unduly burdensome" and "distorting" are subjective determinations that each LEA must make for itself. CDE suggests that as a general rule, where the amortization of the UAAL for OPEB-eligible active employees is no greater than the normal cost, it is reasonable to direct-charge the amortization cost to programs along with the normal cost.

In the interest of consistent cost treatment, amortization costs for active employees should either be direct-charged uniformly or allocated uniformly. LEAs should not direct-charge some and allocate others. Normal costs should always be direct-charged.

Already retired employees: OPEB expenditures relating to retirees, whether for current year benefits or for amortization of the unfunded liability, may only be allocated to programs and only in proportion to either total salaries or total FTEs in all activities.

The ED specifically denied any narrower allocation base. For example, OPEB expenditures relating to retirees may not be allocated to programs in proportion to only OPEB-eligible salaries or FTEs or in proportion to only health and welfare-eligible salaries or FTEs.

OPEB expenditures relating to retirees may not be direct-charged to the program(s) in which the employee worked before retiring. For example, OPEB expenditures for a retired Title I employee may not be charged directly to Title I.

OPEB expenditures may not be charged to the general administration function for inclusion in the indirect cost pool, except for direct-charged costs for OPEB-eligible active employees who work in general administration activities and except for the share of allocated OPEB costs allocated to the general administration function.

Summary of Allowable OPEB Charges to Programs

The following tables summarize the agreements reached between the ED and CDE. In keeping with the principle of consistent cost treatment, this guidance applies equally to federal, state, and local programs.

Table 1: If LEA funds OPEB purely on pay-as-you-go basis, not based on an actuarial valuation

Group	OPEB Expenditure	Allowability
Retirees	Current year benefits	• Allocate to all activities in proportion to total salaries or total full-time-equivalent positions (FTEs) in all activities

Table 2: If LEA funds OPEB on an actuarial basis

Group	OPEB Expenditure	Allowability
Retirees	Amortization of past unfunded liability for retirees	• Allocate to all activities in proportion to total salaries or total FTEs in all activities
OPEB-eligible active employees	Normal or “service” cost	• Direct charge as a fringe benefit on a per-eligible-FTE basis to program(s) to which each OPEB-eligible active employee’s salary is charged
OPEB-eligible active employees	Amortization of past unfunded liability for OPEB-eligible active employees	• Direct charge as a fringe benefit on a per-eligible-FTE basis to program(s) to which each OPEB-eligible active employee’s salary is charged, to the extent that the amount charged is not unduly burdensome or distorting to the program(s) (see discussion on page 785-10); or • Allocate to all activities in proportion to total salaries or total FTEs in all activities

For this purpose, "all activities" means any combination of fund, goal, and function, but not necessarily resource, to which any salaries or any FTEs are charged.

LEAs may choose not to charge allocable OPEB costs to a particular program resource, but they may not recover the costs allocable to that resource from another resource unless allowed by the other resource. For example, an LEA might choose not to charge Title IV its share of OPEB costs, but the LEA may not recover those same costs from Title I instead. However, the LEA could recover the costs from an allowable unrestricted resource.

For consistency in application of this guidance, once an LEA obtains an OPEB valuation based on an actuarial method recognized by GAAP, all of the LEA's OPEB contributions may be considered to be in relation to that valuation; that is, they may be considered to be on an actuarial basis rather than on a pay-as-you-go basis. The LEA may then apply the guidance in Table 2 rather than the guidance in Table 1, regardless of whether the LEA has implemented GASB 45 and regardless of whether the LEA's contributions are greater than, less than, or equal to current year benefits. All LEAs that have implemented GASB 45 will apply the guidance in Table 2.

The methodology for attributing contributions for amortization of the unfunded liability between retirees and active employees for purposes of charging these expenditures to programs is discussed in the following section.

Implications for Indirect Cost Rates and Administrative Cost Caps

OPEB costs relating to existing retirees are akin to indirect costs in the sense that it is appropriate to prorate them across all programs rather than to try to identify their benefit to any particular program. However, these costs are not administrative in character in the same sense that costs in the traditional pool of indirect administrative costs are. CDE and the ED agree that these costs should not be included in the traditional indirect cost pool and that they should not count toward administrative cost caps in programs where such caps exist. Indirect costs and their application to programs are discussed in Procedure 915.

Attributing OPEB Contributions to the Components of the ARC

Where an LEA's OPEB contributions are equal to the ARC, the contributions apply to the components of the ARC as shown in the

actuarial valuation. However, where an LEA's contributions are less than or greater than the ARC, it is necessary to attribute the contributions to the components of the ARC.

Contributions less than the ARC: Where the LEA contributes less than the ARC in any year, the contributions are attributed in proportion to the components of the ARC. For example, if the normal cost as shown in the actuarial valuation is 45 percent of the ARC and the amortization of the UAAL is 55 percent of the ARC, then 45 percent of the LEA's contribution is attributed to normal costs, and 55 percent is attributed to amortization.

The contributions attributed to amortization must be further attributed between amortization of the UAAL for retirees and amortization of the UAAL for active employees. This would require an assumption about the attribution of plan assets between retirees and active employees, for which there is no actuarial protocol, so LEAs should attribute their contributions for amortization of the UAAL between retirees and active employees in proportion to the ratio of the AAL for retirees to the AAL for active employees, both of which can be found in the actuarial valuation.

To illustrate:

$$\frac{\text{AAL (Retirees only)}}{\text{AAL (total)}} \times \text{Amortization component of the ARC} \times \text{Percentage of the ARC funded} = \text{Amortization of the ARC for retirees}$$

and,

$$\frac{\text{AAL (OPEB-eligible active employees only)}}{\text{AAL (total)}} \times \text{Amortization component of the ARC} \times \text{Percentage of the ARC funded} = \text{Amortization of the ARC for OPEB-eligible active employees}$$

Contributions greater than the ARC: Where the LEA contributes more than the ARC in any year, all amounts contributed in excess of the normal cost for that year must apply to the UAAL. The amounts applied to the UAAL are attributed between retirees and active employees in proportion to the ratio of the AAL for retirees to the AAL for active plan members, as described above.

Accounting for OPEB in the Standardized Account Code Structure

OPEB expenditures are reported in the 3700 range of object codes in the standardized account code structure (SACS):

3701 OPEB, Allocated, certificated positions
3702 OPEB, Allocated, classified positions
3751 OPEB, Active employees, certificated positions
3752 OPEB, Active employees, classified positions

Objects 3701–3702 are used for OPEB expenditures relating to retirees and other former employees. These expenditures must be allocated to all activities. Objects 3701–3702 may also be used for expenditures relating to amortization of the UAAL for OPEB-eligible active employees where these expenditures are allocated to all activities instead of direct-charged using objects 3751–3752.

Allocated OPEB expenditures must be allocated based on final actual total salaries or FTEs, not on budgeted, estimated, or projected figures.

Objects 3751–3752 are used for OPEB expenditures for normal costs for OPEB-eligible active employees. Objects 3751–3752 are also used for expenditures for amortization of the UAAL relating to OPEB-eligible active employees to the extent that these costs are not unduly burdensome or distorting to programs (see discussion on page 785-10). Where direct-charging the costs of amortization would be unduly burdensome or distorting to programs, the costs may be allocated to all programs using objects 3701–3702. Normal costs, however, must always be direct-charged.

Direct-charged costs for OPEB-eligible active employees should be charged on the basis of an equal amount per eligible FTE, similar to how current health and welfare benefits are charged. These costs are not proportional to salaries.

Implicit Rate Subsidy

Normally, health care costs can be expected to increase with age. Age-adjusted premiums reflect this. Where retirees pay for their own benefits but pay a blended plan rate rather than an age-adjusted premium, an implicit rate subsidy results, which must be measured and reported as OPEB.

For example, assume that an LEA has 400 active employees and 100 retirees. Assume that the total quoted monthly premium for the 400 active employees is $80,000 and the incremental cost for including the 100 retirees is $40,000.

	Number	Total Monthly Premium	Age-Adjusted Premium
Active Employees	400	$80,000	$200/member
Retirees	100	$40,000	$400/member

But many employers use a *common* or *blended* premium. If the same assumptions are used, the blended premium is calculated as follows:

	Number	Total Monthly Premium	Blended Premium
Active Employees and Retirees	500	$120,000	$240/member

The blended premium for active employees is higher than the age-adjusted premium ($240 blended premium compared with $200 age-adjusted premium = $40 difference). This creates an *implicit rate subsidy* of retirees, who pay less than they would using an age-adjusted premium ($400 age-adjusted premium compared with $240 blended premium = $160 savings, or subsidy, per retiree).

Even if this subsidy is the only benefit that retirees receive, GASB 45 requires that it be measured and disclosed as OPEB. Since accrual-basis accounting is an effort to match costs with the periods benefited, if part of the premiums paid in the current period, apparently on behalf of active employees, really relates to previous periods when now-retired employees were working, the effort to match costs to periods is not achieved.

It can be seen from the following two illustrations that $16,000 of the employer's contribution of $96,000 actually represents a subsidy of retiree health care costs. Note that in both examples, retirees pay the blended premium of $240.

Illustration using blended premium:

	Active Employees	Retirees
Blended premium	$ 240	$ 240
Number of members	x 400	x 100
Total premiums	$96,000	$24,000
Less member contributions	0	24,000
Employer contribution	$96,000	$ 0

Illustration using age-adjusted premium:

	Active Employees	Retirees
Age-adjusted premium	$ 200	$ 400
Number of members	x 400	x 100
Total premiums	$80,000	$40,000
Less member contributions	0	24,000
Employer contribution	$80,000	$16,000

GASB 45 requires that this subsidy be included when future OPEB costs are projected and that it be reflected in accrual-basis financial statements as an employer contribution for OPEB rather than as a health care cost of the current period. GASB 45 provides for a conceivable exception for certain employers in community rated cost-sharing plans. “Community rated” is not the same as “blended,” the actuary will determine whether this exception applies.

The existence of an implicit rate subsidy does not require that LEAs change their accounting for health benefit expenditures in governmental funds and report any portion as OPEB contributions.

OPEB Accounting Illustrations

The following illustrations discuss the accounting for OPEB in seven different funding scenarios. Definitions of the terms and acronyms used in these illustrations are provided on page 785-29. For purposes of these illustrations, amounts and calculations have been deliberately simplified.

Scenario 1: The LEA funds its OPEB obligations purely on a pay-as-you-go basis, not based on an actuarial valuation. The LEA's OPEB expenditure is equal to current year benefits for already retired employees.

Note that as discussed on page 785-12, once an LEA implements GASB 45, Scenario 1 no longer applies. Whether the LEA changes its funding approach or not, the LEA will apply Scenario 4.

- Fund Accounting:

  OPEB costs relating to already retired employees: Allocate to all activities in proportion to total salaries or total FTEs in all activities.

  Current year benefits for already retired employees = $38
  LEA contribution = $38
  LEA chooses total salaries in all activities as its allocation base

  Allocate $38 across all activities, in proportion to total salaries in all activities, using Objects 3701 and 3702, OPEB-Allocated.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	38	38

- Conversion Entry for Government-wide Financial Statements:

  Until the LEA implements GASB 45, generally accepted accounting principles do not require recognition of OPEB, so no conversion entry is necessary.

- OPEB Trust Accounting:

  Where there is no separate OPEB trust, no separate accounting is necessary.

Scenario 2: The LEA has fully prefunded its OPEB plan. Because there is no UAAL to amortize, the ARC is composed only of normal costs for OPEB-eligible active employees. The LEA contributes 100 percent of the ARC each year to an OPEB trust or equivalent arrangement. *Note:* Scenario 2 may be the least likely scenario, but an understanding of Scenario 2 is useful as a basis for understanding subsequent scenarios.

- Fund Accounting:

  Normal cost for OPEB-eligible active employees: Direct-charge, on a per eligible-employee basis, as a fringe benefit to the program(s) to which each OPEB-eligible active employee's salary is charged, as follows:

  Employer contributions for normal cost ÷ total number of OPEB-eligible active FTE employees x OPEB-eligible active FTE employees in each program = normal cost charged to each program

  Generally, the normal cost per eligible employee should be calculated by dividing the normal cost for the entire plan, or for each bargaining unit within that plan, by the total number of OPEB-eligible active FTE employees in the plan or the bargaining unit. Actuarial calculations are most meaningful when based on large populations, so calculating per eligible employee costs based on smaller populations, such as subgroups within a bargaining unit or especially on a per individual basis, can produce distorting results and should be avoided.

  ARC = $45
  Normal cost = $45
  Amortization of UAAL = not applicable because plan is prefunded
  For active employees = not applicable
  For retirees = not applicable
  Accrual-basis OPEB cost = $45 (equal to the ARC; no adjustments are necessary)
  Current year benefits for already retired employees = $38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)
  LEA contribution = $45

  In this illustration, it is assumed that only certificated employees are eligible for OPEB.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	45	45

- Conversion Entry for Government-wide Financial Statements:

  Since the LEA contributes 100 percent of its ARC and the annual OPEB cost in this illustration is equal to the ARC, no conversion entry is necessary.

- OPEB Trust Accounting:

  A separate OPEB trust might or might not be reported within the LEA's financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA's financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	xx	
71	9010	0	0000	0000	8xxx	Contributions from Employers		xx
						Total	45	45

Scenario 3: The LEA has an unfunded or partially funded plan. The ARC is composed of normal costs for OPEB-eligible active employees plus amortization of the UAAL for both OPEB-eligible active employees and retirees. The LEA contributes 100 percent of the ARC each year to a separate OPEB trust or equivalent arrangement.

- Fund Accounting:

  Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

  Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

Amortization of the UAAL for OPEB-eligible active employees: Direct-charge as a fringe benefit on a per OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

ARC = $100
Normal cost = $45
Amortization of UAAL = $55
For active employees = $22 (40 percent of amortization component)
For retirees = $33 (60 percent of amortization component) (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)
Accrual-basis OPEB cost = $100 (equal to the ARC; no adjustments are necessary)
Current year benefits for already retired employees = $38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)
LEA contribution = $100

Either direct-charge $67 ($45 + $22) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate $33 to all activities:

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	67	67

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	33	33

Or direct-charge $45 on a per OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate $55 ($33 + $22) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	45	45

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	55	55

- Conversion Entry for Government-wide Financial Statements:

  Since the LEA contributes 100 percent of its ARC and the annual OPEB cost in this illustration is equal to the ARC, no conversion entry is necessary.

- OPEB Trust Accounting:

  A separate OPEB trust might or might not be reported within the LEA's financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA's financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	100	
71	9010	0	0000	0000	8xxx	Contributions from Employers		100
						Total	100	100

Scenario 4: LEA has an unfunded or partially funded plan. The ARC is composed of normal costs for OPEB-eligible active employees plus amortization of the UAAL for both OPEB-eligible active employees and retirees. The LEA contributes an amount less than the ARC each year to a separate OPEB trust or equivalent arrangement. In this illustration, the LEA contributes 78 percent of the ARC.

Note that Scenario 4 also applies to any LEA that formerly used Scenario 1 but has since implemented GASB 45, whether the LEA changes its funding approach or not.

- Fund Accounting:

  Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

  Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

  Amortization of the UAAL for OPEB-eligible active employees: Direct-charge as a fringe benefit on a per-OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

  ARC = $100
  Normal cost = $45
  Amortization of UAAL = $55
  For active employees = $22 (40 percent of amortization component)
  For retirees = $33 (60 percent of amortization component) (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)
  Accrual-basis OPEB cost = $100 (for purposes of illustration, adjustments are ignored)
  Current year benefits for already retired employees = $38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)
  LEA contribution = $78

Either direct-charge $52 (($45 + $22) x 78%) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate $26 (the remainder) to all activities:

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	52	52

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	26	26

Or direct-charge $35 ($45 x 78%) on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate $43 (the remainder) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	35	35

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	43	43

- Conversion Entry for Government-wide Financial Statements:

  The LEA must debit expense by function for the difference between annual OPEB cost and amounts contributed, and credit the Net OPEB Obligation account for the resulting liability ($100 OPEB cost less $78 contributed = $22 net OPEB obligation).

Conversion Entry CE021:	Debit	Credit
Expenses (by function)	22	
Net OPEB obligation		22
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and contributions recognized in governmental funds		

- OPEB Trust Accounting:

  A separate OPEB trust might or might not be reported within the LEA's financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA's financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	78	
71	9010	0	0000	0000	8xxx	Contributions from Employers		78
						Total	78	78

Scenario 5: The LEA makes a lump-sum contribution, substantially greater than the ARC, to a separate OPEB trust or equivalent arrangement.

- Fund Accounting:

  Where an LEA contributes substantially more than the ARC in a given year, the portion of the contribution in excess of the normal cost for that year applies to the UAAL (see page 785-12).

  Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

  Amortization of the UAAL for retirees: Except as provided in the Note to Scenario 5 following, allocate to all activities as described in Scenario 1.

Amortization of the UAAL for OPEB-eligible active employees: Except as provided in the Note to Scenario 5 following, allocate to all activities as described in Scenario 1. For this illustration, it is assumed that the portion of the contribution relating to amortization of the UAAL for OPEB-eligible active employees would be distorting and unduly burdensome if direct-charged to programs.

ARC = $100
Normal cost = $45
Amortization of UAAL = $55
For active employees = $22 (40 percent of amortization component)
For retirees = $33 (60 percent of amortization component) (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)
Accrual-basis OPEB cost = $100 (for purposes of this illustration, adjustments are ignored)
Current year benefits for already retired employees = $38 (but this is not applicable because benefits are provided for in the ARC and paid by the OPEB trust)
LEA contribution = $5,000

Direct-charge $45 on a per OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate $4,955 (the remainder) to all activities.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	45	45

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	4,955	4,955

- Conversion Entry for Government-wide Financial Statements:

  The LEA must credit expense by function for the difference between annual OPEB cost and amounts contributed, and debit the Net OPEB Obligation account for the resulting asset ($100 OPEB cost less $5,000 contributed = $4,900 net OPEB asset).

Conversion Entry CE021:	Debit	Credit
Net OPEB obligation (asset)	4,900	
Expenses (by function)		4,900
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and OPEB contributions recognized in governmental funds		

- OPEB Trust Accounting:

  A separate OPEB trust might or might not be reported within the LEA's financial statements, depending on the nature of the trust and its relationship to the LEA. If the trust is required to be reported in the LEA's financial statements pursuant to GASB Statement 14 or 39, the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
71	9010	0	0000	0000	9110	Cash in County Treasury	5,000	
71	9010	0	0000	0000	8xxx	Contributions from Employers		5,000
						Total	5,000	5,000

Note to Scenario 5: In the unusual situation where a lump-sum contribution consists of amounts that were recorded as expenditures in the past but that remained in the LEA's possession (for example, amounts accumulated in a fiduciary trust fund before GASB Statement 34 narrowed the definition of fiduciary funds), the amounts previously recorded as expenditures should not be recorded as expenditures again. These amounts should be recorded as a debit to Object 7299, All Other Transfers Out to All Others, rather than as an operating expenditure of any kind.

Scenario 6: LEA self-insures for its employee health and welfare costs, including OPEB (see Procedure 775 for guidance on self-insurance activities). The LEA assesses self-insurance premiums for OPEB equal to 100 percent of the ARC but pays them to its self-insurance fund rather than to a separate OPEB trust or equivalent arrangement. The self-insured premiums are allowable expenditures for purposes of charging programs, but they are not employer contributions for purposes of GASB 45.

- Fund Accounting:

  Normal cost for OPEB-eligible active employees: Direct-charge as described in Scenario 2.

  Amortization of the UAAL for retirees: Allocate to all activities as described in Scenario 1.

  Amortization of the UAAL for OPEB-eligible active employees: Direct-charge as a fringe benefit on a per OPEB-eligible active FTE employee basis to the program(s) to which each OPEB-eligible active employee's salary is charged as described in Scenario 2 to the extent that the costs are neither distorting nor unduly burdensome to those programs (see discussion on page 785-10). Where the costs would be distorting or unduly burdensome to those programs, allocate the costs to all activities as described in Scenario 1.

  ARC = $100
  Normal cost = $45
  Amortization of UAAL = $55
  For active employees = $22 (40 percent of amortization component)
  For retirees = $33 (60 percent of amortization component) (For attribution of OPEB expenditures between normal costs, amortization of the UAAL for retirees, and amortization of the UAAL for active employees, see page 785-12)
  Accrual-basis OPEB cost = $100 (for purposes of this illustration, adjustments are ignored)
  Current year benefits for already retired employees = $38 (but this is not applicable because benefits are provided for in the ARC and paid by the self-insurance fund)
  LEA pays self-insurance premiums = $100

In this illustration, assume that amortization costs for OPEB-eligible active employees are direct-charged to programs.

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	0000	0	0000	2700	3751	OPEB, Active employees, certificated positions	xx	
01	3010	0	1110	1000	3751	OPEB, Active employees, certificated positions	xx	
01	6500	0	5750	1110	3751	OPEB, Active employees, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
						Total	67	67

Fund	Resource	Project Year	Goal	Function	Object	Object Title	Debit	Credit
01	0000	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3701	OPEB, Allocated, certificated positions	xx	
01	0000	0	0000	2700	3702	OPEB, Allocated, classified positions	xx	
01	3010	0	1110	1000	3701	OPEB, Allocated, certificated positions	xx	
01	6500	0	5750	1110	3701	OPEB, Allocated, certificated positions	xx	
01	xxxx	0	0000	0000	9110	Cash in County Treasury		xx
13	5310	0	0000	3700	3702	OPEB, Allocated, classified positions	xx	
13	5310	0	0000	0000	9110	Cash in County Treasury		xx
						Total	33	33

- Conversion Entry for Government-wide Financial Statements:

  For purposes of GASB 45, the LEA's employer contribution is the $38 expended by the self-insurance fund for current year benefits. However, since the self-insurance fund is reported on the accrual basis and the LEA will recognize the $100 annual OPEB cost and the $62 net OPEB obligation in that fund, no conversion entry is needed.

- OPEB Trust Accounting:

  Where there is no separate OPEB trust, no separate accounting is necessary.

Scenario 7: In addition to its expenditure for current year benefits for retirees as described in Scenario 1, the LEA earmarks assets for future costs of OPEB but does not contribute them irrevocably to a separate OPEB trust or similar arrangement. The LEA retains the ability to redirect the accumulated assets toward another use.

- Fund Accounting:

  Accumulate the earmarked assets as a designation of fund balance in the General Fund (Fund 01), the Special Reserve Fund (Fund 17), or the Special Reserve for Postemployment Benefits

(Fund 20). Pursuant to *Education Code* sections 42840 and 42842, assets may be transferred to Fund 17 or Fund 20 using an interfund transfer and must be transferred back to the General Fund for expenditure.

Charge OPEB expenditures, when paid, as described in the applicable previous scenario. Do not charge expenditure accounts in any program at the time the assets are earmarked.

- Conversion Entry for Government-wide Financial Statements:

  The LEA must debit expense by function for the difference between annual OPEB cost and amounts contributed, and credit the Net OPEB Obligation account for the resulting liability ($100 OPEB cost less $38 contributed = $62 net OPEB obligation).

Conversion Entry CE021:	Debit	Credit
Expenses (by function)	62	
Net OPEB obligation		62
To recognize the OPEB obligation (asset) resulting from the difference between annual OPEB cost on the accrual basis and contributions recognized in governmental funds		

- OPEB Trust Accounting:

  Where there is no separate OPEB trust, no separate accounting is necessary.

