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Revisions to the California School Accounting Manual (CSAM):

Fifty-Three Procedures and Appendices

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Procedure 101 Governmental Accounting

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

Generally Accepted Accounting Principles

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

The Governmental Accounting Standards Board (GASB) is the standard-setting body for accounting and financial reporting by state and local governments, including local educational agencies (LEAs). The hierarchy of authoritative GAAP for governments is as follows:

- GASB Statements of Governmental Accounting Standards.
- GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants (AICPA) that is cleared by the GASB.

In cases for which no authoritative GAAP described above is applicable, other nonauthoritative sources of GAAP include: GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board; AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles. In the hierarchy of GAAP, these nonauthoritative sources rank below the authoritative sources described above.

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

Governmental Accounting Principles

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

- Governments receive significant amounts of their resources from taxes, a process in which there is normally no direct relationship between the amount a taxpayer pays and the services that taxpayer receives, or from transfers from other levels of government, with no expectation of repayment or of economic benefit proportionate to the resources

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provided. By contrast, private-sector companies derive most of their revenues through essentially voluntary payments from customers in approximate proportion to the amount of goods or services the customer receives.

- The primary objective of most governmental activities is service to the public, not profit. The primary objective of private-sector companies is maximization of profits for owners or shareholders.
- Governments have a duty to demonstrate that they have complied with budgetary and other legal restrictions on the use of their resources. This duty is referred to as *fiscal accountability*.

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

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

These characteristics are discussed further in this and subsequent procedures.

Measurement Focus

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

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

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

Basis of Accounting

Basis of accounting refers to the timing of when transactions and events are recognized in the accounting records and reported in the financial statements. The different bases include:

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

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

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

Revenue Recognition

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

Generally, *available* is defined as collectible within 45, 60, or 90 days. However, to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined *available* for LEAs as collectible within one year. (The unique circumstances giving rise to this guidance are discussed in Procedure 510, Recognition of Common Revenue Sources.)

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

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

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

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

- *Derived tax revenue* results from assessments imposed by governments on exchange transactions. Examples include sales tax or income tax. Derived tax revenues are

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recognized in the period when the underlying exchange transaction occurs and the resources are available. Typically, LEAs do not assess taxes or directly receive derived tax revenues.

- *Imposed nonexchange revenue* results from assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples include ad valorem property taxes and fines. Generally, in modified accrual accounting, property tax revenues are recognized in the period for which they are assessed and become available. However, California’s unique “Local Control Funding Formula (LCFF)” entitlement formula for LEAs, in which property taxes are only a part, necessitates an exception to this rule. (See Procedure 510 for a discussion of the recognition of property taxes by California LEAs.)
- *Government-mandated nonexchange revenue* results from a government at one level providing resources to a government at another level, requiring the recipient to use the resources for a specific purpose. An example is the state apportionment for providing required educational services. Under modified accrual, government-mandated nonexchange revenue is recognized when all applicable eligibility requirements have been met and the resources are available.
- *Voluntary nonexchange revenue* results from legislative or contractual agreements, other than exchange transactions, entered into willingly by two or more parties. Examples are donations, grants, or entitlements entered into by an LEA through an application process. Under modified accrual accounting, voluntary nonexchange revenue is recognized when all applicable eligibility requirements have been met and the resources are available.

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

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

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

Financial Reporting

Traditionally, governmental financial reporting has focused on governmental fund financial statements, prepared on the modified accrual basis of accounting for governmental activities and the accrual basis of accounting for business-type activities. GASB Statement 34, *Basic Financial*

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Statements—and Management’s Discussion and Analysis—for State and Local Governments, established a governmental financial reporting model that integrates the traditional fund statements with an additional set of consolidated government-wide financial statements prepared on the accrual basis of accounting.

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

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

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

GASB Statement 103, *Financial Reporting Model Improvements*, effective for fiscal year 2025–26, improves key components of the financial reporting model from GASB 34 and requires governments to present budgetary comparison information using a single method of communication—RSI for the general fund and each major special revenue fund. Governments are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant differences is required to be presented in notes to RSI.

