

This is a copy of the
***Revisions to the California School Accounting Manual (CSAM):
Thirty-Four Procedures and Appendices***
submitted as *Item 14 Attachment 2* of the
California State Board of Education Agenda for January 2019
which is posted at
<https://www.cde.ca.gov/be/ag/ag/yr19/agenda201901.asp>

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Procedure 205 The Accounting Cycle

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 and 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.

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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 records—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 standardized account code structure (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.

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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, the district received \$100,000.00 from the California Department of Education for an Every Student Succeeds Act (ESSA) 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 three sample entries. For simplicity, only the object account is illustrated here; use of the full SACS account string 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 ESSA 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	Certificated Teachers' Salaries	1100	\$15,000.00	
	Cash in County Treasury	9110		\$15,000.00
	To record payment of teacher 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:

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Account Activity	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 both a debit and a credit because the system will automatically complete 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:

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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

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identified without preparing a trial balance. Using a trial balance facilitates the overall review of the accounts. Year-end adjustments include recording unearned 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 the 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) Revenue Source	(2) Prior Year's Accrual	(3) Actually Received	(3-2) Difference (Adjustment)
Career Technical Education 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 were caused by 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.

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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 the year.

To close estimated revenue and appropriations:

Date	Object Title	Object Code	Debit	Credit
6-30-xx	Appropriations	9820	xxxx	
	Unassigned/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
	Unassigned/Unappropriated Fund Balance	9790		xxxx
	To close the revenue and expenditure accounts.			

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Note that the Unassigned/Unappropriated Fund Balance would be debited if the total of the revenues and other financing sources were 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 unearned 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 is made at the start of the new year for liabilities accrued in the prior year, there is no need to identify which disbursements subsequently recorded in the new year pertained to the liability accruals; all disbursements can be charged to expenditure accounts. On the other hand, if a reversing entry is not made, current year payments relating to prior year’s accruals will have to be charged to 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.

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; they are posted as adjustments to the beginning fund balance using Object 9793, Audit Adjustments.

Reaching Agreement on Audit Adjustments

At the conclusion 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 documents 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 on 6-30-xx is \$600,000, as follows:

Fund Balance Type	Amount
Restricted Fund Balance	\$440,000
Unassigned Fund Balance	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:

Account Type	Amount
DR Expenditures	\$80,000
CR Accounts Payable	\$80,000

This is clearly a material adjustment because it will reduce the unassigned 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 unassigned fund balance.

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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 an "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 215-3. 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 worksheet, "Schedule of Audit Adjustments." (The instructions for using this schedule are shown on page 215-11.)

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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 19810, 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 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 “Common Audit Adjustments” table on pages 215-6 through 215-10)
4. Determine the entries needed in the current year’s books to record the audit adjustments. Prepare a “Schedule of Audit Adjustments” 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” 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

Description	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.		

Procedure 215 Audit Adjustments

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.

Object 9793 and Object 9795 are not used to record audit adjustments or restatements in standardized account code structure (SACS) resource codes that are subject to the unearned revenue method of revenue recognition, as there is no beginning fund balance to adjust. Rather, these adjustments are recorded to the appropriate asset, deferred outflow of resources, liability, deferred inflow of resources, revenue, or expenditure accounts in offsetting amounts that have no effect on fund balance.

Common Audit Adjustments

The "Common Audit Adjustments" table on pages 215-6 through 215-10 provides examples of common audit adjustments and the entries that should be made in 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 the entries needed in the books in the current year are prepared. For example:

Procedure 215 Audit Adjustments

Assume that the auditors determined that \$10000 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/Cr	Adjustments	Debits	Credits
Dr	Accounts Receivable	\$10,000	
Cr	Revenue		\$10,000

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

Dr/Cr	Adjustments	Debits	Credits
Dr	Cash	\$10,000	
Cr	Revenue		\$10,000

If this processed transaction was not considered before the audit adjustment was booked 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 in the LEA's Books

This column shows the entries that are needed in 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.

Procedure 215 Audit Adjustments**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 in the LEA's Books (made in the current fiscal year)
<p>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.</p> <p>DR Accounts Receivable \$15,000 CR Revenue \$15,000</p>	<p>Assumption A: The revenue is received before the audit adjustment is booked. The LEA makes the following entry:</p> <p>DR Cash \$15,000 CR Revenue \$15,000</p> <p>Assumption B: The revenue is not received before the audit adjustment is booked.</p> <p>– No Entry–</p> <p>*Entries made in this column are based on the assumption 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.</p>	<p>Assumption A: To book the audit adjustment:</p> <p>DR Accounts Receivable \$15,000 CR Audit Adjustments \$15,000</p> <p>To correct the processed transaction:</p> <p>DR Revenue \$15,000 CR Accounts Receivable \$15,000</p> <p>Assumption B:</p> <p>DR Accounts Receivable \$15,000 CR Audit Adjustments \$15,000</p>

Procedure 215 Audit Adjustments**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 in the LEA's Books (made in the current fiscal year)
<p>2. The auditors determine that a receivable (\$39,000) was overstated by \$14,000 as of 6/30/xx.</p> <p>DR Revenue \$14,000 CR Accounts Receivable \$14,000</p>	<p>Assumption A: The revenue is received before the audit adjustment is booked.</p> <p>The LEA makes the following entry:</p> <p>DR Cash \$25,000 DR Revenue \$14,000 CR Accounts Receivable \$39,000</p> <p>Assumption B: The revenue is not received before the audit adjustment is booked.</p> <p>–No Entry–</p> <p>*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.</p>	<p>Assumption A: To book the audit adjustment:</p> <p>DR Audit Adjustments \$14,000 CR Accounts Receivable \$14,000</p> <p>To correct the processed transaction:</p> <p>DR Accounts Receivable \$14,000 CR Revenue \$14,000</p> <p>Assumption B:</p> <p>DR Audit Adjustments \$14,000 CR Accounts Receivable \$14,000</p>

Procedure 215 Audit Adjustments**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 in the LEA's Books (made in the current fiscal year)
<p>3. The auditors determine that accounts payable (\$10,000) was understated by \$18,000.</p> <p>DR Expenditures \$18,000 CR Accounts Payable \$18,000</p>	<p>Assumption A: The payable is liquidated before the audit adjustment is booked.</p> <p>The LEA makes the following entry:</p> <p>DR Accounts Payable \$10,000 DR Expenditures \$18,000 CR Cash \$28,000</p> <p>Assumption B: The payable is not liquidated before the audit adjustment is booked.</p> <p>–No Entry–</p> <p>*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.</p>	<p>Assumption A:</p> <p>To book the audit adjustment:</p> <p>DR Audit Adjustments \$18,000 CR Accounts Payable \$18,000</p> <p>To correct the processed transaction:</p> <p>DR Accounts Payable \$18,000 CR Expenditures \$18,000</p> <p>Assumption B:</p> <p>DR Audit Adjustments \$18,000 CR Accounts Payable \$18,000</p>

Procedure 215 Audit Adjustments

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 in the LEA's Books (made in the current fiscal year)
<p>4. The auditors determine that accounts payable (\$20,000) was overstated by \$9,000.</p> <p>DR Accounts Payable \$9,000 CR Expenditures \$9,000</p>	<p>Assumption A: The payable is liquidated before the audit adjustment is booked.</p> <p>The LEA makes the following entry:</p> <p>DR Accounts Payable \$20,000 CR Expenditures \$9,000 CR Cash \$11,000</p> <p>Assumption B: The payable is not liquidated before the audit adjustment is booked.</p> <p style="text-align: center;">–No Entry–</p>	<p>Assumption A:</p> <p>To book the audit adjustment:</p> <p>DR Accounts Payable \$9,000 CR Audit Adjustments \$9,000</p> <p>To correct the processed transaction:</p> <p>DR Expenditures \$9,000 CR Accounts Payable \$9,000</p> <p>Assumption B:</p> <p>DR Accounts Payable \$9,000 CR Audit Adjustments \$9,000</p>

Procedure 215 Audit Adjustments**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 in the LEA's Books (made in the current fiscal year)
<p>5. The auditors determine that revenue (\$23,000) was not earned as of 6/30/xx.</p> <p>DR Revenue \$23,000 CR Unearned Revenue \$23,000</p>	<p>No Entry–</p> <p>*Entries made in this column are based on the assumption 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.</p>	<p>To book the audit adjustment:</p> <p>DR Audit Adjustments \$23,000 CR Unearned Revenue \$23,000</p>
<p>6. The auditors determine that \$50,000 in cash recorded in the books of the LEA on 6/30/xx was actually not received until 7/2/xx.</p> <p>DR Revenue \$50,000 CR Cash \$50,000</p>	<p>–No Entry–</p> <p>*Entries made in this column are based on the assumption 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.</p>	<p>To book the audit adjustment:</p> <p>DR Audit Adjustments \$50,000 CR Revenue \$50,000</p>

Procedure 215 Audit Adjustments

Schedule of Audit Adjustments

The following instructions correspond to the sample schedule beginning on page 215-12. 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 according to the “Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.”

Line 2 – Record the fund balance according to 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 the total on line 3.

Line 6 – Research each audit adjustment recorded by the auditors (shown in the section for 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 215-6 through 215-10. Record any processed transactions in the space provided.

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.

Procedure 215 Audit Adjustments**Schedule of Audit Adjustments****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	Adjustment Amounts	Increase (Decrease) to Fund Balance
a. _____	DR _____	_____	_____ a.
	CR _____	_____	
b. _____	DR _____	_____	_____ b.
	CR _____	_____	
c. _____	DR _____	_____	_____ c.
	CR _____	_____	
d. _____	DR _____	_____	_____ d.
	CR _____	_____	
e. _____	DR _____	_____	_____ e.
	CR _____	_____	

5. Total increase (decrease) to fund balance*

(Sum of lines 4a-4e; must agree with line 3)

Date on which copy of worksheet was provided to independent auditor:

*This figure will agree with the amount of Object 9793, Audit Adjustment

Procedure 215 Audit Adjustments**Schedule of Audit Adjustments (continued)****Fund:** _____

6. Processed transactions

7. Entries needed in LEA's books

Account Number	Description	Amount	Account Number	Description	Amount
a. _____	DR _____	_____	a. _____	DR _____	_____
_____	DR _____	_____	_____	DR _____	_____
_____	CR _____	_____	_____	CR _____	_____
_____	CR _____	_____	_____	CR _____	_____
b. _____	DR _____	_____	b. _____	DR _____	_____
_____	DR _____	_____	_____	DR _____	_____
_____	CR _____	_____	_____	CR _____	_____
_____	CR _____	_____	_____	CR _____	_____
c. _____	DR _____	_____	c. _____	DR _____	_____
_____	DR _____	_____	_____	DR _____	_____
_____	CR _____	_____	_____	CR _____	_____
_____	CR _____	_____	_____	CR _____	_____
d. _____	DR _____	_____	d. _____	DR _____	_____
_____	DR _____	_____	_____	DR _____	_____
_____	CR _____	_____	_____	CR _____	_____
_____	CR _____	_____	_____	CR _____	_____
e. _____	DR _____	_____	e. _____	DR _____	_____
_____	DR _____	_____	_____	DR _____	_____
_____	CR _____	_____	_____	CR _____	_____
_____	CR _____	_____	_____	CR _____	_____

While the *California School Accounting Manual* is Web Content Accessibility Guidelines (WCAG) 2.0 compliant, it was not possible to make this page fully compliant while adhering to standard school accounting formats. This page was made as accessible as possible. If you need help accessing this page, please contact the Office of Financial Accountability and Information Services by email at sacsinfo@cde.ca.gov or by telephone at 916-322-1770.

Procedure 215 Audit Adjustments

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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 the California Department of Education (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.

Procedure 305 Fund Classification

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*
	*The general fund for a county office of education is called the County School Service Fund (<i>Education Code</i> 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
10	Special Education Pass-Through 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 Projects 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 Projects 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
57–60	Permanent Funds
57	Foundation Permanent Fund

Procedure 305 Fund Classification

Code	Title
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 must be included in the audited financial statements to meet generally accepted accounting principles (GAAP) reporting requirements.

Procedure 305 Fund Classification

Fund Code Definitions

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

Code	Definition
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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 accounted for in another fund are accounted for in this fund.
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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 identify whether the resources used are restricted or unrestricted.

09–20	Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.
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09	Charter Schools Special Revenue Fund. This fund may be used by authorizing LEAs to account separately for the operating 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.
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Procedure 305 Fund Classification

Code Definition

Transactions of an authorizing or sponsoring LEA on behalf of a charter school that operates independently from the LEA, such as the LEA's receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund or, in certain circumstances, in an agency fund (see Procedure 750).

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, see Fund 62 for additional information.

The principal revenues in this fund are:

- Local Control Funding Formula (LCFF) Sources
- 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.

10 Special Education Pass-Through Fund. This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for special education revenue passed through to other member LEAs.

Special education revenues that are not passed through to other member LEAs, but rather are retained for use by the SELPA AU in accordance with the local plan, are not accounted for in this fund. These revenues and the related expenditures are operational in nature and are properly accounted for in the AU's own general fund.

Revenues typically reported in this fund include state special education apportionments, federal local assistance under the Individuals with Disabilities Education Act, federal preschool funding, state mental health funding, and the portion of a county office of education's local property taxes restricted to special education.

See Procedure 755 for appropriate recording of transactions in this fund.

Procedure 305 Fund Classification

Code Definition

11 Adult Education Fund. This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

The principal revenues in this fund are:

- LCFF Transfers
- Adult Education Program
- Workforce Innovation and Opportunity Act
- Other Federal Revenue (e.g., Adult Basic Education)
- All Other State Revenue
- Interest
- Adult Education Fees
- All Other Local Revenue

Money in this fund shall be expended for adult education purposes only. Except for moneys received pursuant to the Local Control Funding Formula, 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 and other sources 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

Procedure 305 Fund Classification

Code Definition

- 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 and 38093).

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).

See Procedure 635 for appropriate recording of transactions in this fund.

- 14 **Deferred Maintenance Fund.** This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

The principal revenues and other sources in this fund are:

Procedure 305 Fund Classification

Code Definition

- LCFF Transfers
- 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 to determine the presence of asbestos-containing materials.
- d. The encapsulation or removal of materials containing asbestos.
- e. The inspection, identification, sampling, and analysis of building materials to determine the presence of materials containing lead.

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).

Procedure 305 Fund Classification

Code Definition

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund. For presentation in the audited financial statements, this fund may either be combined with the general fund or be reported separately and the departure from GAAP explained.

- 18 **School Bus Emissions Reduction Fund.** This fund may be 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 may 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 funds 09, 15, 18, and 62.

More than 50 percent of the money deposited in the School Bus Emissions Reduction Fund must come from LEA contributions. The LEA's contributions may be from local sources such as those described in *Education Code* sections 17921 and 17923 or from unrestricted general fund money but cannot be from 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 as described in *Education Code* Section 17922.

- 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).

Procedure 305 Fund Classification

Code Definition

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.

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund. For presentation in the audited financial statements, this fund may either be combined with the general fund or be reported separately and the departure from GAAP explained.

21–50 Capital Projects Funds. Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital facilities project expenditures are coded to Function 8500, Facilities Acquisition and Construction. Generally, 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 projects fund.

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

Procedure 305 Fund Classification

Code Definition

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 development projects as a condition of approval (*Education Code* sections 17620–17626 and *Government Code* Section 65995 et seq.). The authority for these levies may also be county or 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:

- Interest
- Mitigation/Developer Fees

Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in *Government Code* sections 65970–65981 or *Government Code* Section 65995 et seq., or to the items specified in agreements with the developer (*Government Code* Section 66006). Costs of justifying and adopting fees may be paid from Fund 25 (*Education Code* Section 17620). Administrative costs of collecting fees may be reimbursed from Fund 25 within the limitations of *Education Code* Section 17620. Eligible expenditures incurred in another fund may be reimbursed to that fund by means of an interfund transfer of direct costs (see Procedure 615).

- 30 **State School Building Lease–Purchase Fund.** This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease–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

Procedure 305 Fund Classification

Code Definition

Typical expenditures in this fund are items charged to Object 6200, Buildings and Improvements 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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account 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 17070.10 et seq.).

The principal revenues and other sources in this fund are:

- School Facilities Apportionments
- Interest
- Interfund Transfers In

Funding provided by the state for the 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 fund 21, 25, 30, 35, or 49. Other authorized resources that may be deposited 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).

The principal revenues and other sources in this fund are:

- Federal, State, or Local Revenues
- Rentals and Leases

Procedure 305 Fund Classification

Code Definition

- Interest
- Other Authorized Interfund Transfers In
- Proceeds from Sale/Lease–Purchase of Land and Buildings
- Federal Emergency Management Act (FEMA)

Transfers from the general fund to Fund 40 authorized by the governing board 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 Projects 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 only 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).

Bonds may be issued either by the county board of supervisors on behalf of the school district, or by the school district. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA.

Procedure 305 Fund Classification

Code Definition

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.

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

Procedure 305 Fund Classification

Code Definition

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, by purpose for which levy was authorized and by applicable object code, are:

State school building loan repayments – Object 7432
(*Education Code* Section 16090)

Payment to original district for acquisition of property – Object 7436
(*Education Code* Section 35576)

Compensatory education housing repayments – Object 7439
(*Education Code* Section 16214)

Lease–purchase payments – Object 7439
(*Education Code* Section 17409)

Construction of exceptional children's facilities repayments – Object 7439
(*Education Code* Section 16196)

Other voter-approved debt service – Object 7439

Debt Service—Interest – Object Code 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 financing source in this fund is Other Authorized Interfund Transfers In.

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

Procedure 305 Fund Classification

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 <i>Education Code</i> 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:
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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 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.

Procedure 305 Fund Classification

Code	Definition
61	<p>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.</p> <p>Use Function 3700 for cafeteria program operations. Use Function 6000 for noncafeteria enterprise activities such as catering.</p>
62	<p>Charter Schools Enterprise Fund. This fund may be used by authorizing LEAs to account separately for the operating 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 operating activities of 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.</p> <p>If Fund 62 is used for any of a charter school's operating activities, it should be used for all of the charter school's operating activities.</p> <p>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 Function 6000, Enterprise, which is normally done in an enterprise fund.</p> <p>Transactions of an authorizing or sponsoring LEA on behalf of a charter school that operates independently from the LEA, such as the LEA's receipt and subsequent pass-through of funds to the charter school, should be reported in the authorizing LEA's general fund or, in certain circumstances, in an agency fund (see Procedure 750).</p> <p>See Procedure 810 for further information on charter school reporting.</p>
63	<p>Other Enterprise Fund. This fund may be used to account for other business activities.</p> <p>Only Function 6000, Enterprise, is applicable to Fund 63.</p>

Procedure 305 Fund Classification

Code Definition

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. 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:

- Interest
- In-District Premiums/Contributions
- Interagency Revenues
- All Other Local Revenue

Procedure 305 Fund Classification

Code Definition

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 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 and for which the LEA has managerial responsibility. 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 be used only to account for an LEA's irrevocable contributions to a postemployment benefit plan for which a formal trust or an arrangement that is equivalent to a formal trust exists. Amounts earmarked for postemployment benefits but not contributed irrevocably to a trust or to an arrangement that is equivalent to a

Procedure 305 Fund Classification

Code Definition

formal 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).

The principal revenues in this fund are:

- 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 must 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." For more information on the cash conduit accounting model, see Procedure 750.

Procedure 305 Fund Classification

Code Definition

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 must 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 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 305 Fund Classification

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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 local educational agency (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., ESSA 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 are accounted for and reported as restricted.

Funds or activities that are not restricted by the donor, but rather are earmarked for particular purposes by the LEA's governing board, are accounted for and reported as unrestricted. LEAs 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 that 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: Local Control Funding Formula (LCFF), 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 might 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 the following characteristics:

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

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For example:

Resource	Object
3010 – ESSA Title I	8290 – Other Federal Revenues

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

- 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, Lottery: Instructional Materials, State School Facilities Projects,). This field will also identify unearned revenues and the amounts due to other governmental agencies (e.g., ESSA Title I, 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 portion of the general fund from the restricted portion of the 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 can be 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;

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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 U/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 an F (fund balance). The revenue of other restricted resources is recognized in the period in which it is expended, and carryover is recorded as unearned revenue. These resources are indicated with a U (unearned 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 Standardized Account Code Structure (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 “(14–15)” in the *California School Accounting Manual* indicates that the last year that funding was available for this resource was fiscal year 2014–15. This resource code would then be eliminated in the subsequent edition of the manual. 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 2015–16, 2016–17, and 2017–18 to allow for expenditure of carryover balances.

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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 on page 310-5. 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 Restricted Federal: Locally Defined range (5800–5999).

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

Resource Range	Description
0001–0999	Unrestricted: Locally Defined
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 Restricted 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 committed, assigned, or otherwise earmarked for a particular purpose by the LEA or its 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.