Definitions of Key Terms

Actuarial Accrued Liability (AAL). That portion of the Actuarial Present Value of Total Projected Benefits (APVTPB) not provided for by future normal costs. The AAL can be thought of as the value of OPEB benefits already earned in exchange for employees' past service. If a plan has been systematically funded by the employer since inception, the accumulated plan assets will theoretically be equal to the AAL.

Actuarial Present Value of Total Projected Benefits (APVTPB). The total projected costs to finance benefits payable in the future based on members' service through the valuation date and their future service, discounted to reflect the expected effects of the time value of money. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to

pay the total projected benefits when due. The APVTPB is used to calculate the Annual Required Contributions (ARC).

Actuarial Value of Assets (AVA). The value of cash, investments, and other property belonging to the OPEB plan, as used by the actuary for the purpose of a valuation (also see Plan Assets).

Annual OPEB Cost. An accrual-basis measure of an employer's periodic cost of offering OPEB.

Annual Required Contributions (ARC). The ARC is the actuarially-determined level of employer contribution that would be required on a sustained, ongoing basis to fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to past service over a period not to exceed 30 years. It is the amount needed to pay benefits as they come due plus amortize the UAAL. The ARC has two components: normal cost and amortization of the UAAL for both active employees and retirees. If an employer funds less (or more) than the ARC, the difference is a liability (or asset) known as the net OPEB obligation.

Closed Amortization Period (Closed Basis). A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth. With this method, the entire liability would be fully amortized at the end of 30 years. The closed amortization period is most commonly used in mortgage lending. In contrast, an open amortization period (open basis) is one that begins again or is recalculated each time a new actuarial valuation is performed. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. With this method, the liability would be reduced over time, but it would take much longer to amortize it fully because the amortization period would start over at every valuation. The open amortization period is most commonly used in consumer lending such as credit cards.

Employer's Contributions. Contributions made for OPEB in relation to the ARC. An employer has made a contribution in relation to the ARC if the employer has:

- Made payments of benefits directly to or on behalf of a retiree or beneficiary, or
- Made premium payments to an insurer, or
- Irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing

benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator

Assets that employers merely set aside, or earmark, for future benefits do not qualify as contributions for purposes of GASB 45; the employer would still report a net OPEB obligation.

Implicit Rate Subsidy. The difference between the premium rate for active employees alone and the blended rate used for all members, including retirees, rather than an age-adjusted premium.

Insured Benefits. An OPEB financing arrangement in which premiums are paid to an insurer while employees are in active service, in exchange for which the insurer unconditionally assumes the obligation to pay the postemployment benefits in accordance with the terms of the OPEB plan.

Net OPEB Obligation (or asset). The cumulative difference between annual OPEB cost in relation to the ARC and the employer's contributions. The net OPEB obligation is reported as a liability (or asset) in the accrual-basis financial statements.

Normal Cost. That portion of the APVTPB that is allocated to each valuation year by an actuarial cost method. Under most actuarial methods, normal cost can be thought of as the cost for OPEB being earned by employees in exchange for services now. An employer that has even one OPEB-eligible active employee will have a normal cost each year.

OPEB-Eligible Active Full-Time-Equivalent (FTE) Employees. Active employees who are potentially eligible for future postemployment benefits, whether vested or not.

OPEB Plan. GASB 45 and GASB 43 use the term "OPEB plan" differently. For purposes of GASB 43, an OPEB plan is an entity distinct from the employer, such as a trust, through which OPEB benefits are financed and administered. This distinction is similar to the distinction between employers and pension plans. In this context, "plan" is limited to situations in which benefits are advance-funded. For purposes of Statement 45, the term "OPEB plan" is broader in scope. It encompasses all situations in which employers provide OPEB to their employees, regardless of how the benefits are financed. In this context, an OPEB plan refers to "all benefits to be provided to plan members or beneficiaries in accordance with the current substantive plan (the plan terms as understood by the employer and plan members)."

Open Amortization Period (Open Basis). See Closed Amortization Period.

Pay-As-You-Go. A method of financing an OPEB or pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as retiree benefit payments and expenses coming due. In practice, employers that finance OPEB on a pay-as-you-go basis typically make payments directly to a provider; usually they do not have an established plan entity such as a trust.

Plan Assets. Resources that have been segregated and restricted in a trust or an equivalent arrangement in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator for the payment of benefits in accordance with the terms of the plan. Assets earmarked by employers for OPEB are employer assets, not plan assets.

Plan Liabilities. Obligations payable by the plan at the reporting date including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

Substantive Plan. See OPEB Plan.

Unfunded Actuarial Accrued Liability (UAAL). The excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL can derive from three sources: unfunded past normal costs, actuarial gains and losses (differences between actuarial assumptions and actual experience), and changes to the level of benefits promised.

Section 800

Guidance for Specialized Agencies

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Pursuant to *Education Code* Section 41023, joint powers agreements/agencies (JPAs) consisting solely of school districts and county offices of education are subject to the same restrictions (e.g., financial reporting requirements) applicable to school districts and county offices, including preparation of budget and financial statements, certifications, accounting and auditing requirements, and expenditure and appropriation controls.

Education Code Section 41023 exempts from the financial reporting requirements those JPAs established to provide insurance funds for losses and payments for such things as health and welfare benefits for employees, school district liability, and workers' compensation pursuant to *Education Code* Section 17567.

Guidelines for JPA Financial Reporting

The following guidelines for the standardized account code structure (SACS) budget and financial reports have been developed to standardize reporting for JPAs. The guidelines are designed to ensure that the revenues and expenditures for JPAs are not inadvertently "double counted" when financial data from all local educational agencies (LEAs) are aggregated into statewide totals.

1. When JPAs operate Regional Occupational Centers and Programs (ROC/Ps):

   Education Code Section 52321(a) allows ROC/Ps established and maintained by JPAs to receive annual operating funds from each of the participating districts.

   A district participating in a JPA in which the JPA operates the ROC/P will recognize the ROC/P apportionments as Other State Apportionments (Resource 6350 and Object 8311) and report the transfer of funds to the JPA as Transfers of Apportionments to JPAs (Resource 6350, Function 9200, and Object 7223).

   The JPA will recognize the revenues as Transfers of Apportionments from Districts or Charter Schools (Resource 6350 and Object 8791). The expenditures will be reported in the Goal 6000, ROC/P, and the appropriate functions, such as Function 1000, Instruction.

2. When JPAs are responsible for administering a Special Education Local Plan Area (SELPA):

   In accordance with *Education Code* Section 56195.1(b), a school district may, in conjunction with one or more school districts, form a JPA and prepare a plan for the education of individuals with "exceptional needs" residing within those districts. The plan must include the designation of a "responsible local agency or alternative administrative agency" (e.g., one of the participating school districts) to receive and distribute the special education moneys.

   The responsible agency will report the special education funds in the appropriate special education resource categories (Resource 6500) and report the transfer of funds to the JPA as Transfers of Apportionments to JPAs (Resource 6500, Function 9200, and Object 7223).

   The JPA will recognize the revenues as Transfers of Apportionments from Districts or Charter Schools (Resource 6500 and Object 8791). The expenditures will be reported in the special education goals (goals 5000–5999) and the appropriate functions, such as Function 1000, Instruction.

3. When JPAs are organized for the purpose of providing transportation or food services:

   JPAs providing transportation or food services do so either (a) as a designated single school district or (b) through a contract.

   a. **Single School District JPA.** If a JPA's sole function is to provide school transportation services or school food services, the JPA may be designated as a single school district in accordance with *Education Code* sections 41980(a) and 41980(b) to receive state apportionments. No activity is reported on the district's books if its transportation/food services are provided by a single district JPA.

      The JPA will report the apportionments in the appropriate resource and object (Transportation—Home-to-School [Resource 7230, Object 8311]; Transportation—Special Education [Resource 7240, Object 8311]; and Child Nutrition Programs [Resource 5310, objects 8220 and

8520]). The expenditures will be reported in the appropriate functions (Function 3600, Pupil Transportation, and Function 3700, Food Services).

b. **Contracted JPAs.** When JPAs provide transportation/food services through a contract, the reporting is as follows:

The district will report the expenditures associated with the JPA using Object 5100, Subagreements for Services, within the appropriate goal and function.

The JPA will report the revenue received from the district as Object 8677, Interagency Services Between LEAs, and report the expenditures as Goal 7110, Nonagency—Educational, in the appropriate function activity (e.g., Function 3600, Pupil Transportation, and Function 3700, Food Services).

4. When school districts or county offices contract with JPAs for certain services:

If the reporting situations described previously do not apply, then the following guidelines should be used whenever school districts or county offices contract with JPAs for services (e.g., instructional services, support services):

The school district or county office will report the expenditures associated with the JPA as Subagreements for Services (Object 5100) within the appropriate goal and function.

The JPA will report the revenue received from the school district or county office using Object 8677, Interagency Services Between LEAs, and report expenditures as Goal 7110, Nonagency—Educational, in the appropriate function activity (e.g., Function 1000, Instruction, or Function 2100, Instructional Supervision and Administration).

Indirect Cost Rates for JPAs

The California Department of Education (CDE) is responsible for approving indirect cost rates for all LEAs. Although it does not generally approve indirect cost rates for JPAs, CDE can approve an indirect cost rate for a JPA if the JPA meets the following conditions:

1. The JPA has a county-district code and is included on the CDE active list of JPAs filing the SACS financial reports. (See "County-District Codes for JPAs," page 805-5.)

2. The JPA is established to provide direct instructional and support services and operates its own administrative unit (e.g., ROC/P or SELPA JPAs), or the JPA is established to provide direct support services and operates its own administrative unit (e.g., pupil transportation, food services JPAs).

   Note: Indirect cost rates will not be approved for JPAs that provide only central administrative services (e.g., payroll, accounting, centralized data processing).

3. The JPA has filed a SACS financial report for the appropriate year. Under the negotiated agreement with the United States Department of Education, indirect cost rates derived from the expenditure data of one fiscal year are applicable to programs in the second succeeding fiscal year. For example, rates derived from 2007-08 expenditure data are applicable to 2009-10 fiscal year programs.

4. The JPA has assigned only those costs normally associated with central administrative services, such as agencywide budgeting, accounting, purchasing, personnel, and centralized data processing, to Function 7200, Other General Administration. Costs relating to the administration of the program(s) provided by the JPA should be charged according to the function definitions in Procedure 325, the same as it would be if the program was provided by the district.

   For example, directors of instructional programs should be charged to Function 2100, Instructional Supervision and Administration. Directors of transportation programs should be charged to Function 3600, Transportation. Directors of food service programs should be charged to Function 3700, Food Services.

5. The JPA makes a written request to CDE to approve its rate. This request process is part of the SACS unaudited actual financial data certification form.

   Note: Expenditure reports submitted by JPAs are subject to the same analysis that CDE applies to school districts and county offices of education, including verification that indirect cost rate calculations are reasonable.

County-District Codes for JPAs

The issuance of county-district codes will be limited to those JPAs that, consistent with the requirements of *Education Code* Section 41023, would appropriately file the SACS financial reports. JPAs established for insurance purposes under *Education Code* Section 17567 are excluded from the reporting requirements of *Education Code* Section 41023 and will not be issued county-district codes. When requesting a county-district code from CDE, the JPA must:

1. Complete an application for a county-district code for a JPA, following the instructions available on the Internet at *http://www.cde.ca.gov/ds/si/ds*. (For assistance or questions regarding county-district code applications, please contact CDS Administration at (916) 327-4014 or by mail at CDS Administration, Data Management Division, California Department of Education, 1430 N Street, Suite 6308, Sacramento, CA 95814.)

2. Include evidence that *Government Code* requirements for JPAs have been met. (See *Government Code* sections 6503.5 and 6503.7 regarding filing a notice of the JPA agreement with the Office of the Secretary of State and payment of the filing fee.)

3. Submit the request through the county office of education and obtain the approval of the county superintendent.

4. List all participants in the JPA.

5. Provide a description of the type of service provided by the JPA to the educational programs. Generally, JPAs provide instructional and support services only (e.g., ROC/Ps, SELPAs), support services only (e.g., pupil transportation, food services, utilities, facilities acquisition, financing), or central administrative services (e.g., payroll, accounting, centralized data processing, legal). (CDE program approvals may be required for certain types of JPAs.)

6. Describe how the financial reporting will be accomplished. (See "Guidelines for JPA Financial Reporting," page 805-1.)

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The *California School Accounting Manual (CSAM)* provides guidance on generally accepted accounting principles (GAAP) for all local educational agencies (LEAs) as well as specific guidance for LEAs in California. Section 15071 of *Title 5* of the *California Code of Regulations* requires that charter schools follow the guidelines in *CSAM*, to the extent the guidelines apply, for reporting of financial data. Much of the guidance in *CSAM* is relevant to charter schools.

GAAP for Charter Schools

Governmental agencies such as traditional school districts and county offices of education use the governmental fund accounting model and the modified accrual basis of accounting for their governmental activities. Charter schools that are governmental use this basis of accounting. The authoritative source of GAAP for this model is the Governmental Accounting Standards Board (GASB).

Not-for-profit charter schools approved under *Education Code* Section 47604 that operate as or are operated by a nonprofit public benefit corporation pursuant to Section 501(c) (3) of the *Internal Revenue Code* typically use the not-for-profit accounting model and the accrual basis of accounting. The authoritative source of GAAP for this model is the Financial Accounting Standards Board (FASB).

The not-for-profit model more closely resembles private-sector (for-profit) accounting than governmental fund accounting. Nongovernmental not-for-profit entities using this model present external financial statements consisting of a statement of financial position, a statement of activities, a statement of cash flows, and notes to the financial statements.

Governmental fund accounting and the differences between the accrual and the modified accrual bases of accounting are discussed in Procedure 101, Governmental Accounting.

Reporting Charter School Financial Data to CDE

Pursuant to *Education Code* Section 42100, all LEAs, including charter schools, must report their unaudited actual financial data to the California Department of Education (CDE).

The decision as to whether a charter school should report to CDE as part of its authorizing LEA or separately should be based on whether the

charter school is a part of the LEA or a separate reporting entity for purposes of GAAP. Authoritative guidance on the reporting entity is contained in GASB statements 14 and 39. A charter school that is the same reporting entity as its authorizing LEA, as defined by GAAP, will be included in the LEA's financial statements and will typically report to CDE as part of the LEA. A charter school that is a separate reporting entity, as defined by GAAP, will issue its own financial statements that are separate from those of its authorizing LEA and will typically report separately to CDE as well.

Reporting Formats

Charter data may be reported in either the standardized account code structure (SACS) format or in the alternative format for charter schools approved by the State Board of Education and titled the Charter School Unaudited Actuals Financial Report—Alternative Form (hereafter referred to as the Alternative Form). Charter schools are encouraged to discuss the reporting options with their authorizing agencies and their independent auditors before choosing a format.

Regardless of the format used, the data submitted for each charter school must be a complete report of all of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

Using SACS for Charter School Financial Reporting

The main operating funds available for charter schools reporting in SACS are:

- General Fund (Fund 01) (modified accrual basis of accounting): For charter schools reporting separately from the authorizing LEA and for charter schools reporting as part of the LEA within the LEA's general fund.
- Charter Schools Special Revenue Fund (Fund 09) (modified accrual basis of accounting): For charter schools reporting as part of the authorizing LEA but reported outside of the LEA's general fund.
- Charter Schools Enterprise Fund (Fund 62) (accrual basis of accounting): For charter schools using the not-for-profit reporting model reporting either as part of the authorizing LEA or separately.

Only one main operating fund should be reported.

If a charter school reporting in Fund 01 uses additional funds, the charter school must report those funds in addition to their main operating fund.

If Fund 62 is used for any of a charter school's activities, it should be used for all of the charter school's activities. Note that fund accounting is inconsistent with the not-for-profit financial reporting model, so in this case Fund 62 serves as a financial statement for purposes of reporting to CDE rather than as a fund.

Costs reported in Fund 62 should include the function most descriptive of the activity being performed (e.g., instruction, pupil services, enterprise, plant services) rather than charging all costs to Function 6000, Enterprise, which is normally done in an enterprise fund.

Regardless of the basis of accounting, charter school financial reporting will typically be simpler than such reporting for traditional school districts because charter schools receive block grant funding in lieu of many individual categorical funds and typically operate fewer instructional programs. As with any other LEA, charter schools need use only what is necessary, required, and applicable to them. For guidance in using SACS, charter schools are encouraged to refer to applicable sections and procedures in this manual.

Using the Alternative Form for Annual Financial Reporting

Charter schools using the Alternative Form for financial reporting are encouraged to set up their accounts to align with the Alternative Form. A list of accounts that correspond to the Alternative Form is presented at the end of this procedure. Written definitions of each of the accounts (objects) can be found in Procedure 330.

Charter schools using the Alternative Form for financial reporting must use the spreadsheet version provided by CDE, and the county office of education must submit the data to CDE electronically. Because of the brevity of the form, additional data necessary for compliance or other calculations may have to be submitted separately.

The Alternative Form allows for either the modified accrual basis of accounting used by governmental agencies or the accrual basis of accounting normally used by not-for-profit entities. Regardless of the basis of accounting, charter schools using the Alternative Form report all financial data on the form, using one basis of accounting or the other. The

data submitted for each charter school must be a complete report of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

If a charter school maintains more than one fund in its own accounting system and uses the Alternative Form for reporting to CDE, it should consolidate all the financial data from all its funds on the Alternative Form.

For an Alternative Form, user's guide, and additional information about financial reporting, visit the following Web site: *http://www.cde.ca.gov/fg/sf/fr*.

Listing of Codes for the Charter School Alternative Form

The following codes from the Charter School Unaudited Actuals Financial Report Alternative Form (Alternative Form) correspond to the SACS object codes described in Procedure 330. **The following codes are generally listed in the same order as they appear on the Alternative Form.** Because of block granting of charter school funds, there are many more codes listed than most charter schools will need. (For more information about the object codes and their definitions, refer to Procedure 330.)

Code	Title
8000–8999	**REVENUES AND OTHER FINANCING SOURCES**
8000–8799	**Revenues**
8010–8099	Revenue Limit Sources
8010–8019	Principal Apportionment
8011	State Aid—Current Year
8015	Charter Schools General Purpose Entitlement—State Aid
8019	State Aid—Prior Years
8020–8039	Tax Relief Subventions (for revenue limit funded schools)
8021	Homeowners' Exemptions
8022	Timber Yield Tax
8029	Other Subventions/In-Lieu Taxes
8040–8079	County and District Taxes (for revenue limit funded schools)
8041	Secured Roll Taxes
8042	Unsecured Roll Taxes
8043	Prior Years' Taxes
8044	Supplemental Taxes
8045	Education Revenue Augmentation Fund (ERAF)
8047	Community Redevelopment Funds
8048	Penalties and Interest from Delinquent Taxes
8070	Receipts from County Board of Supervisors (County School Service Fund [CSSF] only)
8080–8089	Miscellaneous Funds (for revenue limit funded schools)
8081	Royalties and Bonuses
8082	Other In-Lieu Taxes
8089	Less: Non-Revenue Limit (50 Percent) Adjustment
8090–8099	Revenue Limit Transfers (for revenue limit funded schools)
8092	PERS Reduction Transfer
8096	Transfers to Charter Schools in Lieu of Property Taxes
8091	Revenue Limit Transfers—Current Year
8097	Property Tax Transfers
8099	Revenue Limit Transfers—Prior Years

Code	Title
8100–8299	Federal Revenue
8290	No Child Left Behind
8181	Special Education—Federal (Entitlement)
8182	Special Education—Federal (Discretionary Grants)
8220	Child Nutrition Programs (Federal)
	Other Federal Revenue
8110	Maintenance and Operations (Federal Impact Aid)
8260–8299	Other Federal Revenue
8260	Forest Reserve Funds
8270	Flood Control Funds
8280	U.S. Wildlife Reserve Funds
8281	FEMA
8285	Interagency Contracts Between LEAs
8287	Pass-Through Revenues from Federal Sources
8300–8599	Other State Revenue
8480	Charter Schools Categorical Block Grant
	Special Education—State
	All Other State Revenue
8311	Other State Apportionments—Current Year
8319	Other State Apportionments—Prior Years
8425	Year-Round School Incentive
8434	Class Size Reduction, Grades K–3
8435	Class Size Reduction, Grade Nine
8520	Child Nutrition
8530	Child Development Apportionments
8540	Deferred Maintenance Allowance
8545	School Facilities Apportionments
8550	Mandated Cost Reimbursements
8560	State Lottery Revenue
8571	Voted Indebtedness Levies, Homeowners' Exemptions
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes
8575	Other Restricted Levies, Homeowners' Exemptions
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes
8587	Pass-Through Revenues from State Sources
8590	All Other State Revenue

Code	Title
8600–8799	Other Local Revenue
	All Other Local Revenue
8611	Voted Indebtedness Levies, Secured Roll
8612	Voted Indebtedness Levies, Unsecured Roll
8613	Voted Indebtedness Levies, Prior Years' Taxes
8614	Voted Indebtedness Levies, Supplemental Taxes
8615	Other Restricted Levies, Secured Roll
8616	Other Restricted Levies, Unsecured Roll
8617	Other Restricted Levies, Prior Years' Taxes
8618	Other Restricted Levies, Supplemental Taxes
8621	Parcel Taxes
8622	Other Non-Ad Valorem Taxes
8625	Community Redevelopment Funds Not Subject to Revenue Limit Deduction
8629	Penalties and Interest from Delinquent Non-Revenue Limit Taxes
8631	Sale of Equipment and Supplies
8632	Sale of Publications
8634	Food Service Sales
8639	All Other Sales
8650	Leases and Rentals
8660	Interest
8662	Net Increase (Decrease) in the Fair Value of Investments
8671	Adult Education Fees
8672	Nonresident Student Fees
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8691	Plus: Miscellaneous Funds Non-Revenue Limit (50 Percent) Adjustment
8697	Pass-Through Revenue from Local Sources
8699	All Other Local Revenue
8710	Tuition
8780	Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Obsolete)
8781	All Other Transfers from Districts or Charter Schools
8782	All Other Transfers from County Offices
8783	All Other Transfers from JPAs
8791	Transfers of Apportionments from Districts or Charter Schools
8792	Transfers of Apportionments from County Offices

Code	Title
8793	Transfers of Apportionments from JPAs
8799	Other Transfers In from All Others
1000–7999	**EXPENDITURES AND OTHER FINANCING USES**
1000–7499	**Expenditures**
1000–1999	Certificated Personnel Salaries (for positions that require a credential or permit)
1100	Certificated Teachers' Salaries
1200	Certificated Pupil Support Salaries
1300	Certificated Supervisors' and Administrators' Salaries
1900	Other Certificated Salaries
2000–2999	Noncertificated Salaries (for positions that do not require a credential or permit)
2100	Noncertificated Instructional Salaries
2200	Noncertificated Support Salaries
2300	Noncertificated Supervisors' and Administrators' Salaries
2400	Clerical, Technical, and Office Staff Salaries
2900	Other Noncertificated Salaries
3000–3999	Employee Benefits (Employers' contributions to retirement plans and health and welfare benefits. Codes ending in 1 indicate benefits paid to personnel in certificated positions, and codes ending in 2 indicate those paid to personnel in noncertificated positions.)
3101–3102	State Teachers' Retirement System
3201–3202	Public Employees' Retirement System
3301–3302	OASDI/Medicare/Alternative
3401–3402	Health and Welfare Benefits
3501–3502	Unemployment Insurance
3601–3602	Workers' Compensation Insurance
3701–3702	OPEB, Allocated
3751–3752	OPEB, Active Employees
3801–3802	PERS Reduction (for revenue limit funded schools)
3901–3902	Other Benefits
4000–4999	Books and Supplies (Expenditures for books and supplies including costs of sales/use tax, freight, and handling charges)
4100	Approved Textbooks and Core Curricula Materials
4200	Books and Other Reference Materials
4300	Materials and Supplies
4400	Noncapitalized Equipment