MD&A should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions, and should be written in a manner that can be understood by users who may not have a detailed understanding of governmental accounting and financial reporting. MD&A should discuss current-year balances and results of operations in comparison with the prior year, with emphasis on the current year. The use of charts, graphs, and tables is encouraged to enhance understanding of the information. The MD&A should be confined to five topics:

- (1) Overview of the Financial Statements
- (2) Financial Summary
- (3) Detailed Analysis
- (4) Significant Capital Asset and Long-Term Financing Activity
- (5) Currently Known Facts, Decisions, or Conditions

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Information that does not relate to the above five required topics should not be included in MD&A, but may be provided elsewhere, such as in the letter of transmittal or in other forms of supplementary information.

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

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

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Procedure 105 Fund Accounting

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

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

Definition and Purpose of Funds

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

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

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

Categories and Types of Funds

The following table shows the three categories of funds defined by GAAP, the 11 types of funds within those three categories, and the measurement focus and basis of accounting used in each.

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

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

Procedure 105 Fund Accounting

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

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

Of the 11 fund types defined by GAAP, five are governmental:

1. The *general fund* is the main operating fund of the LEA. It is used to account for all activities not accounted for in another fund. In keeping with the number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.
2. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than debt service or capital projects, and that compose a substantial portion of the inflows of the fund. Examples include the Cafeteria Special Revenue Fund and the Child Development Fund. (See "Restricted Programs and Activities Within the General Fund" later in this procedure.) The specific restricted or committed revenue sources should be expected to continue to be a substantial portion of the inflows of the fund. 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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3. *Capital projects funds* are used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets that are not financed by proprietary funds or trust funds. An LEA's use of a capital projects fund does not mean that the LEA should account for all capital acquisition in that fund; routine purchases of capitalizable items are typically reported in the general fund. A capital projects fund should be used only for major capital acquisition or construction activities that would distort trend data if not reported separately from an LEA's operating activities. Examples are the Building Fund and the County School Facilities Fund.
4. *Debt service funds* are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term debt. Debt service funds should be used when financial resources are being accumulated for principal and interest payments maturing in future years or when required by law. An example is the Bond Interest and Redemption Fund.
5. *Permanent funds* are used to report resources for which a formal trust agreement exists and that are restricted to the extent that the earnings, but not the principal, may be used for purposes that support the LEA's own programs.

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

Two of the 11 fund types defined by GAAP are proprietary:

1. *Enterprise funds* may be used to account for activities for which fees are charged to external users for goods or services. An enterprise fund must be used for any activity for which issued debt is backed solely by fees and charges and for any activity for which there is a legal requirement or a policy decision that the cost of providing services, including capital costs such as depreciation or debt service, be recovered through fees or charges. In practice, enterprise funds are sometimes used to account for activities that are only partially funded through user fees and charges, to highlight the costs of the services provided by the activity and to highlight the portion of costs borne by taxpayers. Examples are the Cafeteria Enterprise Fund and the Charter Schools Enterprise Fund.
2. *Internal service funds* are used to account for goods or services provided on a cost-reimbursement basis to other funds or departments within the LEA and, occasionally, to other agencies. If other agencies are involved, the use of an internal service fund is appropriate only if the LEA is the predominant participant; otherwise, an enterprise fund should be used. The goal of an internal service fund is to measure and recover the full cost of providing goods or services through user fees or charges, normally on a break-even basis, including the cost of capital assets used in providing the service. Examples are the Self-Insurance Fund and the Warehouse Revolving Fund.

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

Four of the 11 fund types defined by GAAP are fiduciary:

1. *Pension (and other employee benefit) trust funds* are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. An example is the Retiree Benefit Fund.
2. *Investment trust funds* are used by governmental agencies such as the county treasurer to report external investment pools of mingled resources. LEAs do not use investment trust funds.
3. *Private-purpose trust funds* are used to report formal trust arrangements under which the principal and interest benefit other individuals, private organizations, or other governments. An example is the Foundation Private-Purpose Trust Fund.
4. *Custodial funds* are used to account for fiduciary activities not required to be reported in pension (and other employee benefit) trust funds or private-purpose trust funds, such as the receipt and remittance of fiduciary resources to individuals or other governments on a purely cash conduit basis. Examples are the Warrant/Pass-Through Fund and the Student Body Fund.