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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	U/F	CFDA
0000–1999	UNRESTRICTED RESOURCES	N/A	N/A	N/A
0000	Unrestricted	8010–8099 8110 8260 8270 8280 8281 8290 8311 8550 8590 8631 8632 8639 8660 8671 8672 8674 8689 8691 8699 8910–8919 8980	N/A	N/A
0001–0999	Unrestricted: Locally defined These optional codes may be used at the LEA level to track unrestricted revenues that do not have reporting requirements. When reporting to CDE, LEAs must roll up these resources to Resource 0000.	N/A	N/A	N/A
1000–1999	Unrestricted Resources: Reporting or Special Accounting Required	N/A	N/A	N/A
1100	Lottery: Unrestricted	8560	F	N/A
1400	Education Protection Account	8012	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
2000–9999	RESTRICTED RESOURCES	N/A	N/A	N/A
3000–5999	Federal Resources Restricted	N/A	N/A	N/A
3010	ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	8290	U	84.010
3020	NCLB: Title I, Basic School Support (17–18)	8290	U	84.010
3025	ESSA: Title I, Part D, Local Delinquent Programs	8290	U	84.010 84.013
3040	ESSA: Title I, Part C, Migrant Ed Mini Corps Project (Regular and Summer)	8290 8990	U	84.011
3041	NCLB: Title I, Migrant Ed Mini Corps Summer Project (17–18)	8990	U	84.011
3045	NCLB: Title I, Migrant Ed Statewide PASS Project (17–18)	8290	U	84.011
3060	ESSA: Title I, Part C, Migrant Ed (Regular and Summer Program)	8290 8990	U	84.011
3061	ESSA: Title I, Migrant Ed Summer Program	8990	U	84.011
3110	ESSA: Title I, Part C, Migrant Ed (MESRP)	8290	U	84.011
3150	ESSA: Title 1, Part A, Schoolwide Programs (SWP)	8290 8990	U	84.010
3155	ESSA: Consolidated Administrative Funds	N/A	N/A	N/A
3177	NCLB: Title I, Part A, Prevention of Local Educational Agency Intervention Program (17–18)	8290	U	84.010
3180	NCLB: Title I, School Improvement Grant	8290	U	84.010 84.377
3181	NCLB: ARRA Title I, School Improvement Grants (17–18)	8290	U	84.388 84.389
3185	NCLB: Title I, Part A, Program Improvement LEA Corrective Action Resources (17–18)	8290	U	84.010
3310	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	8181 8287	U	84.027
3311	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	8181	U	84.027

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3312	Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	8990	U	84.027
3315	Special Ed: IDEA Preschool Grants, Part B, Sec 619	8182	U	84.173
3316	Special Ed: IDEA Preschool Accountability Grants, Part B, Sec 619	8182	U	84.173
3318	Special Ed: IDEA Part B, Sec 619 Preschool Grants Early Intervening Services	8990	U	84.173
3320	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611 (17–18)	8182	U	84.027
3326	Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619	8182	U	84.173
3327	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	8287	U	84.027
3332	Special Ed: IDEA Part B, Sec 611, Preschool Local Entitlement Early Intervening Services (17–18)	8990	U	84.027
3345	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	8182	U	84.173
3372	Special Ed: State Improvement Grant, Improving Special Ed Systems	8182	U	84.323
3385	Special Ed: IDEA Early Intervention Grants	8182 8590	U	84.181
3386	Special Ed: IDEA Quality Assurance & Focused Monitoring	8182	U	84.027
3395	Special Ed: Alternative Dispute Resolution	8182	U	84.027
3400	Special Ed: Disabled Children State Institutions (17–18)	8182	U	84.027
3410	Department of Rehab: WorkAbility II, Transition Partnership	8290	U	84.126
3515	Carl D. Perkins Career and Technical Education: State Leadership, Section 124	8290	U	84.048
3540	Carl D. Perkins Career and Technical Education: State Institutions, Section 112	8290	U	84.048

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3550	Carl D. Perkins Career and Technical Education: Secondary, Section 131	8290	U	84.048
3555	Carl D. Perkins Career and Technical Education: Adult, Section 132	8290	U	84.048
3724	Advancing Wellness & Resilience in Education (NITT-AWARE) Program	8290	U	93.243
3725	Safe and Supportive Schools Programmatic Intervention	8290	U	84.184
3900–3999	Adult Education	N/A	N/A	N/A
3905	Adult Education: Adult Basic Education & ESL	8290	U	84.002
3909	Adult Education: State Leadership Projects	8290	U	84.002
3913	Adult Education: Adult Secondary Education	8290	U	84.002
3926	Adult Education: English Literacy & Civics Education	8290	U	84.002
3927	Adult Education: English Literacy & Civics Education State Leadership (16–17)	8290	U	84.002
3940	Adult Education: Institutionalized Adults	8290	U	84.002
4035	ESSA: Title II, Part A, Supporting Effective Instruction	8290	U	84.367
4050	NCLB: Title II, Part B, California Mathematics and Science Partnership (17–18)	8290	U	84.366
4123	ESSA: Title IV, 21st Century Community Learning Centers Technical Assistance	8290	U	84.287
4124	ESSA: Title IV, Part B, 21st Century Community Learning Centers Program	8290	U	84.287
4126	ESSA: Title V, Part B, Rural & Low Income School Program	8290	U	84.358
4127	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program	8290	U	84.424
4201	ESSA: Title III, Immigrant Student Program	8290	U	84.365
4203	ESSA: Title III, English Learner Student Program	8290	U	84.365
4204	ESSA: Title III, Technical Assistance	8290	U	84.365

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
4510	Indian Education	8290	U	84.060
4600–4699	Charter Schools	N/A	N/A	N/A
4610	ESSA: Title IV, Part C, Public Charter Schools Grants	8290	U	84.282
4810	Other ARRA Programs (17–18)	8290	U/F	Various
5000–5199	Child Development Programs	N/A	N/A	N/A
5025	Child Development: Federal Child Care, Center-based	8290	U	93.575 93.596
5026	Child Development: Federal Family Child Care Homes	8290	U	93.596
5035	Child Development: Quality Improvement Activities	8290 8590	U	93.575
5037	Child Development: ARRA Quality Improvement Activities (17–18)	8290	U	93.713
5050	Child Development: Federal Alternative Payment	8290	U	93.575 93.596
5055	Child Development: Local Planning Councils	8290	U	93.575 93.596
5061	Child Development: Federal Alternative Payment, Stage 2	8290	U	93.575 93.596
5062	Child Development: Federal Alternative Payment, Stage 3	8290	U	93.575 93.596
5080	Child Development: School-Age Child Care Resource Contracts (15–16)	8290	U	93.575
5085	Child Development: Federal Resource and Referral (17–18)	8290	U	93.575 93.596
5095	Child Development: Infant/Toddler Child Care Resource Contracts	8290	U	93.575
5210–5240	Head Start Program: Locally defined These optional codes may be used at the LEA level to track federal Head Start revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5210.	N/A	N/A	N/A
5210	Head Start	8290	U	93.600

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
5245	Early Head Start-Child Care Partnership Grant Program	8290	U	93.600
5310	Child Nutrition: School Programs (e.g., School Lunch, School Breakfast, Milk, Pregnant & Lactating Students)	8220 8221 8520 8634	F	10.553 10.555 10.556
5314	Child Nutrition: NSLP Equipment Assistance Grants	8290	U	10.579
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 8221	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
5370	Child Nutrition: Fresh Fruit and Vegetable Program	8220	U	10.582
5380	Child Nutrition: School Breakfast Startup	8520	U	N/A
5454	Child Nutrition: Team Nutrition	8290	U	10.574
5510	NCLB: Title V, Part D, Character Education (17-18)	8290	U	84.215
5610	Workforce Innovation and Opportunity Act (WIOA) From Other Agencies (Local Areas)	8290	U	17.259
5630	ESSA: Title IX, Part A, McKinney-Vento Homeless Assistance Grants	8290	U	84.196
5640	Medi-Cal Billing Option	8290	F	93.778
5650	FEMA Public Assistance Funds	8281	F	97.036
5652	FEMA Hazard Mitigation Grant	8281	U	97.039
5653	Project School Emergency Response to Violence (SERV)	8290	U	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
5654	Immediate Aid to Restart Operations (Restart)	8290	U	N/A
5800–5999	Other Restricted Federal: Locally defined These optional codes may be used at the LEA level to track all other restricted federal revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 5810.	N/A	N/A	N/A
5810	Other Restricted Federal	8182 8290	U/F	Various
6000–7999	State Resources Restricted	N/A	N/A	N/A
6010	After School Education and Safety (ASES)	8590	U	N/A
6011	After School Kids Code Grant Pilot Program	8590	U	N/A
6015	Adults in Correctional Facilities	8311	F	N/A
6030	Charter School Facility Grant Program	8590	U	N/A
6040	Child Development: State Alternative Payment	8590	U	N/A
6041	Child Development: State Alternative Payment, Stage 2	8590	U	N/A
6042	Child Development: State Alternative Payment, Stage 3	8590	U	N/A
6045	Child Development: State Local Planning Councils	8590	U	N/A
6052	Child Development: Prekindergarten and Family Literacy, Program Support	8590	U	N/A
6060	Child Development: State General Child Care, Center-based	8530 8590	U	N/A
6065	Child Development: Migrant Day Care Centers	8530 8590	U	N/A
6070	Child Development: Migrant Special Services	8530 8590	U	N/A
6075	Child Development: State Family Child Care Homes	8590	U	N/A
6100	Child Development: California Child Care Initiative Project	8590	U	N/A

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
6105	Child Development: California State Preschool Program	8590	U	N/A
6110	Child Development: Resource & Referral	8590	U	N/A
6126	Child Development: California Transitional Kindergarten Stipend (CTKS) Incentive Program	8590	U	N/A
6127	Child Development: California State Preschool Program QRIS Block Grant RFA	8590	U	N/A
6128	Inclusive Early Education Expansion Grant	8590	U	N/A
6130	Child Development: Center-Based Reserve Account	8990	F	N/A
6131	Child Development: Resource & Referral Reserve Account	8990	F	N/A
6132	Child Development: Alternative Payment Reserve Account	8990	F	N/A
6140	Child Development: Child Care Facilities Revolving Fund	8979	F	N/A
6145	Child Development: Facilities Renovation and Repair	8590	U	N/A
6225	Emergency Repair Program, Williams Case	8590	U	N/A
6230	California Clean Energy Jobs Act	8590	F	N/A
6264	Educator Effectiveness (15–16)	8590	F	N/A
6300	Lottery: Instructional Materials	8560	F	N/A
6317	California Equity Performance and Improvement Grant	8590	F	N/A
6355	Direct Support Professional Training Program	8590	F	N/A
6360	Pupils with Disabilities Attending ROCP	8990	U	N/A
6371	CalWORKs for ROCP or Adult Education	8590	F	N/A
6378	California Health Science Capacity Building Project	8590	U	N/A
6381	Linked Learning Pilot Program (15–16)	8590	U	N/A
6382	California Career Pathways Trust (16–17)	8590	U	N/A

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
6385	Governor's CTE Initiative: California Partnership Academies	8590	U	N/A
6386	California Partnership Academies: Green and Clean Academies	8590	U	N/A
6387	Career Technical Education Incentive Grant Program	8590	U	N/A
6388	K–12 Strong Workforce Program	8590	U	N/A
6391	Adult Education Program	8590	F	N/A
6392	Adult Education Block Grant Data and Accountability	8590	F	N/A
6500	Special Education	8097 8311 8319 8710 8791 8792 8793 8980	F	N/A
6501	Special Ed: State Local Assistance Grant (17–18)	8590	U	N/A
6510	Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	8311	F	N/A
6512	Special Ed: Mental Health Services	8590	F	N/A
6513	Special Ed: State Preschool Grant (16–17)	8590	F	N/A
6515	Special Ed: Infant Discretionary Funds	8590	U	N/A
6520	Special Ed: Project WorkAbility I LEA	8590	U	N/A
6540	Special Ed: State Staff Development	8590	U	N/A
6545	SELPA Systems Improvement Grant	8590	U	N/A
6650	Tobacco-Use Prevention Education: Discretionary District Grants	8590	U	N/A
6680	Tobacco-Use Prevention Education: COE Administration Grants	8590	U	N/A
6685	Tobacco-Use Prevention Education (Prop. 56): COE Technical Assistance Grants	8590	U	N/A

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
6690	Tobacco-Use Prevention Education: Grades Six Through Twelve	8590	U	N/A
6695	Tobacco-Use Prevention Education (Prop. 56): Local Assistance	8590	U	N/A
7010	Agricultural Career Technical Education Incentive Grants	8590	U	N/A
7024	California-grown Fresh School Meals Grant	8590	U	N/A
7085	Learning Communities for School Success Program	8590	F	N/A
7124	Broadband Infrastructure Improvement Grant (BIIG)	8590	U	N/A
7126	California K–12 High-Speed Network	8590	U	N/A
7135	Environmental Education	8590	U	N/A
7210	American Indian Early Childhood Education	8590	U	N/A
7220	Partnership Academies Program	8590	U	N/A
7236	School Bus Emissions Reduction Funds	8590 8699	U/F	N/A
7311	Classified School Employee Professional Development Block Grant	8590	F	N/A
7338	College Readiness Block Grant	8590	F	N/A
7365	Supplementary Programs: Foster Youth	8590	U	N/A
7366	Supplementary Programs: Foster Youth Services Countywide and Juvenile Detention Programs	8590	U	N/A
7370	Supplementary Programs: Specialized Secondary	8590	U	N/A
7400	Quality Education Investment Act	8590	F	N/A
7410	Student Friendly Services	8590	F	N/A
7411	Online Education Resources (Student Friendly Services)	8590	F	N/A
7415	Classified School Employee Summer Assistance Program	8590	F	N/A
7505	Geographic Lead Agency System	8590	U	N/A

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
7510	Low-Performing Student Block Grant	8590	F	N/A
7690	STRS On-Behalf Pension Contributions	8590	U	N/A
7701–7799	State School Facilities Projects These optional codes may be used at the LEA level 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.	N/A	N/A	N/A
7710	State School Facilities Projects	8545	F	N/A
7800–7999	Other Restricted State: Locally defined These optional codes may be used at the LEA level to track all other restricted state revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 7810.	N/A	N/A	N/A
7810	Other Restricted State	8590	U/F	N/A
8000–9999	Local Resources Restricted	N/A	N/A	N/A
8100	Routine Repair and Maintenance (RRRMF: <i>Education Code</i> Section 17014)	8980	F	N/A
8150	Ongoing and Major Maintenance Account (RMA: <i>Education Code</i> Section 17070.75)	8980	F	N/A
9000–9999	Other Restricted Local: Locally defined These optional codes may be used at the LEA level to track all other restricted 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.	N/A	N/A	N/A
9010	Other Restricted Local	8610–8699 8931–8979	U/F	N/A

Procedure 310 Resource (Project/Reporting) Classification

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Procedure 315 Project Year Classification

The project year field is used to distinguish grants, sometimes known as special projects, whose “project year” or “reporting year” is different from the local educational agency (LEA) fiscal year. Historically, few grants have had this characteristic. Those that have were typically federal grants with a project year that corresponded to the federal fiscal year of October 1 through September 30, rather than to the LEA fiscal year of July 1 through June 30.

Because it is rare for grants to have this characteristic, it is rare for the project year field to be needed.

How the Project Year Field Is Used

The project year, or reporting year, refers to the one-year period for which grant funds are normally awarded and at the end of which an expenditure report is normally due. Nearly all grants, including those that allow carryover of unspent funds to the following year, have an initial project year corresponding to the LEA fiscal year of July 1 through June 30.

When the project year for a grant is the same as the LEA fiscal year, the project year code for that grant is always zero (“0”), the default. When the project year for a grant is different from the LEA fiscal year, the project year code is the last digit of the calendar year in which the project terminates. For example, a project year ending in October 2015 is represented by a “5.”

To illustrate, assume that an LEA receives a grant each year that has a project year beginning October 1 and ending September 30. The LEA’s general ledger for its 2014–15 fiscal year of July through June will contain three months of expenditures for that grant for the project year that ends September 30, 2014, and nine months of expenditures for that same grant for the project year that begins October 1, 2014 and will end September 30, 2015. Because the expenditures of both project years are reported under the same resource code within the same LEA fiscal year, a project year code is needed to distinguish the two projects to allow the LEA to produce separate expenditure reports to the grantor.

The only time a project year code is needed is when a grant has a project year different from July 1 through June 30 *and* the LEA has the grant for two adjacent project years. When a project year code is needed, it serves essentially as a subresource code. It distinguishes the activities of the grant project ending within the LEA fiscal year from the activities of the grant project beginning within that same LEA fiscal year.

Very few grants have a project year different from the LEA fiscal year. Historical examples of grants that did at one time include Migrant Education and Special Education Infant Discretionary grants.

If used, the project year field is required for both revenues and expenditures. It is optional for balance sheet accounts, but advisable if the project year is to serve effectively as a subresource.

Procedure 315 Project Year Classification

Examples of Project Year Codes

The following examples illustrate project year codes for grants with a project year corresponding to the federal fiscal year of October 1 through September 30.

Code	Federal Project Year
4	2013–14
5	2014–15
6	2015–16
7	2016–17
8	2017–18
9	2018–19
0	2019–20
1	2020–21
2	2021–22
3	2022–23

Note that a project year code of zero (“0”) represents a project year ending in zero (2020, for example), but also serves as the default for when a project year code is not needed. A “0” that represents a project year takes on meaning and is distinguishable from the default “0” when the resource code for a grant appears twice in the general ledger for a fiscal year, once with a “9” for activities of the project ending in September 2019 and again with a “0” for activities of the project beginning in October 2019 and ending in September 2020. Likewise, the “0” will have meaning in the following year when the same resource code appears twice in the general ledger, once with a “0” for activities of the project ending in September 2020 and again with a “1” for activities of the project beginning in October 2020 and ending in September 2021.

Flexibility of the Project Year Field

The project year code may also be used for grants awarded for a period of longer than one year and for which a project expenditure report is required covering the entire multiyear period. For example, assume that an LEA receives a three-year grant for a project that ends June 30, 2018. The LEA could use project year “8” to distinguish the expenditures of that grant from the expenditures of another three-year grant from the same source that will end in 2019 and for which a separate expenditure report will be required.

Once a project year code is assigned to a grant, the revenues and expenditures of that grant reflect that project year code for the entire duration of the grant, even if the grantor extends the grant. In the preceding example, the project year “8” would be used every year for the grant that was originally expected to end in 2018.

The project year code may also be used to label other federal, state, or local projects. For example, an LEA may choose to use this field to identify routine grant carryover, that is, unspent grant funds from one year that the LEA is allowed to carry over and spend in the following year.

Procedure 315 Project Year Classification

CDE does not require this and does not recommend that LEAs go to this effort because it is usually not necessary for an LEA to distinguish its carried-over grant funds from its current-year grant funds. Carried-over funds are usually simply blended with the following year's grant funds and are presumed to be spent first.

The 27-month "Tydings period" for federal programs allowed by the Tydings Amendment, which allows for a 27-month total period of availability for federal funds administered by states, is not the same as a project year and does not give rise to a need to use a project year code.

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Procedure 325 Function (Activity) Classification

The function field represents a general operational area in an LEA and groups together related activities. The function describes the activities or services performed 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 that are coded to these functions and cannot be identified with 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 that are coded to these functions and that cannot be identified with 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

Procedure 325 Function (Activity) Classification

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 understand the difference between agency-wide 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.)

Procedure 325 Function (Activity) Classification

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	<i>Instructional Supervision</i>
2120	<i>Instructional Research</i>
2130	<i>Curriculum Development</i>
2140	<i>In-house Instructional Staff Development</i>
2150	<i>Instructional Administration of Special Projects</i>
2200	Administrative Unit (AU) of a Multidistrict SELPA
2420	Instructional Library, Media, and Technology
2490	Other Instructional Resources
2495	<i>Parent Participation</i>
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

Procedure 325 Function (Activity) Classification

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

Procedure 325 Function (Activity) Classification

Code	Title
7530	<i>Purchasing</i>
7540	<i>Warehousing and Distribution</i>
7550	<i>Printing, Publishing, and Duplicating</i>
7600	<i>All Other General Administration</i>
7700	Centralized Data Processing
8000–8999	PLANT SERVICES
8100	Plant Maintenance and Operations
8110	<i>Maintenance</i>
8200	<i>Operations</i>
8300	<i>Security</i>
8400	<i>Other Plant Maintenance and Operations</i>
8500	Facilities Acquisition and Construction
8700	Facilities Rents and Leases
9000–9999	OTHER OUTGO
9100	Debt Service
9200	Transfers Between Agencies
9300	Interfund Transfers

Procedure 325 Function (Activity) Classification

Function Code Definitions

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

Note: Also see Appendix D, “Function Codes for Common Activities,” for common activities and the function codes(s) typically associated with each.

Code	Definition
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	<p>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.</p> <p>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.</p> <p>If a stipend is paid to a teacher for any noninstructional function, the stipend should be coded to the appropriate function.</p> <p>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.</p> <p>Instructional functions may not be used in capital projects funds.</p>

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Code	Definition
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.
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 (<i>Education Code</i> Section 56364.2). Students may receive a full continuum of services (<i>Education Code</i> 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 (<i>Education Code</i> Section 56362). Students may receive a full continuum of services (<i>Education Code</i> 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.

Procedure 325 Function (Activity) Classification

Code**Definition**

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.

Braille Services. Transcription services to convert materials from print to braille. Transcription is for textbooks, tests, worksheets, 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

Procedure 325 Function (Activity) Classification

Code**Definition**

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 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.

Career Technical 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.

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Code**Definition**

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 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 staff members who are directors or supervisors of programs, such as special education, bilingual education, or similar programs, as well as staff members 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 ESSA: Title I, Part A, Basic Grants Low-Income and Neglected, and Special Education: IDEA Preschool Staff Development Grant. An example of a state special project is the Quality Education Investment Act.

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Code**Definition**

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)

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	<i>Instructional Supervision (Optional).</i> Activities associated with directing, managing, and supervising instructional services.
2120	<i>Instructional Research (Optional).</i> Activities associated with assessing programs and instruction based on research.
2130	<i>Curriculum Development (Optional).</i> 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	<i>In-house Instructional Staff Development (Optional).</i> 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

Procedure 325 Function (Activity) Classification

Code**Definition**

activities include guiding teachers in the use of instructional materials, administering sabbaticals, providing the environment for in-service training, and so forth. The corresponding function for activities associated with developing training programs for noninstructional personnel is Function 7410, Staff Development.

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 or supervisors of instruction-related special projects and associated clerical or program support staff. Also 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

Procedure 325 Function (Activity) Classification

Code**Definition**

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. 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.

Procedure 325 Function (Activity) Classification

Code	Definition
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 provides only special education 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.

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
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Procedure 325 Function (Activity) Classification

Code**Definition**

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.

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

Procedure 325 Function (Activity) Classification

Code**Definition**

- 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.

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.

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

Procedure 325 Function (Activity) Classification

Code**Definition**

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, the school, and the community. Attendance services

Procedure 325 Function (Activity) Classification

Code**Definition**

consist of activities such 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 professional services such 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. These services include 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 orthodontics.

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.

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Code**Definition**

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 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 IEPs (*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

Procedure 325 Function (Activity) Classification

Code**Definition**

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 (lipreading), and speech conversation; create and administer programs of hearing conversation; and counsel and guide children, parents, and teachers, as appropriate.

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.

Procedure 325 Function (Activity) Classification

Code**Definition**

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
- 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,

Procedure 325 Function (Activity) Classification

Code**Definition**

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.

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.

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.

Procedure 325 Function (Activity) Classification

Code	Definition
3900	<p>Other Pupil Services. Other support services to students not classified elsewhere in the 3000 functions.</p> <p>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.</p>
4000–4999	ANCILLARY SERVICES
4000	<p>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, enjoyment, and improvement of skills in either a competitive or noncompetitive setting.</p> <p>Generally used with goals 0001–6999.</p>
4100	<p><i>School-Sponsored Co-curricular (Optional).</i> School-sponsored activities, under the guidance and supervision of LEA staff, designed to provide students with experiences such as motivation, enjoyment, and improvement of skills. Co-curricular activities normally supplement the regular instructional program and include activities such 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.</p>
4200	<p><i>School-Sponsored Athletics (Optional).</i> 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.</p>
4900	<p><i>Other Ancillary Services (Optional).</i> Activities that provide students with learning experiences not included in the other Function 4000, Ancillary Services, accounts.</p>
5000–5999	COMMUNITY SERVICES

Procedure 325 Function (Activity) Classification

Code	Definition
5000	<p>Community Services. Activities concerned with providing community services to community participants other than students. These include activities authorized by the Community Recreation Act (<i>Education Code</i> Section 10900 et seq.) and by the Civic Center Act (<i>Education Code</i> 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.</p> <p>Costs in this function include paid overtime or extra time for custodial services performed entirely as a result of community services activities.</p> <p>Used with Goal 8100, Community Service, and Goal 8500, Child Care and Development Services.</p>
5100	<p>Community Recreation (Optional). <i>Activities concerned with providing recreation for the community as a whole or for some segment of the community. Included are staff activities such as organizing recreation programs for all citizens of the community at city parks, swimming pools, or school playgrounds.</i></p>
5400	<p>Civic Services (Optional). <i>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.</i></p>
5900	<p>Other Community Services (Optional). <i>Community services activities that cannot be classified under the preceding areas of responsibility. "Other" may include public library services and welfare activities.</i></p>
6000–6999	ENTERPRISE
6000	<p>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.</p>

Procedure 325 Function (Activity) Classification

Code**Definition**

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 agency-wide 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.