Code	Title
4700	Food
5000–5999	Services and Other Operating Expenditures (Expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, legal, and other operating expenditures)
5100	Subagreements for Services
5200	Travel and Conferences
5300	Dues and Memberships
5400	Insurance
5500	Operations and Housekeeping Services
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements
5800	Professional/Consulting Services and Operating Expenditures
5900	Communications
6000–6999	Capital Outlay (Expenditures for sites, buildings, books, and equipment, including leases with option to purchase; 6100–6500 for modified accrual basis of accounting only)
6100	Land
6170	Land Improvements
6200	Buildings and Improvement of Buildings
6300	Books and Media for New School Libraries or Major Expansion of School Libraries
6400	Equipment
6500	Equipment Replacement
6900	*Depreciation Expense (accrual basis of accounting only)*
7000–7499	Other Outgo
7110–7143	Tuition to Other Schools
7110	Tuition for Instruction Under Interdistrict Attendance Agreements
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs
7211–7213	Transfers of Pass-Through Revenues to Other LEAs
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools
7212	Transfers of Pass-Through Revenues to County Offices
7213	Transfers of Pass-Through Revenues to JPAs
7221–7223	Transfers of Apportionments to Other LEAs—Special Education
7221	Transfers of Apportionments to Districts or Charter Schools—Special Education
7222	Transfers of Apportionments to County Offices—Special Education
7223	Transfers of Apportionments to JPAs—Special Education

Code	Title
7221–7223	Transfers of Apportionments to Other LEAs—All Other
7221	Transfers of Apportionments to Districts or Charter Schools—All Other
7222	Transfers of Apportionments to County Offices—All Other
7223	Transfers of Apportionments to JPAs—All Other
7281–7299	All Other Transfers (other than apportionments or pass-through)
7280	Transfers to Charter Schools in Lieu of Property Taxes (Obsolete)
7281	All Other Transfers to Districts or Charter Schools
7282	All Other Transfers to County Offices
7283	All Other Transfers to JPAs
7299	All Other Transfers Out to All Others
7438–7439	Debt Service
7438	Debt Service—Interest
7439	Other Debt Service—Principal
	OTHER FINANCING SOURCES/USES
8900–8999	**Other Financing Sources**
8930–8979	Other Sources
8931	Emergency Apportionments
8951	Proceeds from Sale of Bonds
8953	Proceeds from Sale/Lease Purchase of Land and Buildings
8961	County School Building Aid
8965	Transfers from Funds of Lapsed/Reorganized LEAs
8971	Proceeds from Certificates of Participation
8972	Proceeds from Capital Leases
8973	Proceeds from Lease Revenue Bonds
8979	All Other Financing Sources (Use Object 8979 for proceeds of charter school loans.)
7600–7699	**Other Financing Uses**
7630–7699	Other Uses
7651	Transfers of Funds From Lapsed/Reorganized LEAs
7699	All Other Financing Uses
8980–8999	Contributions Between Unrestricted and Restricted Accounts
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
8995	Categorical Education Block Grant Transfers
8997	Transfers of Restricted Balances (Inactive)
8998	Categorical Flexibility Transfers per Budget Act Section 12.40
9700–9799	**FUND BALANCE, RESERVES**
9791	Beginning Fund Balance

Code	Title
9793	Audit Adjustments
9795	Other Restatements
9711	Reserve for Revolving Cash
9712	Reserve for Stores
9713	Reserve for Prepaid Expenditures (Expenses)
9719	Reserve for All Others
9730	General Reserve
9740	Legally Restricted Balance
9770	Designated for Economic Uncertainties
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury
9780	Other Designations
9790	Undesignated/Unappropriated Amount
9100–9499	**ASSETS**
9110	Cash in County Treasury
9111	Fair Value Adjustment to Cash in County Treasury
9120	Cash in Bank(s)
9130	Cash in Revolving Fund
9135	Cash with a Fiscal Agent/Trustee
9140	Cash Collections Awaiting Deposit
9150	Investments
9200	Accounts Receivable
9290	Due from Grantor Governments
9320	Stores
9330	Prepaid Expenditures (Expenses)
9340	Other Current Assets
9400–9499	*Capital Assets (accrual basis of accounting only)*
9410	*Land*
9420	*Land Improvements*
9425	*Accumulated Depreciation—Land Improvements*
9430	*Buildings*
9435	*Accumulated Depreciation—Buildings*
9440	*Equipment*
9445	*Accumulated Depreciation—Equipment*
9450	*Work in Progress*
9500–9699	**LIABILITIES**
9500	Accounts Payable (9501–9589 are reserved for local use)
9590	Due to Grantor Governments
9640	Current Loans

Code	**Title**
9650	Deferred Revenue
9660–9669	*Long-Term Liabilities (accrual basis of accounting only)*
9661	*General Obligation Bonds Payable*
9662	*State School Building Loans Payable*
9664	*Net OPEB Obligation*
9665	*Compensated Absences Payable*
9666	*Certificates of Participation (COPs) Payable*
9667	*Capital Leases Payable*
9668	*Lease Revenue Bonds Payable*
9669	*Other General Long-Term Debt*

Section 900

Cost Accounting

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Procedure 901 Overview of Cost Accounting

Elementary and secondary schools in California spend approximately $60 billion to provide a high-quality education for over six million children. In accounting for these dollars, it is important to identify not only the types of expenditures (e.g., salaries, books, equipment) but also the specific objective or purpose of those expenditures (e.g., regular education, special education, vocational education). Cost accounting is the means whereby this important identification of all costs can be accomplished. Because the standardized account code structure (SACS) is comprehensive, LEAs are able to include program cost information in the coding of most transactions.

An important step in assigning proper SACS codes is recognizing how each field affects different aspects of cost accounting. The following areas are directly affected by cost accounting procedures and data:

- **Documentation Criteria.** The cornerstone of any cost accounting system is ensuring costs are properly identified with the benefiting programs. For consistency in reporting, there are standardized rules for documenting costs. The documentation requirements apply to federal and state compliance as well as program cost accounting.

- **Program Cost Report.** Identifying the proper instructional setting or group of students receiving the service (e.g., regular education, special education, vocational education, opportunity schools) is accomplished by the SACS goal code. The goal codes are the basis for program cost accounting.

- **Indirect Cost Rate Calculation.** The general operational areas (e.g., instruction, pupil services, community services, general administration) are identified in SACS by the function code. The function codes group together related activities and are the basis for distinguishing indirect costs from all other costs and identifying the components of the indirect cost rate calculation.

The procedures in this section provide in-depth details on how each area is affected by cost accounting rules and processes.

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Procedure 905 Documenting Salaries and Wages

Documentation of salaries and wages is often necessary to support charges to specific funding sources (resources), instructional settings (goals), and activities (functions). Some level of formalized time documentation is needed for all salaries and wages paid from federal funding. However, formalized documentation is usually only necessary for salaries and wages paid from state funds when the funds are restricted, when positions are split between goals or certain functions, or when program guidelines require it.

In reviewing this procedure, LEAs should keep in mind that written policies and procedures are essential to implementing an effective labor distribution system. LEAs must develop a time documentation process (i.e., forms, employee training, internal controls, and compliance checks) that meets their particular needs.

Salaries and Wages Charged to Restricted Programs

Costs of salaries and wages are usually an allowable charge to programs with a restricted funding source. However, LEAs are required to have time documentation to support the charging of their salaries and wages to a restricted source.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, is a policy directive affecting which costs are allowable charges to federal programs, which costs are not allowable, and how costs charged to federal programs must be documented. OMB Circular A-87 applies to all local educational agencies (LEAs) receiving federal funds. The standards for documenting salaries and wages charged to federal programs are specified in OMB Circular A-87, Attachment B, Section 8(h). These standards are in addition to those for payroll documentation.

The time documentation requirements for charging salaries and wages to state programs are based on the OMB Circular A-87 federal time documentation guidelines. However, there is also an alternative method available to document salaries and wages charged to state restricted programs.

Cost Objectives

OMB Circular A-87 defines a cost objective as "a function, organizational subdivision, contract, grant, or other activity for which cost data are

needed and for which costs are incurred." For purposes of supporting salary and wage expenditures, the identification of cost objectives allows funding sources to be pooled for a common objective.

In practical terms, a cost objective is a set of work activities allowable under the terms and conditions of a particular funding source. In the determination of whether an employee works on a single cost objective or on multiple cost objectives, the most significant factor is not the number of funding sources supporting the salary but rather the activity being performed.

Single Cost Objective

A set of work activities may be considered a single cost objective when both the service(s) being performed and the population(s) being served are allowable under any of the programs supporting the cost objective (i.e., the funding sources are homogeneous). Stated another way, costs allocable to that cost objective must be allowable under any of the programs that fund the activities. If these criteria are met, an activity that benefits two or more programs may be considered a single cost objective.

Homogeneous funding sources are the exception rather than the rule. If it is not clear whether the funding sources are in fact homogeneous, the activities should be treated as separate (multiple) cost objectives rather than as a single cost objective.

An example of a single cost objective at its most basic is an employee who works solely on one activity and that activity is funded by a single source. While this type of one-to-one relationship does occur, it is also possible to have a single cost objective that is funded by multiple sources. For example, if an employee works in a position that is funded by multiple federal programs, but the employee does similar activities all day and the federal programs have the same requirements with regard to allowable costs and eligibility of participants, then that employee may be considered as working on a single cost objective.

Following are examples of employees working on a single cost objective:

1. **Single Funded Activity:** An employee who works solely (100 percent) on activities of a single federal or state restricted program or on a single nonfederal program used in meeting cost sharing or matching requirements of federal awards.

2. **NCLB Consolidated Administrative Funds:** An employee who works solely on administrative activities of the No Child Left

Behind Act (NCLB) where the administrative funds have been consolidated in Resource 3155, NCLB Consolidated Administrative Funds (see Procedure 780).

3. **Schoolwide Program (SWP):** A school-site employee working solely on an SWP plan approved by CDE. This is a single cost objective because for an approved SWP plan the LEA may use NCLB Title I funds in combination with other federal funds and state and local general-purpose funds to upgrade the entire educational program in a school (Title I, Part A, Subpart 1, Section 1114).

   Employees working on an SWP plan who are paid in part by federal programs that have not been combined in the SWP and employees who work on both SWP and non-SWP plan activities are not considered to be working in a single cost objective.

4. **School-Based Coordinated Programs (SBCPs):** California's SBCPs combine several state categorical programs in a manner similar but not identical to an SWP. Under *Education Code* Section 52853, employees of an SWP at a school site funded from SWP and SBCP funds (assuming those are the only two funding sources) may be considered as funded by a single cost objective.

   Prior to identifying the SWP and SBCP funds as a single cost objective, an LEA must ensure that the SBCP school plan includes the proposed expenditure of NCLB funds available to the school. If NCLB funds are not included, the existing SBCP school plan should be revised to include them. For SWP and SBCP funds to be considered as a single cost objective, the school must operate the state-approved SWP in a manner consistent with the expenditure of funds available to the school under SBCP, which means that the SWP and SBCP funds must be used for the same purpose.

   Essentially, for a school site to consider its SWP and SBCP funding sources as a single cost objective, the school's funding sources must be contained in an SBCP and a state-approved Title I SWP. That means that the school would use all the funds available to upgrade the entire educational program in the school. If all the funds are not available for all the students, the SBCP and SWP funding sources may not be considered a single cost objective. There may be individual NCLB funds used at an SBCP school, such as for Title I Targeted Assistance schools; however, those funds may not be considered a single cost objective unless they are

included in a state-approved SWP that benefits all the pupils at the school.

5. **Combined Federal and State Awards:** An employee such as a drug prevention counselor or a special education instructional aide who is funded by a mixture of federal and/or state awards, where the services provided and the populations served are eligible and allowable under any of the awards (see the note following item 6).

6. **Combined Federal, State, and Local Awards:** An employee who is funded by a mixture of federal, state, and local resources, where the services provided and the populations served are allowable and eligible under any of the funding sources. For example, the salary of a cook working in a school cafeteria may be funded from a mix of federal funds (free or reduced-price meal reimbursement), state funds (additional reimbursement funds), and local funds (lunch sales). If the cook spends all of his or her time in the preparation and serving of school lunches and if all of the activities performed by the cook are allowable under any of the funding sources, then the cook's activities can be considered a single cost objective.

   Similarly, an aide working in a child care center is paid from child development funds, which may include federal, state, and local resources. If the aide spends 100 percent of his or her time providing child care to children that could be served under any of the funding sources, the aide's time may be considered a single cost objective.

   Note: Items 5 and 6 are simplistic examples and are provided for explanatory purposes only. More complex situations may indicate multiple cost objectives rather than a single cost objective (refer to the discussion on homogeneous funding sources on page 905-2). To ensure that timekeeping efforts comply with OMB Circular A-87, LEAs need to evaluate each situation to determine the proper time documentation requirements.

Multiple Cost Objectives

When an employee works on more than one award and the activities performed may not be considered a single cost objective, the employee is considered to work on multiple cost objectives.

Following are examples of employees working on multiple cost objectives:

1. An employee provides similar services all day, but his or her position is supported by multiple federal awards that have different rules as to the eligibility of participants or allowable costs.

2. The employee works on dissimilar activities for more than one federal program, and the programs are not combined in an approved SWP.

3. The employee works on dissimilar activities for a mixture of federal and state programs, and those programs are not combined in an approved SWP.

4. The employee works on a mixture of federal and general-purpose activities that have not been combined in an approved SWP.

5. The employee is funded by more than one nonfederal program source, and one of the sources is used in meeting the cost sharing or matching requirements of federal awards.

6. The employee works on both an indirect cost activity (e.g., business services) and a direct cost activity (e.g., special projects administration or an approved SWP plan).

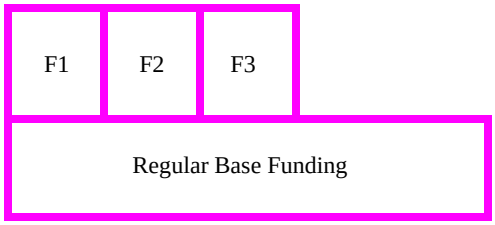
7. The employee works on an unallowable activity (e.g., school board) and an indirect cost activity or a direct cost activity.

Illustrations Showing Single and Multiple Cost Objectives

XYZ School has three federal categorical programs (F1, F2, and F3) that supplement the school's regular base funding. The following three illustrations show how different time documentation guidelines would apply:

Illustration A

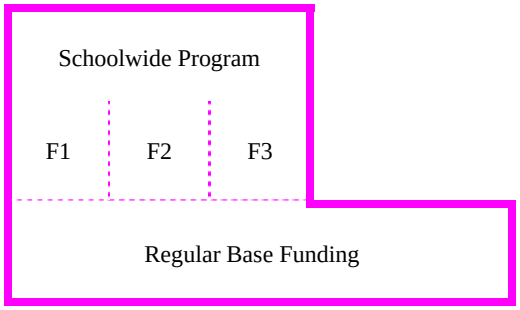
In Illustration A, employees at XYZ School are multifunded, either by more than one federal program or by a federal program and other general-purpose revenues (regular base funding). The services provided and populations served vary by program. The school does not have an approved SWP.



Employees are considered to work on multiple cost objectives because the funding comes from two or more federal programs or from federal programs and general-purpose revenues, and the school does not have an approved SWP plan.

Illustration B

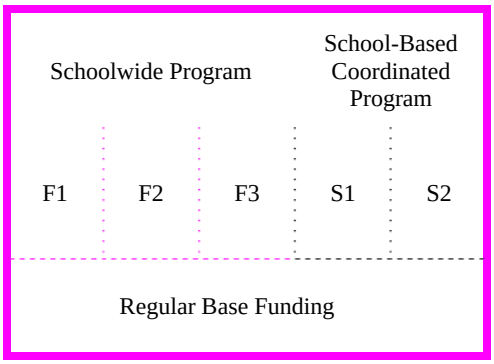
In Illustration B, XYZ School has an approved SWP plan. It has the same three federal categorical programs supplementing its regular base funding. In its SWP plan, XYZ School has combined F1, F2, and F3 and its regular base funding.



Employees that work solely at XYZ School on SWP activities are considered to work on a single cost objective because the school has an approved SWP plan that combines the funds.

Illustration C

In this illustration, XYZ School has an approved SWP plan and has combined its regular base funding, its three federal categorical programs (F1, F2, and F3), and its SBCP funds from two state categorical programs (S1 and S2).



Similar to Illustration B, Illustration C represents a single cost objective for employees that work solely at XYZ School on SWP or SBCP activities because the funds are combined by the SWP and SBCP.

How to Document Federally Funded Salaries and Wages

The cost objective(s) on which an employee works is the main factor in determining whether federal time documentation requirements can be satisfied by a periodic personnel certification or whether the requirements must be met through the more detailed form of a personnel activity report or equivalent documentation.

Salaries and wages used in meeting cost sharing or matching requirements of federal awards must also be supported by one of these methods.

Each LEA needs to determine its time documentation requirements based on its own circumstances, and each LEA must ensure that its timekeeping efforts comply with the requirements of OMB Circular A-87.

Periodic (Semiannual) Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. Pursuant to OMB Circular A-87, Attachment B, Section 8(h)(3), the periodic certification must:

- Be prepared at least semiannually.
- Be signed by the employee or the supervisory official having firsthand knowledge of the work performed by the employee.

- State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.

Where multiple employees work on the same cost objective, a blanket certification may be used as the documentation for all employees who worked on the cost objective. For example, a school with an approved SWP may choose to prepare a blanket certification that lists all employees that worked solely on the SWP. Because periodic certifications may be signed by either the employee or supervisor and because the purpose of a blanket certification is to simplify the time documentation process, the school may choose to include only the signature of the supervisor, which in this SWP example would be the school principal.

Sample periodic certifications are provided on pages 905-23 and 905-24. Note that the sample documents are very basic and may require enhancements to meet time documentation requirements of certain programs.

Personnel Activity Report

Except as provided in "Substitute System for Time Accounting" (following), employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report (PAR) or equivalent documentation (OMB Circular A-87, Attachment B, Section 8[h][4], [5], and [7]).

A PAR may be as detailed as a document that identifies the employee's activity daily by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or cost objective. The level of detail can generally be determined by the diversity and variation of the employee's work activities. The safest approach is to provide more documentation rather than less.

OMB Circular A-87 states that PARs or equivalent documentation must:

- Reflect an after-the-fact distribution of the actual activity of each employee.
- Account for the total activity for which each employee is compensated.
- Be prepared at least monthly and coincide with one or more pay periods.
- Be signed by the employee.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but these figures may be used for interim accounting purposes provided that:

- The LEA's system for establishing the estimates produces reasonable approximations of the activities actually performed.
- Comparisons of budgeted distributions with actual costs based on the monthly activity reports are made at least quarterly. If the variances between total budgeted and total actual costs are 10 percent or more, adjustments must be made at least quarterly to the LEA's financial records, including to billings made to federal grantor agencies. If the variances are less than 10 percent, the adjustments may be recorded annually.
- The budget estimates or other distribution percentages are revised at least quarterly if necessary to reflect changed circumstances.

A sample PAR is provided on page 905-22. Note that the sample document is very basic and may require enhancements to meet time documentation requirements of certain programs.

Substitute System for Time Accounting

As an alternative to a PAR, OMB Circular A-87, Attachment B, Section 8(h)(6) allows for substitute systems of time accounting using sampling methods that meet statistical sampling standards for allocating salary and wages. Such substitute systems are subject to prior federal approval. The United States Department of Education has approved such a system for California's LEAs to use, at their option, for substantiating federal salary and wage charges for those employees working on multiple-funded activities or cost objectives.

The substitute system is intended to simplify recordkeeping for LEAs that must substantiate salary and wage charges to federal programs through the use of PARs or equivalent documentation. Unless the LEA uses this approved substitute system, PARs must be prepared at least monthly for employees working on multiple cost objectives whenever federal funds are involved.

Under the substitute system approved for California, PARs are required less frequently than monthly. Specifically, the approved substitute system allows LEAs to collect PARs from employees every fourth month (three times a year). The information from the PARs is used both to reconcile the

federal timekeeping estimates from the previous three months and to estimate the percentage of time employees will spend on various federal programs in the next three months. This system works best when the composite workload produces an even distribution of salaries to accounts over the full 12-month period.

LEAs may choose any month to begin the cycle for the substitute system. Because the starting month establishes the recordkeeping cycle for the year, LEAs should choose a starting month that most accurately reflects their annual average labor cost experience.

The following is a description of the substitute system process. The description assumes that the LEA begins the substitute recordkeeping at the beginning of the fiscal year and the first PARs are collected in July.

- All multiple cost objective employees where at least one of the cost objectives is federally funded or is used in meeting cost sharing or matching requirements of federal awards must keep PARs for the full month of July to account for 100 percent of their time spent on activities for which they are compensated. From the PARs, labor distribution reports for July are generated to support effort distribution and charges for costs incurred in July and to provide the basis for employee salary and fringe benefit allocations for August, September, and October.

- In November and March, the multiple cost objective employees keep PARs that are used to:

    1. Support effort and labor costs incurred in November and March.
    2. Compare with and make any necessary adjustments to the budgeted effort distribution for August through October and December through February.
    3. Project salary and fringe benefit allocations for December through February and April through June.

- The process starts over again the following July to support incurred labor cost allocations for that month and to compare and adjust the budgeted effort distribution for April through June. Further, the July PARs start another round of labor distribution estimates for the second year.

- After the first full year on the system, LEAs may shift from collecting PARs three times a year (e.g., July, November, March)

to two times a year (e.g., July, January) if the deviation between the total estimated time and total actual time charged is consistently less than 10 percent. Thereafter, the twice-yearly PAR collection may be maintained as long as the deviation is consistently less than 10 percent.

Important rules for LEAs choosing to use the substitute system for time accounting are as follows:

1. All aspects of the substitute system must be implemented in accordance with the guidelines shown in this section. As with any time documentation method, adherence to the substitute system is subject to monitoring.

2. All multifunded employees who would otherwise be required to complete PARs (i.e., multiple cost objective employees) must participate in the substitute system. They will still complete PARs that cover the entire months being sampled, but the PAR reporting frequency is lessened from every month to only four times (or less) a year.

3. Employees funded solely (100 percent) from a single federal source or who work on a single cost objective must not participate in the substitute system because their data would distort the aggregate results of the multifunded data. Those employees must continue to prepare semiannual certifications.

As with all time documentation methods, written policies and procedures are essential to implementing an effective substitute system for time accounting. LEAs should develop forms and provide employee training before implementing the substitute system. It is suggested that a trial run be done before beginning the actual substitute system process.

The following elements should be addressed as an LEA develops and implements a substitute system for time accounting:

1. Proper completion of PARs, including how frequently PAR data must be recorded and what constitutes adequate documentation
2. Required review and approval cycle
3. Handling of completed forms
4. Internal review process to ensure compliance

Generally, this information should provide enough detail to permit an understanding of how the substitute system will operate from the point labor is expended to the point it is recorded in the accounting records and charged to federal awards.

