 California Department of Education

Executive Office

SBE-003 (REV. 11/2017)

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# California State Board of Education January 2019 Agenda Item #14

## Subject

Revisions to the *California School Accounting Manual (CSAM)*

## Type of Action

Action, Information

## Summary of the Issue(s)

California *Education Code* Section 41010 provides that the accounting system used to record the financial affairs of school districts shall be in accordance with the *California School Accounting Manual* (*CSAM*) as approved by the California State Board of Education (SBE). The California Department of Education (CDE) updates the *CSAM* periodically to reflect changes such as new legislative actions and new accounting pronouncements. Since the *CSAM* was last updated, there have been several important changes affecting school district accounting and financial reporting. These have been disseminated to users through meetings and by letter, and must now be incorporated into the manual.

## Recommendation

The CDE requests that the SBE approve the proposed revisions to the *CSAM.*

## Brief History of Key Issues

The CDE is responsible for providing clear, consistent, and current advice and direction to local educational agencies (LEAs) on matters relating to budgeting, accounting, financial reporting, and fiscal solvency.

Changes that routinely necessitate revisions to the *CSAM* include modifications to the standardized account code structure (SACS) codes and definitions; Governmental Accounting Standards Board (GASB) pronouncements; and legislative actions affecting administration of federal and state educational programs.

This update of the *CSAM* includes changes and additions relating to:

1. Web content accessibility standards. The entire manual was reformatted to comply with the applicable standards.
2. Recent accounting pronouncements, primarily GASB Statement 75.
3. Changes in federal and state program requirements, primarily the Every Student Succeeds Act (ESSA), which reauthorized the Elementary and Secondary Education Act (ESEA) and replaced the prior version of ESEA, the No Child Left Behind Act.
4. Clarification of guidance in response to inquiries from LEAs.

The CDE formulates its guidance with input from school district and county office of education representatives including the External Services Subcommittee, a subcommittee of the California County Superintendents Educational Services Association; the SACS Forum, a group of LEA staff and auditors with whom the CDE meets periodically; and smaller working groups of subject-matter experts. All of the significant updates in the proposed revisions have been discussed and disseminated previously through meetings and by written correspondence.

The *CSAM* has 61 procedures, of which 31 received content updates along with Appendices C, and D and the Glossary. A summary of the proposed content changes is provided as Attachment 1. The procedures and appendices containing the changes are provided as Attachment 2.

Note that italics in the attached documents indicate optional codes or emphasized items, not changes. Also note that the manual is undergoing concurrent accessibility review by CDE Press. Accessibility or formatting changes subsequent to the SBE’s approval will be non-substantive and will not affect the content.

Finally, under the ESSA and not part of the CSAM, LEA and State report cards are required to include the per pupil expenditures of federal, state and local funds, including actual personnel expenditures and non-personnel expenditures of federal, state and local funds, disaggregated by source of funds for each LEA and each school in the State for the preceding fiscal year. On August 1, 2018, the CDE issued guidance to LEAs for how to collect and report this information. The guidance letter, *The Every Student Succeeds Act Per-Pupil Expenditure Reporting Requirement*, is available on the CDE Accounting Correspondence web page at<https://www.cde.ca.gov/fg/ac/co/essappeltr.asp>.

## Summary of Previous State Board of Education Discussion and Action

The SBE last approved revisions to the *CSAM* in March 2016.

## Fiscal Analysis (as appropriate)

The updated *CSAM* sections, as well as the complete *CSAM,* will be available for download from the CDE’s Web site at no charge.

## Attachment(s)

Attachment 1: Summary of Proposed Changes (6 pages)

Attachment 2: Thirty-Four Procedures and Appendices containing changes (381 pages). This attachment is available on the California Department of Education’s web page at <https://www.cde.ca.gov/be/ag/ag/yr19/documents/jan19item14a2.pdf>. A copy of the Procedures and appendices containing changes is also available for viewing at the State Board of Education office.