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).*

Procedure 325 Function (Activity) Classification

Code	Definition
	<ul style="list-style-type: none"> Services rendered in connection with any school system election, including elections of officers and bond elections
7120	<p>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 Worksheet," page 915-9).</p>
7150	<p>Superintendent (Optional). Activities associated with the overall general administration of or executive responsibility for the entire LEA.</p> <p>Costs in this function include:</p> <ul style="list-style-type: none"> Activities performed by the superintendent and assistants such 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 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	<p>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.</p>
7190	<p>External Financial Audit—Single Audit. Annual independent financial audits conducted pursuant to both <i>Education Code</i> Section 14503 and the Single Audit Act as required for LEAs that expend more than \$750,000 in federal funds. Costs in this function are included in the LEA's indirect cost pool (refer to "Indirect Cost Rate Worksheet," page 915-9).</p>

Procedure 325 Function (Activity) Classification

Code	Definition
7191	External Financial Audit—Other. Annual independent financial audits conducted pursuant to <i>Education Code</i> Section 14503, where the LEA expends less than \$750,000 in federal funds and a single audit is not required.
7200	Other General Administration. Activities other than Board and Superintendent (functions 71xx) that 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:

- 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)

Agency-wide administrative costs are not directly expended in any fund other than the general fund. Because of the agency-wide nature of the costs, with few exceptions, Function 7200 and its optional subfunctions

Procedure 325 Function (Activity) Classification

Code	Definition
	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	<p>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.</p> <p>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.</p>
7300	<i>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.</i>
7310	<i>Budgeting (Optional). Activities concerned with supervising budget planning, formulation, control, and analysis.</i>
7320	<i>Accounts Receivable (Optional). Activities concerned with receiving money. They include the current audit of receipts.</i>
7330	<i>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.</i>
7340	<i>Payroll (Optional). Activities concerned with periodically paying individuals entitled to remuneration for services rendered.</i>
7350	<i>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.</i>
7360	<i>Project-Specific Accounting (Optional). Activities concerned with maintaining the records of financial operations and transactions of</i>

Procedure 325 Function (Activity) Classification

Code	Definition
	<i>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.</i>
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 activities such as recruitment and placement, staff transfers, health services, and staff accounting. Include legal costs directly identifiable with personnel/human resources activities.
7410	Staff Development (Optional). Activities concerned with developing districtwide training programs for noninstructional personnel in all classifications. The corresponding function for activities associated with developing training programs for instructional personnel is Function 2140, In-house Instructional Staff Development.
7430	Credentials (Optional). Activities related to credential services.
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

Procedure 325 Function (Activity) Classification

Code**Definition**

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 materials, such as annual reports, school directories, and manuals. Activities here also include centralized services for duplicating school materials and*

Procedure 325 Function (Activity) Classification

Code**Definition**

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. Agency-wide data processing services of an administrative nature, 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 910-21, 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

Procedure 325 Function (Activity) Classification

Code**Definition**

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.

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.

Procedure 325 Function (Activity) Classification

Code**Definition**

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 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; soft-water service; and other such housekeeping activities that 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.

Procedure 325 Function (Activity) Classification

Code	Definition
8400	<i>Other Plant Maintenance and Operations (Optional).</i> <i>Operations and maintenance of plant services that cannot be classified elsewhere in functions 8100–8399.</i>
8500	<p>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 capital project may be capitalized. Include legal costs directly identifiable with a capital project. Include the costs of annual, independent performance and financial bond audits required as a condition of issuing the bonds.</p> <p>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.</p> <p>Most commonly used with objects 6100–6300 but may also be used with Object 6400 and with most objects in the 1000–5999 range.</p> <p>Refer to Procedure 770, “Distinguishing Between Supplies and Equipment,” for additional information on capitalization concepts.</p>
8700	<p>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 considered debt service and are charged to all other outgo.</p> <p>Generally, costs of leased or rented facilities are considered agency-wide 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.</p>

Procedure 325 Function (Activity) Classification

Code**Definition**

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 Regional Occupational Centers and Programs (ROCP) classroom space in a facility that is near the shopping center where most ROCP students are being trained. However, because housing the ROCP 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.

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.

Procedure 325 Function (Activity) Classification

Code	Definition
9300	Interfund Transfers. Financial outflows to other funds of the LEA that are not classified as quasi-external transactions, reimbursements, interfund loans or borrowing, or advances.

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:

Object Code	Description
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.

Procedure 330 Object Classification

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 (Valid through 2012–13)
3802	PERS Reduction, classified positions (Valid through 2012–13)

Procedure 330 Object Classification

Code	Title
3901	Other Benefits, certificated positions
3902	Other Benefits, classified positions
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	<i>Pupil Insurance</i>
5450	<i>Other Insurance</i>
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

Procedure 330 Object Classification

Code	Title
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
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 (Valid through 2006–07)
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
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

Procedure 330 Object Classification

Code	Title
7614	From Bond Interest and Redemption Fund to General Fund
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund (Valid through 2012–13)
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
8000–8999	REVENUES AND OTHER FINANCING SOURCES
8000–8799	Revenues
8010–8099	LCFF Sources
8010–8019	Principal Apportionment
8011	LCFF State Aid—Current Year
8012	Education Protection Account State Aid—Current Year
8015	Charter Schools General Purpose Entitlement—State Aid (Valid through 2012–13)
8019	LCFF/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)
8046	Supplemental Educational Revenue Augmentation Fund (SERAF) (Valid 2009–10 and 2010–11 only)
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

Procedure 330 Object Classification

Code	Title
8082	Other In-Lieu Taxes
8089	Less: Non-LCFF (50 Percent) Adjustment
8090–8099	LCFF Transfers
8091	LCFF Transfers—Current Year
8092	PERS Reduction Transfer (Valid through 2012–13)
8096	Transfers to Charter Schools in Lieu of Property Taxes (Effective 2007–08)
8097	Property Taxes Transfers
8099	LCFF/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
8221	Donated Food Commodities
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
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 (Valid through 2012–13)
8434	Class Size Reduction, Grades K–3 (Valid through 2013–14)
8435	Class Size Reduction, Grade Nine (Valid through 2008–09)
8480	Charter Schools Categorical Block Grant (Valid through 2008–09)
8520	Child Nutrition
8530	Child Development Apportionments
8540	Deferred Maintenance Allowance (Valid through 2008–09)
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

Procedure 330 Object Classification

Code	Title
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 LCFF Deduction
8629	Penalties and Interest from Delinquent Non-LCFF 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
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

Procedure 330 Object Classification

Code	Title
8691	Plus: Miscellaneous Funds Non-LCFF (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 (Valid through 2006–07)
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 (Valid through 2012–13)
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 Disposal of Capital Assets
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
8980–8999	Contributions

Procedure 330 Object Classification

Code	Title
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
8995	Categorical Education Block Grant Transfers (Valid through 2008–09)
8997	Transfers of Restricted Balances (Valid for 2003–04, 2008–09, and 2009–10 only)
8998	Categorical Flexibility Transfers (Valid through 2008–09)
9000–9999	BALANCE SHEET
9100–9489	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
9400–9489	Capital Assets (Not used in governmental funds)
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
9490–9499	Deferred Outflows of Resources
9490	Deferred Outflows of Resources
9500–9689	Liabilities
9500	Accounts Payable (Current Liabilities)

Procedure 330 Object Classification

Code	Title
9501–9589	Accounts Payable—Locally Defined (When reporting to CDE, LEAs must roll up these objects to Object 9500.)
9590	Due to Grantor Governments
9610	Due to Other Funds
9620	Due to Student Groups/Other Agencies
9640	Current Loans
9650	Unearned Revenue
9660–9669	Long-Term Liabilities (Not used in governmental funds)
9661	General Obligation Bonds Payable
9662	State School Building Loans Payable
9663	Net Pension Liability
9664	Total/Net OPEB Liability
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
9690–9699	Deferred Inflows of Resources
9690	Deferred Inflows of Resources
9700–9799	Fund Balance/Net Position (The following codes and titles for 9700–9790 were valid through 2010–11.)
9700–9759	Fund Balance, Reserved (Valid through 2010–11)
9710–9720	Reserve for Nonexpendable Assets (Valid through 2010–11)
9711	Reserve for Revolving Cash (Valid through 2010–11)
9712	Reserve for Stores (Valid through 2010–11)
9713	Reserve for Prepaid Expenditures (Expenses) (Valid through 2010–11)
9719	Reserve for All Others (Valid through 2010–11)
9720	Reserve for Encumbrances (Budgetary account) (This account is not reported to CDE.)
9730	General Reserve (Valid through 2010–11)
9740	Legally Restricted Balance (Valid through 2010–11)
9760–9799	Fund Balance, Unreserved (Valid through 2010–11)
9770	Designated for Economic Uncertainties (Valid through 2010–11)

Procedure 330 Object Classification

Code	Title
9775	Designated for the Unrealized Gains of Investments and Cash in County Treasury
9780	Other Designations (Valid through 2010–11)
9790	Undesignated/Unappropriated (Valid through 2010–11)
(The following codes and titles for 9700–9790 are valid effective 2011–12.)	
9710–9719	Fund Balance, Nonspendable
9711	Nonspendable Revolving Cash
9712	Nonspendable Stores
9713	Nonspendable Prepaid Items
9719	All Other Nonspendable Assets
9720	Reserve for Encumbrances (Budgetary account) (This account is not reported to CDE.)
9730–9749	Fund Balance, Restricted
9740	Restricted Balance
9750–9769	Fund Balance, Committed
9750	Stabilization Arrangements
9760	Other Commitments
9770–9788	Fund Balance, Assigned
9780	Other Assignments
9789–9790	Fund Balance, Unassigned
9789	Reserve for Economic Uncertainties
9790	Unassigned/Unappropriated/Unrestricted Net Position
9791	Beginning Fund Balance
9793	Audit Adjustments
9795	Other Restatements
9796	Net Investment in Capital Assets
9797	Restricted Net Position
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

Procedure 330 Object Classification

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

Procedure 330 Object Classification

Object Code Definitions

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

Code	Definition
1000–7999	EXPENDITURES AND OTHER FINANCING USES
	<i>Note:</i> Also see Appendix A, “Analysis of Salaries,” for common function/object relationships found in salary expenditures.
1000–1999	<p>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.</p> <p>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 release time for negotiations, the substitute should be charged to the applicable goal and function.</p>
1100	<p>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.</p> <p>The separate recording of teachers’ salaries is required by <i>Education Code</i> 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.</p> <p>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.</p> <p>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</p>

Procedure 330 Object Classification

Code**Definition**

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 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,

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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)
- 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 3110–3150 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

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	<p>offices of county superintendents of schools (<i>Education Code</i> sections 35028, 35029, 35030, 44065, 44066, and 44069).</p> <p><i>Note:</i> The term <i>supervision</i> 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.</p>
1900	<p>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, teachers serving as mentors to other teachers (record only the incremental amount paid for mentoring), or resource teachers not performing duties as a classroom teacher. Object 1900 is not open to instructional functions.</p>
2000–2999	<p>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.</p> <p>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 release time for negotiations, the substitute should be charged to the applicable goal and function.</p> <p>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.</p>
2100	<p>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 (<i>Education Code</i> Section 41011). This code also includes salaries of noncertificated charter school teachers and other</p>

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2200	<p data-bbox="451 390 1382 457">noncertificated instructional personnel, such as classified coaches, tutors, and drug/alcohol program mentors.</p> <p data-bbox="451 506 1393 680">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.</p> <p data-bbox="451 720 1409 787">Salaries for the instructional media and library function include the salaries of library and media aides.</p> <p data-bbox="451 827 1382 894">Salaries for the student support function include the salaries of counselor aides and health aides.</p> <p data-bbox="451 934 1377 1066">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.</p> <p data-bbox="451 1106 1417 1360">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, 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.</p> <p data-bbox="451 1400 1360 1467">Salaries for the maintenance function include the salaries of carpenters, painters, plumbers, electricians, and other similar positions.</p> <p data-bbox="451 1507 1417 1640">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.</p>
2300	<p data-bbox="451 1688 1414 1900">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</p>

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	assistant superintendents and superintendents, see <i>Education Code</i> 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	<p>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.</p> <p>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.</p>
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	<p>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.</p> <p>Object 3201 indicates those employees in certificated positions and enrolled in PERS; Object 3202 indicates employees in classified positions and enrolled in PERS.</p>

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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	<p>OPEB, Allocated. Record expenditures (1) for retirees and other former employees for current-year postemployment benefits other than pensions (OPEB) financed on a pay-as-you-go basis; or (2) for the amounts paid to an OPEB plan (administered through a qualifying trust) in excess of the current-year actuarially determined service cost. A qualifying trust is a trust or an equivalent arrangement that meets the criteria in paragraph 4 of GASB Statement 75.</p> <p>Do not include expenditures for service costs for active employees; these must be direct-charged using objects 3751–3752.</p> <p>Expenditures in objects 3701–3702 must be allocated to all activities in proportion to total salaries or total full-time equivalents (FTEs) in those</p>

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	activities. Object 3701 relates to certificated positions; Object 3702 relates to classified positions.
3751–3752	<p>OPEB, Active Employees. Record expenditures for the amounts paid to a OPEB plan (administered through a qualifying trust) up to the current-year actuarially determined service costs for OPEB-eligible active employees. A qualifying trust is a trust or an equivalent arrangement that meets the criteria in paragraph 4 of GASB Statement 75.</p> <p>Do not include expenditures for retirees and other former employees; these must be allocated using objects 3701–3702.</p> <p>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.</p>
3801–3802	<p>PERS Reduction (Valid through 2012–13). 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.</p>
3901–3902	<p>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.</p>
4000–4999	<p>Books and Supplies. Record expenditures for books and supplies, including any associated sales tax or use tax and freight and handling charges.</p>
4100	<p>Approved Textbooks and Core Curricula Materials. Record expenditures for classroom instructional materials designed for use by</p>

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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 (for instance, Internet-based) 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. Materials such as periodicals, magazines, workbooks, drill books, exercise pads, and the like are recorded in Object 4300, Materials and Supplies.

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4300	<p data-bbox="451 422 1398 783">Materials and Supplies. Record expenditures for consumable materials and supplies and nonconsumable items that do not meet the LEA's inventory threshold 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.</p> <p data-bbox="451 821 1365 888">Expenditures for rentals of materials are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements.</p> <p data-bbox="451 926 1393 1031">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.</p> <p data-bbox="451 1068 1419 1136">Payments to outside vendors for duplication services should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.</p>
4400	<p data-bbox="451 1182 1409 1392">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 <i>Education Code</i> Section 35168 or local policy. For information on the capitalization threshold, refer to Procedure 770.</p>
4700	<p data-bbox="451 1438 1419 1619">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.</p> <p data-bbox="451 1656 1321 1684">Object 4700, Food, is used only with Function 3700, Food Services.</p> <p data-bbox="451 1722 1406 1898">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.</p>

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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.
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. Not every contract or agreement in these functions is 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

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- 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)
- 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 each year throughout 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

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	<p>travel and conferences (<i>Education Code</i> 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.</p> <p>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 to prepare 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.)</p> <p>Expenditures for college tuition paid on behalf of employees are recorded to Object 5800, Professional/Consulting Services and Operating Expenditures.</p>
5300	<p>Dues and Memberships. Record the fee for LEA membership in any society, association, or organization as authorized by <i>Education Code</i> 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 for only the employee.</p>
5400	<p>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.</p>
5440	<p><i>Pupil Insurance (Optional). Record expenditures for accidental death insurance and medical and hospital insurance for pupils. Use Function 1000, Instruction.</i></p>
5450	<p><i>Other Insurance (Optional). Record expenditures for all forms of insurance other than employee health insurance and pupil 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.</i></p>
5500	<p>Operations and Housekeeping Services. Record expenditures for water, heating fuel, light, power, waste disposal, pest control, laundry and dry</p>

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	<p>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.</p> <p>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.</p>
5600	<p>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.</p> <p>Capital leases should be recorded according to the accounting procedures for lease/purchase agreements in Procedure 710.</p> <p>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.</p>
5700–5799	<p>Transfers of Direct Costs. Record the transfer of costs for services, other than indirect costs, between resources, goals, functions, and/or funds.</p> <p>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).</p>

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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 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

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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, excluding approved textbooks and core curricula materials (Object 4100). 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, expenditures for fingerprints, physical and X-ray examinations required for employment, scholarship payments, and similar items.

Record arbitrage rebate resulting from a positive spread between interest earned on the invested proceeds of tax-exempt debt and the lower interest paid on those proceeds. Use Function 9100, Debt Service, in the fund where the debt proceeds were deposited and where the interest revenue was earned. For bonds, this is typically the Building Fund. For certificates of participation, it is typically another other capital projects fund. Recognize

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the arbitrage rebate in the period incurred, even if it will be not be paid immediately.

Record penalties for issuing tax and revenue anticipation notes without a demonstrable cash flow need. Use Function 7100, Board and Superintendent (or the optional Function 7110, Board).

Debt issuance costs such as underwriter discounts and fees should be recorded here. Debt issuance costs for debt insurance should be recorded in Object 5450. 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 each year throughout 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, 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 letters 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.

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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.

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 Improvements 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 work such 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

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Code	Definition
	<p>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.</p> <ul style="list-style-type: none"> • 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	<p>Buildings and Improvements of Buildings. Record costs of construction or purchase of new buildings (including relocatable buildings, such as portable 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.</p> <p>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.</p> <p>Use with Function 8500, Facilities Acquisition and Construction.</p>
6300	<p>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.</p>
6400	<p>Equipment. Record expenditures for movable personal property, including equipment such 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. Acquisition cost includes tax, freight or other types of delivery charges, and installation costs including labor. (For more detail, refer to Procedure 770.)</p>

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Code	Definition
	Record the initial acquisition of computer software, both downloaded and off-the-shelf, that exceeds the LEA's capitalization threshold, including research and development costs, licensing, and installation.
	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 Improvements 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 (<i>Education Code</i> 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 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. <i>Note:</i> 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 (<i>Education Code</i> Section 46607[b]).
7130	State Special Schools. Record payments of tuition for students placed in state special schools.

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Code	Definition
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.
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.
7222	Transfers of Apportionments to County Offices. Record transfers to county offices of apportionments, such as special education.

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Code	Definition
7223	Transfers of Apportionments to JPAs. Record transfers to JPAs of apportionments, such as special education.
7280	Transfers to Charter Schools in Lieu of Property Taxes (Valid through 2006–07). Formerly used to record funds in lieu of property taxes transferred by the sponsoring LEA to a charter school according to <i>Education Code</i> 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 one of its small districts 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	<p>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.</p> <p><i>Note:</i> 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.</p>
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.

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Code	Definition
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 in 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 (<i>Education Code</i> 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.
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 (<i>Education Code</i> Section 16058).
7436	Payments to Original District for Acquisition of Property. Record expenditures to cover the liability of a newly organized district to the

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Code	Definition
	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. Interfund transfers are flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment.
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 (<i>Education Code</i> 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 (<i>Education Code</i> 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

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Code	Definition
	payments have been made (<i>Education Code</i> sections 15234 and 15235). Use Object 8914 in the fund receiving the transfer.
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund (Valid through 2012–13). Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (<i>Education Code</i> 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. 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 <i>Education Code</i> sections 35560 and 35561. Also record the disbursement of funds by a defunct charter school or by 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. Record debt issuance costs such as underwriter discounts and fees in Object 5800. Record debt issuance costs for debt insurance in Object 5450. Use Object 7699 for repayment of debt only when using the proceeds from refunding debt to extinguish existing debt. For all other debt service expenditures, use objects 7430–7439. Do not use Object 7699 for the return of unexpended resources to a grantor agency.
8000–8999	REVENUES AND OTHER FINANCING SOURCES
8000–8799	Revenues
8010–8099	LCFF 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

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Code	Definition
	<p>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.</p> <p>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.</p>
8010–8019	Principal Apportionment
8011	<p data-bbox="451 831 1409 900">LCFF State Aid—Current Year. Record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.</p> <p data-bbox="451 936 1382 1041">For school districts and charter schools, this primarily includes general purpose funds allocated per regular kindergarten through grade twelve average daily attendance (<i>Education Code</i> sections 42238.01–42238.07).</p> <p data-bbox="451 1077 1377 1220">For county offices of education, this primarily includes funds allocated under an operations grant for COE oversight activities and an alternative education grant per average daily attendance for instructional programs operated by the COE (<i>Education Code</i> sections 2574–2579).</p>
8012	Education Protection Account State Aid—Current Year. Record amounts received for the current year from the state Education Protection Account established pursuant to Proposition 30, the Schools and Local Public Safety Protection Act of 2012. Include amounts accrued at the end of the fiscal year.
8015	Charter Schools General Purpose Entitlement—State Aid (Valid through 2012–13). 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	LCFF/Revenue Limit State Aid—Prior Years. Record amounts received but not previously accrued for prior years' state aid. Include prior year amounts for the Education Protection Account State Aid entitlement.

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Code	Definition
8020–8039	Tax Relief Subventions
8021	Homeowners' Exemptions. Record amounts received for loss of revenue because of homeowners' exemptions (<i>Revenue and Taxation Code</i> 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 (<i>Government Code</i> Section 27423; <i>Revenue and Taxation Code</i> Section 38905.1).
8029	Other Subventions/In-Lieu Taxes. Record amounts received for loss of local revenue. Examples include exemptions for motion picture films (<i>Revenue and Taxation Code</i> Section 988) and severance-aid allowances for real property acquired for state highway purposes (<i>Education Code</i> 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 (<i>Revenue and Taxation Code</i> sections 2601–2636).
8042	Unsecured Roll Taxes. Record revenue from taxes levied on the unsecured roll (<i>Revenue and Taxation Code</i> 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 (<i>Revenue and Taxation Code</i> 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

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Code	Definition
	(Chapter 699, 1992), SB 844 (Chapter 700, 1992) and SB 1559 (Chapter 697, 1992).
8046	Supplemental Educational Revenue Augmentation Fund (SERAF) (Valid for 2009–10 and 2010–11 only). Record SERAF revenue received by a school district located in a redevelopment area, pursuant to ABX4 26 (Chapter 21, 2009).
8047	Community Redevelopment Funds. Report the amount, if any, received pursuant to the Community Redevelopment Law (Part 1 [commencing with Section 33000] of Division 24 of the <i>Health and Safety Code</i>), except for any amount received pursuant to <i>Health and Safety Code</i> Section 33401 or Section 33676 that is used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance, and except for any amount received pursuant to <i>Health and Safety Code</i> sections 33492.15, 33607.5, and 33607.7 that is allocated exclusively for educational facilities (<i>Education Code</i> sections 2558[c] and 42238[h][6]). These exceptions are recorded in Object 8625, Community Redevelopment Funds Not Subject to LCFF Deduction. Report the amount, if any, received from the Redevelopment Property Tax Trust Fund Residual Distributions and other revenues from Redevelopment Agency Asset Liquidation pursuant to <i>Health and Safety Code</i> sections 34177, 34179.5, 34179.6, 34183, and 34188.
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.
8080–8089	Miscellaneous Funds. Include miscellaneous funds received from federal, state, and local sources (<i>Education Code</i> 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.

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Code	Definition
8082	<p>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.</p> <p>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.</p>
8089	<p>Less: Non-LCFF (50 Percent) Adjustment. Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from unrestricted LCFF Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.</p>
8090–8099	LCFF Transfers
8091	<p>LCFF Transfers—Current Year. Record the transfer of LCFF revenues, in limited circumstances, such as amounts committed by the LEA to the purposes of the special revenue fund for adult education or to the purposes of the special revenue fund for deferred maintenance. This account should net to zero LEA-wide.</p>
8092	<p>PERS Reduction Transfer (Valid through 2012–13). 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.</p>
8096	<p>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 <i>Education Code</i> 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.</p>
8097	<p>Property Taxes Transfers. For county offices, report any transfer of taxes within the County School Service Fund, such as the special education portion of LCFF taxes; or transfers between LEAs, such as excess special</p>

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Code	Definition
	<p>education taxes transferred to districts or transfers of special education taxes between counties.</p> <p>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.</p>
8099	LCFF/Revenue Limit Transfers—Prior Years. Record the transfer of prior year adjustments of LCFF revenues, in limited circumstances, such as amounts committed by the LEA to the purposes of the special revenue fund for adult education or to the purposes of the special revenue fund for deferred maintenance. 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.
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.
8221	Donated Food Commodities. Record the fair market value of commodities received from the federal government for use in school meal programs.
8260	Forest Reserve Funds. Record all revenue from forest reserve funds apportioned by the federal government. Refer to Procedure 620 for coding examples.

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Code	Definition
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 (<i>Education Code</i> Section 1606).
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	<p>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.</p> <p>The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.</p>
8290	All Other Federal Revenue. Record all other federal funds received.
8300–8599	Other State Revenue
8311	<p>Other State Apportionments—Current Year. Report revenues received under the Principal Apportionment other than the state-aid portion of the LCFF. For instance, include apportionments for special education programs.</p> <p>This account is intended to record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.</p>
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 LCFF.