Documentation of Supplemental Employment Contracts

As stated previously, PARs or equivalent documentation must account for the total activity for which an employee is compensated. This would include additional hours worked as part of that activity, such as overtime. However, if an employee has a supplemental contract in addition to their regular position (e.g., a teacher during the school day and a coach after school), then each is evaluated to determine the time documentation needed.

Following are sample scenarios including supplemental employment contracts and the time documentation requirements for each:

1. **Regular contract requires time documentation but supplemental contract does not.** An employee has a regular contract to work as a Title I teacher during the school day and a supplemental contract to provide athletics coaching after school. Time documentation that includes 100 percent of the teacher's school day is required for the teaching position (either a PAR or semiannual certification, depending on the duties). The supplemental coaching position is outside the scope of the employee's regular position and, if funded from unrestricted monies, generally would not require time documentation.

2. **Both regular contract and supplemental contract require time documentation.** An employee has a regular contract to provide both Title I and basic education services during the school day, plus a supplemental contract to work as a tutor for the 21st Century Learning program after school. A PAR or equivalent documentation would be required for the regular contract because it is considered multiple cost objectives. The supplemental tutoring position is outside the teacher's regular position, but since it is paid for with federal funds, the rules for time documentation apply and a semiannual certification would be required.

Salaries and Wages Charged to State Funded Programs

LEAs are required to provide supporting documentation for salaries and wages charged to state restricted programs (resources). Documentation is also required for certain state unrestricted activities, such as when the activity has specific documentation requirements (e.g., state mandated programs), or when salaries and wages are charged to a specific program (goal), or when salaries and wages are split between a direct cost and an indirect cost activity (function).

As with federal programs, the level of documentation needed to charge salaries and wages to a state program or activity is predominately determined by whether the employee works on a single cost objective or on multiple cost objectives. LEAs must also take into consideration any specific documentation requirements a state program may have, such as if a program requires use of the state documented method (discussed following) or if a program has specific limitations or requirements regarding the type(s) of services provided, such as direct services to students.

How to Document State Restricted Salaries and Wages

In the absence of more stringent state program guidelines, when documenting salaries and wages charged to state restricted programs, LEAs may use the documentation methods described in "How to Document Federally Funded Salaries and Wages" beginning on page 905-7. These methods include monthly PARs, semiannual certifications, and the substitute system for time accounting.

When using federal methods to document state programs, LEAs will follow the single and multiple cost objective guidelines to determine the level of time documentation needed. For example, an employee who works on multiple state cost objectives will complete a PAR (or equivalent documentation) or participate in the substitute system for time accounting rather than completing a semiannual certification.

In addition to the federal time documentation methods, California also has an alternative method that LEAs may use to support salaries and wages charged to state restricted programs. This alternative method is referred to as the state documented method and is similar to the federal PAR process.

The State Documented Method

Salaries and wages paid from state restricted funds must have supporting documentation conforming to either the federal documentation methods or the alternative state documented method. For the state documented method to be used, the following criteria must be met:

1. The specific costs would not occur if the program being documented were discontinued.
2. The costs must be supported by auditable documentation, including time reports and contemporaneous records of activities.
3. All parts of the product or service (e.g., a position or service contract) must be documented.

Unless stated otherwise in the guidance following, personnel whose costs are being documented under the state documented method must complete an activity work sheet. The work sheet must include, as a minimum, the following elements, but additional information may be incorporated to meet local needs:

Activity Work Sheets

- *Reporting frequency.* An employee's activity work sheet must be completed at least monthly.

- *Information to be reported.* The following basic information must be recorded for each employee being documented:

  1. Name of the LEA
  2. Employee's name
  3. Employee's position title
  4. Period covered by the work sheet
  5. Signature of the employee
  6. Signature of the employee's supervisor
  7. Work activity (e.g., the name/description of the program or cost objective)

  The basic activity work sheet generally provides the minimum required documentation when an employee's assignment is in support of only one program or cost objective. Additional information may be necessary in more complex situations or to meet specific program time documentation requirements.

Employees who are assigned to positions that serve more than one program should also record the following:

8. Name/description of each program or cost objective
9. Dates worked
10. Hours worked

Record only actual hours worked. These hours will be used as the basis for distribution of costs to the programs or cost objectives. Include overtime hours worked, whether paid or unpaid. Exclude time off (vacation, sick leave, and any other time off) or report it as a separate line item. Report to the nearest quarter hour any time worked that is less than one hour. Substantiation of the time spent for each program is to include, at a minimum, a summary time sheet plus contemporaneous records that detail the time spent on each task.

Following are examples of various categories of employees. Under the state documented method, costs documented to single or multiple state restricted programs require at least the following documentation:

Program Staff. An activity work sheet must be completed if the program employee's time is to be charged to a state restricted program. Use of an activity work sheet to report time spent in various programs means that the employee must be able to substantiate the information that is reported. This substantiation consists of contemporaneous documentation such as appointment calendars, caseload records, and notices of meetings. The LEA must retain such documentation for a minimum of three years after the year of audit.

Employees working in more than one state activity or position whose time is being documented (e.g., an employee working half-time as a project director and half-time as a psychologist) need to maintain time-accounting records for each activity. Employees working part-time in a teaching position and part-time in a support position also need to maintain an activity work sheet to record the time spent in the teaching activity and that spent in the support activity.

Support Service Staff. Positions providing a support service function that are charged to multiple state activities need to maintain time-accounting records for each activity. When only one program is charged, consistent and verifiable supporting documentation is still needed and may be documented by identification with a position in the personnel/payroll system or an individual's contract.

Clerical Staff. Activity work sheets are normally not needed for clerical staff charged to state restricted programs. The costs of clerical services should be charged in the same manner as the costs of the manager to whom the clerical staff report. An exception is if the clerical duties do not correspond to those of the manager, in which case clerical staff members should document their time by using an activity work sheet.

Note: These state time documentation requirements are provided as general guidance and may not be sufficient documentation for all state programs. It is recommended that LEAs obtain specific guidance from the programs to ensure compliance with all requirements.

Documenting State Unrestricted Salaries and Wages

Salaries and wages charged to state unrestricted programs or funding sources generally do not require documentation; however, certain activities may require documentation, such as when:

- The activity has specific documentation requirements. For example, state mandated programs' parameters and guidelines identify documentation requirements applicable to each mandated program.

- An employee's time is charged to a specific instructional goal or to multiple instructional goals (see "Documenting Salaries and Wages to a Goal," following).

- An employee works on both a direct cost activity and an indirect cost activity (see Procedure 915 for information on indirect cost activities). A monthly PAR or equivalent document is required unless the employee works in a position that fits one of the "in-lieu" distributions provided on page 905-20. Documentation is required because a mixture of direct cost and indirect cost activities is considered multiple cost objectives (OMB Circular A-87, Attachment B, Section 8[h][4]).

- An employee works 100 percent on indirect cost activities. The employee may use the LEA's regular payroll documentation process to document his or her time as long as the payroll is approved by a responsible LEA official (OMB Circular A-87, Attachment B, Section 8[h][1-2]). The indirect cost activities should be properly identified, such as on a timesheet or in a contract or job description.

Documenting State Salaries and Wages to a Goal

As stated previously, documentation is required when charging salaries and wages to federal funds or state restricted funds. There are also instances when salaries and wages charged to state unrestricted funds must be substantiated, such as when the costs are direct-charged to an instructional goal. When documenting these unrestricted salaries and wages charged to a goal, a lesser level of documentation than that required for restricted salaries and wages may be acceptable.

The following are general guidelines and examples for documenting state unrestricted salaries and wages direct-charged to an instructional goal:

A. **Instructional Salaries and Wages**

Instructional activities must be direct-charged to a specific goal. Generally, the class roster provides sufficient documentation for substantiating the salaries and wages of classroom teachers charged to specific goals.

The documentation for instructional aides may be based on their assignment to teachers with class rosters or the category of students to whom they are assigned.

B. **Noninstructional Salaries and Wages**

Charged to a Single Goal:
When supported by verifiable documentation, noninstructional salaries and wages may be direct-charged to a single goal. Examples of documentation that would be adequate include the contract or job description of a school employee, such as a nurse or counselor, that specifies the category of student they will solely serve, such as special education students; or the contract or job description of a project director that specifies the category of student served, such as Director of Adult Education or ROC/P Administrator.

If verifiable documentation does not exist, the costs should be charged to Goal 0000, Undistributed, and subsequently allocated to specific goals during the program cost accounting process (see "Allocating Support Costs Using Allocation Factors," page 910-4).

Charged to Multiple Goals:
Direct-charging noninstructional salaries and wages to multiple goals requires contemporaneous documentation supporting the amount of time spent on each goal.

The salaries and wages of certificated administrators in instruction-related services (functions 2100 through 2700) or certain pupil services (functions 3100 through 3160 and 3900) that are direct-charged to multiple goals are to be supported by activity work sheets (see 905-14). In many cases, documentation (e.g., time cards, personnel activity reports, or activity work sheets) already provided to substantiate the charging of salaries and wages to federal or state restricted programs is sufficient for documenting to a goal.

The salaries and wages of classified support staff should usually be distributed to the same goals and in the same ratio as for the certificated personnel to whom they report.

Noninstructional salaries and wages of personnel other than administrators may be supported by activity work sheets, current job descriptions, or employee contracts. If job descriptions or contracts are used for documentation, they must be regularly reviewed and updated to ensure that they are current and reflect the actual activities of the staff. The actual charges should be based on actual time spent on specific goals rather than on budgeted figures.

In many situations, rather than charging noninstructional salaries and wages directly to specific goals, it is appropriate to charge them to Goal 0000, Undistributed, for later allocation to specific goals during the program cost accounting process, using standardized allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Charged to Multiple Resources and Goals:
Where salaries and wages are charged to multiple restricted funding sources (resources) and multiple goals, documentation provided to substantiate charging the costs to the resources (e.g., time cards, personnel activity reports, or activity work sheets) will also support charging the costs to the goals. For example:

A counselor, hired to serve all students, is paid with a combination of unrestricted resources, a special education apportionment, and a federal grant for low-income students. The activities performed

by the counselor are varied and serve multiple cost objectives. As stated on page 905-8, because these are multiple cost objectives and part of this funding is federal, the salary split among these three resources must be documented by a personnel activity report or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A project director's salary is split among four state restricted funding sources. As discussed in "Salaries and Wages Charged to State Funded Programs," page 905-13, the salary split among four state resources must be documented by an activity work sheet, a personnel activity report, or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A school psychologist, under contract to serve all students, spends time doing assessment testing for special education children with existing individualized education programs (IEPs). If the salary is partially paid with special education money, the documentation of salaries split among resources will also support the split among goals. If the psychologist is paid solely with state unrestricted money but the LEA wishes to direct-charge this cost among goals, then those charges must be supported by time reports, calendars, or other documentation substantiating the actual time spent on the multiple goals.

Distributing Costs of State Programs Based on Activity Work Sheets

Monthly time documentation records (personnel activity reports, activity work sheets, time cards) for charges to state restricted programs detail the percentage of time employees spend on each activity and become the basis for the distribution of costs. In some instances the monthly documents support the charging of costs directly to programs during the year; in other instances the documents are used to distribute costs to programs periodically.

When state funds are involved, the distribution of costs to the specific programs or cost objectives may be done on a schedule that best meets local needs (e.g., monthly, quarterly, at the first or second interim budget reporting periods, or at some other periodic interval). To determine the distribution of costs, record the actual hours worked in each program or cost objective as reported on the time documentation. Determine a proration by computing a ratio of the time spent in each to the total time worked. Distribute the salary and wage costs on the basis of the computed

proration. The same proration will be applied to all costs associated with the activity, including the cost of associated clerical staff.

Cost Distributions in Lieu of Time Documentation

The charging of state salaries and wages to more than one goal usually requires documentation of the time spent in each goal. Time documentation is usually also necessary when an employee works on a direct and an indirect activity. However, for salaries and wages paid from state unrestricted funds, certain standardized distributions may be used in lieu of time documentation. These standard time distributions are applicable for use only when the positions are paid from state unrestricted funds.

County Office of Education Services to School Districts. County offices with staff performing similar activities within the areas of County Services to Districts and county office support services may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

County offices with county board of education staff (Function 7100) performing similar activities within the areas of County Services to Districts and county office general administrative support may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

Assistant Superintendents. The costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

- 50 percent to Function 2100, Instructional Supervision and Administration
- 50 percent to Function 7200, Other General Administration

Small School Districts and Charter Schools. Small school districts and charter schools with one person performing the functions of both the principal and the superintendent may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7100, Board and Superintendent

Small school districts and charter schools with staff performing support duties for both school administration and business office administration may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7200, Other General Administration

Sample Personnel Activity Report

Personnel Activity Report (PAR)

Period Covered [1]_____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

Cost Objective/ Program Title	Account/Resource Code	Hours Worked	Percentage of Hours Worked
Project A	1111	35	21.7% (35÷161)
Project B	2222	60	37.3% (60÷161)
Project C	3333	56	34.8% (56÷161)
Program Administration	4444	10	6.2% (10÷161)
Total Hours Worked		161	100.0%
Compensated Time Off		7	n/a
Total Compensated Time[2]		168	n/a

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

_____ _____

Employee Date

[1]This report must be prepared at least monthly and coincide with one or more pay periods.

[2]This report must account for the total activity for which each employee is compensated.

Caution:

- This sample form will work well in those situations when an employee's time spent on programs is fairly predictable and does not vary much during the month. However, for those employees whose time is unpredictable and varies significantly from day to day, a more detailed personnel activity report may be appropriate. Hourly time accounting is the method most accepted by auditors and the safest approach is always to provide more documentation rather than less.
- This sample form may not include sufficient detail to meet the time documentation requirements of specific programs, such as the requirements related to state mandated costs or the direct services to students and administrative costs under Title I, Part A and Economic Impact Aid.

Sample Periodic (Semiannual) Personnel Certification

Semiannual Certification[1]

Period Covered [2]_____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

Cost Objective/ Program Title	Account/Resource Code	Percentage of Effort
Program ABC	1111	100%

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

_____ _____

Employee or Supervisory Official[3] Date

[1]This sample certification:

- Is for employees funded solely (100 percent) from a single cost objective charged to federal or state programs or from a single nonfederal categorical program used in meeting cost sharing or matching requirements of federal awards.
- May not meet certain program requirements, such as the direct services to students and administrative costs requirements of Title I, Part A and Economic Impact Aid.

[2]Certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).

[3] Certification must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Pursuant to a recommendation by the United States Department of Education and to facilitate good internal control, LEAs may wish to require both signatures.

Sample Blanket Periodic (Semiannual) Personnel Certification

Blanket Semiannual Certification[1]

Period Covered: [2] _____ Fiscal Year: _____

School Name: _____

The following individuals have worked 100 percent of their time during the last six months under a single cost objective.

Cost Objective Name: _____

Cost Objective Account/Resource Number: _____

POSITION	PRINTED NAME	SIGNATURE[3]
Teacher A	_____	_____
Teacher B	_____	_____
Teacher C	_____	_____
Instructional Assistant	_____	_____
Tutor	_____	_____
Guidance Counselor	_____	_____

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

_____ _____

Supervisory Official[3] (Signature, Printed Name, and Title) Date

[1]This sample certification:

- Is for employees funded solely (100 percent) from a single cost objective charged to federal or state programs.
- May not meet certain program requirements, such as the direct services to students and administrative costs requirements of Title I, Part A and Economic Impact Aid.

[2]Certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).

[3] A periodic certification must be signed by the employee or by the supervisory official having firsthand knowledge of the work performed by the employee(s). To maximize the intent of the blanket semiannual time certification, it is acceptable to design it with only the supervisory official's signature block.

Program cost accounting provides a standardized method of identifying all costs of a particular program, including its instructional, support, and central administration costs. Such cost identification is integral to a meaningful cost-reporting system for use by state and local decision makers in assessing the fiscal impact of programs and projects.

In the standardized account code structure (SACS), the goal field provides the framework for program cost accounting. Throughout this section the terms "goal" and "program" are virtually interchangeable.

Direct-Charged Versus Allocated Costs

When costs are being assigned to programs, many costs are easily identifiable with a specific program and can be charged to that program's goal at the time of expenditure, especially costs that apply to a single program (e.g., an elementary classroom teacher's salary). But certain types of costs, such as support services, are often harder to identify with an individual program. LEAs may accumulate these costs in an "undistributed" cost pool (Goal 0000) for later distribution to programs.

Costs may be charged to a program using two methods:

- **Direct-Charged Costs.** Costs that are charged to a program at the time of expenditure or that are distributed from Goal 0000 to the program on the basis of specific documentation (e.g., time sheets or work orders) are referred to as direct-charged costs.

- **Allocated Costs.** Costs that are accumulated in a Goal 0000 cost pool and are subsequently distributed to programs on the basis of standard allocation factors (full-time-equivalents, classroom units, or pupils transported) are referred to as allocated costs. This usually applies to costs of support-type activities, such as instructional or school administration, pupil transportation, and plant maintenance and operations.

Although not required, LEAs may distribute the allocated costs in their general ledgers. *Note:* For statewide reporting and comparisons of LEA program cost data, Goal 0000 costs will be distributed to programs based on LEA-supplied allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Categories of Costs

Identifying costs for program cost accounting follows a stair-step model, starting with those closest to the classroom. The categories of costs include:

- Instructional costs
- Support costs
- Central administration costs
- Other costs

Instructional costs relate directly to instructional programs. Examples include the salaries and benefits of teachers and instructional aides, payments for textbooks and instructional supplies, travel and conference expenses for all employees in the instructional programs, and payments for the repair, maintenance, acquisition, and replacement of instructional equipment. Instructional costs are always direct-charged to a specific goal.

Support costs relate to the peripheral services necessary to maintain the instructional programs, including supervision of instruction, library, classroom technology, school administration, pupil support services, plant maintenance and operations, facilities rentals and leases, and pupil transportation. Support costs may be direct-charged to a goal if proper documentation exists; but, more commonly, they are accumulated in Goal 0000, Undistributed, and subsequently allocated to programs on the basis of standardized program cost allocation factors.

Central administration costs are farthest removed from the classroom but are still necessary for programs to operate. These agencywide costs, including budgeting, personnel, accounting, centralized data processing, school board, and superintendent, are collected in Goal 0000, Undistributed, and then distributed proportionately to all programs on the basis of a central administrative ratio (percentage).

Other costs, such as debt service, transfers between agencies, and facilities acquisition and construction, are not associated with individual programs for cost accounting purposes.

Each category of costs is necessary for instructional programs to exist and therefore should be considered when total program costs are identified. The following pages include explanations of the different cost categories and any steps necessary to distribute the costs to specific programs.

Instructional Costs

Instructional costs are identifiable with a specific goal indicating the instructional setting or group of students receiving the services. Instructional costs must always be direct-charged to a specific goal. Expenditures in the instructional functions (1000s), ancillary functions (4000s), and community service functions (5000s) are always classified as an instructional cost and must always be direct-charged to a specific goal.

Charging costs directly to a goal requires consistent and verifiable supporting documentation that indicates how the costs relate to the goal. Examples of supporting documentation for charging salaries and wages to a specific goal include identification with a position in the personnel/payroll system, time sheet information, language in a contract, or a class schedule with assigned student enrollment (see "Documenting State Salaries and Wages to a Goal," page 905-16).

Support Costs

Support costs are costs of activities conducted in support of instructional programs. They are typically charged to a common pool of costs by using Goal 0000, Undistributed, or Goal 9000, Other Local Goals. (For ease in reading the remainder of this section, goals 0000 and 9000 are intended whenever Goal 0000 is referenced.) Support costs may be direct-charged to a specific goal at the time of expenditure or may be subsequently transferred to a specific goal, provided that sufficient documentation exists (see "Documenting State Salaries and Wages to a Goal," page 905-16, and "Documenting Nonpersonnel Costs to a Goal," page 910-10). Before total program costs can be determined, any costs remaining in the "undistributed" goal must be allocated to the LEA's programs.

Costs in the following support functions may be accumulated in Goal 0000:

- Instruction-Related Services (functions 2000–2999)
- Pupil Services (functions 3000–3999, except 3700)
- Plant Services (functions 8000–8999, except 8500)

To provide consistent, comparable LEA program cost information, a specific allocation methodology is used to distribute support costs remaining in Goal 0000. (See "Allocating Support Costs Using Allocation Factors," page 910-5.) Use of this allocated method provides a systematic way of distributing costs from Goal 0000 to programs without requiring

the supporting documentation needed when the documented method is used.

Central Administration Costs

Central administration costs (CACs) are those business and administrative costs that are agencywide (e.g., accounting, budgeting, personnel, purchasing). CAC functions include:

- Board and Superintendent (functions 7100–7180)
- External Financial Audit (functions 7190–7191)
- Other General Administration (functions 7200–7600)
- Centralized Data Processing (Function 7700)

Because of the agencywide nature of central administration costs, they are neither documented to specific goals nor allocated using the factors. Rather, they are accumulated in CAC functions using Goal 0000, Undistributed, and then proportionately distributed to each program on the basis of a central administrative cost ratio.

It should be noted that central administration costs in program cost accounting are similar, but not identical, to the indirect cost pool used for calculation of the indirect cost rate. Differences include (1) counting board and superintendent costs in the CAC pool for program cost accounting but excluding it from the indirect cost pool; (2) including a minor portion of administrative maintenance and operations costs in the indirect cost pool but not in the CAC for program cost accounting; and (3) including all types of external financial audits in the CAC pool for program cost accounting but only single audit costs in the indirect cost pool.

The CAC ratio, expressed as a percentage, represents total general fund central administration costs divided by direct-charged and allocated costs from all funds that historically benefit from the administrative services. The resulting ratio, or percentage, can then be multiplied by a program's total direct-charged and allocated costs to arrive at the amount of central administration costs applicable to that program.

"Other" Costs

"Other" costs are those costs that are not associated with a specific goal. They include the food service, enterprise, facilities acquisition and construction, and other outgo functions. For purposes of program cost

accounting, these costs are kept separate, even if the agency direct-charges the costs to a specific goal in their accounting records.

Allocating Support Costs Using Allocation Factors

The benefit provided to instructional programs by a support service function varies with the type of support provided. The benefit to programs from certain support services varies in relation to the number of instructional staff receiving the support. The benefit to programs from other support services varies in relation to the amount of space occupied by the instructional program or the number of students being served.

Three cost allocation factors provide the basis for allocating to programs the different types of support service costs:

1. Full-Time-Equivalent Teachers (FTEs)
2. Classroom Units (CUs)
3. Pupils Transported (PTs)

Through a determination of the counts of each factor by program, Goal 0000 costs can be proportionately distributed to each goal.

Allocation Factors

Full-Time-Equivalent (FTE) Teachers	**Definition:** The full-time-equivalent (FTE) teacher allocation factor is the number of full-time-equivalent teachers serving (assigned) in each instructional program (goal). An assignment is a specific responsibility, classroom assignment, or course section taught. Teachers or assistant teachers (certificated or classified) should be included in the FTE count if they carry active student registers and their services generate average daily attendance (ADA). Certificated and classified employees providing special education designated instruction services and carrying active student registers should also be included in the FTE count. Full-time equivalency is determined on the basis of the number of hours (i.e., of actual instruction of students) that constitutes a full-time teaching assignment for the agency. Taking the ratio of assignment hours to the number of hours that constitutes a full-time assignment calculates the FTE. The four common categories for assignments are: 1. *Single assignment*: A full-time teacher assigned to a single goal is counted as 1.0 FTE for that goal.