Restricted Programs and Activities Within the General Fund

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

Restricted programs or activities are those funded from revenue sources subject to constraints imposed by external resource providers or by law through constitutional provisions or enabling legislation. Unrestricted revenues are those funds whose uses are not subject to external or legal constraints and may be used for any purposes not prohibited by law. Programs funded by a combination of restricted and unrestricted sources, where the contribution of unrestricted resources is required as a condition of funding or is necessary to operate the program, are accounted for and reported as *restricted*.

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Funds or activities that are not subject to external or legal constraints, 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 revenue received from external sources to determine whether legally enforceable restrictions apply for purposes of accounting for the revenues as restricted or unrestricted.

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Procedure 201 Books of Accounts

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

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

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

Chart of Accounts

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

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

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

Double-Entry Accounting

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

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

1. Assets and deferred outflows of resources are increased by debits and decreased by credits.
2. Liabilities, deferred inflows of resources, and fund balance are increased by credits and decreased by debits.
3. Revenues are increased by credits and decreased by debits.
4. Expenditures (or expenses) are increased by debits and decreased by credits.

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

Journals

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

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

Recording (or entering) accounting transactions in journals is also referred to as *journalizing*. Before making a journal entry, one must first determine which accounts are affected by the transaction as well as which will be debited and which will be credited and for how much.

General Ledger

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

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

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

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Subsidiary Ledgers

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

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

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

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

Control Accounts in the Chart of Accounts

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

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

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

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

The total revenue received by the LEA at any given time will be shown in the control account, and the breakdown of this total revenue, by *source*, will be shown in the subsidiary revenue ledger. The balance in the subsidiary revenue ledger (credit) must agree with the balance in the revenue control account (credit). A complete list of revenue accounts, by source, is shown in Procedure 330. If a revenue control account is not used, the revenue accounts, by source, will be used in place of control account 9840 (Revenue) in the general ledger.

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

Computerized Systems

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

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

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.

Procedure 205 The Accounting Cycle

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:

Procedure 205 The Accounting Cycle

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

Procedure 205 The Accounting Cycle

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.

Procedure 205 The Accounting Cycle

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/Unrestricted Net Position	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.			

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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/Unrestricted Net Position	9790		xxxx
	To close the revenue and expenditure accounts.			

Note that the Unassigned/Unappropriated/Unrestricted Net Position 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 210 Budgetary Accounting

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

Budgetary Accounts and Integration

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

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

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

Budgetary accounts have two purposes:

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

Each budgetary account is supported by a subsidiary ledger and controlled at a level specified by legal requirements to allow comparisons with actual results of financial operations. At the end of the fiscal year, budgetary accounts are closed by reversing the entries made at the beginning of the fiscal year.

Comparison of Actual Results with the Legally Adopted Budget

Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments, changed the way budget information is reported in the year-end audited financial statements. Previously, governments reported only the final budget along with the actual results of financial operations.

Procedure 210 Budgetary Accounting

Under GASB Statement 34, the budgetary comparison must include the original budget, the final budget, and the actual results of financial operations for the general and major special revenue funds.

GASB Statement 103, Financial Reporting Model Improvements, effective for fiscal year 2025–26, adds to GASB Statement 34 by requiring the presentation of budgetary comparison information in a single method of communication—required supplementary information (RSI). Budgetary comparison schedules should be presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget. Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results are required to be presented. An explanation of significant variations between original and final budget amounts and final budget amount and actual results also is required to be presented in the notes to RSI.