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Code	Definition
8425	Year-Round School Incentive (Valid through 2012–13). Record revenues for year-round school pursuant to <i>Education Code</i> Section 42260 et seq.
8434	Class Size Reduction, Grades K–3 (Valid through 2013–14). Record revenues realized for reducing class size in kindergarten and grades one through three, inclusive, pursuant to <i>Education Code</i> sections 52120–52128.
8435	Class Size Reduction, Grade Nine. (Valid through 2008–09). Record unrestricted revenues for reducing class size in grade nine pursuant to <i>Education Code</i> sections 52080–52090.
8480	Charter Schools Categorical Block Grant (Valid through 2008–09). 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. (Valid through 2008–09). Record the allocation of State School Deferred Maintenance funds received by the LEA from the State Allocation Board (<i>Education Code</i> 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 (<i>Education Code</i> sections 17070.10–17079.30).
8550	Mandated Cost Reimbursements. Record in the year received amounts for reimbursements of costs of legislatively mandated programs (<i>Government Code</i> sections 17500–17617).
8560	State Lottery Revenue. Record the revenue received under the California State Lottery Act of 1984 (<i>Government Code</i> Section 8880.4).
8571–8579	Tax Relief Subventions

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Code	Definition
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 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	<p>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.</p> <p>The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.</p>
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.

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Code	Definition
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.
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 <i>Education Code</i> 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 <i>Education Code</i> 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 <i>Education Code</i> 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 the LEA.

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Code	Definition
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 LCFF Deduction. Record community redevelopment funds not subject to the LCFF deduction pursuant to <i>Education Code</i> Section 2575(c), 42238.02(j)(6), or 42238.03(c)(6). Include amounts received pursuant to <i>Health and Safety Code</i> Section 33401 or Section 33676 that are used for land acquisition, facility construction, reconstruction or remodeling, or deferred maintenance. Include amounts received pursuant to <i>Health and Safety Code</i> sections 33492.15, 33607.5, and 33607.7 that are allocated exclusively for educational facilities.
8629	Penalties and Interest from Delinquent Non-LCFF Taxes. Record penalties and interest collected on delinquent non-LCFF taxes.
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 (<i>Education Code</i> 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.

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Code	Definition
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	<p>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.</p> <p>Refer to Procedure 425 for information regarding accounting for and reporting the fair value of investments.</p>
8670–8689	Fees and Contracts
8671	Adult Education Fees. Record revenue received from students enrolled in classes for adults.
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 (<i>Education Code</i> Section 48052).
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.
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.
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 supervisory oversight or for

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Code	Definition
	<p>administrative or other services provided to a charter school by an authorizing LEA pursuant to <i>Education Code</i> Section 47613.</p> <p>To ensure that federal interagency revenues retain their federal identity, they should be reported in Object 8285, Interagency Contracts Between LEAs.</p> <p>Expenditures made by an LEA to fulfill contracts on behalf of another LEA should be coded to Goal 7110, Nonagency—Educational.</p>
8681	<p>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).</p>
8689	<p>All Other Fees and Contracts. Record revenue received for all other fees and contract services from entities other than LEAs.</p>
8690–8719	<p>Other Local Revenue</p>
8691	<p>Plus: Miscellaneous Funds Non-LCFF (50 Percent) Adjustment. Record the transfer of 50 percent of the amounts in objects 8081 and 8082 from LCFF Sources to Other Local Revenue by debiting Object 8089 and crediting Object 8691. Objects 8089 and 8691 must net to zero.</p>
8697	<p>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.</p> <p>The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.</p>
8699	<p>All Other Local Revenue. Record all other local revenue, except funds defined as “miscellaneous funds” in <i>Education Code</i> Section 41604, received from entities other than LEAs. Examples of revenue recorded in this account are library fines, contributions, gifts, insurance recoveries not reported in Object 8953, and reimbursement for practice teaching.</p>

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Code	Definition
8710	<p>Tuition. Record tuition payments received from the following sources:</p> <p>Tuition contracts for general or specific instructional services, including transportation for interdistrict attendance agreement (IDAA) pupils (<i>Education Code</i> sections 46600–46610). See Object 8677, Interagency Services Between LEAs, for revenue from contracts for services provided for another LEA’s pupils.</p> <p>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 (<i>Education Code</i> Section 48050). No California state aid is apportioned for such students.</p> <p>Revenues received for excess costs and/or deficits for providing services to other LEAs’ pupils.</p> <p>All other tuition payments not identified above.</p>
8780–8799	Interagency Transfers In
8780	<p>Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (Valid through 2006–07). 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.</p>
8781	<p>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.</p>
8782	<p>All Other Transfers from County Offices. Record transfers of resources other than apportionments or pass-through revenues from county offices. An example is the transfer of funding from a county office of education to one of its small districts for health services.</p>
8783	<p>All Other Transfers from JPAs. Record transfers of resources other than apportionments or pass-through revenues from JPAs.</p>

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Code	Definition
8791	Transfers of Apportionments from Districts or Charter Schools. Record transfers of apportionments of special education from school districts or charter schools.
8792	Transfers of Apportionments from County Offices. Record transfers of apportionments of special education from county offices.
8793	Transfers of Apportionments from JPAs. Record transfers of apportionments of special education 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. Interfund transfers are flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment.
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 (<i>Education Code</i> 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 (<i>Education Code</i> 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 (<i>Education Code</i> sections 15234 and 15235). Use Object 7614 in the fund making the transfer.

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Code	Definition
8915	To Deferred Maintenance Fund from General, Special Reserve, and Building Funds (Valid through 2012–13). Record transfers of moneys from the general, special reserve, and/or building funds to the deferred maintenance fund to support state match requirements (<i>Education Code</i> 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. 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 <i>Education Code</i> 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 (<i>Education Code</i> Section 15146).
8953	Proceeds from Disposal of Capital Assets. Record proceeds from the sale or lease-purchase of land and buildings. The proceeds must be used under the provisions of <i>Education Code</i> sections 17455–17484. Record insurance recoveries, if significant, relating to impairment of capital assets.
8961	County School Building Aid. Record revenue received for payments required pursuant to School Building Aid laws (<i>Education Code</i> sections 16196, 16202, and 16204).
8965	Transfers from Funds of Lapsed/Reorganized LEAs. Record revenue received under <i>Education Code</i> sections 35560 and 35561. Also record revenue received from a defunct charter school or from a charter school whose authorizing LEA changes.

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Code	Definition
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.
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 projects funds.
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. Record the proceeds from refunding debt issued to extinguish existing debt. 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 Schoolwide Program (SWP), or Every Student Succeeds Act (ESSA) 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 (Valid through 2008–09). Record transfers of categorical education block grant apportionments pursuant to <i>Education Code</i> Section 41500, enacted by AB 825. A maximum of 15 percent of these apportionments may be transferred to any

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Code**Definition**

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 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 (Valid 2003–04, 2008–09, and 2009–10 only). 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 and in 2008–09 and 2009–10 to record transfers of June 30, 2008 restricted account balances pursuant to SBX3 4. This legislation 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. This account may reflect a balance at the fund level but must net to zero across all funds.

8998

Categorical Flexibility Transfers (Valid through 2008–09). For 2008–09, record the transfer of unspent restricted account balances for which the funding was made flexible pursuant to SBX3 4. Prior to 2008–09, this object was used to 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 may reflect a balance at the fund level but must net to zero across all funds.

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Code	Definition
9000–9999	BALANCE SHEET
9100–9489	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 (<i>Education Code</i> sections 35314, 52704, and 38093). This account also includes any money in a bank clearing account awaiting deposit in the county treasury (<i>Education Code</i> 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 <i>Education Code</i> sections 42800–42806, 42810, 42820, and 42821. This account is similar in use and control to accounts 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. The revolving cash account is a reserve of cash in 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 (<i>Education Code</i> 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

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Code	Definition
	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 (<i>Education Code</i> 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 (<i>Education Code</i> 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.
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.

Procedure 330 Object Classification

Code	Definition
	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.
9400–9489	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.
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, computer systems, furnishings

Procedure 330 Object Classification

Code	Definition
	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.
9490–9499	Deferred Outflows of Resources
9490	Deferred Outflows of Resources. A consumption of net assets that is applicable to a future reporting period.
9491–9499	Deferred Outflows of Resources—Locally Defined. These accounts are used at the option of LEAs to track specific types of deferred outflows of resources. When data are reported to CDE, these objects must be rolled up by the LEA to Object 9490.
9500–9689	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. <i>Note:</i> 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

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Code	Definition
	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.
9610	Due to Other Funds. Amounts due to other funds within the LEA.
9620	<p>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.</p> <p>There is no fund balance in an agency fund. Assets held equal the liability to the other agency.</p>
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	Unearned Revenue. Resources received prior to revenue recognition.
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

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Code	Definition
	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.
9663	Net Pension Liability. The liability of LEAs to employees for benefits provided through a defined benefit pension plan.
9664	Total/Net OPEB Liability. The total OPEB liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, measured in conformity with the requirements of GASB Statement 75. For a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 (specified criteria), the total OPEB liability is reported. For a defined benefit OPEB plan that is administered through a trust that meets the specified criteria, a net OPEB liability (that is, the total OPEB liability minus the OPEB plan's fiduciary net position) is reported. The total or net OPEB liability 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 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.

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Code	Definition
9690–9699	Deferred Inflows of Resources
9690	Deferred Inflows of Resources. An acquisition of net assets that is applicable to a future reporting period.
9691–9699	Deferred Inflows of Resources—Locally Defined. These accounts are used at the option of LEAs to track specific types of deferred inflows of resources. When data are reported to CDE, these objects must be rolled up by the LEA to Object 9690.
9700–9799	Fund Balance/Net Position. Fund balance represents the difference between the assets and liabilities of a governmental fund. Net position represents the difference between the assets and liabilities of a proprietary or fiduciary fund. (The following codes and definitions for 9700–9790 were valid through 2010–11.)
9700–9759	Fund Balance, Reserved (Valid through 2010–11)
9710–9720	Reserve for Nonexpendable Assets (Valid through 2010–11). 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 (Valid through 2010–11). The portion of fund balance reflecting the value of the revolving cash account.
9712	Reserve for Stores (Valid through 2010–11). The portion of fund balance reflecting the value of stores.
9713	Reserve for Prepaid Expenditures (Expenses) (Valid through 2010–11). The portion of fund balance reflecting the value of prepaid expenditures/expenses.
9719	Reserve for All Others (Valid through 2010–11). 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.

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Code	Definition
9720	Reserve for Encumbrances (Budgetary account) (Valid through 2010–11). (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 (Valid through 2010–11). 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 (<i>Education Code</i> Section 42124).
9740	Legally Restricted Balance (Valid through 2010–11). 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 (Valid through 2010–11)
9770	Designated for Economic Uncertainties (Valid through 2010–11). 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 (Valid through 2010–11). 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 (Valid through 2010–11). The portion of the fund balance that has been set aside by the governing board for specific purposes.
9790	Undesignated/Unappropriated (Valid through 2010–11). 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).

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Code	Definition
	(The following codes and definitions for 9700–9790 are valid effective 2011–12.)
9710–9719	Fund Balance, Nonspendable. The portion of fund balance reflecting assets not in spendable form, either because they will never convert to cash (such as prepaid items) or must remain intact pursuant to legal or contractual requirements (such as the principal of a permanent endowment). At the beginning of the fiscal year, these accounts are credited with the same amounts that are set up as debits to the previously described asset accounts.
9711	Nonspendable Revolving Cash. The portion of fund balance reflecting the value of the revolving cash account.
9712	Nonspendable Stores. The portion of fund balance reflecting the value of stores.
9713	Nonspendable Prepaid Items. The portion of fund balance reflecting the value of prepaid items.
9719	All Other Nonspendable Assets. The portion of fund balance reflecting the value of nonspendable assets not specified above. For example, this object is used for the legal reserve required for Certificates of Participation, the long-term portion of notes receivable, or the principal of a permanent endowment.
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 should disclose in a footnote to the financial statements significant encumbrances that are included in the subsequent year's budget.
9730–9749	Fund Balance, Restricted
9740	Restricted Balance. The portion of fund balance representing resources subject to legally enforceable constraints externally imposed either by resource providers (e.g., grantors or creditors) or by law through constitutional provisions or enabling legislation. Examples include unspent

Procedure 330 Object Classification

Code	Definition
	balances of restricted state and federal grants and unspent proceeds of general obligation bonds. All positive balances of SACS restricted resources 2000 through 9999 are reported using Object 9740.
9750–9769	Fund Balance, Committed. The portion of fund balance representing resources whose use is constrained by limitations self-imposed by the LEA through formal action of its highest level of decision-making authority. The constraints can be modified or removed only through the same process by which they were imposed. The action imposing the constraint must be made by the end of the reporting period. The actual amounts may be determined at a later date, prior to the issuance of the financial statements.
9750	Stabilization Arrangements. The portion of fund balance set aside pursuant to a stabilization arrangement more formal than the reserve for economic uncertainties recommended by the Criteria and Standards for Fiscal Solvency or other minimum fund balance policy. The level of constraint must meet the criteria to be reported as committed, and the circumstances in which the resources are used must be specific and nonroutine. The formal action imposing the constraint should identify and describe in sufficient detail the circumstances in which the amounts may be used. Minimum fund balance policies and other stabilization arrangements that do not meet the criteria to be reported as committed are reported as unassigned. Also see Object 9789, Reserve for Economic Uncertainties.
9760	Other Commitments. The portion of fund balance representing commitments other than stabilization arrangements.
9770–9788	Fund Balance, Assigned. The portion of fund balance representing resources that are intended to be used for specific purposes but for which the constraints do not meet the criteria to be reported as restricted or committed. Intent may be established either by the LEA's highest level of decision-making authority or by a designated body or official. Constraints giving rise to assigned fund balance may be imposed at any time before the financial statements are issued. The constraints may be modified or removed by a process less formal than is required to remove constraints that give rise to committed fund balance. In governmental fund types other than the general fund, this is the residual fund balance classification.
9780	Other Assignments. The portion of fund balance representing assignments.

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Code	Definition
9789–9790	Fund Balance, Unassigned. The portion of fund balance not classified as nonspendable, restricted, committed, or assigned.
9789	Reserve for Economic Uncertainties. The portion of unassigned fund balance set aside pursuant to a minimum fund balance policy. This amount includes the reserve recommended by the Criteria and Standards for Fiscal Solvency, as well as additional reserve amounts established pursuant to local policy. Object 9789 is available in Fund 01 and Fund 17.
9790	<p>Unassigned/Unappropriated/Unrestricted Net Position. In the general fund, residual fund balance in excess of amounts reported in the nonspendable, restricted, committed, or assigned fund balance classifications and net of Object 9789, Reserve for Economic Uncertainties.</p> <p>In all governmental funds including the general fund, the excess of nonspendable, restricted, and committed fund balance over total fund balance (deficits). Assigned amounts must be reduced or eliminated if a deficit exists.</p> <p>In the proprietary and fiduciary funds, the amount of net position not included in the determination of net investment in capital assets or restricted net position.</p>
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.
9795	Other Restatements. This account is used to record material corrections of prior-year errors that restate the beginning fund balance.
9796	Net Investment in Capital Assets. The portion of net position that represents capital assets, net of accumulated depreciation and less outstanding debt directly related to the capital assets. It includes deferred outflows of resources and deferred inflows of resources associated with the capital assets. This account is used only in funds 61 through 73.

Procedure 330 Object Classification

Code	Definition
9797	Restricted Net Position. The portion of net position representing resources subject to legally enforceable constraints externally imposed either by external resource providers (e.g., grantors or creditors) or by law through constitutional provisions or enabling legislation. Restricted assets are reduced by liabilities and deferred inflows of resources associated with those assets. Also includes permanent fund principal. This account is used only in funds 61 through 73.
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 cancelled 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

Procedure 330 Object Classification

Code	Definition
	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.
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 amounts not yet analyzed to decide whether they should be classified as 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.

Procedure 340 Valid Account Code Combinations

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 Microsoft Excel, can be downloaded from CDE's Spreadsheets of Valid Combinations web page at <https://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 type of LEA (districts, county offices of education, and joint powers agencies). 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	Function 1000 Instruction	Function 2100 Instructional Supervision and Administration	Function 3110 Guidance and Counseling Services	Function 4000 Ancillary Services	Function 5000 Community Service
1100 Certificated Teachers' Salaries	X	X	-	X	X
1200 Certificated Pupil Support Salaries	-	-	X	X	X
1300 Certificated Supervisors' and Administrators' Salaries	-	X	X	X	X
2100 Classified Instructional Salaries	X	-	-	X	X
2200 Classified Support Salaries	-	-	X	X	X
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.

Procedure 340 Valid Account Code Combinations

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	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	-	-	X
8500 Facilities Acquisition and Construction	X	X	X	-	-
9100 Debt Service	X	X	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	-	-	-	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,

Procedure 340 Valid Account Code Combinations

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 Certificated Teachers' Salaries	X	-	-	-	X
1200 Certificated Pupil Support Salaries	X	-	-	-	X
1300 Certificated Supervisors' and Administrators' Salaries	X	X	-	-	X
2100 Classified Instructional 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, Certificated 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.

Procedure 340 Valid Account Code Combinations

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 Lottery: Unrestricted	X	X	-	-	X
3010 ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	X	-	-	-	-
5310 Child Nutrition: School Programs	X	X	-	-	-
6690 Tobacco-Use Prevention Education: Grades Six through Twelve	X	-	-	-	-
9010 Other Restricted 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 of 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.

Procedure 340 Valid Account Code Combinations

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., Ages 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	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, Indirect Cost Transfers, should generally be coded only to Goal 0000, Undistributed; Goal 7110, Nonagency—Educational; Goal 7150, Nonagency—Other; and Goal 8600, County Services to Districts.

Noninstructional functions, such as the pupil services 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.

Procedure 340 Valid Account Code Combinations

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 Unearned Revenue	Object 9790 Unassigned/ Unappropriated
0000 Unrestricted	X	X	X	X	X
3010 ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	X	-	X	X	-
5210 Head Start	X	-	X	X	-
6010 After School Education and Safety (ASES)	-	X	X	X	-
6690 Tobacco-Use Prevention Education: Grades Six through Twelve	-	X	X	X	-
9010 Other Restricted Local	X	X	X	X	X

Restricted resources are generally funded by state or federal revenues. Carryovers of restricted resources are subject either to restricted ending balance or to unearned revenue. Combinations are validated to ensure that LEAs use the correct revenue designation(s) and account 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; 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 unearned revenue and, therefore, Object 9650, Unearned Revenue, is open to this resource. But Object 9790, Unassigned/Unappropriated, which is a fund balance object rather than an unearned revenue object, is not.

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 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.)

Procedure 405 Accounting for Inventories

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 the following 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.

Procedure 405 Accounting for Inventories

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

$$\frac{\text{Total Item Cost } \$9,000}{\text{Total Number of Items } 2,200} = \$4.09 \text{ Per Item}$$

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 smooths 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 2014–15, a total of \$5,000,000 was requisitioned from the warehouse. Based on the 2014–15 information, the overhead rate for 2015–16 would be determined as follows:

Procedure 405 Accounting for Inventories

2014–15 Warehouse Costs	Amount
Salaries and Benefits	\$450,000
Rent	45,000
Utilities	32,000
Other Expenses	73,000
Total Warehouse Costs	\$600,000

$$\frac{\text{Total Warehouse Cost } \$600,000}{\text{Total Amount Requisitioned } \$5,000,000} = 12\% \text{ Overhead Rate}$$

If this method of computing overhead is used, an additional 12 percent would be added to the cost of all items requisitioned in the 2015–16 year. This same method, based on the estimated 2015–16 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

Procedure 405 Accounting for Inventories

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	01-6500-0-5770-1110-4300	\$325	
	Instructional Supplies	01-6300-0-1110-1000-4300	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 Lottery – Instructional Materials (Resource 6300) 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.

Procedure 405 Accounting for Inventories

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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 uniform guidance for administration of federal grants in Title 2 of the *Code of Federal Regulations*, Part 200 (the Uniform Guidance) states that physical inventory of equipment must be taken and the results reconciled with the property records at least once every 2 years.

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).

Procedure 410 Conducting a Physical Inventory

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, 2	Discrepancy	Reason for discrepancy
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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.

Procedure 410 Conducting a Physical Inventory

- (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, personal computers, 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.

Procedure 410 Conducting a Physical Inventory

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)	(2)	(3)	(4)	(5)	(6)	(7)
Inventory number	Complete description	Acquisition date	Location of use	Quantity	Acquisition cost	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.

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 ink and toner cartridges, 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, television monitors, 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.)

Procedure 415 Adopting a Stores System

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

Procedure 415 Adopting a Stores System

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

Procedure 415 Adopting a Stores System

- 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.

Procedure 420 Prepaid Expenditures

Local educational agencies (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, 2014, 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
7-1-14	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
7-1-14	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:

Procedure 420 Prepaid Expenditures

Schedule of Prepaid Expenditures with Analysis of total applying to each succeeding year

Policy Number	Carrier	Overall Total	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 conference 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 to 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 in which unspent program carryover is reported as unearned revenue rather than as fund balance. Where a balance is reported in a prepaid expenditure asset account, a corresponding amount must be reported as nonspendable fund balance. Because the fund balance for this type of categorical program is always zero, reporting any amount as nonspendable fund balance would generate a negative unassigned 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 conference to be held August 30, 2014, would appear as follows:

Date	Object Title	SACS Account String	Debit	Credit
5-01-14	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 conference registration.				

Procedure 420 Prepaid Expenditures

Date	Object Title	SACS Account String	Debit	Credit
8-30-14	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	01-3010-0-1110-1000-5200	\$450.00	
	Cash in County Treasury	01-3010-0-0000-0000-9110		\$450.00
To charge the prepaid conference expenditure to the ESSA: Title I, Part A, Basic Grants Low-Income and Neglected program.				

Procedure 420 Prepaid Expenditures

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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.

Local educational agency (LEA) investments affected by this statement are as follows:

- 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 of GASB Statement 31, as amended by GASB Statement 72, apply only to investments that (a) are held primarily for the purpose of income or profit and (b) have present service capacity based on their ability to generate cash or to be sold to generate cash. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

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 noncash 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 2013–14

Assume that on July 1, 2013, 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, 2014, the district has \$75,000 cash in the county treasury with a fair value of \$78,000.

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

The change in fair value is calculated as follows:

Description	Amount
Fair value, ending 6-30-14	\$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 7-1-13	(105,000)
Net increase (decrease) in fair value for fiscal year 2013–14	\$(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
6-30-14	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.			

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Fiscal Year 2014–15

Assume that during fiscal year 2014–15, the district had deposits of \$1,000,000 and disbursements of \$985,000. On June 30, 2015, 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:

Description	Amount
Fair value, ending 6-30-15	\$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 7-1-14	(78,000)
Net increase (decrease) in fair value for fiscal year 2014-15	\$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
6-30-15	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 cumulative 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.

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Following is a recap of the changes in Object 9111:

Account 9111 – Fair Value Adjustment to Cash in County Treasury

Activity Type and Date	Amount	Adjustment
Ending balance 6-30-13:	\$5,000	(\$105,000 Fair Value versus \$100,000 “Cash” in County Treasury)
2013–14 Change in fair value:	\$(2,000)	
Ending Balance 6-30-14:	\$3,000	(\$78,000 Fair Value versus \$75,000 “Cash” in County Treasury)
2014–15 Change in fair value:	\$1,000	
Ending balance 6-30-15:	\$4,000	(\$94,000 Fair Value versus \$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 2014–15 would be as follows:

Date	Object Title	Object Code	Debit	Credit
7-1-14	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 6-30-14 fair value adjustment to cash in county treasury.			

Procedure 425 Fair Value: Accounting and Reporting for Certain Investments

Date	Object Title	Object Code	Debit	Credit
6-30-15	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.

Fund Balance Classification for Unrealized Gains

The fair value of unrealized gains of investments is reported in the same fund balance classification as the underlying investment.