	2. *Split assignment:* A full-time teacher assigned to two or more goals is split between the goals on the basis of the proportionate share of hours in each assignment. For purposes of determining the number of FTEs to be allocated to each assignment, preparation periods, supervision, noon duty, individualized educational program (IEP) assessments, and other ancillary assignments are to be disregarded in the FTE calculation. Study halls are considered a regular class assignment. 3. *Semester assignment:* A full-time teacher assigned to programs of one semester or less is counted as a 0.5 FTE. Full-time teachers assigned to programs of more than one semester are counted as 1 FTE. 4. *Part-time assignment:* Prorate, using the preceding basic definition. For example, a teacher instructing in a program on a one-fourth time basis would be counted as a .25 FTE. Totaling the computed number of FTE teacher units determines the FTE teacher count for each instructional goal. If applicable, FTE teacher counts may also be calculated for the community services and child care and development services goals. Include in the count those teachers who are assigned to programs operated in the district but who are not employed by the district (e.g., those in special education or regional occupational center/program classes in which the teachers are paid by the county office). These FTE counts are to be recorded in the nonagency activities educational program. For consistency, the FTE teacher count may be developed at any time after classes have been established for the second semester. In a large district an efficient way to compile the total FTE units may be to have each administrator complete a count and then to combine the information into a composite work sheet. Care must be taken to ensure that more than one site administrator does not report the same FTE units. **FTE Functions:** FTE factors are used to allocate costs in instruction-related functions (2100, 2420, 2490, and 2700) and pupil services functions (3110, 3120, 3130, 3140, 3150, 3160, and 3900).
Classroom Units (CU)	**Definition:** The classroom unit (CU) allocation factor is the number of units of space occupied by each program. The CU provides a method of converting each program's square footage into a standardized allocation factor. Although the term "classroom unit" was derived from using an "average" classroom as the basis for the measurement, all types of space are included in the CU count, not just classrooms. When calculating CUs, count space that is occupied by an identifiable function or activity. If multiple programs share an area, the CU is allocated to each program on the basis of the percentage of hours the room is used by each program. Report noninstructional programs occupying space in district administration facilities as part of the district administration program.

	Common-use areas are considered to benefit all programs and are not included in the calculation of CUs. They include areas such as school offices, media centers, libraries, corridors, restrooms, faculty rooms, unoccupied rooms, and outdoor areas (swimming pools, ball fields). *Instruction and office areas.* For "people-occupied" areas, such as instruction or office space, a room that falls with the general range of 800 to 1,100 square feet counts as one (1.0) CU. Areas that fall outside this range are converted to CUs by dividing the actual square footage by 960. For example, a room occupying 1,200 square feet is 1.25 CU (1,200 divided by 960). Examples of areas converted to CUs by using 960 might include large areas, such as science labs, computer labs, multipurpose rooms, and gymnasiums; small areas, such as cubicles for speech therapy; and agencywide administration facilities. *Operational areas.* Buildings such as maintenance shops, warehouses, and transportation facilities generally require approximately one-third the amount of maintenance and upkeep required for spaces used for students and other services. Convert these operational areas to CUs by dividing square footage by 2,880 (960 x 3). Partially enclosed spaces, such as sheds or patios, may be excluded from the calculation. *Food services.* In the area of food services, only the kitchen and serving areas are counted as CUs. The eating area is considered common space and is omitted from the calculation unless other activities occur in this area. If a multipurpose room is used for part of the day for classes and part of the day as the eating area, the CUs for the portion of the day attributable to classes are assigned to the appropriate program, and the portion attributable to food services is omitted. **CU Functions:** CU factors are used to allocate costs in the plant services functions (8100 and 8700).
Pupils Transported (PT)	**Definition:** The pupils transported (PT) allocation factor is the number of students transported in the year, which is determined by counting the number of students in each program transported from home to school. This factor represents the number of students, not the number of trips. Special education pupils receiving home-to-school transportation may be counted in the special education program only if their IEPs require home-to-school transportation. Otherwise, these children will be counted as regular students. Pupils who receive home-to-school transportation to attend schools *other than their neighborhood schools* because of requirements of their IEPs should also be counted as special education PTs. **PT Function:** PT factors are used only to allocate costs in Function 3600, Pupil Transportation.

Note: Effective 2004-05, the workstation allocation factor used during earlier stages of SACS implementation is no longer a part of program cost accounting. Costs reported in Function 7700, Centralized Data Processing, by definition should be agencywide and are a central administrative cost for program cost reporting and indirect cost purposes. Data processing costs that support instructional programs (e.g., computers in the classroom, instructional computer labs, instructional networks, library computers) should be charged to Function 2420, Instructional Library, Media, and Technology, or Function 1000, Instruction. If all data processing costs are accumulated in Function 7700 (for example, because one data processing person provides technology services for all functions), any instruction-related costs must be reclassified using Object 5710, Transfers of Direct Costs, to Function 2420 or 1000, as appropriate. Methods of determining the amount of instruction-related costs to transfer include work orders or a count of workstations.

Developing Allocation Factor Counts

Because the allocated method applies to costs that did not qualify to be distributed using the documented method, and the purpose of the allocated method is to distribute Goal 0000 costs in a standardized manner, it is important to compile complete factor counts for each instructional setting operated by the LEA. If a function (or group of functions) has costs in Goal 0000, unless specific exclusion conditions have been met, the factor counts for the function(s) must represent all programs operated by the LEA.

For each type of factor, the count should represent a point-in-time to prevent double counting. For instance, if FTE teacher counts were taken for some programs in the fall and for others in the spring, teachers that were reassigned in the interim could be inadvertently counted in more than one program.

Factor counts (FTE, CU, or PT) should be taken at a time that best represents each factor and can correspond with other uses of the same factor, such as pupil transportation counts taken for reports on the transportation program.

Excluding Factors from the Count

The allocated method of distributing support costs is based on the premise that all programs benefit to some degree from the services provided by the support programs. If a program does not benefit from a support service

program or if the program has already been direct-charged for its share of the support service costs, the specific factor count (FTE, CU, PT) that corresponds to the nonbenefiting program is to be excluded (subtracted) from the factor count for that program. For example, if the Continuation Schools program was already direct-charged for costs of school administration, or if it did not benefit at all from the Goal 0000 school administration costs, then the FTE count for the Continuation Schools program would be excluded under the school administration function.

Excluding factors from the count is an exception to the standardized allocation process and requires that documentation exists to substantiate the exclusion. If an instructional program did not benefit from the services of a support program and is being excluded from a factor count, both the instructional program administrator and the administrator of the support service program should confirm the exclusion. If the exclusion is being made because the instructional program has already been direct-charged for a particular support service cost, documentation verifying this should be kept as backup to the count of allocation factors.

Transferring Allocated Costs

Once allocation factors have been calculated, the allocated support costs can be distributed from Goal 0000, Undistributed, to each benefiting program as part of the program cost report process. LEAs are not required to record this transfer of allocated costs in their accounting ledgers.

For those LEAs that choose to record the distribution of these costs, the following is an example where total Goal 0000 costs in Function 3140, Health Services, are distributed to specific goals on the basis of the number of FTE teachers in each instructional goal. A ratio for each instructional setting is determined by dividing the total FTEs in each goal by the total of all FTEs. In this example, this ratio is then applied to the costs in Function 3140, Health Services, and the prorated costs are distributed using Object 5710, Transfers of Direct Costs. (*Note:* The schedule of allocated costs in the program cost report shows, by goal, the amount of support costs allocated to each program. LEAs may wish to use the figures provided by their completed program cost report as the basis for their accounting entries.)

Dr	01-0000-0-1110-3140-5710	$500,000	Regular Ed, K–12
Dr	01-0000-0-6000-3140-5710	$100,000	ROC/P
Dr	01-0000-0-3200-3140-5710	$100,000	Continuation Schools
Dr	01-0000-0-5001-3140-5710	$150,000	Special Education
Cr	01-0000-0-0000-3140-5710	$850,000	Undistributed

In the example, costs have been credited to Goal 0000, Undistributed, and debited to specific goals but not to specific resources, which matches the level of detail in the program cost report.

Documenting Salaries and Wages to a Goal

Salaries and wages charged to a specific goal require supporting documentation indicating how the costs relate to the goal. For federal funds or state restricted funds, personnel activity reports, activity work sheets, or equivalent documentation are generally necessary. For state unrestricted funds charged to a specific goal, a lesser level of documentation may be allowable as long as it is consistent and verifiable, such as costs documented to a goal by identification with a position in the personnel/payroll system, an individual's contract, or a class schedule with assigned student enrollment.

For a complete discussion of salary and wage documentation requirements, see Procedure 905.

If supporting documentation is not available for support costs charged to activities (functions) other than instruction, ancillary services, and community services, the costs should be charged as Goal 0000, Undistributed, and subsequently distributed to specific goals on the basis of appropriate program cost allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Documenting Nonpersonnel Costs to a Goal

Nonpersonnel costs charged to a specific goal should be substantiated by documentation that identifies the program(s) that received the service, supply, or equipment. The dated signature of a program administrator on a tracking document acknowledging receipt of the service, supply, or equipment is usually sufficient to validate the charge.

Program Cost Reporting

Reporting program costs to CDE involves a series of work sheets that use general ledger data by goal and function, plus allocation factors (FTEs, CUs, PTs) for the distribution of support costs to specific goals. These work sheets are largely automated in CDE's SACS financial data collection software.

The following is a brief description of each work sheet:

- **Schedule of Direct-Charged Costs:** Summarizes, by goal and function, costs direct-charged to a goal.

- **Schedule of Allocation Factors for Support Costs:** Provides for entering allocation factors (full-time-equivalent teachers, classroom units, pupils transported) by goal for functions with costs in Goal 0000, Undistributed, or Goal 9000, Other Local Goals. The factors entered provide the basis for allocating support costs to programs.

- **Schedule of Allocated Support Costs:** Uses information from the allocation factor work sheet to assign a proportionate share of costs in goals 0000 and 9000 to each goal that has factors.

- **Schedule of Central Administration Costs:** Summarizes central administration costs (CACs) and shows the ratio, expressed as a percentage, of CAC costs to non-central-administration costs. This CAC ratio is similar but not identical to an LEA's indirect cost rate (see Procedure 915).

- **Schedule of Other Costs:** Summarizes food service, enterprise, facilities acquisition and construction, and other outgo function costs, which for program cost accounting purposes are not associated with a particular goal.

- **The Program Cost Report:** Compiles information from the previous schedules to display total General Fund (Fund 01) costs by goal and category (e.g., direct-charged, allocated support, central administration). Also includes an "other" costs section.

Summary of Program Cost Guidelines

The following are summarized guidelines that show for each group of functions the program cost category, guidelines for charging to goals, and program cost allocation rules.

Function and Title

1000–1999 Instruction

- Direct instructional cost.
- Must be charged directly to a specific goal; may not be charged to Goal 0000, Undistributed; Special Education instruction functions may not be charged to Goal 5001, Special Education—Unspecified.
- Costs may not be allocated.

2100–2999 Instruction-Related Services

2100 Supervision of Instruction
2420 Instructional Library, Media, and Technology
2490 Other Instructional Resources

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

2700 School Administration

- Support cost.
- May be charged directly to a specific goal when documentation exists and the school site offers only one type of program; or may be accumulated in Goal 0000, Undistributed.
- Allocation basis is FTE (full-time-equivalent teachers).

3000–3999 Pupil Services

3110 Guidance and Counseling Services
3120 Psychological Services
3130 Attendance and Social Work Services
3140 Health Services
3150 Speech Pathology and Audiology Services
3160 Pupil Testing Services

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.

Function and Title

- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

3600 Pupil Transportation
- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is PT (pupils transported).

3700 Food Services
- "Other" cost.
- Generally charged to a specific goal if proper documentation exists; otherwise, costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

3900 Other Pupil Services
- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is FTE (full-time-equivalent teachers).

4000-4999 Ancillary Services
- Direct instructional cost.
- Must be charged directly to one of the following goals: 1110–Regular Education; 3100–Alternative Schools; 3200–Continuation Schools; 3400–Opportunity Schools; 3700–Specialized Secondary Programs; 7100–Nonagency.
- Costs may not be allocated.

5000–5999 Community Services
- Direct instructional cost.
- Must be charged directly to one of the following goals: 7100–Nonagency; 8100–Community Services; 8500–Child Care and Development Services.
- Costs may not be allocated.

Function and Title

6000–6999 Enterprise

- "Other" cost.
- Costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

7000–7999 General Administration

7100 Board and Superintendent
7190 External Financial Audit—Single Audit
7191 External Financial Audit—Other
7200 Other General Administration
7700 Centralized Data Processing

- Central administration cost.
- Generally accumulated in Goal 0000, Undistributed.
- Distributed proportionately to programs on the basis of the total amount of direct costs (i.e., direct-charged together with allocated) in each goal.

8000–8999 Plant Services

8100 Plant Maintenance and Operations
8700 Facilities Rents and Leases

- Support cost.
- May be charged directly to a specific goal when documentation exists; or may be accumulated in Goal 0000, Undistributed.
- May be reclassified to a specific goal or more appropriate function when documentation exists.
- Allocation basis is CU (classroom units).

8500 Facilities Acquisition and Construction

- "Other" cost.
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

9000–9999 Other Outgo

9100 Debt Service
9200 Transfers Between Agencies
9300 Interfund Transfers

- "Other" cost.
- Generally accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

Costs of a local educational agency (LEA) can be categorized as direct or indirect. A cost's related activity (e.g., instruction, school administration, pupil transportation, fiscal services) rather than its type (e.g., salaries, benefits, books, supplies) is what determines if it is a direct or indirect cost. Direct costs can be identified with a particular instructional program or support service necessary to maintain the program, whereas indirect costs are more global in nature.

Indirect costs are those costs of general management that are agencywide. General management costs consist of expenditures for administrative activities necessary for the general operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, centralized data processing). The standardized method to recover indirect costs from federal and state programs without having to time-account for the general administrative support provided to each program is referred to as the indirect cost rate process.

The indirect cost rate process in California is based on the California Department of Education's (CDE's) federally approved indirect cost plan for K–12 LEAs, which include school districts, joint powers agencies, county offices of education, and charter schools. California's plan includes specific guidelines on indirect cost components, including the indirect cost pool, base costs, and the carry-forward adjustment.

The United States Department of Education has approved the fixed-with-carry-forward restricted rate methodology for calculating indirect cost rates for California LEAs. CDE has been delegated authority to calculate and approve indirect cost rates annually for LEAs.

Definitions of key indirect cost terms are provided beginning on page 915-13.

Components of the Indirect Cost Rate Calculation

In simple terms, an indirect cost rate is determined by dividing an agency's indirect costs by the majority of its other expenditures, or base costs. However, the realities of the calculation are much more complex. Compliance with federal indirect cost guidelines requires that specific rules must be followed when expenditures are categorized as indirect or base costs. Fortunately for California, the majority of these rules are built into the function code within the standardized account code structure.

An LEA's general ledger data, in combination with a minimal amount of supplemental data, are used to categorize the LEA's expenditures as indirect costs, base costs, or excluded costs. The indirect costs become the numerator of the calculation, and the base costs are the denominator. Certain costs, such as debt service and facility construction, are excluded entirely from the calculation.

Numerator of the Calculation

The numerator of the indirect cost rate calculation—the indirect cost pool—is the cornerstone of the calculation. Costs in the pool come from the general fund and the charter school special revenue and/or charter school enterprise fund. There are three components to the numerator: indirect costs, general administration's share of certain plant services costs (e.g., maintenance and operations, facilities rents and leases), and the carry-forward adjustment.

Indirect costs consist of agencywide expenditures for general management (administrative) activities that are not readily identifiable with a particular program but are necessary for the overall operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, centralized data processing). Generally, only administrative costs charged to an unrestricted funding source (resources 0000–1999) are included in the indirect cost pool. An exception is made for joint powers agencies, which are often funded from a single restricted source.

Certain plant services costs (e.g., heating, lighting, custodial services) are also included in the indirect cost pool, but only the portion attributable to the general administrative offices. (See "Supplemental Data" on page 915-4 for further information on determination of the administrative portion of plant services costs.)

The carry-forward adjustment is an after-the-fact adjustment for the difference between the indirect cost rate approved for use in a given year and the actual percentage (amount) of indirect costs incurred in that year. The carry-forward adjustment eliminates the need for LEAs to file amended federal reports when their actual indirect costs vary from estimated indirect costs. (See "Calculating the Rate" beginning on page 915-5 for an example that illustrates the use of the carry-forward adjustment.)

Denominator of the Calculation

Once indirect costs have been identified, the majority of the LEA's remaining costs in the general fund and charter school funds comprise the denominator of the calculation, referred to as base costs. Examples of base costs include:

- Instructional salaries and benefits.
- Program supplies.
- Contracts for instructional and support services.
- Board and superintendent services.
- Facility costs (plant maintenance and operations and facilities rents and leases), except for the minimal portion associated with the general administrative offices.

Base costs also include similar expenditures from four special revenue funds (adult education, cafeteria, child development, and foundation), the foundation permanent fund, and the cafeteria enterprise fund, because the activities in these funds generally benefit on an ongoing basis from the services provided by the LEA's general administrative offices.

Excluded Costs

Certain types of costs are distorting in nature or require relatively minimal general administrative support compared with the amount of dollars spent. Because these costs would distort the indirect cost process, they are excluded from the calculation of the indirect cost rate. Following are the notable categories of costs excluded from the calculation:

- **Subagreements for Services** (Object 5100), which include expenditures for subagreements and subawards pursuant to certain contracts, subcontracts, and subgrants.

- **Capital Outlay** (objects 6000–6999), which includes expenditures for items such as the acquisition of land; improvements to sites; construction or purchase of new buildings; books and media for new schools; major expansions of school libraries; and capitalized equipment.

- **Other Outgo** (objects 7000–7499) and **Other Financing Uses** (objects 7600–7699), which include expenditures for items such as

- tuition, excess cost payments, pass-through funds, transfers out, debt service, and transfers between funds.

- **Other Funds**, which include expenditures of certain governmental funds (e.g., deferred maintenance, capital facilities), the proprietary funds other than cafeteria, and the fiduciary funds.

For the same reasons that these costs are excluded from the calculation of the indirect cost rate, they are also excluded from pools of eligible program expenditures on which to charge indirect costs (see "Amount of Indirect Costs to Charge," page 915-7).

Supplemental Data

In some circumstances supplemental data may be required to accurately identify all indirect costs and to fully comply with federal indirect cost guidelines.

Percent of administrative salaries and benefits. Most facility costs (plant maintenance and operations and facilities rents and leases) are categorized as base costs in a restricted indirect cost rate calculation. However, the portion of facility costs attributable to the general administrative offices may be included in the indirect cost pool.

To ensure that LEAs use a standardized method of attributing facility costs associated with the general administrative offices, a "percentage of administrative salaries and benefits" factor is used in the indirect cost rate calculation. This ratio of salaries and benefits for administration is used as a proxy for the ratio of space used by administration, which spares LEAs the necessity of annually calculating the space used by administration compared with each of their other programs and activities.

When the ratio is calculated, an adjustment may be required in those occasional circumstances where costs for administrative salaries and benefits are understated because certain administrative services, although performed on site, are provided by contract rather than by the LEA's own employees. If this occurs, LEAs may provide supplemental data to adjust the ratio for costs relating to such services.

The ratio of administrative salaries and benefits to other salaries and benefits is then multiplied by the costs of plant maintenance

and operations and facilities rents and leases to assign to the indirect cost pool an "administrative offices" share of these facility costs.

Employment separation costs. Some costs relating to employees' separation from service may have restrictions on how they can be charged (see Procedure 655, Employment Separation Costs).

"Normal" separation costs are unallowable as direct costs to federal programs and possibly to some state programs. When unallowable as direct costs, they are allowed as indirect costs. Normal separation costs that are unallowable as direct costs to a restricted program are charged to the same goal, function, and object as the employee's regular salary, but they are charged to an unrestricted resource. The LEA may then provide supplemental data to include these costs in the indirect cost pool.

"Abnormal or mass" separation costs, such as retirement incentives or contract buyouts, are unallowable either as direct costs or indirect costs to federal programs and possibly to some state programs. Abnormal or mass separation costs that are unallowable as direct costs to a restricted program are charged to the same goal, function, and object as the employee's regular salary, but they are charged to an unrestricted resource. Where an LEA has incurred abnormal or mass separation costs for employees charged to the indirect cost pool (Function 7200, Other General Administration, or Function 7700, Centralized Data Processing), the LEA must provide supplemental data to exclude these costs from the pool.

Calculating the Rate

The actual calculation of the indirect cost rate includes components from both the current year plus the second prior year (two years before the current period). The rate based on these data will then be used in the second subsequent fiscal year (two years after the current period). This span of time is characteristic of the fixed-with-carry-forward type of rate calculation.

The following example uses 2007-08 as the current reporting period and illustrates the fiscal years affected by the indirect cost rate calculation:

> In 2007-08, indirect costs are charged to programs using an indirect cost rate that was calculated and approved based on 2005-06 data. Any difference between the indirect costs

that theoretically could be charged to programs in 2007-08 based on this approved rate and the actual indirect costs incurred in that year (i.e., the theoretical over- or under-recovery of indirect costs) is called a carry-forward adjustment. *Note:* This adjustment compares what theoretically could be charged based on the approved rate, not what was actually charged.

Then, based on the actual indirect costs and base costs incurred in 2007-08 and the carry-forward adjustment, a new indirect cost rate will be calculated for use in 2009-10.

LEAs submit their indirect cost rates annually to CDE along with their unaudited actual financial statement data. An automated work sheet (Form ICR) in the financial reporting software calculates LEA indirect cost information. (See page 915-11 for an excerpt from the work sheet.) The work sheet uses both general ledger data (for indirect and base costs) and minimal amounts of supplemental data (see page 915-4).

These general ledger and supplemental data, along with certain second prior year indirect cost information, produce both a straight percentage of indirect costs (the indirect cost pool divided by base costs) and the fixed-with-carry-forward restricted indirect cost rate (the indirect cost pool, adjusted by the carry-forward calculation, then divided by base costs). The straight percentage of indirect costs is only for informational purposes and not for use in recovering indirect costs from programs. The fixed-with-carry-forward restricted indirect cost rate, once approved by CDE, is the rate that should be used to recover indirect costs.

Using the Rate

Approved indirect cost rates for K–12 LEAs, including charter schools, are posted online annually at *http://www.cde.ca.gov/fg/ac/ic*, usually in early spring. The rates may be used, as appropriate, to budget, allocate, and recover indirect costs for federal programs, grants, and other assistance governed by the Office of Management and Budget (OMB) Circular A-87, the *Education Department General Administrative Regulations* (EDGAR), and the *Code of Federal Regulations (CFR)*, Title 34. The rates may also be used for state programs, subject to any restrictions that may govern the individual programs.

Indirect Cost Rates for Individual Schools

Individual schools may use an indirect cost rate not to exceed their school district's rate (or county office of education's rate, if applicable). An exception to this is charter schools, which have separate indirect cost rate guidelines. The Web site given earlier includes a list of rates for school districts and county offices of education that should be used by noncharter schools, together with a separate listing of charter school rates.

Guidelines for Claiming Indirect Costs

Specific guidelines for charging indirect costs may vary by program. The following are general guidelines for using the indirect cost rate.