# *California School Accounting Manual* 2019 Edition Summary of Changes

| Procedure | Summary of Changes |
| --- | --- |
| Entire *CSAM* | * Edits made to comply with federal Section 508 accessibility standards, including:   + Elimination of the vertical indented left border   + With few exceptions, use of Arial 12 point font for all text.   + Elimination of certain illustrations that could not be made compliant. Also noted below in the applicable procedures.   + Reformatting of accounting examples, illustrations, lists, etc.   + Addition of subheadings   + Addition of column headings |
| Multiple procedures | * Non-substantive edits for punctuation, clarity, or consistency. * Updated web page references to reflect correct source page. * Where applicable, replaced references to No Child Left Behind (NCLB) with the Every Student Succeeds Act (ESSA) to reflect the reauthorized Elementary and Secondary Education Act, as amended by the ESSA (noted below in the applicable procedures). |
| 205 The Accounting Cycle | * Replaced references to NCLB with references to ESSA. |
| 215 Audit Adjustments | * Updated statutory or regulatory citation(s). |
| 305 Fund Classification | * Fund 11, Adult Education Fund: Replaced reference to Adult Education Block Grant Program with Adult Education Program. * Fund 35, County School Facilities Fund: Added reference to the 2016 State School Facilities Fund (Proposition 51). |
| 310 Resource (Project/Reporting) Classification | * Replaced references to NCLB with references to ESSA. * Added new resource codes established since the last time the manual was published. * Added ending dates for newly obsolete resource codes indicating the final year for which funds were available. * Deleted obsolete resource and object codes. * Replaced obsolete grants in examples with current grants. |
| 315 Project Year Classification | * Updated project years used in examples to make examples more current. |
| 325 Function Classification | * Replaced references to NCLB with references to ESSA. * Function 1110, Special Education: Separate Classes: Updated statutory citation. |
| 330 Object Classification | * Object 3701–3702, OPEB, Allocated: Updated definition in accordance with Governmental Accounting Standards Board (GASB) Statement 75. * Object 3751–3752, OPEB, Active Employees: Updated definition in accordance with GASB Statement 75. * Object 8181, Special Education—Entitlement: Deleted “which is deducted from the state apportionment for special education (see Resource 3310).” * Object 8560, State Lottery Revenue: Deleted “This revenue is recorded in the general fund” to avoid confusion. This object code is also open to the charter school funds 09 and 62. * Object 8625, Community Redevelopment Funds Not Subject to LCFF Deduction: Updated statutory citation. * Object 8671, Adult Education Fees: Deleted “This revenue is recorded in the Adult Education Fund” to avoid confusion. This object code is also open to Fund 01. * Object 8673, Child Development Parent Fees: Deleted “This revenue is recorded in the Child Development Fund” to avoid confusion. This object code is also open to charter school funds 09 and 62. * Object 8953, Proceeds from Disposal of Capital Assets: Updated title in summary listing. * Object 8990, Contributions from Restricted Revenues: Replaced reference to NCLB with reference to ESSA. * Object 9150, Investments: Deleted outdated reference to GASB Statement 31. * Object 9440, Equipment: Replaced “videotapes” with “computer systems” to make examples more current. * Object 9664: Changed title from “Net OPEB Obligation” to “Total/Net OPEB Liability” in accordance with GASB Statement 75. Updated definition in accordance with GASB Statement 75. |
| 340 Valid Account Code Combinations | * Replaced references to NCLB with references to ESSA. |
| 405 Accounting for Inventories | * Updated the goal and function codes on the Resource 6500 line in the last example on page 5. |
| 410 Conducting a Physical Inventory | * Updated federal statutory or regulatory citation(s). * Removed obsolete guidance associated with outdated federal regulations. * Replaced “typewriters” with “personal computers” to make examples more current. |
| 415 Adopting a Stores System | * Updated the list of types of supplies with more current examples. |
| 420 Prepaid Expenditures | * Updated the guidance regarding prepayment of a conference fee to consistently refer to a conference rather than a “class” or “college training session.” * Replaced reference to NCLB with reference to ESSA. |
| 425 Fair Value: Accounting and Reporting for Certain Investments | * Deleted outdated references to outdated Financial Accounting Standards Board (FASB) statements. |
| 505 Recording Revenue and Other Cash Receipts | * Replaced “typewriter” with “laptop” to make examples more current. |
| 560 Abatement of Expenditures | * Replaced “typewriters” with “computers” to make examples more current. |
| 605 Balance Sheet Accounts—Coding Examples | * Replaced references to NCLB with references to ESSA. * Example 3: Removed Resource 5630. |
| 610 Revenues—Coding Examples | * Replaced references to NCLB with references to ESSA and updated associated program titles. * Example 2: Updated program description in introductory text. |