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 505 Recording Revenue and Other Cash Receipts

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 this date: _____		
Object	Description	Amount
8011	LCFF 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:

Procedure 505 Recording Revenue and Other Cash Receipts

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				
	LCFF State Aid—Current Year	8011		\$62,300.00
	Secured Roll Taxes	8041		129,370.00
	Unsecured Roll Taxes	8042		568.00
	Total Revenue			\$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 – LCFF 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

Procedure 505 Recording Revenue and Other Cash Receipts

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

Date	Description	Current Revenue Account	Current Revenue Amount	Abatements of Expenditure Account	Abatements of Expenditure Amount	General Ledger Account	General Ledger Amount
7-3-xx	Receipt 6801 Insurance claim	8979	xxxx				
	Receipt 6802 PL 81-874 payment	8110	xxxx				
	Receipt 6803 Sale of laptop	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		

Procedure 505 Recording Revenue and Other Cash Receipts

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
	All Other Financing Sources	8979		XXXX
Subsidiary Appropriation Ledger				
	Materials and Supplies	4300		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 560 Abatement of Expenditures

Abatement of expenditure is the cancellation 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 cancellation 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 cancellations 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.

Procedure 560 Abatement of Expenditures

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. Cancelled and voided warrants (not staledated warrants).
8. Sale in lieu of trade-in of used equipment being replaced, such as automobiles and computers.
9. Refunds of insurance premiums overpaid.
10. 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).
11. 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.
12. 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.

Procedure 560 Abatement of Expenditures

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 cancelled 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).
13. Insurance recoveries or settlements from commercial insurance carriers, JPAs, or self-insurance funds because of building, supply, or equipment losses.
14. E-Rate reimbursements, rebates, or discounts and similar subsidies. If the E-Rate discount or subsidy is received as a discount on a bill, the full amount of the bill before discount should be debited to the expenditure account and the E-Rate discount or subsidy should be credited to Other Local Revenue.

Procedure 560 Abatement of Expenditures

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.

Procedure 605 Balance Sheet Accounts—Coding Examples

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.

Coding Examples

Example 1: Unrestricted Transactions Resulting in Change to Fund Balance

- (a) Cash is deposited in the county treasury for the K–12 Local Control Funding Formula (LCFF) 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 LCFF revenues:

Dr/Cr	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.
- **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 LCFF 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:

Dr/Cr	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.
- **Project Year** is not used in this example.

Procedure 605 Balance Sheet Accounts—Coding Examples

- **Goal 1110** is Regular Education, K–12.
 - **Function 1000** is Instruction; a 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 and 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 portion of unassigned fund balance set aside as a reserve for economic uncertainties is increased, reducing the remaining portion of unassigned fund balance.

To record fund balance designations at the end of the year:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9790	000
Cr	01	0000	0	0000	0000	9789	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **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 9789** is Reserve for Economic Uncertainties, and **Object 9790** is Unassigned/Unappropriated.
- **School** is not required.

Example 2: Recording Components of Ending Fund Balance

At year-end, the district records the components of the ending fund balance when the books are closed (assuming that the excess of revenues over expenditures is automatically posted to Object 9790, Unassigned/Unappropriated):

Dr/Cr	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	9789	000
Dr	01	6500	0	0000	0000	9790	000
Cr	01	6500	0	0000	0000	9740	000
Dr	01	6512	0	0000	0000	9790	000
Cr	01	6512	0	0000	0000	9740	000

Procedure 605 Balance Sheet Accounts—Coding Examples

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted; **Resource 6500** is Special Education; and **Resource 6512** is Special Ed: Mental Health Services.
- **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 Unassigned/Unappropriated; **Object 9711** is Nonspendable Revolving Cash; **Object 9712** is Nonspendable Stores; **Object 9740** is Restricted Balance; and **Object 9789** is Reserve 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 unearned revenue to two resources. In addition, the LEA posted restricted ending balance to two resources. The LEA must make the following year-end closing entry to distribute the cash represented by these amounts among the affected resources:

Dr/Cr	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	6500	0	0000	0000	9110	000
Dr	01	6512	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	9110	000

- **Fund 01** is the General Fund.
- **Resource 3010** is ESSA: Title I, Part A, Basic Grants Low Income and Neglected; **Resource 3326** is Special Ed: IDEA Preschool Capacity Building, Part B, Section 619; **Resource 6500** is Special Education; **Resource 6512** is Special Ed: Mental Health Services; and **Resource 0000** is Unrestricted.
- **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.

Procedure 605 Balance Sheet Accounts—Coding Examples

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Procedure 610 Revenues—Coding Examples

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.”

Coding Examples

Example 1: Unrestricted Revenue

A district receives property taxes, the local portion of the Local Control Funding Formula entitlement. The secured roll taxes will be coded as follows:

Dr/Cr	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 and is not required for balance sheet accounts.
- **Function** is not required for revenues and is not required for balance sheet accounts.
- **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 the English learner program. The revenue would be coded as follows:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	4203	0	0000	0000	9110	000
Cr	01	4203	0	0000	0000	8290	000

- **Fund 01** is the General Fund.
- **Resource 4203** is ESSA: Title III, English Learner Student Program.
- **Project Year** is not required in this example.

Procedure 610 Revenues—Coding Examples

- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenues and is not required for balance sheet accounts.
- **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 normally 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:

Dr/Cr	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:

Dr/Cr	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 and is not required for balance sheet accounts.
- **Function** is not required for revenues and is not required for balance sheet accounts.
- **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:

Procedure 610 Revenues—Coding Examples

(c) To record the payment of salaries:

Dr/Cr	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 not required for balance sheet accounts.
- **Function 1000** is Instruction; **Function 2100** is Instructional Supervision and Administration; and **Function 3110** is Guidance and Counseling Services. Function is not required for balance sheet accounts.
- **Object 1100** is Certificated 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 child nutrition activities are funded from different sources. These include federal moneys, state sources, food service sales, 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 child nutrition transactions:

(a) To record revenue from federal and state sources and food service sales:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	0000	9110	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

Procedure 610 Revenues—Coding Examples

(b) To record the contribution from unrestricted revenues to child nutrition to cover an operating deficit:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	9300	7616	000
Cr	01	0000	0	0000	0000	9110	000
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	0000	8916	000

- **Fund 01** is the General Fund, and **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is Child Nutrition: School Programs, and **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function 9300** is Interfund Transfers.
- **Object 8220** is Child Nutrition Programs; **Object 8520** is Child Nutrition; **Object 8634** is Food Service Sales; **Object 7616** is From General Fund to Cafeteria Fund; **Object 8916** is To Cafeteria Fund from General Fund; and **Object 9110** is Cash in County Treasury.
- **School** is not required.

(c) To record child nutrition expenditures:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	3700	2200	000
Dr	13	5310	0	0000	3700	4700	000
Dr	13	5310	0	0000	3700	6500	000
Cr	13	5310	0	0000	0000	9110	000

- **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is Child Nutrition: School Programs.
- **Project Year** is not required in this example.
- **Goal 0000** is Undistributed; goal is not required for balance sheet accounts.
- **Function 3700** is Food Services; function is not required for balance sheet accounts.
- **Object 2200** is Classified Support Salaries; **Object 4700** is Food; **Object 6500** is Equipment Replacement; and **Object 9110** is Cash in County Treasury.
- **School** is not required.

Procedure 610 Revenues—Coding Examples

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:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3310	0	5750	1110	2100	456
Cr	01	3310	0	0000	0000	9110	000

- **Fund 01** is the General Fund.
- **Resource 3310** is IDEA Basic Local Assistance Entitlement.
- **Project Year** is not required in this example.
- **Goal 5750** is Special Education, Ages 5–22 Severely Disabled; goal is not required for balance sheet accounts.
- **Function 1110** is Special Education: Separate Classes; function is not required for balance sheet accounts.
- **Object 2100** is Classified Instructional 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:

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	3310	0	0000	0000	9290	000
Cr	01	3310	0	5001	0000	8181	000

- **Fund 01** is the General Fund.
- **Resource 3310** is IDEA Basic Local Assistance Entitlement.
- **Project Year** is not required in this example.
- **Goal 5001** is Special Education—Unspecified. A goal is required for special education revenue. Goal is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.

Procedure 610 Revenues—Coding Examples

- **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:

Dr/Cr	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 required in this example.
- **Goal 5001** is Special Education—Unspecified. A goal is required for special education revenue. Goal is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **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:

Dr/Cr	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 required in this example.
- **Goal 5001** is Special Education—Unspecified. A goal is required for special education revenue. Goal is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **Object 9110** is Cash in County Treasury, and **Object 8980** is Contributions from Unrestricted Revenues.
- **School** is not required.

Procedure 610 Revenues—Coding Examples

- (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 moneys:

Dr/Cr	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 required 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 Certificated 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.

Procedure 610 Revenues—Coding Examples

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Procedure 615 Expenditures—Coding Examples

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.

Although expenditures are often charged directly to a program (fund, resource, goal, and function) at the time of the initial transaction, there are 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—Coding Examples

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:

Dr/Cr	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 & ELA.
- **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.

Procedure 615 Expenditures—Coding Examples

(a) Teacher salaries and benefits are initially charged to the regular education program:

Dr/Cr	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:

Dr/Cr	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 ESSA: Title I, Part A, 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—Coding Examples

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.

Procedure 615 Expenditures—Coding Examples

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. Most 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:

Dr/Cr	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.

Procedure 615 Expenditures—Coding Examples

Dr/Cr	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	3913	0	4110	8100	5750	000
Cr	11	3913	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 3913** is Adult Education: Adult Secondary Education.
- **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 movable storage cabinet for one of 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:

Dr/Cr	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.

Procedure 615 Expenditures—Coding Examples

- **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:

Dr/Cr	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 Amount

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:

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Dr/Cr	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 of preschool students in the special education program. Based on a per-copy amount, the special education 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).

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	6500	0	5730	1110	5710	000
Cr	01	6500	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 6500** is Special Education, and **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 5730** is Special Education, Preschool Students, and **Goal 0000** is Undistributed. Goal is not required for balance sheet accounts.
- **Function 7550** is Printing, Publishing, and Duplicating, and **Function 1110** is Special Education: Separate Classes. 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

Scenario 1: Costs to calculate and collect developer fees are incurred in the general fund in Function 7200, Other General Administration. These costs, not to exceed 3 percent of the fees

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collected during the period (*Education Code* Section 17620[a][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 in this scenario the nature of the activity (administration) remains the same, so the function does not change.

Dr/Cr	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.

Scenario 2: Administrative costs incurred for an activity that is accounted for in an enterprise fund are normally direct-charged to that fund. However, in the event that certain administrative costs incurred for the enterprise activity are accumulated in the general fund, the costs can be transferred to the enterprise fund using Object 5750, Transfers of Direct Costs—Interfund. Note that in this scenario, the nature of the activity is enterprise, rather than general administration, so the function code changes when the costs are transferred.

Dr/Cr	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	63	0000	0	0000	6000	5750	000
Cr	63	0000	0	0000	0000	9110	000

- **Fund 01** is the General Fund, and **Fund 63** is the Other Enterprise 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.

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- **Function 6000** is Enterprise, and **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—Coding Examples

Indirect costs consist of agency-wide 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.

Indirect cost transfers to funds other than the operating funds that are part of the indirect cost calculation are generally not allowed. In this situation, it is typically appropriate to transfer administrative costs as direct costs instead (see Procedure 915 and see Example 4, Transfer of Administrative Costs on a Basis Other Than the Indirect Cost Rate, above).

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.

Dr/Cr	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	6690	0	3550	7210	7310	000
Cr	01	6690	0	0000	0000	9110	000
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	7210	7310	000

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- **Fund 01** is the General Fund.
- **Resource 3010** is ESSA: Title I, Part A, Basic Grants Low-Income and Neglected; **Resource 3310** is Special Ed: IDEA Basic Local Assistance; **Resource 6690** is Tobacco-Use Prevention Education: Grades Six through Twelve; and **Resource 0000** is Unrestricted.
- **Project Year** is not applicable 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.

Procedure 615 Expenditures—Coding Examples

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Procedure 625 Staff Development—Coding Examples

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 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.

Coding Examples

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 function range covers "support to facilitate and enhance instruction" services designed to support the instructional staff.

Procedure 625 Staff Development—Coding Examples

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.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, K–12.

Procedure 625 Staff Development—Coding Examples

- **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	4035	0	1110	1000	5800	000

- **Fund 01** is the General Fund.
- **Resource 4035** is ESSA: Title II, Part A, Supporting Effective Instruction.
- **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.

Procedure 625 Staff Development—Coding Examples

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Procedure 640 Transportation—Coding Examples

The main purpose of most LEA transportation departments is to provide home-to-school transportation for the LEA's 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 Cost Pool.

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 initially charged to the Pupil Transportation 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 activity are illustrated in this example. Such costs ("Other Miles") are excluded from Function 3600, Pupil Transportation.

- (a) Initially, all costs of the transportation system are collected in the Pupil Transportation function. These costs include salaries, benefits, supplies, services, and capital outlay.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	3600	2200	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **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 Pupil Transportation function. Field trips ("Other Miles") are instructional costs to the user program or project.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	3600	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.

Procedure 640 Transportation—Coding Examples

- **Function 1000** is Instruction, and **Function 3600** is Pupil Transportation.
- **Object 5710** is Transfers of Direct Costs.
- **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 Pupil Transportation function.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	5710	000
Cr	01	0000	0	0000	3600	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 3600** is Pupil Transportation.
- **Object 5710** is Transfers of Direct Costs.
- **School** is not required.

(d) Costs of transportation other than home-to-school may be directly charged to the proper resource, goal, and function. In this example, the high school band charts 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.

Example 2: A School District Provides Transportation Services for Contracting LEAs.

LEAs often provide transportation services for other LEAs’ pupils under contract. The other LEAs for which the services are provided retain prime responsibility.

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- (a) District A contracts with District B to provide busing service from home to school for District A's students. District B, the providing district, transfers those costs associated with providing services to District A from the pool of costs District B has incurred to transport its own students. Those costs are identified using Goal 7110, Nonagency—Educational.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	7110	3600	5710	000
Cr	01	0000	0	0000	3600	5710	000

- **Fund 01** is the General Fund of District B.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational. It is used when an LEA is providing services on behalf of another LEA that retains the prime responsibility, rather than on behalf of the providing LEA's own students. **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 District A's 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 2a, however, these costs are considered "Other Miles" and are not charged to the Pupil Transportation function.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	7110	4000	5710	000
Cr	01	0000	0	0000	3600	5710	000

- **Fund 01** is the General Fund of the providing district.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational, and **Goal 0000** is Undistributed.
- **Function 4000** is Ancillary Services, and **Function 3600** is Pupil Transportation.
- **Object 5710** is Transfers of Direct Costs.
- **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

Procedure 640 Transportation—Coding Examples

of costs it has accumulated in its transportation cost pool, which includes all costs of vehicle maintenance. These costs are not considered 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.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0100	0	7110	8100	5710	000
Cr	01	0000	0	0000	3600	5710	000

- **Fund 01** is the General Fund of the district operating the central garage.
- **Resource 0000** is Unrestricted. The district has optionally defined an unrestricted **Resource 0100** to track the revenue and expenditures of vehicle maintenance contracts for other than pupil transportation vehicles.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational, and **Goal 0000** is Undistributed.
- **Function 8100** is Plant Maintenance and Operations, and **Function 3600** is Pupil Transportation.
- **Object 5710** is Transfers of Direct Costs.
- **School** is not required.

Example 3: A School District Receives Payment from Contracting LEAs.

Dr/Cr	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	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	3600	8677	000

- **Fund 01** is the General Fund of the providing district.
- **Resource 0000** is Unrestricted. The district has created an unrestricted **Resource 0100** to track vehicle maintenance contracts for other than pupil transportation vehicles.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed. Goal is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenue accounts or balance sheet accounts. However, this LEA has chosen to 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.

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- **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.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	3600	5100	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 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.

Dr/Cr	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.

Procedure 640 Transportation—Coding Examples

- (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.

Dr/Cr	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 Costs of Providing Transportation Services to the LEA's Pupils.

A transportation joint powers agreement/agency (JPA) provides transportation services for another LEA's pupils.

The JPA and the LEA record payments and receipts as shown below:

- (a) The JPA records the transportation costs in the Pupil Transportation function using the Nonagency—Educational goal.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	7110	3600	2200	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational. It is used when an LEA is providing services on behalf of another LEA who retains the prime responsibility, rather than on behalf of the providing LEA's own students.
- **Function 3600** is Pupil Transportation.

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- **Object 2200** is Classified Support Salaries.
- **School** is not required.

(b) The LEA records the payment to the transportation JPA for transporting the LEA's pupils.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	3600	5100	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. Costs in Goal 0000 are later distributed to the LEA's benefiting goals during the program cost accounting process. 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.

(c) The JPA records the receipt of the LEA's payment.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	9110	000
Cr	01	0000	0	0000	0000	8677	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 generally not required for revenues and 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 8677** is Interagency Services Between LEAs.
- **School** is not required.

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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 costs of home-to-school transportation for special education pupils can be charged to special education goals. The examples vary according to the accounting used at the time the costs are initially incurred.

- (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.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	3600	2200	000
Dr	01	0000	0	5001	3600	2200	000
Dr	01	0000	0	5770	3600	2200	000
Dr	01	0000	0	5750	3600	2200	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 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 Unrestricted resource.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	3600	2200	000
Cr	01	0000	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their IEPs are transferred from Goal 0000 to Goal 5750. The costs of transporting nonseverely disabled students are transferred from Goal 0000 to Goal 5770.

Procedure 640 Transportation—Coding Examples

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	5770	3600	5710	000
Dr	01	0000	0	5750	3600	5710	000
Cr	01	0000	0	0000	3600	5710	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **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.
- **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.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	3600	2200	000
Dr	01	0000	0	5001	3600	2200	000
Cr	01	0000	0	0000	0000	9110	000

At year-end, the costs of transporting severely disabled students for whom transportation is required by their IEPs are transferred from Resource 0000 and Goal 5001 to Resource 0000 and Goal 5750.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	5750	3600	5710	000
Cr	01	0000	0	5001	3600	5710	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **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.
- **School** is not required.

Procedure 640 Transportation—Coding Examples

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Procedure 650 Facility Maintenance Program—Coding Examples

All local educational agencies (LEAs) are required by law to maintain their facilities in good repair as defined in *Education Code* Section 17002. Those LEAs that receive state funding for certain facilities construction and modernization projects are further required, as a condition of receipt of that funding, to contribute specified amounts to a restricted maintenance account.

This procedure describes the accounting for LEA contributions to this account and the accounting for LEA transfers to the Deferred Maintenance Fund. For additional discussion of typical facilities maintenance expenditures, refer to Procedure 770, Distinguishing Between Supplies and Equipment.

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 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.

Dr/Cr	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

Procedure 650 Facility Maintenance Programs—Coding Examples

- **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 and is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **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.

Dr/Cr	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 and is not required for balance sheet accounts.
- **Function 8100** is Plant Maintenance and Operations.
- **Object 4300** is Materials and Supplies. **Object 9110** is Cash in County Treasury.
- **School** is not required.

Deferred Maintenance Fund

Education Code Section 17582 allows school districts to establish a deferred maintenance fund, and specifies the purposes for which moneys in the fund may be used. Moneys deposited to this fund may be received from any source.

Historically, the state provided restricted funding for deferred maintenance of LEA facilities. Effective 2013–14, there is no longer a separate source of restricted state funding for deferred maintenance.

Use of a separate fund for deferred maintenance is not required. LEAs may account for deferred maintenance expenditures in the general fund.

Generally accepted accounting principles require that the foundation for a special revenue fund should be one or more specific revenue sources that are restricted or committed to expenditure for specified purposes and that are expected to continue. Other sources that are restricted,

Procedure 650 Facility Maintenance Programs—Coding Examples

committed, or assigned to the purposes of the fund may also be reported in the fund. LEAs that elect to maintain a deferred maintenance fund typically commit a portion of their LCFF revenues to the purposes of that fund and recognize the committed revenues within that fund.

Example 1: An LEA Commits a Portion of Its LCFF Revenues to the Purposes of Deferred Maintenance, and Recognizes the Revenues in the Deferred Maintenance Fund.

LCFF revenues consist of some combination of property taxes and state aid. The LEA recognizes these in its general fund, then uses the LCFF Transfers account to shift the committed revenues, lump-sum, for recognition in the Deferred Maintenance Fund.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	0000	8091	000
Cr	01	0000	0	0000	0000	9110	000
Dr	14	0000	0	0000	0000	9110	000
Cr	14	0000	0	0000	0000	8091	000

- **Fund 01** is the General Fund and **Fund 14** is the Deferred Maintenance Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **Object 8091** is LCFF Transfers—Current Year, and **Object 9110** is Cash in County Treasury.
- **School** is not required.

Example 2: 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 in accordance with *Education Code* Section 17582.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	0000	0	0000	0000	9110	000
Cr	14	0000	0	0000	0000	8660	000

- **Fund 14** is the Deferred Maintenance Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.

Procedure 650 Facility Maintenance Programs—Coding Examples

- **Object 9110** is Cash in County Treasury, and **Object 8660** is Interest.
- **School** is not required.

Example 3: An LEA Makes an Additional Transfer of Funds to the Deferred Maintenance Fund Over and Above the LCFF Revenue Committed to the Fund.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	0000	9300	7619	000
Cr	01	0000	0	0000	0000	9110	000
Dr	14	0000	0	0000	0000	9110	000
Cr	14	0000	0	0000	0000	8919	000

- **Fund 01** is the General Fund. **Fund 14** is the Deferred Maintenance Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **Object 7619** is Other Interfund Transfers Out. **Object 8919** is Other Interfund Transfers In. **Object 9110** is Cash in County Treasury.
- **School** is not required.

Example 4: An LEA Receives a State Grant that is Restricted to the Purposes of Deferred Maintenance, and Deposits the Revenue to the Deferred Maintenance Fund.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	14	7XXX	0	0000	0000	9110	000
Cr	14	7XXX	0	0000	0000	8590	000

- **Fund 14** is the Deferred Maintenance Fund.
- **Resource 7XXX** is the reporting code assigned to this fictitious state grant.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues and is not required for balance sheet accounts.
- **Function** is not required for revenues or balance sheet accounts.
- **Object 8590** is All Other State Revenue. **Object 8919** is Other Interfund Transfers In. **Object 9110** is Cash in County Treasury.
- **School** is not required.

Procedure 655 Employment Separation Costs—Coding Examples

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" or "abnormal or mass." Although most separation costs can be charged to the same standardized account code structure (SACS) goal and function as the employee's regular salary, special treatment may be required for the SACS 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.

Generally, federal program cost principles prohibit charging normal separation costs directly to any federal program that is subject to those cost principles; instead, an unrestricted resource (0000–1999) or another allowable resource 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 are 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.

Procedure 655 Employment Separation Costs—Coding Examples

- **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 this program, the regular salary for the final pay period is charged to the same resource, goal, function, and object as the aide's regular salary, but the separation costs must be charged to another allowable resource such as 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 ESSA: Title I, Part A, Basic Grants Low-Income and Neglected program, and **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 who works in a federal program retires on June 30 and uses up his accumulated leave time during the period(s) leading up to retirement.

Procedure 655 Employment Separation Costs—Coding Examples

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 the uniform guidance for administration of federal grants in Title 2 of the *Code of Federal Regulations*, Part 200 (the Uniform Guidance) provides that costs of leave taken during authorized absences from the job are allowable to the extent the leave is reasonable and is required by law, employer–employee agreement, or established policy of the LEA.

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 as either a direct cost or an indirect cost to a federal program subject to the federal cost principles. State programs may have similar restrictions. In very limited circumstances, an exception may be made to this rule, such as when a federal program is being eliminated or when a particular federal program specifically allows the costs. However, prior approval by the federal government is normally required (such requests should be submitted to CDE).

Abnormal or mass separation costs are charged to the same goal and function as the employee's regular salary, but without an approved exception, they must be charged to another allowable resource or 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 either directly or indirectly to a federal program subject to the federal cost principles. Because of this requirement, LEAs must ensure that any separation costs paid on behalf of employees whose regular salaries are charged to an unrestricted resource and to the administrative functions that become part of the indirect cost pool (Function 7200, Other General Administration, and Function 7700, Centralized Data Processing), are subsequently excluded from the indirect cost pool. To do this, LEAs must manually identify and exclude the separation costs during calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Abnormal or mass separation costs paid on behalf of employees whose regular salaries are not charged to the administrative functions that become part of the indirect cost pool are not charged to these administrative functions, so no adjustment to the indirect cost pool is necessary.