- **Budgeting.** An estimate of indirect costs may be used for budgeting purposes. If a program has a set award amount, it is important to budget indirect costs that fit within the award amount rather than add them to the award amount. To do this, and assuming for this example that none of the award amount will be spent on excluded costs (see page 915-3), divide the award amount by 1.xx, where xx equals the decimal equivalent of the approved indirect cost rate, then subtract the result from the original award amount to arrive at the amount of budgeted indirect costs. For example, using 8 percent as the approved rate and $10,000 as the award amount, divide $10,000 by 1.08, equaling $9,259.26, and then subtract $9,259.26 from $10,000, equaling $740.74, which is the amount that may be budgeted for indirect costs ($9,259.26 + $740.74 = $10,000).

- **Amount of Indirect Costs to Charge.** The claiming of indirect costs must be done based on actual program expenditures rather than budget estimates. The maximum amount of indirect costs that may be charged to an award in a year is determined by multiplying the total direct costs of the award, less any excluded costs (see page 915-3), by the restricted indirect cost rate. In terms of SACS, this generally equates to totaling the program expenditures in objects 1000–5999, except Object 5100, and multiplying that total by the indirect cost rate approved for use with the program. Expenditures in objects 5100, 6000, and 7000 are excluded from the indirect cost process (both when the rates are calculated and indirect costs are claimed) because they receive only a minimal amount of general administrative support compared with the

amount of dollars spent, and to include them would distort the process.

LEAs have the option of charging less than the approved rate when recovering indirect costs. However, whether the approved rate or a lesser rate is used, the carry-forward adjustment is still calculated using the LEA's approved rate. Also, indirect costs not claimed under one award may not be shifted to another award unless specifically authorized by legislation or regulation.

- **Program Limitations on Charging Indirect Costs.** The approved indirect cost rate provides the starting point for charging indirect costs to a program. Funding applications or award letters should be consulted to determine whether programs limit or prohibit the claiming of indirect costs. Some of the more common limitations include:

  1. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a program's capped rate.

  2. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a statewide average rate, such as for the food service or adult education programs. Information on these statewide average rates is available at *http://www.cde.ca.gov/fg/ac/ic/icrfsae.asp*.

  3. Having an administrative cost cap that limits the combination of direct program administration and indirect costs charged to the program.

  4. Not allowing indirect costs (i.e., requiring that the entire award amount be spent on direct costs).

  As a help in identifying the indirect cost rules for most programs, a SACS resource code query system is available on the Internet at *http://www.cde.ca.gov/fg/ac/ac/ap/querybyresource.asp*. The data provided for each resource code (i.e., funding source) include the general guidelines for claiming indirect costs.

- **Administrative Cost Caps.** Indirect costs are usually a subset of the broader category of administrative costs (see page 915-13). A program with an administrative cost cap should be reviewed to determine what limitations there might be on the recovery of indirect costs. For example, in a program that has a 15 percent

administrative cost cap that encompasses both direct program administration and indirect costs, if the LEA has already spent 11 percent on direct program administration, then it can claim only 4 percent for indirect costs even if the LEA's approved indirect cost rate is higher than 4 percent.

- **Multiple-Year Awards.** For program awards that cover more than one year, a single rate may not be used to recover indirect costs for the entire award; the indirect cost rate used must change as the year changes. For programs that follow the federal fiscal year (October 1 to September 30), the rates are applied using the state fiscal year as the basis. For example, the approved rate for the initial year is used for expenditures made October 1 through June 30, and the approved rate for the next year is used for expenditures made July 1 through September 30.

- **Eligible Funds and Costs.** The indirect cost rate is appropriate for use with only those operating funds and costs that are part of the calculation. For instance, costs in objects 1000–5999 (except Object 5100), in Fund 01 (general), funds 09 and 62 (charter schools), Fund 11 (adult education), Fund 12 (child development), funds 13 and 61 (cafeteria), and funds 19 and 57 (foundation) are part of the indirect cost rate calculation; therefore, expenditures in these fund and object combinations may generally have indirect costs charged against them. Costs in objects that are excluded from the calculation of the rate (e.g., subagreements for services, capital outlay, other outgo) and in funds excluded from the calculation (e.g., deferred maintenance, capital facilities) should not have indirect costs charged against them.

Indirect Costs, Central Administration, and Program Administration

For California LEAs, three cost accounting concepts are similar but not identical: indirect costs, central administration costs, and overall program administrative costs.

- **Indirect costs** in the restricted indirect cost rate calculation include agencywide general administration costs such as accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, and centralized data processing services, plus the minimal portion of facility costs (plant maintenance and operations and facilities rents and leases) spent in support of the general administration activities/offices.

- **Central administration costs** are a component of program cost accounting (see Procedure 910) and include indirect costs as described above, less the facility costs attributed to general administration, plus costs for the school board and superintendent.

- **Overall program administration costs,** in the context of indirect cost determinations or administrative cost caps, generally refers to administrative costs direct-charged to the program together with indirect costs charged to the program (see page 915-13). However, individual programs may have different definitions of administrative costs. There is currently no single definition that applies to all programs.

Because there are differences in the three cost pools, percentages or ratios calculated from them will differ. Although these differences could be minor, the three cost pools have unique purposes and are not interchangeable.

Transferring Indirect Costs

Specific function and object codes are defined in the standardized account code structure to aid in tracking the transfer of indirect costs between programs:

- Function 7210, Indirect Cost Transfers
- Object 7310, Transfers of Indirect Costs
- Object 7350, Transfers of Indirect Costs—Interfund

Where a program authorizes charges for administrative costs on a basis other than the indirect cost rate, the costs should not be transferred as indirect costs. They should either be charged directly to the program or transferred to the program as direct costs.

Indirect and direct cost transfers are illustrated in Procedure 615.

Indirect Cost Rate Work Sheet

Indirect Cost Rate Calculation Based on the 2007-08 Reporting Period (Funds 01, 09 and 62, unless indicated otherwise)

A. Indirect Costs (numerator)

1. Other General Administration – (Functions 7200–7600, Objects 1000–5999 and 7380, less portion on line B8 charged to restricted resources or specific goals)

2. Centralized Data Processing – (Function 7700, Objects 1000–5999, less portion on line B9 charged to restricted resources or specific goals)

3. External Financial Audit – Single Audit (Function 7190, Objects 5000–5999)

4. Staff Relations and Negotiations (Function 7120, Objects 1000–5999)

5a. Employment Separation Costs – add normal separation costs charged to Resources 0000–1999 for restricted positions, from line B12a

5b. Employment Separation Costs – subtract abnormal separation costs charged to Functions 7200–7700 and included in line A1 or A4

6. Plant Maintenance and Operations – only indirect portion (Functions 8100–8400, Objects 1000–5999, except 5100, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing)

7. Facilities Rents and Leases – only indirect portion (Function 8700, Resources 0000–1999, Objects 1000–5999, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing)

8. Total Indirect Costs (sum of lines A1 through A7)

9. Carry-Forward Adjustment (line A8 plus 2005-06 carry-forward adjustment, minus [2007-08 approved indirect cost rate times line B17])

10. Total Adjusted Indirect Costs (line A8 plus line A9)

B. Base Costs (denominator)

1. Instruction (Functions 1000–1999, Objects 1000–5999, except 5100)

2. Instruction-Related Services (Functions 2000–2999, Objects 1000–5999, except 5100)

3. Pupil Services (Functions 3000–3999, Objects 1000–5999, except 5100)

4. Ancillary Services (Functions 4000–4999, Objects 1000–5999, except 5100)

5. Community Services (Functions 5000–5999, Objects 1000–5999, except 5100)

6. Enterprise (Function 6000, Objects 1000–5999, except 5100)

7. Board and Superintendent (Functions 7100–7180, except 7120, Objects 1000–5999)

7a. External Financial Audit—Other (Function 7191, Objects 5000–5999)

8. Other General Administration—portion charged to restricted resources or specific goals (Functions 7200–7600, Resources 2000–9999, Objects 1000–5999 and 7380; plus Functions 7200–7600, Resources 0000–1999, Goals 0001–8999, Objects 1000–5999 and 7380)

9. Centralized Data Processing—portion charged to restricted resources or specific goals (Function 7700, Resources 2000–9999, Objects 1000–5999, plus Function 7700, Resources 0000–1999, Goals 0001–8999, Objects 1000–5999)

10. Plant Maintenance and Operations—all except indirect portion (Functions 8100–8400, Objects 1000–5999, except 5100, minus line A6)

11. Facilities Rents and Leases—all except indirect portion (Function 8700, Resources 0000–1999, Objects 1000–5999, except 5100, minus line A7; plus Function 8700, Resources 2000–9999, Objects 1000–5999, except 5100)

12a. Employment Separation Costs – reclassification from "base" to "indirect" (subtract normal separation costs charged to Resources 0000–1999 for restricted positions and included in lines B1 to B10)

12b. Employment Separation Costs – reclassification from "indirect" to "base" (add abnormal separation costs charged to Functions 7200–7700 from line A5b)

13. Adult Education (Fund 11, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)

14. Child Development (Fund 12, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)

15. Cafeteria (Funds 13 and 61, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)

16. Foundation (Funds 19 and 57, Functions 1000–6999, 8100–8400, 8700, Objects 1000–5999, except 5100)

17. Total Base Costs (sum of lines B1 through B16)

C. Straight Indirect Cost Percentage (before carry-forward adjustment) (line A8 / line B17)

D. Indirect Cost Rate (fixed with carry-forward rate for use in 2009-10, subject to CDE approval) (line A10 / line B17)

Note: The following expenditures are excluded from the indirect cost rate calculation and therefore cannot have indirect costs charged against them when indirect costs are claimed: Subagreements for Services (Object 5100); Capital Outlay (Objects 6000–6999); Other Outgo (Objects 7000–7499); Other Financing Uses (Objects 7600–7699); Facilities Acquisition and Construction (Function 8500); and Debt Service, Transfers Between Agencies, and Interfund Transfers (Functions 9000–9999) (see page 915-7, Amount of Indirect Costs to Charge).

Definitions of Indirect Cost Terms

Administrative costs. Any costs, indirect or direct, that are administrative in nature and support the management of a program. Costs of program administration may encompass both direct costs (e.g., salaries of program administrators, costs of program monitoring and preparing program plans) and indirect costs (e.g., personnel/human resources, accounting, and procurement).

Pursuant to the U.S. Department of Education's *Indirect Cost Determination: Guidance for State and Local Government Agencies,* various education programs have statutory or regulatory limitations on the costs of administration, which can encompass both personnel and non-personnel costs and both direct and indirect costs. Therefore, the statutory or regulatory limitation applies to the combined charges for indirect costs and direct program administration costs.

Approved rate. Same as *indirect cost rate*.

Base costs. Pool of direct costs from the general, charter schools, adult education, cafeteria, child development, and foundation funds minus any excluded costs, such as subagreements for services, major equipment purchases, facility construction, debt service, and transfers to other agencies.

Carry-forward adjustment. An adjustment used in calculating the indirect cost rate where the difference between the estimated indirect costs and the actual indirect costs is "carried forward." The adjustment takes into account (1) the LEA's approved indirect cost rate for the year, (2) the original carry-forward amount used to calculate that rate, and (3) that year's estimated indirect costs (i.e., base costs times the approved rate).

Consistent cost treatment. Costs incurred for the same purpose in like circumstances should be treated as only direct or only indirect. A cost may not be charged to a program as a direct cost if other costs incurred for the same purpose are allocated to programs as an indirect cost.

For example, if an employee provides services that would normally be performed by the business office, the cost should be charged as an indirect cost activity (Function 7200) even if the employee spends 100 percent of his or her time working on a particular program. This consistent cost treatment prevents a program from being charged for business office services as a direct cost and then again when indirect costs are charged to the program. However, if an employee provides supplemental services

above the level provided by the business office or if he or she provides services normally required of program managers, the cost would be considered a project-related administration cost (Function 2150) rather than an indirect cost.

Direct costs. Costs that provide measurable, direct benefits to particular programs, including costs for instructional programs, and support costs that relate to the peripheral services necessary to maintain the instructional programs. Examples of direct costs include salaries and benefits of teachers and instructional aides, payments for textbooks, instructional supply purchases, and pupil service costs (e.g., counseling, health services, pupil transportation).

Estimated indirect costs. The amount of indirect costs arrived at by multiplying the base costs by the approved rate for that year.

Excluded costs. Costs excluded from the indirect cost rate calculation because the activities are distorting in nature or require relatively minimal general administrative support compared to the amount of dollars spent. For example, subagreements for services, capital outlay (sites, improvement of sites, buildings, improvement of buildings, new or major expansions of school libraries, capitalized equipment), and other outgo (tuition, transfers to other agencies, debt service, financing uses).

Fixed-with-carry-forward. For California LEAs, the restricted indirect cost rate is computed and "fixed" for a specific period on the basis of an estimate of that period's level of operations. Once the actual costs of that period are known, the difference between the estimated and actual indirect costs is "carried forward" as an adjustment to the new calculation.

Form ICR. A work sheet within CDE's year-end financial data collection software that calculates the LEA's percentage of indirect costs and its fixed-with-carry-forward indirect cost rate.

Function code. The field in the standardized account code structure that identifies a cost's general operational area and distinguishes whether it is an indirect or base cost.

Indirect cost percentage. A percentage arrived at by dividing the current period's indirect costs by the base costs.

Indirect cost pool. The indirect costs of the agency together with the portion of plant maintenance and operations and facilities rents and leases

spent in support of indirect cost activities (i.e., general administration offices).

Indirect cost rate (ICR). An allocation technique used to distribute indirect costs to federal, state, and local programs. The indirect cost rate is the ratio (expressed as a percentage) of the adjusted indirect costs to the direct base costs. For California LEAs, the indirect cost rate represents a fixed-with-carry-forward restricted indirect cost rate used to recover indirect costs from federal and state programs.

Indirect costs. Agencywide general management costs not readily identifiable with a particular program but necessary for the overall operation of the agency (e.g., costs of accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, centralized data processing).

OMB Circular A-87. The Office of Management and Budget (OMB) Circular A-87, titled *Cost Principles for State, Local, and Indian Tribal Governments*. OMB Circular A-87 includes the general cost principles that govern California's indirect cost plan and process. *Note:* OMB Circular A-87 was relocated August 31, 2005, to Title 2 in the *Code of Federal Regulations (2 CFR)*, Subtitle A, Chapter II, part 225.

Restricted rate. Same as *indirect cost rate.*

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Appendix A Analysis of Salaries

This list provides guidance to LEAs on the object and function combinations that may be used for various job positions. It is not intended to be an all-inclusive list; rather, it is a representative sample on which LEAs can expand. Optional functions, where shown, are in *italics*.

Salary Object Classification	Function	Position Title
1100 Teachers	1000	Teacher, Adaptive Physical Education
	1000	Teacher, Assistant (credentialed)
	1000	Teacher, Coach, P.E. (credentialed)
	1000	Teacher, Resource Specialist
	1000	Teacher, Speech
	1000	Teachers, Student (permit)
	1000	Teacher, Substitute
	1000	Teacher, Tutor (credentialed)
	1000	Certificated Playground Supervisor
	4000	Stipend to Teacher for Extracurricular Activities
1200 Certificated Pupil Support	2420	Librarian
	3110	Counselor, Pupil/Parent
	3120	Psychologist
	3130	Child Welfare/Attendance (SARB)
	3130	Social Worker
	3140	Nurse
	3140	Dental Hygienist (credentialed)
	3140	Dentist (credentialed)
	3150	Audiologist (credentialed)
1300 Certificated Supervisors and Administrators	2700	Dean
	2700	Dean, Assistant
	2700	Principal
	2700	Principal, Assistant
	2700	Registrar (credentialed)
	2700	Vice-Principal
	Various	Coordinator
	Various	Director
	Various	Specialist
	Various	Supervisor
	2100	Superintendent, Assistant, Instruction
	7100	Superintendent (credentialed)

Salary Object Classification	Function	Position Title
	7200	Superintendent, Assistant, Finance (if credential is required)
	2700	Stipend to Teacher for Academic Department Chair
1900 Other Certificated	2100	Program Specialist, Special Education
	2100	Program Specialist, Other
	2100/*2140*	Mentor Teacher Stipend
	2490	Resource Specialist–Not Classroom
	5000/*5400*	Civic Center Employees (credentialed) (*Education Code* Section 38130 et seq.)
2100 Instructional Aides	1000	Bilingual Teacher Aide
	1000	Classroom Teacher Aide
	1000	Special Education Classroom Interpreter
	1000	Teacher Aide Substitute
	1190	Orientation and Mobility Therapist (not credentialed)
	4000	Coach, Classified (after school)
2200 Classified Support	2420	Media Aide
	2420	Library Aide
	2420	Computer Lab Technician
	3110	Career Center Assistant
	3120	Psychologist (classified)
	3150	Audiologist (classified)
	3150	Audiometrist (classified)
	3140	Health Aide
	3600	Bus Driver
	3600	Bus Mechanic
	3700	Cook
	3700	Nutritionist
	2420	Instruction-related Data Processing Computer Operator
	7200	Centralized Data Processing Computer Operator
	7500	Warehouse Worker
	8100	Custodian
	8100	Delivery Person
	8100	Gardener
	8100	Maintenance Worker
	8100/*8300*	Guard
	4000/*4100*	Stage Hand
	3130	Truancy Officer
	4000/*4100*	Student Employee for Ancillary Events
	8100/*8300*	Crossing Guard

Salary Object Classification	Function	Position Title
	2490/*2495*/ 5000	Child Care Personnel (noninstructional)
	Various	Interpreter
2300 Classified Supervisors and Administrators	2700	Site Administrator
	7100	Governing Board Member
	7100	Superintendent (not credentialed)
	7200	Accountant, Chief
	7200	Business Manager
	7200	Controller
	7200	Assistant Superintendent, Finance
	7200	Personnel Commission Member
	7200	Purchasing Director/Manager
	Various	Coordinator of _____
	Various	Director of _____
	Various	Supervisor of _____
2400 Clerical, Technical, and Office Staff	7200	Accountant
	7200	Bookkeeper
	7200	Buyer (LEA-wide purchasing)
	7200	Duplicating Machine Operator
	7700	Computer Operator (centralized data processing)
	7700	Programmer or Analyst (centralized data processing)
	2420	Computer Services Technician (instruction-related)
	7700	Computer Services Technician (centralized data processing)
	2700/7200	Attendance Clerk
	Various	Clerk
	Various	Secretary
2900 Other Classified	1000	Students (instructional purposes only)
	1000	Noon Duty Personnel
	5000/*5400*	Civic Center Aides
	8500	Building Inspectors

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Appendix B Normal Balances of Balance Sheet Accounts

Chart of Accounts

		Normal Balance
	Assets	
9110	Cash in County Treasury	Dr
9111	Fair Value Adjustment to Cash in County Treasury	Dr
9120	Cash in Bank(s)	Dr
9130	Revolving Cash Account	Dr
9135	Cash with a Fiscal Agent/Trustee	Dr
9140	Cash Collections Awaiting Deposit	Dr
9150	Investments	Dr
9200	Accounts Receivable	Dr
9290	Due from Grantor Governments	Dr
9310	Due from Other Funds	Dr
9320	Stores	Dr
9330	Prepaid Expenditures (Expenses)	Dr
9340	Other Current Assets	Dr
9410	Land	Dr
9420	Improvements of Sites	Dr
9425*	Accumulated Depreciation—Improvements of Sites	Dr
9430	Buildings	Dr
9435*	Accumulated Depreciation—Buildings	Dr
9440	Equipment	Dr
9445*	Accumulated Depreciation—Equipment	Dr
9450	Work in Progress	Dr
	Liabilities	
9500	Accounts Payable (Current Liabilities)	Cr
9590	Due to Grantor Governments	Cr
9610	Due to Other Funds	Cr
9620	Due to Student Groups/Other Agencies	Cr
9640	Current Loans	Cr

*Accumulated depreciation accounts are contra-asset accounts that reduce the carrying value of the capital assets to which they relate. Accumulated depreciation accounts may technically be reported either as debit accounts with negative balances or as credit accounts with positive balances. For clarity of presentation and consistency of LEA data statewide, accumulated depreciation accounts shall be reported as debit accounts with their credit balances displayed as negatives.

9650	Deferred Revenue	Cr
9661	General Obligation Bonds Payable	Cr
9662	State School Building Loans Payable	Cr
9664	Net OPEB Obligation	Cr
9665	Compensated Absences Payable	Cr
9666	Certificates of Participation (COPs) Payable	Cr
9667	Capital Leases Payable	Cr
9668	Lease Revenue Bonds Payable	Cr
9669	Other General Long-Term Debt	Cr
	Fund Balance	
9711	Reserve for Revolving Cash	Cr
9712	Reserve for Stores	Cr
9713	Reserve for Prepaid Expenditures (Expenses)	Cr
9719	Reserve for All Other	Cr
9720	*Reserve for Encumbrances*	*Cr*
9730	General Reserve	Cr
9740	Legally Restricted Balance	Cr
9770	Designated for Economic Uncertainties	Cr
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury	Cr
9780	Other Designations	Cr
9790	Undesignated/Unappropriated	Cr
9791	Beginning Fund Balance	Cr
9793	Audit Adjustments	Cr
9795	Other Restatements	Cr
	Budgetary Accounts	
9810	Estimated Revenue	Dr
9815	Estimated Other Financing Sources (Optional)	Dr
9820	Appropriations	Cr
9825	Estimated Other Financing Uses (Optional)	Cr
9830	Encumbrances	Dr
	Control Accounts	
9840	Revenue	Cr
9845	Other Financing Sources (Optional)	Cr
9850	Expenditures	Dr
9855	Other Financing Uses (Optional)	Dr
	Nonoperating Accounts	
9910	Suspense Clearing	Dr, Cr

Appendix C Consistency of Standardized Account Code Structure with the Federal Handbook

The following pages provide a cross-reference between the standardized account code structure in this manual and the federal accounting manual, *Financial Accounting for Local and State School Systems*, commonly referred to as the "Federal Handbook."

Federal Handbook	Standardized Account Code Structure
Criteria for Items of Information	
The following basic criteria were used in selecting items and classifications for inclusion:	The standardized account code structure is a logical, well-organized structure that:
1. The items, accounts, and categories of information should provide the basic framework fundamental to a comprehensive financial management system.	• Contains all fields and accounts necessary for LEAs to run a financial management system
2. The guidelines should serve all sizes and types of LEAs.	• Is appropriate for different sizes and types of school districts
3. The categories of accounts should be both contractible and expandable, enabling all LEAs to adapt them to support various financial management information systems.	• Uses optional accounts and ranges and allows for the addition of nonmandated fields
4. Data elements should be additive into needed categories for purposes of reporting and comparing at the local, state, and federal levels.	• Allows data collection at a detailed or general level; allows summary of data from minor accounts to major accounts
5. The guidelines should conform to generally accepted governmental accounting principles.	• Conforms to generally accepted accounting principles (GAAP)
6. The guidelines should include the categories necessary to provide full disclosure of financial information.	• Provides full disclosure by using the minimum account fields and capturing a comprehensive data set related to each revenue and expenditure
7. The categories included should provide an adequate audit trail.	• Provides an adequate audit trail

Federal Handbook	Standardized Account Code Structure
Conformance with Generally Accepted Accounting Principles	
For LEAs, adherence to GAAP implies that their financial reports contain the same types of financial statements for the same categories and types of funds and account groups. Such conformity will enhance the comparability of LEA financial reporting.	The structure provides all LEAs with a common set of fields and accounts that can be used to generate financial reports. The object field is used to collect data for financial statements, and the resource field is used to collect data for categorical reporting requirements.
Basic Philosophy of Financial Accounting	
1. The chart of accounts encourages full disclosure of the financial position of the LEA. 2. Comprehensiveness of financial reporting is encouraged. 3. Simplified reporting is encouraged. 4. Financial reporting emphasizes the results of LEA operations more than the resources applied. 5. The account classification system is flexible; it meets the needs of both small and large LEAs while retaining comparability of reporting data. 6. The classification of accounts and the recommended reporting structure remain in accordance with generally accepted accounting principles.	The basic philosophy of financial accounting closely resembles the "Criteria for Items of Information" (presented on page C-1). The standardized account code structure meets these criteria. In addition, the structure focuses on results, particularly in the goal field. The logical flow of the structure assists nontechnical users in understanding how revenues and expenditures are classified. The number of mandated fields has been kept to a minimum to simplify the structure.
Suggested Criteria for Statewide System	
Adapting State Reporting Requirements	
As soon as the state handbook is developed, the state educational agency (SEA) should redesign the state's reports based upon that handbook. Its requirements probably will not be implemented for another year or two, but the formats are needed for training LEAs.	The structure can be used to generate reports as a by-product of the system through data downloads. CDE plans to eliminate unnecessary reports and forms and to collect financial information electronically.