Basis of Budgeting and GAAP Reporting

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

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

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

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

Procedure 210 Budgetary Accounting

Recording Budgeted Revenues

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

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

Estimated Revenue

8010–8099	LCFF Sources	Amount
8011	LCFF State Aid—Current Year	\$475,000
8041	Secured Roll Taxes	350,000
8042	Unsecured Roll Taxes	50,000
	Total LCFF Sources	\$875,000
8100–8299	Federal Revenue	Amount
8110	Maintenance and Operations (PL 81-874)	25,000
8290	All Other Federal Revenue	5,000
	Total Federal Revenue	\$30,000
8300–8599	Other State Revenue	Amount
8311	Other State Apportionments—Current Year	20,000
8560	State Lottery Revenue	25,000
	Total Other State Revenue	\$45,000
8600–8799	Other Local Revenue	Amount
8799	Other Transfers In from All Others	50,000
	Total Other Local Revenue	\$50,000
	Total Estimated Revenue	\$1,000,000

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

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

Procedure 210 Budgetary Accounting

J2

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Estimated Revenue	9810	\$1,000,000	
	Unassigned/Unappropriated/Unrestricted Net Position	9790		\$1,000,000

Subsidiary Revenue Ledger

Object Code	Object Title	Budgeted Amounts
8011	LCFF State Aid—Current Year	\$475,000
8041	Secured Roll Taxes	350,000
8042	Unsecured Roll Taxes	50,000
8110	Maintenance and Operations (Public Law 81-874)	25,000
8290	All Other Federal Revenue	5,000
8311	Other State Apportionments—Current Year	20,000
8560	State Lottery Revenue	25,000
8799	Other Transfers In from All Others	50,000
	Total	\$1,000,000
To record estimated revenue as contained in the adopted budget.		

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

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

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

Account 9810 – Estimated Revenue

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

Procedure 210 Budgetary Accounting

Account 9790 – Unassigned/Unappropriated Fund Balance

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

Posting the Subsidiary Ledger. The subsidiary revenue ledger is posted from the detailed breakdown shown in the journal entry. Each account is posted to show the amounts carried in the journal entry in the “Estimated Revenue” and “Estimated to Be Received” columns.

Revenue Ledger: Account 8041 – Secured Roll Taxes

Date	Ref #	Estimated Revenue	Amounts Received	Total Received to Date	Estimated to Be Received
7-1-xx	J2	\$350,000			\$350,000

Each revenue subsidiary ledger account is similarly posted.

Recording Budgeted Expenditures

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

1000–1999	Certificated Personnel Salaries	Amount
1100	Certificated Teachers’ Salaries	\$300,000
1200	Certificated Pupil Support Salaries	50,000
1300	Certificated Supervisors’ and Administrators’ Salaries	150,000
1900	Other Certificated Salaries	25,000
	Total Certificated Personnel Salaries	\$525,000
2000–2999	Classified Personnel Salaries	Amount
2100	Classified Instructional Salaries	\$125,000
2200	Classified Support Salaries	15,000
2300	Classified Supervisors’ and Administrators’ Salaries	10,000
2400	Clerical, Technical, and Office Staff Salaries	5,000
2900	Other Classified Salaries	20,000
	Total Classified Personnel Salaries	\$175,000

Procedure 210 Budgetary Accounting

3000–3999	Employee Benefits	Amount
3101	State Teachers’ Retirement System, certificated positions	\$25,000
3201	Public Employees’ Retirement System, certificated positions	15,000
3301	OASDI/Medicare/Alternative, certificated positions	10,000
3401	Health & Welfare Benefits, certificated positions	30,000
3501	State Unemployment Insurance, certificated positions	5,000
3601	Workers’ Compensation Insurance, certificated positions	10,000
3901	Other Benefits, certificated positions	5,000
	Total Employee Benefits	\$100,000
4000–4999	Books and Supplies	Amount
4100	Approved Textbooks and Core Curricula Materials	\$5,000
4200	Books and Other Reference Materials	3,500
4300	Materials and Supplies	500
4400	Noncapitalized Equipment	1,000
	Total Books and Supplies	\$10,000
5000–5999	Services and Other Operating Expenditures	Amount
5200	Travel and Conferences	\$300
5300	Dues and Memberships	200
5400	Insurance	10,000
5500	Operations and Housekeeping Services	5,000
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements	4,500
5800	Professional/Consulting Services and Operating Expenditures	5,000
	Total Services and Other Operating Expenditures	\$25,000
6000–6999	Capital Outlay	Amount
6100	Land	\$25,000
6200	Buildings and Improvements of Buildings	22,500
6300	Books & Media for New/Major Expansion of School Libraries	1,500
6400	Equipment	21,000
6600	Lease Assets	2,000
6700	Subscription Assets	3,000
	Total Capital Outlay	\$75,000
7000–7499	Other Outgo	Amount
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools	\$40,000
	Total Other Outgo	\$40,000