Procedure 655 Employment Separation Costs—Coding Examples

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 is 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 cost is charged to an unrestricted resource (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 considers 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 are 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).

Procedure 655 Employment Separation Costs—Coding Examples

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 this federal program; instead, it must be coded to another allowable program or 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.

Procedure 655 Employment Separation Costs—Coding Examples

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Procedure 710 Capital Leases

One of the most common ways school districts acquire equipment is through lease–purchase agreements. *Governmental Accounting and Financial Reporting Standards (GASB Codification)* Section L20.105 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 position.

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, 2014, 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:

Procedure 710 Capital Leases**Amortization Schedule**

Date	Lease Payment	Interest Expenditure @ 10%	Principal Expenditure	Principal Balance of Long-Term Debt*
6-30-14				\$208,493
6-30-14	\$50,000		\$50,000	158,493
6-30-15	50,000	\$15,849	34,151	124,342
6-30-16	50,000	12,434	37,566	86,776
6-30-17	50,000	8,678	41,322	45,454
6-30-18	50,000	4,546	45,454	-0-
Total	\$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
6-30-14	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
6-30-14	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.*

Procedure 710 Capital Leases

The second lease payment (6-30-15) would be recorded in the following manner:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-15	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.

Procedure 710 Capital Leases

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Procedure 770 Distinguishing Between Supplies and Equipment

Common accounting challenges that local educational agencies (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; and *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 it included into another unit item, rather than being an independent unit?
6. Is the cost of tagging and inventory a substantial percentage of the item's cost?
7. Is the cost of the item below the LEA's capitalization threshold?

Procedure 770 Distinguishing Between Supplies and Equipment

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.

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. Although 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 DVD players 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. The cost used for determining capitalization should include tax, freight charges, and installation costs, whether included in the invoice cost of the item or paid separately. Capitalization thresholds may differ from one LEA to another depending on materiality. Typically, the larger the LEA, the higher is its capitalization threshold.

For most LEAs, a capitalization threshold of at least \$5,000 is recommended. For larger LEAs, a higher capitalization threshold is appropriate.

The uniform guidance for administration of federal grants in Title 2 of the *Code of Federal Regulations*, Part 200 (the Uniform Guidance) 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.

Procedure 770 Distinguishing Between Supplies and Equipment

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, large quantities of computers for an entire computer laboratory, or furniture for a new school. 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 6000–6999, 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).

Procedure 770 Distinguishing Between Supplies and Equipment

Examples include the following items:

- 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 of Buildings, 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 rather than as 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 of Buildings, in combination with Function 8500, Facilities Acquisition and Construction.

Procedure 770 Distinguishing Between Supplies and Equipment

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 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 useful lives. Such systems are generally accepted as real property and lose identity as separate units.

Examples include air-conditioning systems and intercommunication systems.

Procedure 770 Distinguishing Between Supplies and Equipment

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Procedure 775 Accounting for Internal Service Funds

Generally accepted accounting principles (GAAP) permit internal service funds to 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 require 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) intends to finance only partially 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 received 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, 30, and 66. 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 the California Department of Education (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

Procedure 775 Accounting for Internal Service Funds

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	67-9010-0-0000-0000-9110	\$3,000	
	In-District Premiums/Contributions	67-9010-0-0000-0000-8674		\$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:

Procedure 775 Accounting for Internal Service Funds

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Workers' Comp. Insurance (Cert)	01-6500-0-5750-1110-3601	\$1,000	
	Workers' Comp. Insurance (Class)	01-6500-0-5750-2100-3602	\$1,000	
	Cash in County Treasury	01-6500-0-0000-0000-9110		\$2,000
To record payment of workers' compensation insurance premiums for November.				

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury In-District	67-9010-0-0000-0000-9110	\$2,000	
	Premiums/Contributions	67-9010-0-0000-0000-8674		\$2,000
To record receipt of workers' compensation 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. All self-insurance activities are reported in Function 6000, Enterprise.

Note that payments for claims or judgments for employee benefit programs, such as health and welfare benefits or workers' compensation, are not recorded to an employee benefit object (3000–3999) in the self-insurance fund. Employee benefit expenditures are recognized in these object codes only in the contributing fund, at the time the expenditure for the contribution to the self-insurance fund is recognized.

Procedure 775 Accounting for Internal Service Funds

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Health & Welfare Benefits (Cert)	01-0000-0-1110-1000-3401	\$3,000	
	Health & Welfare Benefits (Class)	01-0000-0-1110-1000-3402	\$3,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$6,000
To record employee health insurance premiums for November.				

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury	67-9010-0-0000-0000-9110	\$6,000	
	In-District Premiums/Contributions	67-9010-0-0000-0000-8674		\$6,000
To record receipt of employee health insurance premiums for November.				
Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Professional/Consulting Services	67-9010-0-0000-6000-5800	\$xxxx	
	Cash in County Treasury	67-9010-0-0000-0000-9110		\$xxxx
To record employee health benefit claims.				

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.

Procedure 775 Accounting for Internal Service Funds**Self-Insurance Fund**

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Other Insurance	67-9010-0-0000-6000-5450	\$1,500	
	Cash in County Treasury	67-9010-0-0000-0000-9110		\$1,500
To record the purchase of excess insurance to provide coverage over and above self-insurance capabilities.				

Salaries, benefits, and other costs of administering self-insurance activities may be charged directly to the self-insurance fund. Where costs of administering self-insurance activities are instead accumulated in the general fund, reimbursements to the general fund are recorded as transfers of direct costs using Object 5750. Reimbursements for administrative costs are not recorded as interfund transfers or as transfers of indirect costs.

General Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	\$2,000	
	Transfers of Direct Costs—Interfund	01-0000-0-0000-7200-5750		\$2,000
To record reimbursement from the internal service fund for administration costs for November.				

Self-Insurance Fund

Date	Object Title	SACS Account String	Debit	Credit
11-30-xx	Transfers of Direct Costs—Interfund	67-9010-0-0000-6000-5750	\$2,000	
	Cash in County Treasury	67-9010-0-0000-0000-9110		\$2,000
To record reimbursement to the general fund for administration costs for November.				

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.

Procedure 775 Accounting for Internal Service Funds

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 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 items 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.

Procedure 775 Accounting for Internal Service Funds

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.

Procedure 775 Accounting for Internal Service Funds

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 year-end 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 Procedure 410 and Procedure 405.

Procedure 780 Consolidation of ESSA Administrative Funds

The Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA) (Public Law 114-95), allows a local educational agency (LEA), upon approval by the California Department of Education (CDE), to consolidate funds from various ESSA programs for use in the administration of one or more ESSA programs (refer to *United States Code*, Title 20, Section 7823). LEAs may request permission to consolidate the funds in the Consolidated Application (for further information on the Consolidated Application, please visit the CDE's Consolidated Application web page at <https://www.cde.ca.gov/fg/aa/co>).

Benefits of Consolidation

Consolidation of funds provides flexibility in charging administrative costs and results in simplified accounting and personnel activity timekeeping. LEAs that consolidate administrative costs have considerable discretion in how those costs get distributed back to the individual ESSA 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

The maximum amount that can be charged for administrative costs may vary by program. For programs with no specified limits, federal cost principles provide that the maximum amount available for administrative costs is what is reasonable and necessary for the proper and efficient administration of the programs.

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 ESSA programs with other federal and nonfederal programs, establishment and operation of peer-review mechanisms for ESSA, administration of Title VIII of ESEA (General Provisions), dissemination of information regarding model programs and practices, technical assistance for any ESSA 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. First, the LEA records the costs in a pooled resource as the costs are incurred. Second, the LEA distributes the pooled

Procedure 780 Consolidation of ESSA Administrative Funds

costs to the various ESSA programs. Finally, using funds available for the consolidation, the LEA charges indirect costs directly to the programs.

Incurring Costs

Expenditures for administration are initially recorded in Resource 3155, ESSA: 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 ESSA consolidated administrative cost pool.			
(Note: After these entries, Resource 3155 has a negative cash balance of \$22,400.)			

Distributing Accumulated Costs

LEAs should distribute the pooled costs (Resource 3155 expenditures) to the programs participating in the consolidation before carryover is 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 any administrative cost cap established by law or regulations.
- The total grant amount is not exceeded after the distribution.

Procedure 780 Consolidation of ESSA Administrative Funds

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:

Program	Amount
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 ESSA 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.)			

Procedure 780 Consolidation of ESSA Administrative Funds

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, Indirect 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 ESSA 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.

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

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).

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 beginning on page 785-29. For an in-depth understanding of OPEB accounting standards, LEAs should review Governmental Accounting Standards Board (GASB) Statements 75 and 74.

Definition of OPEB

OPEB includes any postemployment medical, dental, vision, hearing, prescription, and other health-related 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 death benefits, 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 liabilities relating to OPEB are contained in GASB Statement 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 75), and the related GASB Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74). LEAs that offer OPEB apply GASB 75, and established OPEB plan entities apply GASB 74.

GASB 75 requires that governmental employers recognize their accrual-basis costs and liabilities relating to OPEB systematically over the eligible employees' years of service in the same manner as they do for pensions. GASB 75 does not require that OPEB liabilities be funded.

GASB 75 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

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

65. GASB 75 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 785-9.

The accounting guidance provided in this procedure is developed pursuant to the provisions of GASB 75 that address single-employer and agent multiple-employer defined benefit OPEB plans. As most LEAs do not have defined contribution OPEB plans, insured defined benefit OPEB plans, cost-sharing OPEB plans, or special funding situations, this procedure does not address them.

Accrual-basis Financial Statements

In accrual-basis financial statements (government-wide statements, proprietary fund statements, and fiduciary fund statements), LEAs recognize OPEB expense, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and an OPEB liability (or asset). Recognition and measurement of the OPEB liability in employer financial statements is dependent upon whether the OPEB plan is administered through a trust or an equivalent arrangement that meets the criteria in paragraph 4 of GASB 75 (qualifying trust).

If a defined benefit OPEB plan is not administered through a qualifying trust, the total OPEB liability is recognized. If a defined benefit OPEB plan is administered through a qualifying trust, a net OPEB liability, which is the total OPEB liability net of the OPEB plan's fiduciary net position, is recognized. The OPEB liability is measured as of a date no earlier than the end of LEA's prior fiscal year and no later than the end of the LEA's current fiscal year (the measurement date), consistently applied from period to period. Total OPEB liability and net OPEB liability are hereinafter referred to as OPEB liability, unless otherwise noted.

Modified Accrual-basis Financial Statements

In modified accrual-basis financial statements (governmental fund statements), LEAs do not recognize accrual-basis OPEB expense or long-term OPEB liabilities.

If the defined benefit OPEB plan is not administered through a qualifying trust, the OPEB expenditures should be recognized equal to the total of:

1. Amounts paid by the LEA for OPEB as the benefits come due, and
2. Current liabilities (change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources).

If the defined benefit OPEB plan is administered through a qualifying trust, the OPEB expenditures should be recognized equal to the total of:

1. Amounts paid by the LEA to the OPEB plan, including amounts paid for OPEB as the benefits come due, and
2. Current liabilities.

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

The following illustrations represent the calculation of OPEB expenditures in three different scenarios.

Scenario 1: The LEA paid \$38,000 using its own resources for current year OPEB benefits for already retired employees as the benefits came due, and made a \$12,000 contribution to the OPEB trust during the reporting period. The LEA did not receive any reimbursements from the OPEB trust. The total OPEB expenditures reported by the LEA for the reporting period are \$50,000 (\$38,000 + \$12,000).

Scenario 2: The LEA paid \$38,000 using its own resources for current year OPEB benefits for already retired employees as the benefits came due, and made a \$12,000 contribution to the OPEB trust during the reporting period. The LEA received reimbursements in the amount of \$38,000 from the OPEB trust. The total OPEB expenditures reported by the LEA for the reporting period are \$12,000.

Scenario 3: The LEA made \$12,000 contribution to the OPEB trust during the reporting period. Current year OPEB benefits for already retired employees in the amount of \$38,000 were paid directly from the OPEB trust as the benefits came due. The total OPEB expenditures reported by the LEA for the reporting period are \$12,000.

Note that in scenarios 2 and 3, the \$38,000 distributed from the trust are not reported as expenditures in the current reporting period because it is assumed that the associated OPEB expenditures would have already been recorded at the time those funds were contributed to the trust.

Conversion entries are necessary when the government-wide statements are prepared to report accrual-basis OPEB expense, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and an OPEB liability.

Notes to the Financial Statements

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 10-year schedule of changes in the total/net OPEB liability and 10-year schedules of the total OPEB liability, the OPEB plan's fiduciary net position, the net OPEB liability, the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. Refer to GASB 75 for the details of disclosures and RSI depending on the type of OPEB plan.

Amortization Period

The OPEB liability should be amortized and recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active and inactive employees), determined as the beginning of the measurement period.

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For an OPEB plan that is administered through a qualifying trust, the difference between projected and actual earnings on OPEB plan investments should be amortized and recognized in OPEB expense over a closed five-year period.

Employer Contributions Defined

For an OPEB plan that is administered through a qualifying trust, 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, if not reimbursed from the trust.
- Premium payments to an insurer (including any implicit rate subsidy), if not reimbursed from the trust.
- Irrevocable transfers of resources to a qualifying trust.

For an OPEB plan that is not administered through a qualifying trust, employer contributions for OPEB are the amounts paid by the employer for OPEB as the benefits come due.

GASB 75 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 total OPEB liability, the LEA will report a total OPEB liability 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 75 and GASB 74 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 liability at least every two years.

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 broad measurement steps as an actuarial valuation but allows for certain simplified assumptions.

Membership means eligible employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently

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receiving benefits. A retired employee (or beneficiary) and a covered spouse or other dependent are counted as a single plan member for this purpose.

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.

The total OPEB liability should be determined by (a) an actuarial valuation as of the measurement date; or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and one day earlier than the LEA's most recent fiscal year-end. 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 OPEB liability, deferred inflows of resources related to OPEB, deferred outflows of resources related to OPEB, and OPEB expense in the coming year's accrual-basis financial statements.

Charging OPEB to Programs

In developing the guidance in this procedure, CDE followed the same principles based on previous agreements between the United States Department of Education (ED) and CDE regarding the allowability of OPEB expenditures to federal programs. 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. OPEB costs that are not actually funded are not allowable. Federal cost principles provide that to be allowable in the current year, the OPEB costs must be paid either to:

- An insurer or other benefit provider as current year costs or premium, or
- An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

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.

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Underlying Principles for Allowability of OPEB Expenditures 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 expenditures 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 Expenditures to Federal Programs

OPEB-eligible active employees: For an OPEB plan that is administrated through a qualifying trust, the OPEB expenditures should always be direct-charged up to the current-year actuarially determined service costs and the amounts in excess of the current-year service cost should be allocated to programs and only in proportion to either total salaries or total FTEs in all activities.

Already retired employees: OPEB expenditures relating to current year benefits for retirees 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.

For an OPEB plan that is not administered through a qualifying trust, allowable expenditures are limited to those representing actual payments to retirees or their beneficiaries.

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 expenditures allocated to the general administration function.

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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: OPEB plan that is not administered through a qualifying trust

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: OPEB plan that is administered through a qualifying trust

Group	OPEB Expenditure	Allowability
OPEB-eligible active employees	Current year service cost	Direct charge up to service cost 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 and retirees	Employer contributions in excess of the current year service cost	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 expenditures 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 expenditures, but the LEA may not recover those same expenditures from Title I instead. However, the LEA could recover the expenditures from an allowable unrestricted resource.

Implications for Indirect Cost Rates and Administrative Cost Caps

OPEB expenditures 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 expenditures are not administrative in character in the same sense that expenditures in the traditional pool of indirect administrative costs are. CDE and the ED agree that these expenditures should not be included in the traditional indirect cost pool and

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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.

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):

Object Code	Expenditure Type
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 for current year OPEB benefits come due under an OPEB plan, which is not administered through a qualifying trust. These expenditures must be allocated to all activities. Objects 3701–3702 are also used for expenditures for the amounts paid to an OPEB plan, which is administrated through a qualifying trust, in excess of the current year actuarially determined service cost 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 the amounts paid to an OPEB plan, which is administered through a qualifying trust, up to the current year actuarially determined service costs for OPEB-eligible active employees. Service 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. The insurance premiums are based on the experience of the combined active employees and retirees of the

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LEA. Assume that the total quoted monthly premium for the group in the current period is \$120,000 (500 covered employees at a blended, or average, premium rate of \$240 per member).

Employee Status	Number	Total Monthly Premium	Blended Premium
Active Employees and Retirees	500	\$120,000	\$240/member

An actuary determines that the monthly age-adjusted premium rates approximating claims costs for each retiree average of \$400 and the monthly age-adjusted premium rates approximating claims costs for each active employee in the group average of \$200.

Employee Status	Number	Total Monthly Premium	Age-Adjusted Premium
Active Employees	400	\$80,000	\$200/member
Retirees	100	\$40,000	\$400/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 75 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.

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Illustration using blended premium:

Description	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:

Description	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 75 requires that this subsidy be included when total OPEB liability is projected and that it be reflected in accrual-basis financial statements as an employer contribution for OPEB (i.e., the current year benefit payment for healthcare coverage for retirees) rather than as a health care cost for active employees of the current period. GASB 75 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

For purposes of these illustrations, amounts and calculations have been deliberately simplified.

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OPEB Plans Not Administered Through Qualifying Trusts

Scenario 1: The LEA's defined benefit OPEB plan is not administered through a qualifying trust. The LEA's OPEB expenditure is equal to the amounts paid by the LEA for OPEB as the benefits come due.

- Fund Accounting:

OPEB expenditures relating to already retired employees: Allocate to all activities in proportion to total salaries or total FTEs in all activities.

Current year benefits due 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.

OPEB Allocated

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3701	xx	
01	0000	0	0000	2700	3701	xx	
01	0000	0	0000	2700	3702	xx	
01	3010	0	1110	1000	3701	xx	
01	6500	0	5750	1110	3701	xx	
01	xxxx	0	0000	0000	9110		xx
13	5310	0	0000	3700	3702	xx	
13	5310	0	0000	0000	9110		xx
					Total	38	38

Scenario 2: The LEA provides a defined benefit OPEB plan that is not administered through a qualifying trust, but is administered through a non-qualifying trust (does not meet the criteria in paragraph 4 of GASB 75). The LEA remits \$50 to the OPEB trust administrator to provide for claims costs reimbursement to retirees. The amounts remitted are sufficient to cover the claims costs expected to be incurred in the reporting period and to maintain a reserve for higher-than-expected claims costs. The claims costs expected to be incurred during the reporting period are \$38. The benefit payments would be reported only for the reimbursement of covered claim costs from the non-qualifying trust to retirees, therefore only \$38 would be reported as expenditures for benefit payments.

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- Fund Accounting:

OPEB expenditures relating to already retired employees: Allocate to all activities in proportion to total salaries or total FTEs in all activities.

Current year benefits due for already retired employees = \$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. Refer to Scenario 1 for accounting entries.

Continue to report \$12 as the LEA's assets.

Scenario 3: 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 qualifying 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 restricted (uncommon), committed, or assigned fund balance, as appropriate, for OPEB 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 via 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.

OPEB Plans Administered Through Qualifying Trusts

Scenario 4: The LEA's defined benefit OPEB plan is administered through a qualifying trust. The LEA contributes \$45 to the trust. Service costs for the current period are \$45, and current year benefits for already retired employees in the amount of \$38 are paid directly from the trust.

- Fund Accounting:

Service 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 service cost ÷ total number of OPEB-eligible active FTE employees x OPEB-eligible active FTE employees in each program = service cost charged to each program

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Generally, the service cost per eligible employee should be calculated by dividing the service 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.

Description	Amount
Service Cost	\$45
Current year benefits for already retired employees (but this is not applicable because benefits are paid by the OPEB trust)	\$38
LEA contribution	\$45

In this illustration, it is assumed that only certificated employees are eligible for OPEB.

OPEB Active Employees

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3751	xx	
01	0000	0	0000	2700	3751	xx	
01	3010	0	1110	1000	3751	xx	
01	6500	0	5750	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

- **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 the applicable GASB statement(s), the LEA will report the trust's activity in Fund 71.

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Contributions from Employers

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
71	9010	0	0000	0000	9110	xx	
71	9010	0	0000	0000	8xxx		xx
					Total	45	45

Scenario 5: The LEA's defined benefit OPEB plan is administered through a qualifying trust. The LEA contributes \$100 to the trust. Service costs for the current period are \$45, and current year benefits for already retired employees in the amount of \$38 are paid directly from the trust.

Because contributions to the trust exceed the service costs of the current period, OPEB expenditures are direct charged to the program(s) to which each OPEB eligible active employee's salary is charged, up to service costs of the current period. The amount contributed in excess of service costs of the current period are allocated to all activities.

- Fund Accounting:

Service cost for OPEB-eligible active employees: Direct-charge as described in Scenario 4.

Amounts in excess of the service cost: Allocate to all activities as described in Scenario 1.

Description	Amount
Service Cost	\$45
Current year benefits for already retired employees (but this is not applicable because benefits are paid by the OPEB trust)	\$38
LEA contribution	\$100

Direct-charge \$45 on a per OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$55 to all activities.

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Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3751	xx	
01	0000	0	0000	2700	3751	xx	
01	3010	0	1110	1000	3751	xx	
01	6500	0	5750	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

OPEB, Allocated

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3701	xx	
01	0000	0	0000	2700	3701	xx	
01	0000	0	0000	2700	3702	xx	
01	3010	0	1110	1000	3701	xx	
01	6500	0	5750	1110	3701	xx	
01	xxxx	0	0000	0000	9110		xx
13	5310	0	0000	3700	3702	xx	
13	5310	0	0000	0000	9110		xx
					Total	55	55

- **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 applicable GASB statement(s), the LEA will report the trust's activity in Fund 71.

Contributions from Employers

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
71	9010	0	0000	0000	9110	100	
71	9010	0	0000	0000	8xxx		100
					Total	100	100

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Scenario 6: The LEA's defined benefit OPEB plan is administered through a qualifying trust. The LEA contributes \$12 to the trust and pays \$38 current year benefits for already retired employees from its own resources. The LEA did not receive any reimbursements from the trust. The total OPEB contribution reported by the LEA for the reporting period are \$50 (\$12 + \$38). Service costs for the current period are \$45.

- Fund Accounting:

Service cost for OPEB-eligible active employees: Direct-charge as described in Scenario 4.

Amounts in excess of the service cost: Allocate to all activities as described in Scenario 1.

Description	Amount
Service Cost	\$45
Current year benefits for already retired employees (but this is not applicable because benefits are assumed to be paid by the OPEB trust)	\$38
LEA contribution	\$50

Direct-charge \$45 on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees, and allocate \$5 (the remainder) to all activities:

OPEB, Active Employees

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3751	xx	
01	0000	0	0000	2700	3751	xx	
01	3010	0	1110	1000	3751	xx	
01	6500	0	5750	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)**OPEB, Allocated**

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3701	xx	
01	0000	0	0000	2700	3701	xx	
01	0000	0	0000	2700	3702	xx	
01	3010	0	1110	1000	3701	xx	
01	6500	0	5750	1110	3701	xx	
01	xxxx	0	0000	0000	9110		xx
13	5310	0	0000	3700	3702	xx	
13	5310	0	0000	0000	9110		xx
					Total	5	5

- **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 applicable GASB statement(s), the LEA will report the trust's activity in Fund 71.

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
71	9010	0	0000	0000	9110	50	
71	9010	0	0000	0000	8xxx		50
					Total	50	50

Scenario 7: The LEA's defined benefit OPEB plan is administered through a qualifying trust. The LEA contributes \$5 to the trust and pays \$38 current year benefits for already retired employees from its own resources. The LEA did not receive any reimbursements from the trust. The total OPEB contribution reported by the LEA for the reporting period are \$43 (\$5 + \$38). Service costs for the current period are \$45.