Appendix C Consistency of Standardized Account Code Structure with the Federal Handbook

Federal Handbook	Standardized Account Code Structure

Comparability

To achieve financial comparability, LEAs, SEAs, and the federal agencies concerned with education must be prepared to use the minimum account classifications included here. This comparability should provide assistance to LEAs, state and federal administrators, legislators, LEA boards of education, and the general public in understanding where the funds come from and how they are used.

The structure uses the minimum account classifications and provides comparability across LEAs. Administrators using the structure can create reports that:

- Fulfill categorical requirements.
- Show goals or purposes of the LEA.
- Track funding by source.
- Track funding by use.

The Financial Accounting Account Classification Structure

The dimensions applicable to each type of transaction are:

Revenues	Expenditures	Balance Sheet
Fund	Fund	Fund
Revenue	Program	Balance Sheet
Account		
Source	Function	
Project/	Object	
Reporting	Project/Reporting	
	Level of Instruction	
	Operational Unit	
	Subject Matter	
	Job Classification	
	Special Cost Center	

The structure utilizes the following account fields:

- Fund
- Resource
- Goal
- Function (Activity)
- Object
- School

The object field contains accounts for the revenue, expenditure, and balance sheet dimensions.

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Appendix D Function Codes for Common Activities

The following table lists many common activities and the function code(s) typically associated with each. Optional codes are *italicized*. The activities shown are intended as a guide rather than as a definitive list. It is important to be familiar with the function descriptions in Procedure 325 to ensure proper use of function codes.

Description	**Typical Function(s)**
Accounting—Agencywide	7200
Accounting—Administration of Instructional Special Projects	2100/*2150*
Adaptive Physical Education—Special Education	1190
Administration of Instruction	2100
Administration of Instructional Special Projects	2100/*2150*
Administrative Activities—Agencywide	7100 or 7200
Administrative Unit (AU) of a Multidistrict SELPA	2200
Alarm Systems	8100/*8300*
Ancillary Services	4000
Appraisal Services—Students	3110
Assistant Principal	2700
Assistant Superintendent—Agencywide	7100/*7150*
Assistant Superintendent—Business	7200
Assistant Superintendent—Instruction	2100
Assistive Services—Special Education	1190
Assistive Technology—Special Education	1130
Athletics—School-Sponsored (e.g., competition between schools)	4000/*4200*
Attendance Reporting—Agencywide	7200
Attendance Reporting—School Level	2700
Attendance Services—Improve Student Attendance	3130
Attendance Truancy Officer	3130
Audiology Services	3150
Audit—Annual Independent	7190 or 7191
Audit—Program Performance or Monitoring	2100/*2150*
Auditing—Internal	7200/*7370*
Auditors—External	7190 or 7191
Board of Education	7100/*7110*
Books—Materially expand library or stock new library	8500
Books and Other Reference Materials	Function of area requesting the purchase
Braille Services—Special Education	1130
Budget Monitoring—Program Specific (instruction-related)	2100/*2150*
Budgeting—Agencywide	7200
Buildings and Improvements of Buildings	8500

Description	Typical Function(s)
Bus Driver Training and Certification	3600
Bus Driver	3600
Bus Maintenance Personnel	3600
Career Counseling	3110
Chief Business or Financial Officer	7200
Chief Executive Officer	7100/*7150*
Child Care—Community Services (e.g., day care center to assist working parents)	5000
Child Development—Preschool	1000
Co-curricular Activities—School-Sponsored (e.g., band, chorus, choir, speech)	4000/*4100*
Communications—Telephone lines, fax lines, pagers	2700 or 7200 (refer to Object 5900)
Communications—Agencywide data processing (e.g., connectivity to county data processing systems)	7700
Communications—Instruction related (e.g., Internet access, cable television)	1000, 2420 or 2700 (refer to Object 5900)
Community Relations	7100/*7150*
Community Services	5000
Community Services—Custodian (paid overtime or extra time for services performed entirely as a result of community services)	5000
Computer-assisted Instruction—Classroom, school networks, computer labs	1000 or 2420
Conference Fees—Staff Development	Normally employee's function
Counseling Services	3110
Credential Services	7200/*7430*
Curriculum Development	2100/*2130*
Curriculum Improvement	2100
Custodian	8100/*8200*
Custodian—Community Services (paid overtime or extra time for services performed entirely as a result of community services)	5000
Data Processing—Centralized (e.g., computer facility management, systems development, agencywide attendance applications, fiscal systems)	7700
Data Processing—Classroom- or Instruction-Related (if accumulated in Function 7700, must be transferred using Objects 5710/5750)	1000 or 2420
Dental Services to Students	3140
Department Chairperson	2700
Deputy Superintendent—Agencywide	7100/*7150*
Director of Instructional Program (e.g., special education, bilingual education, or similar programs)	2100

Description	Typical Function(s)
Duplicating—Instructional Materials	1000–1999
Duplicating—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.
Duplicating, Printing, Publishing—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/*7550*
Education Technological Services—Special Education	1190
Educational Television Instructional Programs	2420
Election Costs	7100/*7110*
Evaluate School Staff Members	2700
Field Trip Transportation (may be accumulated in Function 3600, then transferred using Objects 5710/5750)	1000–1999
Fiscal Services—Agencywide	7200
Food—Instruction Related (e.g., cooking class supplies, instructional rewards)	1000–1999
Food Services to Students	3700
Graduation Expenses	2700
Grant Procurement	7100/*7150*
Guidance Services	3110
Hall Monitoring	8100/*8300*
Health Services	3140
Hearing Screening	3140
Hearing Services (e.g., loss, function, impaired hearing)	3150
Home and Hospital Instruction—Regular Education	1000
Home and Hospital Instruction—Special Education	1130
Human Resources (e.g., recruitment, credential services, agencywide training for noninstructional staff)	7200/*7400*
Information Dissemination to Students (e.g., educational, occupational, personal, and social)	3110
In-house Instructional Staff Development	2100/*2140*
Instruction—Home and Hospital	1000 or 1130
Instruction—Special Education	1100–1199
Instruction—Teachers in the classroom and via alternate media (e.g., computer, television, correspondence, radio)	1000
Instructional Administration	2100
Instructional Administration—Special Projects (typically funded from a specific resource and requires project budget and audit)	2100/*2150*
Instructional Aide—Regular Education	1000
Instructional Aide—Special Education	1110–1130
Instructional Staff Development—In-house	2100/*2140*
Instructional Library	2420
Instructional Materials—Guidance of Teachers	2100

Description	Typical Function(s)
Instructional Media	2420
Instructional Programs—Selecting, preparing, and making available to instructional staff television or computer-assisted services	2420
Instructional Research	2100/*2120*
Instructional Supervision	2100/*2110*
Instructional Technology	2420
Insurance—Buses	3600
Insurance—Driver Training Vehicle Insurance	1000
Insurance—Food Service Vehicles	3700
Insurance—General property and liability not covered elsewhere	7200
Insurance—Pupil	1000
Interpreter Services—Special Education	1130
Language and Speech—Special Education	1190
Language Disorders—Assess	3150
Language Services	3150
Legal – General Legal Counsel (e.g., interpret laws and statutes, general liability)	7100/*7110*
Legal – Directly Identifiable with an Activity (e.g., supervision of instruction, fiscal services, personnel/human resources services, capital projects)	Use activity function.
Medical Services to Students	3140
Negotiations (Contractual) and Staff Relations	7100/*7120*
Network Manager—Noninstructional Networks	7700
News Media—Dissemination of Educational Public Information	7100/*7180*
Nonpublic Agencies/Schools (NPA/S)—Special Education	1180
Noon-duty Personnel	1000
Nursing Services	3140
Orientation and Mobility Instruction—Special Education	1190
Other Specialized Instructional Services—Special Education	1190
Parent Counseling—Special Education	3110
Parent Participation—School Activities	2490/*2495*
Parent-Teacher Association (PTA) Meetings	5000
Payroll Services	7200/*7340*
Personnel Services	7200/*7400*
Photocopying—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/*7550*
Photocopying—Instructional Materials	1000–1999
Photocopying—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.
Placement Services—Students	3110

Description	Typical Function(s)
Plant Maintenance (e.g., repairing, restoring, renovating school property)	8100/*8110*
Plant Operations (e.g., heating, lighting, power, grounds keeping, housekeeping)	8100/*8200*
Police Activities for School Functions	8100/*8300*
Policy Administration—Agencywide	7100 or 7200
Principal	2700
Printing, Publishing and Duplicating—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/*7550*
Printing, Publishing and Duplicating—Instructional Materials	1000–1999
Program Manager—Instruction Related	2100
Psychological Services	3120
Public Information	7100/*7180*
Public Relations	7100/*7150*
Purchasing—Activities to purchase supplies, furniture, equipment	7200/*7530*
Recreation Program—Community	5000
Renovating School Property	8100/*8110*
Repairing and Restoring School Property	8100/*8110*
Retiree Benefits (Allocate in proportion to total salaries or total full-time-equivalent positions in all activities as described in Objects 3701/3702, or direct-charge as described in Objects 3751/3752)	Various functions
Salary Stipend—Staff Development	Normally, employee's function
Scholarship Payments	5000
School Activities—Coordination	2700
School Administration	2700
School Records—Supervise and Maintain	2700
School-Sponsored Athletics (e.g., competition between schools)	4000/*4200*
School-Sponsored Cocurricular Activities	4000/*4100*
Secretary—School	2700
Secretary—Superintendent or Governing Board	7100
Security	8100/*8300*
Sign Language Service—Special Education	1190
Social Work Services	3130
Special Education—Adaptive Physical Education	1190
Special Education—Assistive Services	1190
Special Education—Assistive Technology	1130
Special Education—Braille Services	1130
Special Education—Education Technological Services	1190
Special Education—Home and Hospital Instruction	1130
Special Education—Instructional Aides	1130

Description	Typical Function(s)
Special Education—Interpreter Services	1130
Special Education—Language and Speech	1190
Special Education—Nonpublic Agencies/Schools (NPA/S)	1180
Special Education—Orientation and Mobility Instruction	1190
Special Education—Other Specialized Instructional Services	1190
Special Education—Resource Specialist Instruction	1120
Special Education—Separate Classes	1110
Special Education—Sign Language Service	1190
Special Education—Supplemental aids and services in regular classrooms	1130
Special Education—Transportation (specialized services specified in IEP)	3600
Special Education—Vision Services	1190
Special Education—Vocational Education Training	1190
Special Education Instruction	1100–1199
Special Project—Instructional Administration (typically funded from a specific resource and requires project budget and audit)	2100/*2150*
Special Project—Support Staff for Instructional Administration (includes administrative services beyond general level provided by the business office)	2100/*2150*
Speech Disorders—Assess	3150
Speech Pathology	3150
Staff Development and Training—Conference Fees	Normally, employee's function
Staff Development and Training—Instructional (e.g., techniques of instruction, how children learn)	2100
Staff Development and Training—Noninstructional Staff (developing agencywide programs not related to instructional staff or programs)	7200/*7400*
Staff Development and Training—Salary Stipend	Normally, employee's function
Staff Development Consultant—Work with teachers outside the classroom	2100/*2140*
Staff Evaluations—School	2700
Staff Relations and Contractual Negotiations	7100/*7120*
Superintendent	7100/*7150*
Supervisor of Instructional Program (e.g., special education, bilingual education, or similar programs)	2100
Technology—Instructional	2420
Telephone Lines—Communications	2700 or 7200 (refer to Object 5900)
Telephone Lines—Centralized Data Processing	7700
Telephone Lines—Instructional Internet Access	1000 or 2420
Testing—Classroom teachers administering tests to students	1000–1999
Testing—Coordinate standardized student testing	3160

Description	Typical Function(s)
Testing—Psychological Services	3120
Transportation—Home to School	3600
Transportation—Other Miles (e.g., field trips, between school sites, summer school hours) (may be accumulated in Function 3600, then transferred using Objects 5710/5750)	1000–1999
Transportation—Special Education (specialized services specified in IEP)	3600
Truancy Officer—Attendance	3130
Tuition—Outgoing to another agency	9200
Utilities (e.g., heat, light, power, garbage) (See Communications for telephones.)	8100/*8200*
Vision Screening	3140
Vision Services—Special Education	1190
Vocational Education Training—Special Education	1190
Warehousing and Distribution	7200/*7540*
Xeroxing—Administrative Publications (e.g., annual reports, agencywide directories or bulletins)	7200/*7550*
Xeroxing—Instructional Materials	1000–1999
Xeroxing—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	Use program function.

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A

Abatement. A complete or partial cancelation of an expenditure or revenue.

Abatement of expenditures. Cancelation of part or all of a charge previously made, usually because of refunds, rebates, resale of materials originally purchased by the local educational agency (LEA), or collections for loss or damage to the LEA's property. An abatement of expenditure applies to current expenditures and capital outlay expenditures from all funds.

Abatement of revenue. The cancelation of all or some part of any specific revenue previously recorded.

Account group. A self-balancing set of accounts that list government's fixed assets and long-term debt and that are not otherwise a part of governmental funds.

Accounting period. A period of time for which records are maintained and at the end of which financial statements are prepared covering the period.

Account numbers or letters. Numbers and/or letters that are assigned to the ordinary titles of accounts for classification of accounts and ease of reference.

Accounts payable. Amounts due and owed to private persons, business firms, governmental units, or others for goods received and/or services rendered prior to the end of the fiscal year. Includes amounts billed but not paid. Does not include amounts due to other funds of the same LEA.

Accounts receivable. Amounts due and owed from private persons, business firms, governmental units, or others for goods received and/or services rendered prior to the end of the fiscal year. Includes amounts billed but not received. Does not include amounts due from other funds of the same LEA.

Accrual basis. That method of accounting in which revenue is recorded when earned, even though it has not yet been collected, and in which expenses are recorded when the liabilities are incurred, even if they have not been paid yet.

Accrued expenditures. Expenditures incurred during the current accounting period that are not paid until a subsequent accounting period.

Accrued revenue. Revenue earned during the current accounting period that is not collected until a subsequent accounting period.

Accumulated depreciation. A contra-asset account used to report the accumulation of depreciation. (See also *Depreciation*.)

Actuarial basis. A basis used in computing the amount of contributions to be made periodically to a fund so that the total contributions plus the compounded earnings thereon will equal the required payments to be made out of the fund. The factors taken into account in arriving at the amount include the length of time over which each collection or payment is to be made and the rate of return compounded on such amounts over its life.

Ad valorem tax. A tax based on a percentage of the value of goods or services.

Agency fund. A fund consisting of resources received and held by an LEA as an agent for others.

Allocation. Division or distribution in accordance with a predetermined plan.

Allowable costs. Costs that meet the specific criteria of a granting agency.

Allowance. A provision for valuing an asset at net, such as an allowance for bad debts. The allowance for bad debts would be deducted from accounts receivable to reflect the receivables that are likely to be collectable.

Apportionment. Allocation of state or federal aid, district taxes, or other moneys among LEAs or other governmental units.

Apportionment notice. A document notifying LEAs when moneys were deposited with the county treasurer.

Appraisal. An estimate of property value made by the use of systematic procedures based on physical inspection and inventory, engineering studies, and other economic factors.

Appropriation. An authorization, granted by the governing board, to make expenditures and to incur obligations for special purposes. An appropriation is usually limited in purpose, amount, and the time period during which it may be expended.

Appropriation ledger. A subsidiary ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated in the budget, budget increases or decreases during the year, expenditures, encumbrances, unencumbered balances, and other related information.

Arbitrage. The profit earned (i.e., interest earnings in excess of interest costs) from the investments of the proceeds of lower-interest tax-exempt securities in higher yielding taxable securities.

Assessed valuation. Value placed on personal and real property by a governmental unit for purposes of taxation.

Assets. Resources that are held or owned by an LEA and that have monetary value.

Audit. An examination of documents, records, and accounts for the purpose of (1) determining the propriety of transactions; (2) ascertaining whether all transactions are recorded properly; and (3) determining whether statements that are drawn from accounts reflect an accurate picture of financial operations and financial status for a given period of time.

Audit finding. A weakness in internal controls or an instance of noncompliance with applicable laws and regulations that is presented in the audit report.

Audit program. A detailed outline of work to be done and the procedures to be followed during an audit.

Available cash. Cash that is on hand or on deposit in a given fund and that is unencumbered and can be used for meeting current obligations.

Average daily attendance (ADA). Total approved days of attendance in the LEA divided by the number of days the schools in the LEA are in session for at least the required minimum day. (Refer to *Education Code* Section 46300 and *California Code of Regulations, Title 5, Education*, sections 400–424.)

B

Balance sheet. A statement that shows the assets, liabilities, and fund balance or fund deficit of an entity at a specific date and that is properly classified to exhibit the financial condition of the entity as of that specific date.

Basis of accounting. The time at which revenues, expenditures, transfers, and related liabilities and assets are recognized in the accounts and are reported in the financial statements.

Bond. A certificate containing a written promise to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and specifying interest at a fixed rate, usually payable periodically.

Bond discount. The excess of the face value of a bond over the price for which it is acquired or sold. (The price does not include accrued interest at the date of acquisition or sale.)

Bonded debt. That portion of indebtedness represented by outstanding bonds.

Bonded debt service. Expenditures for interest and redemption of bonds.

Bond premium. The excess of the price at which a bond is acquired or sold over its face value. (The price does not include accrued interest at the date of acquisition or sale.)

Bonds authorized and unissued. Legally authorized bonds that have not been sold and that may be sold without further authorization.

Book value. The cost or stated costs of assets less accumulated depreciation as shown by the books of accounts.

Budget. A plan of financial operation consisting of an estimate of proposed revenue and expenditures for a given period and purpose. The term usually indicates a financial plan for a single fiscal year.

Budgetary accounts. Those accounts that make it possible for a budgetary-type fund (governmental fund) to show how (1) estimated revenue and revenue realized to date compare; and (2) expenditures and encumbrances compare with appropriations during the fiscal period. The budgetary accounts are estimated revenues, appropriations, and encumbrances.

Budgetary control. The management of financial transactions in accord with an approved plan of estimated revenue and expenditures.

Budgeting. The process of allocating the available resources of an organization among potential activities to achieve the objectives of the organization; planning for the use of resources.

Budget revision. Net increases and decreases to the budget. They may include increases due to new grant funds and decreases due to the need to reduce appropriations to keep spending within available revenues.

Budget transfer. Changes among budgeted items. They do not increase or decrease the total budget.

C

Capital assets. See *Fixed assets.*

Capital lease. A lease agreement that meets one or more of the following criteria is classified as a capital lease:

- Ownership is transferred to the lessee at the end of the lease term.
- The agreement contains a "bargain purchase" option.
- The lease agreement is 75 percent or more of the estimated useful life of the property.
- The present value of the minimum lease payment is 90 percent or more of the fair market value of the property.

Capital outlay. Amounts paid for fixed assets or additions to fixed assets, including land or existing buildings, the improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial and additional equipment.

Capital projects funds. Funds established to account for financial resources that are to be used for the acquisition or construction of major capital facilities.

Cash. Currency, checks, postal and express money orders, and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. Any restriction or limitation as to the availability of cash should be indicated.

Cash advance. Cash apportioned in advance of the usual apportionment period.

Cash basis. Method of accounting in which revenue and expenditures are recorded only when cash is actually received or disbursed. The cash basis is not acceptable for use in LEAs.

Cash collections awaiting deposit. Receipts on hand or moneys in a bank clearing account awaiting deposit in the county treasury.

Cash discount. An allowance made on a purchase if payment is made within a stated period. (This term is not to be confused with *trade discount*.)

Cash in bank. Balances in separate bank accounts, such as student body accounts, school farm accounts, and cafeteria accounts.

Cash in county treasury. Cash balances on deposit in the county treasury for the various funds of the LEA.

Categorical aid. Funds from state or federal sources that are in addition to the general-purpose funding to serve a specific pupil population or to provide specific services and activities. These funds have fiscal and program compliance requirements of varying degree.

Certificates of participation (COPs). A financing technique that provides long-term financing through a lease (with an option to purchase or a conditional sale agreement).

Chart of accounts. A systematically arranged list of accounts that are applicable to a specific LEA. All account names and numbers, if any, are listed in numerical order.

Check. A bill of exchange drawn on a bank and payable on demand; a written order on a bank to pay on demand a specific sum of money to a named person, to his or her order, or to a bearer out of money on deposit to the credit of the maker. A check differs from a warrant in that a warrant is not necessarily payable on demand and may not be negotiable; a check differs from a voucher in that a voucher is not an order to pay. A voucher-check combines the distinguishing characteristics of a voucher and a check; it shows the propriety of a payment and is an order to pay.

Classification. The naming or identification of an item or a category, such as the designation of the particular account into which a receipt or an expenditure is to be recorded or the separation of data into acceptable groupings so that financial facts can be stated more clearly.

Classroom unit (CU). The approximate area usually occupied by a classroom, varying from 800 to 1,100 square feet but generally about 960 square feet.

Clearing accounts. Accounts used to accumulate total receipts or expenditures for later distribution among the accounts to which such receipts or expenditures are properly allocable.

Closing entries. Entries recorded at the end of each fiscal period to transfer the balances in the revenue and expenditure (or expense) accounts to the permanent equity accounts (fund balance or retained earnings) of an accounting entity.

Code. (1) A distinguishing reference number or symbol; (2) a statement of the laws of a specific field (e.g., *Education Code, Penal Code, Civil Code*, and *Labor Code)*.

Compensated absences. Absences for which compensation is paid (e.g., vacation and sick leave).

Component unit. An organization that is legally separate and for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Comprehensive Annual Financial Report (CAFR). Financial reporting consisting of three sections: (1) introductory section (general information on the LEA's structure, services, and environment); (2) financial section (basic financial statements and required supplementary information, together with information on individual funds and discretely presented component units not reported separately in the financial statements); and (3) statistical section (trend and nonfiancial data useful in interpreting the basic financial statements).

Contingent liabilities. Items that may become liabilities as a result of conditions undetermined at a given date (e.g., guarantees, pending lawsuits, judgments and appeals, and unsettled disputed claims).

Contra account. An account to record offsetting transactions (e.g., abatements).

Contract. An agreement between two or more people or entities to do something. Contracts are usually in writing and are enforceable by law.

Contracted services. Expenditures for services rendered under contract by personnel who are not on the payroll of the LEA, including all related expenditures covered by the contract.