| 615 Expenditures—Coding Examples | * Replaced references to NCLB with references to ESSA. * Direct-Charged Costs – Example 1: Updated Resource 3905 title. * Direct-Charged Costs – Example 2: Updated Resource 3010 title. * Transfers of Indirect Costs – Example 1: Updated Resource 3010 title. |
| 625 Staff Development—Coding Examples | * Replaced references to NCLB with references to ESSA and updated associated program titles. * Example 1: Replaced 2000 function range in introductory paragraph. * Example 2: Removed outdated program reference in resource description. |
| 640 Transportation—Coding Examples | * Example 5c: Expanded the goal description to indicate that goal is generally not required for revenues. * Example 6b: Expanded the goal description to indicate that goal is not required for balance sheet accounts. * Example 6c: Expanded object description to include Object 9110. |
| 650 Facility Maintenance Programs—Coding Examples | * Expanded guidance for Examples 3 and 4 to indicate that the school field is not required. * Updated guidance for the Ongoing and Major Maintenance Account to reflect an amount equal to or greater than 3% of the total general fund expenditures, rather than general fund budgeted expenditures. |
| 655 Employment Separation Costs—Coding Examples | * Replaced reference to NCLB with reference to ESSA and updated associated program title. |
| 710 Capital Leases | * Updated GASB codification regarding lease agreements. |
| 770 Distinguishing Between Supplies and Equipment | * Updated criteria for distinguishing between supplies and capitalized equipment. * Removed flowchart associated with distinguishing between supplies and capitalized equipment due to Section 508 accessibility constraints. * Removed outdated reference to a Government Finance Officers Association recommendation that capitalization thresholds be set so 80% of the total dollar value of an LEA’s assets are capitalized. * Added furniture for a new school to the examples of groups of items an LEA may choose to capitalize that individually do not meet the capitalization threshold. |
| 775 Accounting for Internal Service Funds | * Revised guidance regarding measurement and recognition of expenses and liabilities for OPEB self-insurance activities, in accordance with GASB Statement 75. |
| 780 Consolidation of ESSA Administrative Funds | * Replaced references to NCLB with references to ESSA. * In the Allowable Expenditures section, updated reference to General Provisions from Title IX to Title VIII to reflect change under ESSA. * Removed outdated sentence “Because Section 1127 of the NCLB (ESSA) 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 is calculated.” Replaced with “LEAs should distribute the pooled costs (Resource 3155 expenditures) to the programs participating in the consolidation before carryover is calculated.” * Changed heading “Program Expenditure Resource Code” to simply “Program” on distribution of expenditures example. |
| 785 Postemployment Benefits Other Than Pensions (OPEB) | * Updated the entire procedure in accordance with the provisions of GASB Statement 75. |
| 805 Joint Powers Agreements/Agencies (JPAs) | * Under “Guidelines for JPA Reporting,” in item 1, clarified the reference to other guidance in that part. |
| 905 Documenting Salaries and Wages | * Replaced references to NCLB with references to ESSA. * Removed illustrations showing single and multiple cost objectives due to Section 508 accessibility constraints. Replaced with narrative examples. * Removed sample Personnel Activity Report 2 due to Section 508 accessibility constraints. Replaced with narrative text. * In the Documenting State Unrestricted Salaries and Wages section, removed references to obsolete OMB Circular A-87, Attachment B, Section 8[h][4]. |
| 910 Program Cost Accounting | * Replaced reference to Supervision of Instruction with reference to Instructional Supervision and Administration to reflect correct function title. |
| 915 Indirect Cost Rate | * Replaced reference to the former U.S. Department of Education’s “Indirect Cost Determination: Guidance for State and Local Government Agencies” with “Cost Allocation Guide for State and Local Governments.” |
| Appendix C – Consistency of SACS with the Federal Handbook | * Removed “Special Cost Center” in the Expenditures part of the Financial Accounting Account Classification Structure section. |
| Appendix D – Function Codes for Common Activities | * Clarified guidance on annual independent audits subject to the Single Audit Act versus those not subject to the Single Audit Act. |
| Glossary | * Updated the definition of *Education Department General Administrative Regulations* (*EDGAR*) with the correct parts of the *Code of Federal Regulations*, Title 34, in which *EDGAR* is found. Added Part 84 and removed reference to parts 74, 80 and 85. * Updated the definition of generally accepted government auditing standards with the correct name of the federal agency establishing the standards, from “U.S. Government Accounting Office” to “U.S. Government Accountability Office,” and with the correct reference to the associated publication, from “*Standards and Procedures for Audits of Governmental Organizations, Programs, Activities, and Functions,*” to “*Government Auditing Standards*, also known as the Yellow Book.” * Clarified the definition of State School Fund by adding “California” to the “Department of Education” reference. |

Created by California Department of Education

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