- **Fund Accounting:**

Service cost for OPEB-eligible active employees: Direct-charge as described in Scenario 4.

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

Description	Amount
Service Cost	\$45
Current year benefits for already retired employees (but this is not applicable because benefits are assumed to be paid by the OPEB trust)	\$38
LEA contribution	\$43

Direct-charge \$43 on a per-OPEB-eligible active FTE employee basis to programs employing OPEB-eligible active employees.

OPEB, Active Employees

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3751	xx	
01	0000	0	0000	2700	3751	xx	
01	3010	0	1110	1000	3751	xx	
01	6500	0	5750	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	43	43

- 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 applicable GASB statement(s), the LEA will report the trust's activity in Fund 71.

Contributions from Employers

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
71	9010	0	0000	0000	9110	43	
71	9010	0	0000	0000	8xxx		43
					Total	43	43

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

Scenario 8: The LEA's defined benefit OPEB plan is administered through a qualifying trust. The LEA makes a lump-sum contribution, substantially greater than the service costs, to the trust.

- Fund Accounting:

Service cost for OPEB-eligible active employees: Direct-charge as described in Scenario 4.

Amounts in excess of the service cost: Except as provided in the Note to Scenario 8 following, allocate to all activities as described in Scenario 1.

Benefit	Amount
Service Cost	\$45
Current year benefits for already retired employees (but this is not applicable because benefits are assumed to be paid by the OPEB trust)	\$38
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.

OPEB, Active Employees

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3751	xx	
01	0000	0	0000	2700	3751	xx	
01	3010	0	1110	1000	3751	xx	
01	6500	0	5750	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)**OPEB, Allocated**

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
01	0000	0	1110	1000	3701	xx	
01	0000	0	0000	2700	3701	xx	
01	0000	0	0000	2700	3702	xx	
01	3010	0	1110	1000	3701	xx	
01	6500	0	5750	1110	3701	xx	
01	xxxx	0	0000	0000	9110		xx
13	5310	0	0000	3700	3702	xx	
13	5310	0	0000	0000	9110		xx
					Total	4,955	4,955

- 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 applicable GASB statement(s), the LEA will report the trust's activity in Fund 71.

Contributions from Employers

Fund	Resource	Project Year	Goal	Function	Object	Debit	Credit
71	9010	0	0000	0000	9110	5,000	
71	9010	0	0000	0000	8xxx		5,000
					Total	5,000	5,000

Note to Scenario 8: 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 applicable GASB statement(s) 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.

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

Definitions of Key Terms

Active employees. Individuals employed at the end of the reporting or measurement period, as applicable.

Actuarial Present Value of Projected Benefit Payments (APVPBP). 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.

Actuarial Valuation. The determination, as of a point in time (the actuarial valuation date), of the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial Value Date. The date as of which an actuarial valuation is performed.

Agent Employer. An employer whose employees are provided with OPEB through an agent multiple-employer defined benefit OPEB plan.

Agent Multiple-Employer Defined Benefit OPEB Plan (Agent OPEB Plan). A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which OPEB plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Covered-employee payroll. The payroll of employee that are provided with OPEB through the OPEB plan.

Defined Benefit OPEB. OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. (OPEB that does not have all of the terms of defined contribution OPEB is classified as defined benefit OPEB for purposes of GASB 75.)

Defined Benefit OPEB Plans. OPEB plans that are used to provide defined benefit OPEB.

Defined Contribution OPEB. OPEB have terms that (a) provide an individual account for each employee; (b) define the contribution that an employer is required to make (or the credits that is required to provide) to an active employee's account for periods in which that the employee renders service; and (c) provide that the OPEB an employee will receive will depend only on the

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contribution (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as OPEB plan administrative costs, that are allocated to the employee's account.

Defined Contribution OPEB Plans. OPEB plans that are used to provide defined contribution OPEB.

Fiduciary Net Position. The fund equity (or net position) of the OPEB plan (trust fund) itself. It equals the market value of plan assets available for OPEB benefit payments.

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. Defined benefit OPEB provided through an insured plan.

Insured Defined Benefit OPEB Plans (Insured Plans). Defined benefit OPEB plans in which benefits are financed through an arrangement in which premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes the obligation to pay the postemployment benefits of those employees in accordance with the terms of the OPEB plan.

Measurement Date. Measurement date is the date on which the value of the total OPEB liability, fiduciary net position, and net OPEB liability is determined and then reported in the employer accrual-basis financial statements.

Net OPEB Liability. Net OPEB liability equals to the total OPEB liability less the fiduciary net position. The net OPEB liability is reported as a liability (or asset) in the accrual-basis financial statements.

Other Postemployment Benefits (OPEB). Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

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 75 and GASB 74 use the term "OPEB plan" differently. For purposes of GASB 74, 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 75, the term "OPEB plan" is broader in scope. It encompasses all situations in which employers provide OPEB to their employees,

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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).”

Plan Assets. Resources that have been segregated and restricted in a trust or an equivalent arrangement in which (a) employer contributions to the plan and earnings on those contributions 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.

Service Cost. That portion of the APVPBP that is allocated to each valuation year by an actuarial cost method. Under most actuarial methods, service cost can be thought of as the cost for OPEB being earned by employees in exchange for services now. Service cost is the actuarial present value of projected benefit payments earned by active employees during the current reporting period. An employer that has even one OPEB-eligible active employee will have a service cost each year.

Single Employer. An employer whose employees are provided with OPEB through a single-employer defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Single-Employer Defined Benefit OPEB Plan. A defined benefit OPEB plan that is used to provide OPEB to employees of only one employer.

Substantive Plan. See OPEB Plan.

Total OPEB Liability. The portion of the APVPBP that is attributed to past periods of employee service. The total OPEB liability can be thought of as the portion of the APVPBP which has been “earned” by employees based on past years of service. The total OPEB liability is reported as a liability in the accrual-basis financial statements.

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Procedure 805 Joint Powers Agreements/Agencies (JPAs)

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 (i.e., 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 (ROCPs) on behalf of member districts or COEs:

Education Code Section 52301 allows two or more school districts to form a JPA to provide ROCP instruction.

Member districts report their funding to the JPA using Function 9200, Transfers Between Agencies, with Object 7283, All Other Transfers to JPAs.

The JPA reports its receipt of funding using Object 8781, All Other Transfers from Districts or Charter Schools. The JPA reports its program expenditures using Goal 6000, ROCP.

Also see Item 4, below, and Example 3 in Procedure 760.

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.

Procedure 805 Joint Powers Agreements/Agencies (JPAs)

The responsible agency reports the special education funds in the appropriate special education resource categories (Resource 6500) and reports the transfer of funds to the JPA as Transfers of Apportionments to JPAs (Resource 6500, Function 9200, and Object 7223).

The JPA recognizes the revenues as Transfers of Apportionments from Districts or Charter Schools (Resource 6500 and Object 8791). The expenditures are reported in the special education goals (goals 5000–5999) and the appropriate functions.

Also see Example 8 in Procedure 755.

3. When JPAs are organized for the purpose of providing food services or pupil transportation:

JPAs providing 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 food services, the JPA may be designated as a single school district in accordance with *Education Code* Section 41980(b) to receive state apportionments. No activity is reported on the district's books if its food services are provided by a single district JPA.

The JPA reports the revenue in the resource and objects for Child Nutrition Programs (Resource 5310, objects 8220 and 8520). The expenditures are reported in Function 3700, Food Services.

- b. **Contracted JPAs.** When JPAs provide transportation or food services through a contract, the reporting is as follows:

The district reports the expenditures associated with the JPA using Object 5100, Subagreements for Services, within the appropriate goal and function.

The JPA reports the revenue received from the district as Object 8677, Interagency Services Between LEAs, and reports the expenditures as Goal 7110, Nonagency—Educational, in the appropriate function (e.g., Function 3600, Pupil Transportation, or 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 reports the expenditures associated with the JPA as Subagreements for Services (Object 5100) within the appropriate goal and function.

Procedure 805 Joint Powers Agreements/Agencies (JPAs)

The JPA reports the revenue received from the school district or county office using Object 8677, Interagency Services Between LEAs, and reports expenditures as Goal 7110, Nonagency—Educational, in the appropriate function (e.g., Function 1000, Instruction, or Function 2100, Instructional Supervision and Administration).

Indirect Cost Rates for JPAs

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 805-4.)
2. The JPA is established to provide direct instructional and support services and operates its own administrative unit (e.g., ROCP 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 2015–16 expenditure data are applicable to 2017–18 fiscal year programs.
4. The JPA has assigned only those costs normally associated with central administrative services, such as agency-wide 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 they would be if the program were provided by the district.

For example, directors of instructional programs are charged to Function 2100, Instructional Supervision and Administration. Directors of transportation programs are charged to Function 3600, Pupil Transportation. Directors of food service programs are 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.

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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 is 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 CDE’s Schools & Districts web page at <https://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, Educational 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 members of 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., ROCs, 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.)

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 normally needed for all salaries and wages paid from federally funded programs. However, for salaries and wages paid from state funds, formalized documentation is usually necessary only when the funds are restricted, when positions are split between goals or certain functions, or when program guidelines require it.

In reviewing this procedure, local educational agencies (LEAs) should keep in mind that written policies and procedures are essential to implement an effective labor distribution system. LEAs must develop a time documentation process (e.g., 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 normally required to have time documentation to support the charging of their salaries and wages to a restricted source.

The federal cost principles contained in the uniform guidance for administration of federal grants in Title 2 of the *Code of Federal Regulations*, Part 200 (the Uniform Guidance) specify which costs are allowable charges to federal programs, which costs are not allowable, and how costs charged to federal programs must be documented. LEAs must apply the Uniform Guidance to all federal funds that are subject to the cost principles.¹ Section 200.430 specifies the standards for documenting salaries and wages charged to federal programs. These standards are in addition to those for payroll documentation. LEAs must adhere to these standards and to any additional standards established for particular programs.

Time documentation requirements for charging salaries and wages to state programs are based on the federal time documentation guidelines. However, there is an alternative method available to document salaries and wages charged to state restricted programs.

Cost Objectives

The Uniform Guidance defines a cost objective as “a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.” (Section 200.28). 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

¹ A few federal funding sources are not subject to the cost principles. Federal Impact Aid is an example.

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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 that is funded by a single source. Although 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. **ESSA Consolidated Administrative Funds:** An employee who works solely on administrative activities of the Every Student Succeeds Act (ESSA) where the administrative funds have been consolidated in Resource 3155, ESSA Consolidated Administrative Funds (see Procedure 780).
3. **School-wide Program (SWP):** A school-site employee working solely on an SWP plan approved by the California Department of Education (CDE). This is a single cost objective because, for an approved SWP plan, the LEA may use ESSA Title I funds in combination with some or all of its 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.

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4. **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 5).
5. **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 who could be served under any of the funding sources, the aide's time may be considered a single cost objective.

Note: Items 4 and 5 are simplistic examples and are provided only for explanatory purposes. 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 the requirements of the Uniform Guidance, LEAs need to evaluate each situation to determine which time documentation requirements apply.

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.

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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.

Examples of Single and Multiple Cost Objectives

XYZ School has three federal categorical programs that supplement the school's regular base funding. The following examples show how different time documentation guidelines would apply:

Example 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.

Example 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 the three federal categorical programs and its regular base funding in the SWP plan.

Employees who 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.

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 (PAR) or equivalent documentation.

Procedure 905 Documenting Salaries and Wages

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 the Uniform Guidance and with any additional requirements established for particular programs. The time documentation requirements in this procedure satisfy the requirements of the Uniform Guidance.

Periodic (Semiannual) Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. 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 who 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 905-19, 905-20, and 905-21. These sample documents are very basic and may require enhancements to meet time documentation requirements of certain programs.

Note: In accordance with the February 8, 2008 nonregulatory Title I guidance issued by the United States Department of Education, at a school that has consolidated all of the school's federal, state, and local programs in the SWP plan, an employee who works 100 percent on the SWP is not required to complete a periodic (semiannual) certification because there is effectively no other cost objective at the school. At a school that has even one federal, state, or local program that is not consolidated in the SWP plan, an employee who works 100 percent on the SWP should complete a semiannual certification.

Personnel Activity Report

Except as provided in "Substitute Systems for Time Accounting" later in this procedure, 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.

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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.

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.

Neither federal regulations nor the CDE require LEAs to use a specific format for documenting salaries and wages, as long as the format satisfies the requirements listed above.

Budget estimates alone, 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 for documenting the time of employees who work on more than one cost objective and whose time spent on each cost objective is fairly predictable and does not vary significantly from day to day is illustrated on page 905-18. This sample document is very basic and may require enhancements to meet time documentation requirements of certain programs.

A PAR documenting the time of employees who work on more than one cost objective and whose time spent on each cost objective is unpredictable and varies significantly would be more detailed and might appear more like a daily timesheet broken down by activity or cost objective.

Substitute Systems for Time Accounting

As an alternative to the level of documentation achieved by a PAR, the Uniform Guidance allows for substitute systems of time accounting using sampling methods that meet statistical sampling standards for allocating salary and wages [Section 200.430(i)(5)]. Such substitute systems are subject to prior federal approval. The United States Department of Education has approved two

Procedure 905 Documenting Salaries and Wages

such systems 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.

A 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 an approved substitute system, PARs must be prepared at least monthly for employees working on multiple cost objectives whenever federal funds are involved.

Substitute System Based on Sampling Method: Under the sampling method substitute system approved for California LEAs in 1998, PARs are required less frequently than monthly. Specifically, this approved substitute system allows LEAs to collect PARs from employees every fourth month (three times a year). The information from these 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 sampling method 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 sampling method substitute system. The description is based on the assumption 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.

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- 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. The July PARs also 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 sampling method 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. If an LEA elects to use the sampling method substitute system, all multifunded employees who would otherwise be required to complete PARs (i.e., multiple cost objective employees) must participate in that system. They will still complete PARs that cover the entire months being sampled, but the PAR reporting frequency is reduced from every month to only three 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 sampling method substitute system because their data would distort the aggregate results of the multifunded data. Those employees must continue to prepare periodic (semiannual) certifications.

Substitute System Based on Employee's Predetermined Schedule: Under the predetermined schedule substitute system approved for all LEAs in 2012, an LEA may use alternative documentation—such as a teacher's course schedule—instead of PARs to document the time and effort of an individual who works on multiple activities or cost objectives but who does so on a predetermined, or fixed, schedule. An individual documenting time and effort under this substitute system is permitted to certify time and effort on a semiannual basis.

CDE is authorized to approve LEAs to use this substitute system for time-and-effort reporting in accordance with the following guidelines. In permitting an LEA to use this substitute system, CDE must obtain from the LEA a management certification that only eligible employees will participate in this substitute system and that the system used to document employee work schedules has sufficient controls to ensure that the schedules are accurate. Additionally, the certification must include a full disclosure of any known deficiencies with the system or known challenges with implementing the substitute system. This certification may be used by auditors and by CDE oversight personnel when conducting audits and sub-recipient monitoring of the substitute time-and-effort system.

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To be eligible to document time and effort under this substitute system, employees must meet the following guidelines:

- Work according to a schedule that includes multiple activities or cost objectives that must otherwise be supported by monthly PARs.
- Work on specific activities or cost objectives according to a predetermined schedule.
- Not work on multiple activities or cost objectives at the exact same time on their schedule.

Under this predetermined schedule substitute system, in lieu of PARs, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the standards described below. A work schedule may be in a style and format already used by an LEA.

Employee schedules must meet the following requirements:

- Indicate the specific activity or cost objective that the employee works on for each segment of the employee's schedule.
- Account for the total hours for which the employee is compensated during the period reflected on the employee's schedule.
- Be certified at least semiannually and signed by the employee and by a supervisory official having firsthand knowledge of the work performed by the employee.

A sample employee schedule is provided on page 905-22.

Revisions to an employee's established schedule that will continue for a prolonged period, such as changes relating to the start of a new semester or trimester, must be documented and certified in accordance with the requirements described above. The effective dates of changes to the schedule must be clearly indicated.

Significant deviations from an employee's established schedule that require the employee to work on multiple activities or cost objectives at the exact same time, including but not limited to lengthy, unanticipated schedule changes, must be documented by the employee using a PAR that covers the period during which the deviations occurred. Significant deviations from an employee's established schedule that would warrant an individual reverting to a PAR include any deviation from a scheduled activity that represents more than an incidental benefit to the unscheduled activity. To not be considered a significant deviation, the time spent on the unscheduled activity must meet each of the following three requirements:

- The time spent on the other activity must not take away from the benefit to the intended beneficiaries of the scheduled activity.
- The time spent on the other activity must not have been planned or foreseen at the beginning of the period covered by the schedule.
- The time spent on the other activity must be *de minimis*.

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Unplanned, unforeseen, and infrequent deviations of less than 5 percent of the predetermined schedule are generally not considered significant. However, even small deviations, if planned or foreseeable at the outset, are considered significant regardless of their size and would warrant a reversion to the use of a PAR. The 5 percent threshold applies daily.

Approval and Implementation of a Substitute System: LEAs implementing the sampling method substitute system require no further approval from CDE. However, LEAs implementing the predetermined schedule substitute system require approval from CDE. Approval is automatically granted once the LEA provides certain assurances. The assurances and the approval process are administered through the Consolidated Application.

Because the sampling method substitute system requires that all eligible employees must participate, the sampling method system and the predetermined schedule system may not be implemented in conjunction with one another.

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 a regular position and outside the employee's normal workday (e.g., a teacher during the school day and a coach after school), then each position is evaluated to determine the time documentation needed for each.

Following are sample scenarios of regular contracts and supplemental employment contracts and the time documentation requirements for each:

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1. **The regular contract requires time documentation, but the 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 periodic [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 moneys, generally would not require time documentation.
2. **Both the regular contract and the 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 periodic (semiannual) certification would be required.

Where an employee's normal workday consists of diverse assignments, none of the diverse assignments constitutes a supplemental contract for purposes of time distribution. If time documentation is required for any of the employee's workday, the time documentation must account for the entire workday.

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 predominantly determined by whether the employee works on a single cost objective or on multiple cost objectives. LEAs must also consider any specific documentation requirements a state program may have, such as if a program requires use of the state documented method (to be discussed next) 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 905-4. These methods include monthly PARs, periodic (semiannual) certifications, and the substitute system for time accounting.

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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 periodic (semiannual) certification.

In addition to the federal time documentation methods, California 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*. It 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 method 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 worksheet. The worksheet must include, at a minimum, the following elements, but additional information may be incorporated to meet local needs:

Activity Worksheets

- *Reporting frequency.* An employee's activity worksheet 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 worksheet
 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 worksheet generally provides the minimum required documentation when an employee's assignment is in support of only one program or cost objective.

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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 worksheet must be completed if the program employee's time is to be charged to a state restricted program. Use of an activity worksheet 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 worksheet 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 worksheets 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 worksheet.

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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 conditions such as the following may require documentation:

- 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 State Salaries and Wages to a Goal," in the next subsection).
- 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 905-17. Documentation is required because a mixture of direct cost and indirect cost activities is considered multiple cost objectives.
- 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. The indirect cost activities should be properly identified, such as on a time sheet or in a contract or job description.

Documenting State Salaries and Wages to a Goal

As stated previously, documentation is required when salaries and wages are charged 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 unrestricted salaries and wages charged to a goal are documented, a lesser level of documentation than that required for restricted salaries and wages may be acceptable.

General guidelines and examples of how to document state unrestricted salaries and wages direct-charged to an instructional goal are as follows:

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.

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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 sole category of student served, 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 ROCP 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 worksheets (see page 905-13). In many cases, documentation (e.g., time cards, PARs, or activity worksheets) 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 be distributed usually to the same goals and in the same ratio as the salaries and wages of the certificated personnel to whom the support staff members report.

Noninstructional salaries and wages of personnel other than administrators may be supported by activity worksheets, 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 charges should be based on actual time spent on specific goals rather than on budgeted figures.

In many situations, instead of noninstructional salaries and wages being charged 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 910-4).

Procedure 905 Documenting Salaries and Wages

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, PARs, or activity worksheets) 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 905-5, 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 PAR 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 905-11, the salary split among four state resources must be documented by an activity worksheet, PAR, 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 Worksheets

Monthly time documentation records (PARs, activity worksheets, and 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.

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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 on 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

Procedure 905 Documenting Salaries and Wages**Sample Personnel Activity Report****Personnel Activity Report (PAR)**Period Covered¹: _____ Fiscal Year: _____

Employee Name: _____

School/Division/Department: _____

Cost Objective/Program Title	Account/Resource Code	Hours Worked²	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	n/a	161	100.0%
Compensated Time Off	n/a	7	n/a
Total Compensated Time ³	n/a	168	n/a

By signing below, 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 must coincide with one or more pay periods.
2. This report must be based on actual time worked, not budget estimates.
3. This report must account for the total activity for which each employee is compensated.

Caution:

- This sample form works well in those situations when an employee's time spent on programs is fairly predictable and does not vary much during the month. For 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.
- During auditing and monitoring reviews, LEAs may be required to provide additional documentation to substantiate the percentages and hours reported, such as work schedules, job duty statements, or calendars.
- 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 requirements of Title I, Part A.

Procedure 905 Documenting Salaries and Wages**Sample Periodic (Semiannual) Certification for an Individual Employee Working on a Single Cost Objective****Semiannual Certification¹**Period Covered²: _____ Fiscal Year: _____

Employee Name: _____

School/Division/Department: _____

Cost Objective/ Program Title	Account/Resource Code	Percentage of Effort
Program ABC	1111	100%

By signing below, 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 Official³: _____ Date: _____

1. This sample certification:
 - Is for employees working solely (100 percent) on 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.
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. This 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.

Procedure 905 Documenting Salaries and Wages**Sample Blanket Periodic Certification for Multiple Employees Working on a Single Cost Objective****Blanket Periodic Certification¹**Period Covered²: _____ 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	Signature³
Teacher A	_____	_____
Teacher B	_____	_____
Teacher C	_____	_____
Instructional Assistant	_____	_____
Tutor	_____	_____
Guidance Counselor	_____	_____

By signing below, 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 Official³ Signature: _____ Title: _____

Supervisory Official Printed Name: _____ Date: _____

1. This sample certification:
 - Is for employees working solely (100 percent) on 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
2. This certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).
3. This 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.

Procedure 905 Documenting Salaries and Wages**Sample Periodic Certification for an Employee Working on Multiple Cost Objectives on a Predetermined Schedule**

Periodic Certification ¹		
Period Covered ¹ : _____		Fiscal Year: _____
Employee Name: _____		
School/Division/Department: _____		
Type of Schedule: Daily _____ Weekly _____ Biweekly _____ Monthly _____ Other _____		
Cost Objective/ Program Title	Account/ Resource Code	Distribution of Time
Project A	1111	48.7%
Project B	2222	11.5%
Project C	3333	39.8%
Time ²		100.0%
<p>By signing below, I certify that I performed work consistent with the attached schedule(s) and as distributed in the above percentages during the certification period.</p> <p>Employee: _____ Date: _____</p>		
<p>By signing below, 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.</p> <p>Supervisory Official³ Signature: _____ Date: _____</p> <p>Supervisory Official Printed Name: _____ Title: _____</p>		
<ol style="list-style-type: none"> 1. This certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification). 2. This report must account for the total activity for which each employee is compensated. 3. This certification must be signed by the employee and by a supervisory official having firsthand knowledge of the work performed by the employee. Both signatures are required. 		