Procedure 210 Budgetary Accounting

Total Budgeted Expenditures \$950,000

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

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

Preparing the Journal Entry. Total budgeted expenditures of \$950,000 represent the total appropriation allotted for programs. In the SACS, the goal and function codes provide a classification of expenditure usage, and the object provides a classification of expenditure type. The journal entry is shown in the following example:

J3

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Unassigned/Unappropriated/Unrestricted Net Position	9790	\$950,000	
	Appropriations	9820		\$950,000

Procedure 210 Budgetary Accounting

Subsidiary Appropriation Ledger

Object Code	Object Title	Amount
1100	Certificated Teachers' Salaries	\$300,000
1200	Certificated Pupil Support Salaries	50,000
1300	Certificated Supervisors' and Administrators' Salaries	150,000
1900	Other Certificated Salaries	25,000
2100	Classified Instructional Salaries	125,000
2200	Classified Support Salaries	15,000
2300	Classified Supervisors' and Administrators' Salaries	10,000
2400	Clerical, Technical, and Office Staff Salaries	5,000
2900	Other Classified Salaries	20,000
3101	State Teachers' Retirement System, certificated positions	25,000
3201	Public Employees' Retirement System, certificated positions	15,000
3301	OASDI/Medicare/Alternative, certificated positions	10,000
3401	Health & Welfare Benefits, certificated positions	30,000
3501	State Unemployment Insurance, certificated positions	5,000
3601	Workers' Compensation Insurance, certificated positions	10,000
3901	Other Benefits, certificated positions	5,000
4100	Approved Textbooks and Core Curricular Materials	5,000
4200	Books and Reference Materials	3,500
4300	Materials and Supplies	500
4400	Noncapitalized Equipment	1,000
5200	Travel and Conferences	300
5300	Dues and Memberships	200
5400	Insurance	10,000
5500	Operations and Housekeeping Services	5,000
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements	4,500
5800	Professional/Consulting Services and Operating Expenditures	5,000
6100	Land	25,000
6200	Buildings and Improvements of Buildings	22,500
6300	Books and Media for New School Libraries or Major Expansion of School Libraries	1,500
6400	Equipment	21,000
6600	Lease Assets	2,000
6700	Subscription Assets	3,000
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools	40,000
	Total	\$950,000
To record estimated expenditures as contained in the adopted budget.		

Procedure 210 Budgetary Accounting

The journal entry for appropriations is similar to the one that records estimated revenue except that the total appropriations are debited to the fund balance account (9790) instead of being credited. The total appropriations for all accounts in the subsidiary appropriation ledger must agree with the balance in the general ledger control account, Appropriations (9820).

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

Account 9790 – Unassigned/Unappropriated/Unrestricted Net Position

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

Account 9820 – Appropriations

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

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

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

Appropriation Ledger: Account 1100 – Certificated Teachers’ Salaries

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

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

Procedure 210 Budgetary Accounting

Recording Budgeted Components of Fund Balance

In governmental funds, the difference between assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. Fund balance is divided into five classifications: nonspendable, restricted, committed, assigned, and unassigned. The separation of fund balance into these components is important to LEAs because it provides information on the funds available to cover unanticipated expenditures.

Nonspendable fund balance (objects 9710–9719) is the portion that is not available for expenditure because it is not in spendable form or is legally or contractually required to remain intact. For example, Stores, Prepaid Expenditures, and Revolving Cash are not available for spending, so the portion of fund balance represented by these items must be classified as nonspendable.