Control account. A summary account, usually maintained in the general ledger, in which is entered the aggregate of the debit and the credit postings to a number of identical, similar, or related accounts called subsidiary accounts. Its balance equals the sum of the balances of the detail accounts.

Cost. The amount of money or its equivalent value paid or agreed to be paid for property or services. Cost may be incurred even before money is paid; that is, as soon as a liability is assumed. Ultimately, however, money or its equivalent must be given in exchange. The cost of some property or service may in turn become part of the cost of another property or service. For example, the cost of materials will be reflected in the cost of articles made from such materials.

County School Service Fund (CSSF). A fund established to control the financial operations of county offices of education.

Credit. The right side of a double-entry posting. Credits will reduce assets and expenditures and increase liabilities, revenue, and fund balance.

Current assets. Assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities.

Current expense of education. The current general fund operating expenditures of an LEA for kindergarten and grades one through twelve, *excluding* expenditures for food services, community services, nonagency activities, fringe benefits for retired persons, acquisition and construction of facilities, and objects 6000 and 7000.

Current liabilities. Amounts due and payable for goods and services received prior to the end of the fiscal year. Current liabilities should be paid within a relatively short period of time, usually within a year.

Current loans. Loans payable in the same fiscal year in which the money was borrowed.

D

Debit. The left side of a double-entry posting. A debit will increase assets and expenditures and reduce liabilities, revenue, and fund balance.

Debt limit. The maximum amount of legally permitted debt.

Debt service. Expenditures for the retirement of debt and for interest on debt.

Debt service funds. Funds established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deferred revenue. Revenue received in a given period, but unearned, which is set up as a liability to be included as revenue in subsequent periods.

Deficit. The amount by which a sum of money falls short of a required amount (e.g., apportionment deficits or budget deficits).

Deficit financing. The amount to be provided when estimated expenditures exceed the estimated revenues.

Deficit fund balance. The excess of liabilities of a fund over its assets.

Deficit spending. The excess of actual expenditures over actual revenues (also referred to as an operating deficit).

Delinquent taxes. Taxes remaining unpaid after the close of the year in which levied. (See also *Prior years' taxes*, in most cases the preferred term.)

Depreciation. Estimated loss in value or service life of fixed assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.

Designation for economic uncertainties. The portion of the fund balance that has been designated (set aside) by the governing board to provide for emergencies or economic events, such as revenue shortfalls, that could not be anticipated.

Direct expenses or costs. Expenses that can be separately identified and charged as parts of the cost of a product, service, or department.

Direct support charges. Charges for a support program and services that directly benefit other programs.

Disbursements. Payments by currency, check, or warrant. (The term is not synonymous with *expenditures*.)

Double entry. A system of bookkeeping that requires an amount credited for every corresponding amount debited. Thus, the double-entry ledger maintains equality of debits and credits.

E

Earned interest revenue. A sum of money received or due to be received for the use of money loaned or invested.

EDGAR (Education Department General Administrative Regulations). The regulations of the U.S. Department of Education incorporating certain circulars from the Office of Management and Budget. *EDGAR* is found in *The Code of Federal Regulations, Title 34*, parts 74, 75, 76, 77, 79, 80, 81, 82, 85, and 86. It is defined in *The Code of Federal Regulations, Title 34*, part 77.1.

Employee benefits. Amounts paid by the LEA on behalf of employees. These amounts are not included in the gross salary but are over and above. They are fringe-benefit payments; and while not paid directly to employees, they are nevertheless part of the cost of salaries and benefits. Examples are (1) group health or life insurance payments; (2) contributions to employee retirement; (3) OASDI (Social Security) taxes; (4) Workers' Compensation payments; and (5) payments made to personnel on sabbatical leave.

Encroachment. The use of unrestricted moneys to support restricted program expenditures.

Encumbrances. Obligations in the form of purchase orders, contracts, salaries, and other commitments chargeable to an appropriation for which a part of the appropriation is reserved.

Enterprise funds. Funds used to account for those ongoing activities of the LEA that because of their income-producing character are similar to those found in the private sector.

Entitlement. An apportionment that is based on specific qualifications or formula defined in statute. (This term should not be used as a basis for determining how to account for unspent balances of categorical aid.)

Equity accounts. These accounts represent the difference between the assets and liabilities of a fund.

Estimated revenues. For revenue accounts kept on the accrual basis, this term designates the amount of revenue estimated to accrue during a given period regardless of whether it is all to be collected during the period.

Expendable trust fund. A trust fund in which principal and earnings may be expended.

Expenditures. The costs of goods delivered or services rendered, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlay.

Expenses. Charges incurred, whether paid or unpaid, for operations, maintenance, interest, and other charges that are presumed to benefit the current fiscal period. Expense accounts are used in certain trust funds and in proprietary-type funds.

F

Face value. As applied to securities, the amount stated in the security document.

Fair value of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

Fees. Amounts collected from or paid to individuals or groups for services or for use of a school or other facility.

Fidelity bond. A form of insurance that provides for the indemnification of the LEA or other employer for losses arising from the theft or dishonesty of employees.

Fiscal year. A period of one year, the beginning and the ending dates of which are fixed by statute. For LEAs it is the period beginning July 1 and ending on June 30.

Fixed assets. Assets of a permanent character having continuing value (e.g., land, buildings, machinery, furniture, and equipment), with a cost over the capitalization threshold set by the LEA.

Full-time-equivalent (FTE). The ratio of time expended in a part-time position to that of a full-time position. The ratio is derived by dividing the amount of time of employment required in the part-time position by the amount of employed time required in a corresponding full-time position.

Function. An act, service, or group of services proper to a person, thing, or institution and aimed at accomplishing a certain end. Under SACS, *function* refers to those activities or services performed to accomplish a goal.

Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accord with special regulations, restrictions, or limitations.

Fund balance. The difference between assets and liabilities. The fund equity of governmental and trust funds.

G

General fixed assets account group. A self-balancing group of accounts set up to account for the general fixed assets of an LEA.

General fund. The fund used to finance the ordinary operations of the LEA. It is available for any legally authorized purpose.

General group of long-term debt accounts. The account group in which all unmatured general long-term liabilities of an LEA are recorded. It does not include long-term liabilities of proprietary funds and nonexpendable trust funds.

General journal. A book of original entry for all entries of financial transactions that are not recorded in a special journal, such as a cash receipts journal, a voucher register, or a cash disbursements journal.

General ledger. A book, file, or other device that contains the accounts needed to reflect, in summary and in detail, the financial position, the results of financial operations, and the changes in equities of a fund or an account group used by an LEA.

General long-term debt. Long-term debt that is legally payable from general revenue and backed by the full faith and credit of an LEA.

Generally accepted accounting principles (GAAP). Uniform minimum standards of, and guidelines to, financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. These principles encompass the conventions, rules, and procedures necessary to define accepted accounting practices and procedures. Generally accepted accounting principles provide a standard by which to measure financial presentations. The primary authoritative source on the application of these principles to state and local governments is the Governmental Accounting Standards Board (GASB).

Generally accepted auditing standards (GAAS). Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. The standards are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards are established by the American Institute of Certified Public Accountants (AICPA).

Generally accepted governmental auditing standards (GAGAS). Generally accepted auditing standards for government are established by the U.S. Government Accounting Office in *Standards and Procedures for Audits of Governmental Organizations, Programs, Activities, and Functions.*

Gift. Anything of value received from any source for which no repayment or service to the contributor is expected.

Goal. Under SACS a *goal* defines an objective or a set of objectives for the LEA. It is used to account for the cost of instruction and other services by the instructional goals and objectives of an LEA.

Governmental Accounting Standards Board (GASB). The organization established to issue standards of financial accounting and reporting with respect to activities and transactions of state and local

governmental entities. It is the successor organization to the National Council on Governmental Accounting (NCGA).

Grade level. Assigned classification of students according to age and school progress (e.g., kindergarten or first grade).

Grant. A contribution, either in money or material goods, made by one governmental entity to another. Grants may be for specific or general purposes. (This term should not be used as a basis for determining how to account for unspent balances of categorical aid.)

Grants-in-aid. See *Grant*.

H

Holding accounts. Suspense accounts that are used temporarily to accumulate costs that will ultimately be charged to other user programs.

I

Income. A term used in accounting for a proprietary-type fund to represent the excess of revenues earned over the expenses incurred in carrying on the fund's operations. The term *income* should not be used in lieu of *revenue* in governmental-type funds.

Indirect cost. Elements of cost necessary in the operation of the LEA or in the performance of a service that are of such nature that the amount applicable to each accounting unit cannot be determined readily and accurately or for which the cost of such determination exceeds the benefit of the determination. It consists of those business and administrative costs that benefit the entire LEA (e.g., accounting, budgeting, personnel, purchasing).

Indirect cost rate (ICR). A method for claiming reimbursement of indirect costs from federal and state categorical funds. It is the ratio (expressed as a percentage) of the indirect costs to direct base costs.

Indirect support charges. Charges for routine services not performed as a special service for a particular program but allocated to user programs.

In lieu of taxes. Revenue to replace the loss of tax revenue resulting from property that is exempted from taxation.

Interest. A fee charged to a borrower for the use of money.

Interfund accounts. Accounts in which transactions between funds are reflected.

Interfund transfers. Money that is taken from one fund under the control of the governing board and added to another fund under the board's control. Interfund transactions other than loans, quasi-external transactions, and reimbursement. Interfund transfers are not revenues or expenditures of the LEA. (See also *Operating transfers* or *Residual equity transfers.)*

Interim borrowing. (1) Short-term loans to be repaid from general revenues during the course of a fiscal year; (2) short-term loans in anticipation of tax collections or bond insurance.

Interim reports. Reports prepared as of a date or a period during the fiscal year. They include budgetary estimates, financial transactions during current year-to-date, and end-of-year projections.

Internal audit. An appraisal activity within an LEA that (1) determines the adequacy of the system of internal control; (2) verifies and safeguards assets; (3) determines the reliability of the accounting and reporting system; (4) ascertains compliance with existing policies and procedures; and (5) appraises the performance of activities and work programs.

Internal control. A plan of organization under which employees' duties are so arranged, and records and procedures so designated, as to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, revenue, and expenditures. Under such a system the employees' work is subdivided so that no single employee performs a complete cycle of operation. Such procedures call for proper authorization by designated officials.

Internal service funds. Funds created to render services on a cost-reimbursement basis to other organizational units of the LEA. Such funds are generally intended to be self-supporting.

Inventory. A detailed list showing the quantities and a description of the property on hand at a given time. It may also include units of measure, unit prices, and values.

Investments. Usually, securities and real estate held for the purpose of generating revenues, such as interest, dividends, or rental payments.

Invoice. An itemized statement of charges for merchandise sold or services rendered to the purchaser.

J

Job account. An account established to record the accumulation of costs of a specific piece of work; work orders showing charges for material and labor used.

Journal. Any accounting record in which the financial transactions of an LEA are formally recorded for the first time (e.g., the cash receipts book, check register, and general journal).

Journal voucher. A form provided for the recording of certain transactions or information in place of, or supplementary to, the journal or registers.

Judgments. Amounts due to be paid or collected by the LEA as the result of court decisions.

L

LEA. See *Local educational agency*.

Lease-purchase agreements. Contractual agreements which are termed "leases" but which in substance amount to purchase contracts.

Levy. The imposition of taxes or special assessments for the support of governmental activities; also, the total amount of taxes, special assessments, or service charges imposed by a governmental unit.

Liabilities. Legal obligations (with the exception of encumbrances) that are unpaid.

Line-item budgeting. A budget system emphasizing a "balanced budget" through comparison of estimated revenues with projected expenditures. Budgetary divisions are listed by organizational units, such as departments or activities, and expenditures are divided into major categories of personal services, contracted services and supplies, and capital outlay. For budgetary control, further breakdowns of expenditures are made through detailed object accounts based on the wide range of services, supplies and equipment.

Local educational agency (LEA). Typically, a local school district, county office of education, or joint powers agreement entity engaged in providing educational services.

Long-term debt. Debt that matures more than one year after the date of issuance.

M

Management's discussion and analysis (MD & A). The narrative introducing the financial statements and providing an analytical overview of the LEA's financial performance for the year. It should contain sufficient information for users of the financial statements to evaluate whether the financial position of the LEA has improved or deteriorated as a result of the year's activities.

Modified accrual basis. The accrual basis of accounting adapted to the governmental fund type. Under it, revenues are recognized when they become both "measurable" and "available" to finance expenditures of the current period. Most expenditures are recognized (recorded) when the related liability is incurred.

Multiyear financial plan. A plan that presents financial estimates of programs in tabular form for a period of years. These estimates reflect the future financial impact of current decisions. The data in the plan should be organized along the lines of the program structure.

N

Net income. A proprietary fund's excess of revenues and operating transfers in over expenses and operating transfers out.

Not-for-profit organization (NPO). An entity that meets the definition in the Financial Accounting Standards Board's (FASB) *Statement of Financial Accounting Standards No.116, Accounting for Contribution Received and Contribution Made*. An entity with the following characteristics that separates it from a business enterprise:

- It receives contributions of significant amounts of resources from providers who do not expect a commensurate or proportionate pecuniary return.
- Its operating purposes are other than to provide goods or services at a profit.
- Unlike business enterprises, it does not have an interest in ownership.

O

Object. As used in an expenditure classification, *object* applies to the article purchased or to the service obtained.

Obligations. Amounts that the LEA may be legally required to meet from its resources. They include not only actual liabilities but also unliquidated encumbrances.

Operating transfers. All interfund transfers other than residual equity transfers.

Order (for payment). A written demand by the governing board of an LEA requiring the county superintendent of schools to draw his or her requisition on the county auditor for the payment of a claim against the LEA.

Other financing sources. Governmental fund general long-term debt proceeds, operating transfers in, and material proceeds of fixed asset dispositions. Such amounts are classified separately from revenues.

Other financing uses. Governmental funds' operating transfers out. Such amounts are classified separately from expenditures.

Overdraft. The amount by which checks, drafts, or other demands for payment on the treasury or on a bank account exceed the amount of the balance on which they are drawn; or the amount by which encumbrances and expenditures exceed the appropriation to which they are chargeable.

Overhead. See *Indirect cost*.

P

Payroll register. A document accompanying one or more orders on a fund of an LEA for the payment of salaries or wages to employees; contains the names of such employees and provides information substantiating such orders.

Payroll warrant. A document used as an order or a requisition on a fund of an LEA for the purpose of paying salaries or wages.

Perpetual inventory. A system whereby the inventory of units of property at any date may be obtained directly from the records without resorting to an actual physical count. A record is provided for each item or group of items to be inventoried and is divided to provide a running record of goods ordered, received, and withdrawn and the balance on hand in units and cost.

PERS. Public Employees' Retirement System. Unless exempted by state law, classified employees, their district, and the state contribute to this retirement fund.

Personal property. All property except real property. (See also *Real property*.)

Petty cash. A sum of money set aside for the purpose of making change or immediate payments of small amounts. (See also *Revolving cash fund*.)

Physical inventory. The annual physical count of an LEA's inventory. This count is often taken at the end of the year and observed by the LEA's auditors. Periodically, physical inventories are conducted to test the accuracy of the *perpetual inventory* records.

Posting. The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book of original entry.

Prepaid expenses. Expenditures for which payment has been made but for which benefits have not been realized as of a certain date (e.g., prepaid rent, prepaid interest, and premiums on unexpired insurance).

Prior years' taxes. Taxes collected within the current fiscal year for levies in previous fiscal years.

Program. A group of related activities that operate together to accomplish specific purposes or objectives.

Program cost accounting. A method to identify program costs in a standard manner. Under SACS the goal field provides the framework for program cost accounting.

Program structure. The hierarchical arrangement of programs that represents the interrelationship of activities to goals and objectives. The program structure contains categories of activities with common outputs and objectives. Programs may cut across existing departments and agencies.

Project year. A field in SACS that is used to distinguish the activities of the same grant with different project years within the fiscal year. In most cases the grant is a federal one; however, in some instances, state grants have different years.

Prorating. The allocating of expenditures or revenue from a single source to two or more accounts to show the correct distribution of charges or revenue.

Purchase order. A document issued to a vendor that authorizes the delivery of specified merchandise or the performance of certain services and the making of a charge for them.

R

Real property. Property consisting of land, buildings, minerals, timber, landscaping, and all improvements thereto.

Rebate. See *Abatement* or *Refund*.

Receipts. Cash received.

Reclassification. Redesignation of the current year's revenue or expenditure items previously posted to one account and later determined to be more properly charged to a different account.

Refund. An amount paid back or credit allowed because of an overcollection.

Registered warrant. A warrant that is registered by the county treasurer for future payment because of a present lack of funds and that is to be paid with interest in the order of its registration.

Registers. A listing of transactions of like kind that may be totaled and summarized for convenience in posting (e.g., payroll registers, warrant registers, and attendance registers).

Reimbursement. Cash or other assets received as a repayment of the cost of work or services performed; or repayment of expenditures made for or on behalf of another governmental unit, fund, or department.

Requisition. A document submitted initiating a purchase order to secure specified articles, services, or issuance of materials from stores or a warehouse.

Reserve. An account used to earmark a portion of a (1) fund balance to indicate that it is not available for expenditure (such as the reserve for inventories); and (2) fund equity as legally segregated for a specific future use (such as the reserve for a restricted program balance).

Reserve for economic uncertainties. See *Designation for economic uncertainties.*

Reserve for encumbrances. An account used to segregate a portion of a fund balance for outstanding encumbrances**.**

Residual equity transfers. Nonrecurring or nonroutine transfers of equity between funds of the LEA (e.g., transfers of residual balances of discontinued funds to the general fund or contribution of internal service fund capital by the general fund).

Resource. A field in SACS that is used to classify revenues and resulting expenditures in accord with restrictions or special reporting requirements placed on either aspects of LEA financial activities by law or regulation. Further, because such revenues frequently are not fully expended within a fiscal year, and related liabilities are not completely liquidated, the resource code is also to reflect restrictions and special reporting obligations on balance sheet accounts.

Restricted funds. Money whose use is restricted by legal requirement or by the donor.

Revenues. The increases in a fund's financial resources other than from interfund transfers or debt issue proceeds. Revenues are the primary financial resource of a fund. Revenues are recognized when assets are increased without increasing liabilities or incurring an expenditure reimbursement.

Revolving cash fund. An account used primarily for emergency or small disbursements and reimbursed periodically through properly documented expenditures, which are summarized and charged to proper accounting classifications.

S

Schedules. Explanatory or supplementary statements that accompany the balance sheet or other financial statements.

Secured roll. Assessed value of real property, such as land, buildings, secured personal property, or anything permanently attached to land, as determined by each county assessor.

Securities. Bonds, notes, mortgages, or other forms of negotiable or nonnegotiable instruments.

Serial annuity bonds. Serial bonds in which the annual installments of bond principal are so arranged that the combined payments for principal and interest are approximately the same each year.

Serial bonds. Bonds whose principal is repaid in periodic installments over the life of the issue.

Shared revenue. Revenue that is levied by one governmental unit but that is shared, usually in proportion to the amount collected, with another unit of government or class of governments.

Short-term debt. Debt with a maturity of one year or less after the date of issuance. Short-term debt usually includes bond anticipation notes payable and tax and revenue anticipation notes (TRANs) payable.

Source document. Any voucher, invoice, or other data that support an entry in the accounting records.

Special revenue funds. Funds established to account for the proceeds from specific revenue sources that by law are restricted to finance particular activities.

Standardized account code structure (SACS). A uniform, comprehensive, and minimum chart of accounts for classifying the financial activities of California LEAs.

Statements. (1) In a general sense, all of those formal written presentations that set forth financial information; (2) in technical accounting, those presentations of financial data that show the financial position and the results of financial operations of a fund, a group of accounts, or an entire LEA for a particular accounting period.

State School Fund. A special revenue fund within the State Treasury used for apportionments to school districts and county offices of education on the basis of the revenue limit and certain other special-purpose apportionments. Apportionments are made by the State Controller and are based on certifications from the Department of Education.

Stores. Goods that are on hand in storerooms and that are subject to requisition.

STRS. State Teachers' Retirement System. State law requires certificated employees, school districts, and the state to contribute to this retirement fund.

Student body fund. An agency fund to control the receipts and the disbursements of student associations' activities; it consists only of assets and liabilities.

Subsidiary ledger. A supporting ledger consisting of a group of accounts, the total of which is in agreement with a control account (e.g., payroll ledger and appropriations ledger).

Subvention. Provision of assistance or financial support, usually from a superior governmental unit; a grant.

Supply. An item of an expendable nature that is consumed, wears out, or deteriorates in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

Surety bond. A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or through defalcation (e.g., a surety bond given by a contractor or by an official who handles cash or securities).

Suspense account. An account that temporarily carries charges or credits pending the determination of the proper account or accounts.

T

Tax and revenue anticipation notes (TRANs). Notes issued in anticipation of collection of taxes, usually retirable only from tax collections and frequently only from the proceeds of the tax levy whose collection they anticipate.

Tax liens. Claims by governmental units on properties for which taxes levied remain unpaid.

Tax rate. The amount of tax stated in terms of a unit of the tax base.

Tax rate limit. The maximum rate of tax that a governmental unit may levy.

Tax redemption. Proceeds from the sale of tax-delinquent property.

Tax relief subventions. Funds ordinarily paid to compensate for taxes lost because of tax relief measures.

Tax roll. The list showing the amount of taxes levied against each taxpayer or property.

Taxes. Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

Taxes, protested. Tax money paid under protest and held by the county auditor pending settlement of the protest.

Taxes receivable. An asset account representing the uncollected portion of taxes levied.

Term bond. A bond whose entire principal matures on a single date.

Trade discount. A reduction of the list price, usually expressed as a percentage and related to the volume of business transacted. (The term is not to be confused with *Cash discount*.)

Transfer. Interdistrict or interfund payments or receipts not chargeable to expenditures or credited to revenue. (See also *Budget transfer*.)

Trial balance. A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or if their net balances agree with a control account, the ledgers from which the figures are taken are said to be "in balance."

Trust fund. A fund used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

Tuition. An amount charged for educational services provided to a student.

U

Unaudited actuals. An annual statement reporting the financial activities of the LEA in which the data are not yet audited.

Unencumbered balance. That portion of an appropriation or allotment not yet expended or obligated.

Unit cost. The total expenditure for a product, program, or service divided by the total quantity obtained or some other quantitative measure (e.g., the total expenditure for desks divided by the number of desks equals the cost per desk).

Unrealized revenue. Estimated revenue less revenue received to date; also, the estimated revenue for the remainder of the fiscal year.

Unsecured roll. Assessed value of personal property other than secured property.

V

Voucher. A written document which evidences the propriety of transactions and usually indicates the amounts that are to be recorded.

W

Warrant. A written order, drawn by the LEA's governing board or its authorized officer(s) or employee(s), approved by the county superintendent of schools and allowed by the county auditor, directing the county treasurer to pay a specified amount to a designated payee.

Warrants payable. The amount of warrants issued, outstanding, and unpaid.

Withholding. The process of deducting from a salary or wage payment an amount, specified by law or regulation, representing the individual's estimated federal or state income tax that the employer must pay to the taxing authority.

Work in process. The value of partially completed products manufactured or processed, such as a partially completed printing job.

Work order. A written authorization for the performance of a particular job containing a description of the nature and location of the job and specifications for the work that is to be performed. Such authorizations are usually assigned job numbers, and provision is made for accumulating and reporting labor, material, and other costs.

Work station. Computer, personal computers, or work areas assigned for data processing purposes.