Procedure 905 Documenting Salaries and Wages**Sample Predetermined Schedule**

Employee Name: _____ Period Covered: _____

Position: _____ School/Division/Department: _____

Monday	Tuesday	Wednesday	Thursday	Friday
8:00–8:30 Consult with staff regarding Title I students/curriculum	8:00–8:30 Consult with staff regarding Title I students/curriculum	8:00–8:30 Consult with staff regarding Title I students/curriculum	8:00–8:30 Consult with staff regarding Title I students/curriculum	8:00–8:30 Consult with staff regarding Title I students/curriculum
8:30–8:45 Break	8:30–8:45 Break	8:30–8:45 Break	8:30–8:45 Break	8:30–8:45 Break
8:45–9:15 Special ed. support	8:45–9:15 Special ed. support	8:45–9:15 Special ed. support	8:45–9:15 Special ed. support	8:45–9:15 Special ed. support
9:15–10:00 Small-group reading	9:15–10:00 Small-group reading	9:15–10:00 Small-group reading	9:15–10:00 Small-group reading	9:15–10:00 Small-group reading
10:00–10:30 Small-group math	10:00–10:30 Second grade Title I reading	10:00–10:30 Small-group math	10:00–10:30 Second grade Title I reading	10:00–10:30 Small-group math
10:30–11:00 Second-grade Title I reading/math	10:30–11:00 Second grade Title I math	10:30–11:00 Second-grade Title I reading/math	10:30–11:00 Second-grade Title I math	10:30–11:00 Second-grade Title I reading/math
11:00–11:30 Lunch break	11:00–11:30 Lunch break	11:00–11:30 Lunch break	11:00–11:30 Lunch break	11:00–11:30 Lunch break
11:30–11:45 Individual special ed. student catch-up	11:30–11:45 Individual special ed. student catch-up	11:30–11:45 Individual special ed. student catch-up	11:30–11:45 Individual special ed. student catch-up	11:30–11:45 Individual special ed. student catch-up
11:45–12:35 Small-group math	11:45–12:35 Small-group math	11:45–12:35 Small-group math	11:45–12:35 Small-group math	11:45–12:35 Small-group math
12:35–1:05 Small-group writing	12:35–1:05 Small-group writing	12:35–1:05 Small-group writing	12:35–1:05 Small-group writing	12:35–1:05 Small-group writing
1:05–1:20 Break	1:05–1:20 Break	1:05–1:20 Break	1:05–1:20 Break	1:05–1:20 Break
1:20–1:40 Title I prep	1:20–1:40 Title I prep	1:20–1:40 Title I prep	1:20–1:40 Title I prep	1:20–1:40 Title I prep
1:40–2:30 First grade Title I reading/math	1:40–2:30 First grade Title I reading/math	1:40–2:30 First grade Title I reading/math	1:40–2:30 First grade Title I reading/math	1:40–2:30 First grade Title I reading/math
2:30–3:00 Title I lesson planning	2:30–3:00 Title I lesson planning	2:30–3:00 Title I lesson planning	2:30–3:00 Title I lesson planning	2:30–3:00 Title I lesson planning
3:00–3:30 Title I student learning plan follow-up	3:00–3:30 Bus duty	3:00–3:30 Title I student learning plan follow-up	3:00–3:30 Bus duty	3:00–3:30 Title I student learning plan follow-up

Procedure 910 Program Cost Accounting

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 to program goals in their general ledgers. *Note:* For state-wide 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 910-4).

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 are as follows:

- Instructional costs
- Support costs
- Central administration costs
- Other costs

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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 agency-wide 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 905-14).

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

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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 905-14, and “Documenting Nonpersonnel Costs to a Goal,” page 910-9). 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 910-4.) 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 agency-wide (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 agency-wide 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.

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The CAC ratio, expressed as a percentage, represents total 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 refers to 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 its 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

Factor	Definition
Full-Time-Equivalent (FTE) Teachers	<p>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.</p> <p>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</p>

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Factor	Definition
	<p>services and carrying active student registers should also be included in the FTE count.</p> <p>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.</p> <p>The four common categories for assignments are:</p> <ol style="list-style-type: none"> 1. <i>Single assignment:</i> A full-time teacher assigned to a single goal is counted as 1.0 FTE for that goal. 2. <i>Split assignment:</i> 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. <i>Semester assignment:</i> 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. <i>Part-time assignment:</i> 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. <p>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.</p> <p>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.</p> <p>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</p>

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Factor	Definition
	<p>administrator complete a count and then to combine the information into a composite worksheet. Care must be taken to ensure that more than one site administrator does not report the same FTE units.</p> <p>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).</p>
Classroom Units (CU)	<p>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 <i>classroom unit</i> 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.</p> <p>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 that occupy space in district administration facilities as part of the district administration program.</p> <p>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).</p> <p><i>Instruction and office areas.</i> For "people-occupied" areas, such as instruction or office space, a room that falls within 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, which is the size of a typical classroom. 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 agency-wide administration facilities.</p> <p><i>Operational areas.</i> 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</p>

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Factor	Definition
	<p>square footage by 2,880 (960 x 3). Partially enclosed spaces, such as sheds or patios, may be excluded from the calculation.</p> <p><i>Food services.</i> 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.</p> <p>CU Functions: CU factors are used to allocate costs in the plant services functions (8100 and 8700).</p>
Pupils Transported (PT)	<p>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.</p> <p>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 <i>other than their neighborhood schools</i> because of requirements of their IEPs should also be counted as special education PTs.</p> <p>PT Function: PT factors are used only to allocate costs in Function 3600, Pupil Transportation.</p>

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 agency-wide 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. The amount of instruction-related costs to transfer may be determined by work orders or a count of workstations.

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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 who 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 that 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 documentation 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 the exclusion 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.

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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/Cr	SACS Account String	Amount	Program
Dr	01-0000-0-1110-3140-5710	\$500,000	Regular Ed, K–12
Dr	01-0000-0-6000-3140-5710	\$100,000	ROCP
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 worksheets, or equivalent documentation are generally necessary. For state unrestricted funds charged to a specific goal, a reduced 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 to 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 910-4).

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

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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 worksheets that use general ledger data from the general fund and the charter schools funds, by goal and function, plus allocation factors (FTEs, CUs, PTs) for the distribution of support costs to specific goals. These worksheets are largely automated in the SACS financial data collection software.

The following is a brief description of each worksheet:

- **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 worksheet 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 costs from the general fund and charter schools funds by goal and category (e.g., direct-charged, allocated support, central administration). Also includes an "other costs" section.

Procedure 910 Program Cost Accounting

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	Title
1000–1999	Instruction
	<ul style="list-style-type: none"> • Direct instructional cost. • Must be direct-charged 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 Instructional Supervision and Administration
	2420 Instructional Library, Media, and Technology
	2490 Other Instructional Resources
	<ul style="list-style-type: none"> • Support cost. • May be direct-charged 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
	<ul style="list-style-type: none"> • Support cost. • May be direct-charged 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
	<ul style="list-style-type: none"> • Support cost. • May be direct-charged 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).

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Function Title
3600 Pupil Transportation

- Support cost.
- May be direct-charged 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 (not associated with a particular goal for program cost accounting).
- Generally direct-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 direct-charged 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 direct-charged 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 direct-charged to one of the following goals: 7100–Nonagency; 8100–Community Services; 8500–Child Care and Development Services.
- Costs may not be allocated.

6000–6999 Enterprise

- Other cost (not associated with a particular goal for program cost accounting).
- Costs are accumulated in Goal 0000, Undistributed.
- Costs may not be allocated.

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Function	Title
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 <ul style="list-style-type: none"> • 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 8500 Facilities Acquisition and Construction <ul style="list-style-type: none"> • Other cost (not associated with a particular goal for program cost accounting). • Generally accumulated in Goal 0000, Undistributed. • Costs may not be allocated. 8700 Facilities Rents and Leases <ul style="list-style-type: none"> • Support cost. • May be direct-charged 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).
9000–9999	Other Outgo 9100 Debt Service 9200 Transfers Between Agencies 9300 Interfund Transfers <ul style="list-style-type: none"> • Other cost (not associated with a particular goal for program cost accounting). • Generally accumulated in Goal 0000, Undistributed. • Costs may not be allocated.

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Procedure 915 Indirect Cost Rate

Costs of a local educational agency (LEA) may 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 agency-wide. 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. The delegation agreement number and effective period are available on CDE's Frequently Asked Questions about Indirect Costs web page at <https://www.cde.ca.gov/fg/ac/ic/icrfaq.asp>.

Definitions of key indirect cost terms are provided beginning on page 915-12.

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 (SACS).

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.

Procedure 915 Indirect Cost Rate

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 agency-wide 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 915-3 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” on page 915-4 for an example that illustrates the use of the carry-forward adjustment.)

Denominator of the Calculation

Once indirect costs have been identified, most of the LEA's remaining costs in the general fund and charter school funds constitute 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.

Procedure 915 Indirect Cost Rate

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 both the numerator and denominator of 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 915-6).

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.

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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 most 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 normally unallowable either as direct costs or indirect costs to most 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 2013–14 as the current reporting period and illustrates the fiscal years affected by the indirect cost rate calculation.

In 2013–14, indirect costs are charged to programs using an indirect cost rate that was calculated and approved using 2011–12 data as an estimate of the indirect costs that would be incurred in 2013–14. The calculated difference between the indirect costs that theoretically could be charged to programs in 2013–14 based on this approved rate, and

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the indirect costs actually incurred in that year (i.e., the theoretical over- or underrecovery of indirect costs), is called a carry-forward adjustment.

Then, based on the actual indirect costs and base costs incurred in 2013–14 and the carry-forward adjustment, a new indirect cost rate will be calculated for use in 2015–16.

The carry-forward adjustment for overrecovered costs is calculated using either the lesser of the LEA's approved rate for that year, or the highest rate that the LEA actually used to recover costs from any program in that year, if the rate used was less than the approved rate. The carry-forward adjustment for underrecovered costs is calculated using the LEA's approved rate.

Where an LEA's carry-forward adjustment is negative, and where the negative carry-forward adjustment would cause the proposed rate to fall below zero or would reduce the rate at which the LEA could recover indirect costs to such an extent that the LEA would sustain significant fiscal harm, the LEA may request that the carry-forward adjustment be allocated over more than one year.

LEAs submit their preliminary proposed indirect cost rates annually to CDE along with their unaudited actual financial statement data. An automated worksheet (Form ICR) in the financial reporting software calculates LEA indirect cost information. (See page 915-9 for an excerpt from the worksheet.) The worksheet uses both general ledger data (for indirect and base costs) and minimal amounts of supplemental data (see page 915-3).

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 on CDE's Indirect Cost Rates web page at <https://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 *Education Department General Administrative Regulations (EDGAR)*, Title 34 of the *Code of Federal Regulations (CFR)*, and the uniform guidance for administration of federal grants in Title 2 of the *CFR*, Part 200 (the Uniform Guidance). The rates may also be used for state programs, subject to any restrictions that may govern the individual programs.

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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 website 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 list 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, 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:

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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 program. Information on statewide average rates is available on CDE's California Statewide Average Indirect Cost Rates web page at <https://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 CDE's SACS Query web page at <https://www2.cde.ca.gov/sacsquery/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 915-12). 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 amounts equal to 11 percent of eligible program costs on direct program administration, then it can claim only an additional 4 percent of eligible program costs 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

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(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 agency-wide 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 915-12). 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.

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Indirect Cost Rate Worksheet: Sample Calculation

Unless otherwise specified, expenditures are for the General Fund and Charter Schools Funds and include all goals that also contain objects 1000–5999 (certificated salaries, classified salaries, employee benefits, books and supplies, and services and other operating expenditures). Excluded from the calculation are costs of subagreements for services, capital outlay (sites and improvement of sites, buildings and improvements of buildings, capitalized equipment) and other outgo (tuition, transfers out to other LEAs, debt service).

A. Indirect Costs (numerator)

1. Other General Administration (fiscal services, personnel/human resources, central support) (functions 7200–7600, except for portion charged to restricted resources or specific goals)
2. Centralized Data Processing (Function 7700, except for portion charged to restricted resources or specific goals)
3. External Financial Audit–Single Audit (Function 7190, except for portion charged to restricted resources or specific goals)
4. Staff Relations and Negotiations (Function 7120, except for portion charged to restricted resources or specific goals)
5. Plant Maintenance and Operations, portion relating to general administrative offices only (functions 8100–8400, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing [salaries and benefits are used as proxy for square footage attributable to general administration])
6. Facilities Rents and Leases, portion relating to general administrative offices only (Function 8700, times the percentage of total salaries and benefits attributable to other general administration and centralized data processing [salaries and benefits are used as proxy for square footage attributable to general administration])
- 7a. Employment Separation Costs: Normal separation costs paid from unrestricted resources on behalf of positions charged to restricted resources may be included in the indirect cost pool
- 7b. Employment Separation Costs: Abnormal or mass separation costs paid from unrestricted resources on behalf of general administrative positions charged to functions 7200–7700 must be eliminated from the indirect cost pool
8. Total Indirect Costs (sum of lines A1 through A7a, minus line A7b)
9. Carry-Forward Adjustment for over- or underrecovery of indirect costs (overrecovery is subtracted, underrecovery is added)
10. Total Adjusted Indirect Costs (line A8 plus line A9)

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B. Base Costs (denominator)

1. Instruction (functions 1000–1999)
2. Instruction-Related Services (functions 2000–2999)
3. Pupil Services (functions 3000–3999)
4. Ancillary Services (functions 4000–4999)
5. Community Services (functions 5000–5999)
6. Enterprise (Function 6000)
7. Board and Superintendent (functions 7100–7180, including portion of Function 7120 not included on line A4)
8. External Financial Audit—Other (Function 7191) and Single Audit (Function 7190, portion not included on line A3)
9. Other General Administration, portion charged to restricted resources or specific goals (functions 7200–7600, portion not included on line A1)
10. Centralized Data Processing, portion charged to restricted resources or specific goals (Function 7700, portion not included on line A2)
11. Plant Maintenance and Operations, except portion relating to general administrative offices (functions 8100–8400, except for portion included on line A5)
12. Facilities Rents and Leases, except portion relating to general administrative offices (Function 8700, except for portion included on line A6)
- 13a. Employment Separation Costs: Normal separation costs paid from unrestricted resources on behalf of positions charged to restricted resources, included in the indirect cost pool on line A7a
- 13b. Employment Separation Costs: Abnormal or mass separation costs paid from unrestricted resources on behalf of general administrative positions charged to functions 7200–7700, eliminated from the indirect cost pool on line A7b
14. Adult Education (Fund 11, functions 1000–6999, 8100–8400, and 8700)
15. Child Development (Fund 12, functions 1000–6999, 8100–8400, and 8700)
16. Cafeteria (funds 13 and 61, functions 1000–6999, 8100–8400, and 8700)
17. Foundation (funds 19 and 57, functions 1000–6999, 8100–8400, and 8700)
18. Total Base Costs (sum of lines B1 through B12 and B13b through B17, minus line B13a)

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C. Straight Indirect Cost Percentage (before carry-forward adjustment) (line A8 divided by line B18)

D. Indirect Cost Rate (fixed-with-carry-forward rate for use in second subsequent fiscal year, subject to CDE approval) (line A10 divided by line B18)

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 915-6, Amount of Indirect Costs to Charge).

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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 *Cost Allocation Guide for State and Local Governments*, some 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).

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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 worksheet within CDE’s 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. Agency-wide 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 (superseded by the Uniform Guidance). The Office of Management and Budget (OMB) Circular A-87, titled *Cost Principles for State, Local, and Indian Tribal Governments*. OMB Circular A-87 was relocated on 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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Uniform Guidance. Title 2 of the *Code of Federal Regulations (2 CFR)*, Subtitle A, Chapter II, Part 200, titled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Superseded OMB Circular A-87 for grants awarded after December 26, 2014.

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.”

Criteria for Items of Information

Federal Handbook	Standardized Account Code Structure
<p>The following basic criteria were used in selecting items and classifications for inclusion:</p> <ol style="list-style-type: none"> 1. The items, accounts, and categories of information should provide the basic framework fundamental to a comprehensive financial management system. 2. The guidelines should serve all sizes and types of LEAs. 3. The categories of accounts should be both contractible and expandable, enabling all LEAs to adapt them to support various financial management information systems. 4. Data elements should be additive into needed categories for purposes of reporting and comparing at the local, state, and federal levels. 5. The guidelines should conform to generally accepted governmental accounting principles. 6. The guidelines should include the categories necessary to provide full disclosure of financial information. 7. The categories included should provide an adequate audit trail. 	<p>The standardized account code structure is a logical, well-organized structure that:</p> <ul style="list-style-type: none"> • Contains all fields and accounts necessary for LEAs to run a financial management system • Is appropriate for different sizes and types of school districts • Uses optional accounts and ranges and allows for the addition of nonmandated fields • Allows data collection at a detailed or general level; allows summary of data from minor accounts to major accounts • Conforms to generally accepted accounting principles (GAAP) • Provides full disclosure by using the minimum account fields and capturing a comprehensive data set related to each revenue and expenditure • Provides an adequate audit trail

Appendix C Consistency of Standard Account Code Structure with Federal Handbook

Conformance with Generally Accepted Accounting Principles

Federal Handbook	Standardized Account Code Structure
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

Federal Handbook	Standardized Account Code Structure
<ol style="list-style-type: none"> 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.

Appendix C Consistency of Standard Account Code Structure with Federal Handbook

Suggested Criteria for Statewide System

Adapting State Reporting Requirements

Federal Handbook	Standardized Account Code Structure
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.

Comparability

Federal Handbook	Standardized Account Code Structure
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.	<p>The structure uses the minimum account classifications and provides comparability across LEAs. Administrators using the structure can create reports that:</p> <ul style="list-style-type: none"> • Fulfill categorical requirements. • Show goals or purposes of the LEA. • Track funding by source. • Track funding by use.

Appendix C Consistency of Standard Account Code Structure with Federal Handbook

The Financial Accounting Account Classification Structure

Federal Handbook	Standardized Account Code Structure
<p>The dimensions applicable to each type of transaction are:</p> <ul style="list-style-type: none"> • Revenues <ul style="list-style-type: none"> ○ Fund ○ Revenue Account ○ Source ○ Project/Reporting • Expenditures <ul style="list-style-type: none"> ○ Fund ○ Program ○ Function ○ Object ○ Project/Reporting ○ Level of Instruction ○ Operational Unit ○ Subject Matter ○ Job Classification • Balance Sheet <ul style="list-style-type: none"> ○ Fund ○ Balance Sheet 	<p>The structure utilizes the following account fields:</p> <ul style="list-style-type: none"> • Fund • Resource • Goal • Function (Activity) • Object • School <p>The object field contains accounts for the revenue, expenditure, and balance sheet dimensions.</p>

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—Agency-wide	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—Agency-wide	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—Agency-wide	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—Agency-wide	7200
Attendance Reporting—School Level	2700
Attendance Services—Improve Student Attendance	3130
Attendance Truancy Officer	3130
Audiology Services	3150
Audit—Annual Independent (subject to Single Audit Act)	7190
Audit—Annual Independent (not subject to Single Audit Act)	7191
Audit—Bond (Required as a Condition of Issuing Bonds)	8500
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—Agency-wide	7200

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Buildings and Improvements of Buildings	8500
Bus Driver Training and Certification	3600
Bus Driver	3600
Bus Maintenance Personnel	3600
Career Counseling	3110
Career Technical Education Training—Special Education	1190
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 Care—Short- Term (e.g., during parents' participation in school activities or meetings)	2490/2495
Child Development—Preschool	1000
Co-curricular Activities—School-Sponsored (e.g., band, chorus, choir, speech)	4000/4100
Communications—Telephone lines, fax lines, cell phones	2700 or 7200 (refer to Object 5900)
Communications—Agency-wide 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, agency-wide 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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Depreciation of capital assets (accrual-basis financial statements only)	Function that utilizes the asset
Deputy Superintendent—Agency-wide	7100/7150
Director of Instructional Program (e.g., special education, bilingual education, or similar programs)	2100
Duplicating—Instructional Materials	1000–1999
Duplicating—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	User program function.
Duplicating, Printing, Publishing—Administrative Publications (e.g., annual reports and agency-wide 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—Agency-wide	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, agency-wide 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 alternative 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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Instructional Aide—Special Education	1110–1130
Instructional Staff Development—In-house	2100/2140
Instructional Library	2420
Instructional Materials—Guidance of Teachers	2100
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 administration of an Instructional Program or with a Capital Project	2100, 8500
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 and agency-wide directories or bulletins)	7200/7550
Photocopying—Instructional Materials	1000–1999

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Photocopying—Program Specific (may be accumulated in Function 7200, then transferred using Objects 5710/5750)	User program function.
Placement Services—Students	3110
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—Agency-wide	7100 or 7200
Principal	2700
Printing, Publishing, and Duplicating—Administrative Publications (e.g., annual reports and agency-wide 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 Co-curricular 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—Career Technical Education Training	1190

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Special Education—Education Technological Services	1190
Special Education—Home and Hospital Instruction	1130
Special Education—Instructional Aides	1130
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 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 agency-wide 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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Testing—Classroom teachers administering tests to students	1000–1999
Testing—Coordinate standardized student testing	3160
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
Warehousing and Distribution	7200/7540
Xeroxing—Administrative Publications (e.g., annual reports and agency-wide 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)	User program function.

Appendix D Function Codes for Common Activities

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Glossary

A

Abatement. A complete or partial cancellation of an expenditure or revenue.

Abatement of expenditures. Cancellation 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 cancellation of all or some part of any specific revenue previously recorded.

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. 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 method 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.

Glossary

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* sections 46000–46014 and 46300–46380.)

Glossary

B

Balance sheet. A statement that shows the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

Glossary

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 and other capital assets.

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 varying degrees of fiscal and program compliance requirements.

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).

Glossary

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 nonfinancial 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).

Glossary

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, deferred outflows of resources, and expenditures and increase liabilities, deferred inflows of resources, 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.

Glossary

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 and deferred inflows of resources of a fund over its assets and deferred outflows.

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.

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 75, 76, 77, 79, 81, 82, 84, 86, 97, 98, and 99. 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; although 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.

Glossary

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 deferred outflows of resources and the liabilities and deferred inflows of resources 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 all of it is 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. In SACS, *function* refers to those activities or services performed to accomplish a goal.

Glossary

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 deferred outflows of resources, and liabilities and deferred inflows of resources. The fund equity of governmental and trust funds.

G

General fund. The fund used to finance the ordinary operations of the LEA. It is available for any legally authorized purpose.

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 government auditing standards (GAGAS). Generally accepted auditing standards for government are established by the U.S. Government Accountability Office and published in *Government Auditing Standards*, also known as the Yellow Book.

Gift. Anything of value received from any source for which no repayment or service to the contributor is expected.

Goal. In 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.

Glossary

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 intended 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. These include interfund transfer accounts and interfund receivable and payable accounts.

Interfund borrowing. The movement of cash from one fund to another with the expectation that the borrowing is temporary and will be repaid. Interfund borrowing does not affect the fund balance of either the borrowing fund or the lending fund.

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, without the expectation for repayment.

Glossary

Interfund transactions other than interfund loans or borrowing, quasi-external transactions, and reimbursement. Interfund transfers are not revenues or expenditures. They do not increase the resources of the LEA as a whole but they do affect the fund balance of both funds. (See also *Operating transfers*, *Residual equity transfers*, and *Interfund borrowing*.)

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 issuance.

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*.

Glossary

Lease-purchase agreements. Contractual agreements that 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 agency 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.

Glossary

- 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*.)

Glossary

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. In 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 grants, sometimes known as special projects, whose "project year" or "reporting year" is different from the LEA fiscal year.

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.

Glossary

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 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.

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

SACS. Acronym for standardized account code structure.

Schedules. Explanatory or supplementary statements that accompany the balance sheet or other financial statements.

Glossary

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 are restricted or committed to finance particular activities other than capital projects or debt service and not held in trust for other individuals or entities.

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 Local Control Funding Formula and certain other special-purpose apportionments. Apportionments are made by the State Controller and are based on certifications from the California 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.

Glossary

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* and *Interfund transfers*.)

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.

Glossary

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.

Unearned revenue. A liability for resources received prior to revenue recognition.

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 that 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.

Workstation. Computer, personal computers, or work areas assigned for data processing purposes.