Restricted fund balance (objects 9730–9749) is the portion that is subject to externally imposed or legally enforceable constraints by external resource providers or through constitutional provisions or enabling legislation.

Committed fund balance (objects 9750–9769) is the portion in which the use is constrained by limitations imposed by the LEA through formal action of its highest level of decision-making authority. It would include amounts set aside pursuant to an economic stabilization arrangement only if the arrangement were more formal than the reserve for economic uncertainties recommended by the Criteria and Standards for Fiscal Solvency.

Assigned fund balance (objects 9770–9788) is the portion intended to be used for specific purposes but for which the constraints do not meet the criteria to be reported as restricted or committed.

Unassigned fund balance (9789–9790) is the portion not classified as nonspendable, restricted, committed, or assigned in the general fund. It includes the amount identified by the governing board as reserved for economic uncertainties, pursuant to the Criteria and Standards for Fiscal Solvency, which is recorded using Object 9789.

Refer to Procedure 330 for more detailed definitions of the ending fund balance object codes.

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

Procedure 210 Budgetary Accounting

J4

Date	Object Title	Object Code	Debit	Credit
7-1-xx	Unassigned/Unappropriated/Unrestricted Net Position	9790	\$59,400.00	
	Nonspendable Stores	9712		\$9,400.00
	Reserve for Economic Uncertainties	9789		\$50,000.00
To record Nonspendable Stores and Reserve for Economic Uncertainties, as contained in the adopted budget.				

The journal entry is then posted to the general ledger.

Account 9790 – Unassigned/Unappropriated/Unrestricted Net Position

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

Account 9712 – Nonspendable Stores

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

Account 9789 – Reserve for Economic Uncertainties

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

Checking the Trial Balance

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

Procedure 210 Budgetary Accounting

Object Title	Object Code	Debit	Credit
Cash in County Treasury	9110	\$100,000	
Accounts Payable (Current Liabilities)	9500		\$7,018
Nonspendable Stores	9712		9,400
Reserve for Economic Uncertainties	9789		50,000
Unassigned/Unappropriated/Unrestricted Net Position	9790		83,582
Estimated Revenue	9810	1,000,000	
Appropriations	9820		950,000
Totals		\$1,100,000	\$1,100,000

Recording Encumbrances

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

Encumbrances for Purchases

A purchase generally involves the following steps:

1. Initiation of a purchase requisition. The purchase requisition is the internal document authorizing the issuance of a purchase order for the desired goods or services. The purchase requisition is generally approved by a budget manager or administrator responsible for budgets and becomes the basis for the generation of a purchase order, a legal contract with the vendor for goods or services. Generally, no accounting transaction is recorded for purchase requisitions in the general or subsidiary ledgers unless a pre-encumbrance system is used.
2. Issuance of a purchase order. If funds are available and the requisition is for an appropriate expenditure, the LEA issues a purchase order to the selected vendor. Upon issuance of a purchase order, an accounting transaction is recorded, debiting the Encumbrances account (9830) and crediting the Reserve for Encumbrances account (9720) for the amount authorized in the purchase order.
3. Receipt of the goods or services. An invoice may accompany the product or may be sent separately. Generally, no accounting transaction is recorded at this point.
4. Payment of the invoice. An accounting transaction is recorded whereby the original encumbrance entry is reversed, the expenditure account is debited, and the cash account is credited.

A sample purchase order is shown as follows:

Procedure 210 Budgetary Accounting

Purchase Order No. 2

To: Student Supply Company	Date: July 1, 20xx
From: _____ Deliver to: 100 Main Street	Ordered by School District: _____ School District Appropriation Ledger Account 4300

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

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

Purchase Order Encumbrance Summary – July 20xx

Vendor's Name	Appropriation Account Number	Date	Purchase Order Number	Amount of Encumbrance
J. Computer Company	4400	7-1-xx	1	\$810.00
Student Supply Company	4300	7-1-xx	2	990.00
Total				\$1,800.00

The following journal entry records the encumbrance information:

J7

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

Procedure 210 Budgetary Accounting

Subsidiary Appropriation Ledger

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

To record purchase order encumbrances for July, 20xx.

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

Appropriation Ledger: Account 4300 – Materials and Supplies

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

Encumbrance Adjustments—Purchases

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

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

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

J25

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

Procedure 210 Budgetary Accounting

Subsidiary Appropriation Ledger

Object Code	Object Title	Amount
4100	Approved Textbooks and Core Curricula Materials	\$350.00
4300	Materials and Supplies	475.00
4400	Noncapitalized Equipment	810.00
5500	Operations and Housekeeping Services	1,300.00
6200	Buildings and Improvements of Buildings	2,500.00
	Total	\$5,435.00
To record encumbrance cancellations (other than salaries) for the month of August.		

California School District Warrant Register Number 1 – Date: August 31, 20xx

Warrant Number	Vendor	Expenditure Classification	Amount
1.	Aldrich & Aldrich	4300	\$48.06
2.	American Book Company	4100	350.00
3.	Best Music Company	4300	210.00
4.	E.P. Finigan Company	6200	2,500.00
5.	Pacific Gas & Electric Company	5500	700.00
6.	Pacific Bell	5500	600.00
7.	Taylor’s School Supplies	4300	216.94
8.	J. Computer Company	4400	810.00
	Total		\$5,435.00
Expenditure Classification Summary			
Object Code	Object Title	Amount	
4100	Approved Textbooks and Core Curricula Materials	\$350.00	
4300	Materials and Supplies	475.00	
4400	Noncapitalized Equipment	810.00	
5500	Operations and Housekeeping Services	1,300.00	
6200	Buildings and Improvements of Buildings	2,500.00	
	Total		\$5,435.00

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

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

Procedure 210 Budgetary Accounting

Appropriation Ledger: Account 4400 – Noncapitalized Equipment

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

Encumbrances for Salaries and Benefits

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

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

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

J12

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

Subsidiary Appropriation Ledger

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

J13

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

Procedure 210 Budgetary Accounting

Subsidiary Appropriation Ledger

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

J14

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

Subsidiary Appropriation Ledger

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

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

Account 9830 – Encumbrances

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

Account 9720 – Reserve for Encumbrances

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

Procedure 210 Budgetary Accounting

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

Appropriation Ledger: Account 1100 – Certificated Teachers' Salaries

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

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

Encumbrance Adjustments—Salaries

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

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

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

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

Procedure 210 Budgetary Accounting

J18

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

Subsidiary Appropriation Ledger

Object Code	Object Title	Amount
1100	Certificated Teachers' Salaries	\$36,000
1200	Certificated Pupil Support Salaries	4,166
	Total	\$40,166
To record salary encumbrance liquidations and adjustments for the month of July.		

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

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

Appropriation Ledger: Account 1100 – Certificated Teachers' Salaries

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

Appropriation Ledger: Account 1200 – Certificated Pupil Support Salaries

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

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

Procedure 210 Budgetary Accounting

Recording Adjustments to the Budget

Adjustments to Estimated Revenues

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

Date	Object Title	Object Code	Debit	Credit
5-31-xx	Estimated Revenue	9810	\$1,100.00	
	Unassigned/Unappropriated/Unrestricted Net Position	9790		\$1,100.00

Subsidiary Revenue Ledger

Object Code	Object Title	Amount
8311	Other State Apportionments—Current Year	\$1,100.00
	To record revised estimate of Adults in Correctional Facilities.	

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

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

Date	Object Title	Object Code	Debit	Credit
5-31-xx	Unassigned/Unappropriated/Unrestricted Net Position	9790	\$1,100.00	
	Estimated Revenue	9810		\$1,100.00

Subsidiary Revenue Ledger

Object Code	Object Title	Amount
8311	Other State Apportionments—Current Year	\$1,100.00
	To record revised estimate of Adults in Correctional Facilities.	

Procedure 210 Budgetary Accounting

Adjustments to Appropriations

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

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

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

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

Subsidiary Appropriation Ledger

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

Procedure 210 Budgetary Accounting

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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.

Procedure 215 Audit Adjustments

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.)

Procedure 215 Audit Adjustments

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, 20xx

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

Dr/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

<p>Audit Adjustments (made to the audited financial statements after the books for the audit year have been closed)</p>	<p>Processed Transactions (made in the current fiscal year)*</p>	<p>Entries Needed in the LEA's Books (made in the current fiscal year)</p>
<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 style="text-align: center;">– 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

<p>Audit Adjustments (made to the audited financial statements after the books for the audit year have been closed)</p>	<p>Processed Transactions (made in the current fiscal year)*</p>	<p>Entries Needed in the LEA's Books (made in the current fiscal year)</p>
<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 style="text-align: center;">–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

<p>Audit Adjustments (made to the audited financial statements after the books for the audit year have been closed)</p>	<p>Processed Transactions (made in the current fiscal year)*</p>	<p>Entries Needed in the LEA's Books (made in the current fiscal year)</p>
<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 style="text-align: center;">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 style="text-align: center;">–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.

- 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 _____	_____

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Procedure 215 Audit Adjustments

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Procedure 301 Overview of the Standardized Account Code Structure

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

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

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

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

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

Procedure 301 Overview of the Standardized Account Code Structure

SACS Fields

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

Field #	SACS Field	Number of Digits
1.	Fund	2 Digits
2.	Resource	4 Digits
3.	Project Year	1 Digit
4.	Goal	4 Digits
5.	Function (Activity)	4 Digits
6.	Object	4 Digits
7.	<i>School (A three-digit school field is required, but its use is optional.)</i>	<i>3 Digits</i>

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

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

The SACS fields are described as follows:

Fund (2 digits)

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

Resource (Project/Reporting) (4 digits)

- Tracks those activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.
- Includes Resource 0000 for accounting activities funded with revenues that are unrestricted.
- Applies to revenue, expenditure, and balance sheet accounts.

Procedure 301 Overview of the Standardized Account Code Structure

Project Year (1 digit)

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

Goal (4 digits)

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

Function (Activity) (4 digits)

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

Object (4 digits)

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

Procedure 301 Overview of the Standardized Account Code Structure

School (3 digits)

- Designates a specific, physical school structure or group of structures that form a campus under a principal's responsibility for which a unique set of test scores is reported and that is identified as such in the California School Directory at <https://www.cde.ca.gov/SchoolDirectory>.
- Applies to expenditure accounts but is optional for revenue and balance sheet accounts.

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

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

Optional and Locally Defined Codes

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

Optional codes are reported to the California Department of Education (CDE).

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

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

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

Reporting Data to the State

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

Procedure 301 Overview of the Standardized Account Code Structure

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

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

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

Code	Description
8100	Plant Maintenance and Operations (<i>required minimum level of detail</i>)
8110	Maintenance (<i>optional code in Procedure 325</i>)
8120	Repairs, Vandalism (<i>locally defined code</i>)
8200	Operations (<i>optional code in Procedure 325</i>)

In this example, in addition to a required code (8100), the LEA used the more detailed optional codes (8110 and 8200) defined in Procedure 325, as well as a locally defined code (8120). For transmission of data to CDE, the transactions in codes 8100, 8110 and 8200 must be reported (in those codes) to CDE; the latter two codes are reported because, though optional, they are specifically identified in SACS. However, Function 8120, which is a locally defined code, must be rolled up by the LEA to Function 8110 (or 8100) since any locally defined codes must roll up to the standardized codes designated by CDE. This method of reporting enables CDE to combine the accounts to a level that allows for statewide comparisons of districts whether or not they are using any of the optional or locally defined codes.

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

Standardized Account Code Structure Layout

Fund	Resource (Project/Reporting)	Project Year	Goal	Function (Activity)	Object	School (Use optional)
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

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

Procedure 301 Overview of the Standardized Account Code Structure

Use of the Standardized Account Code Structure

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

Revenue Accounts

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

Expenditure Accounts

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

Balance Sheet Accounts

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

Procedure 305 Fund Classification

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

How the Fund Field Is Used

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

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

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

Flexibility of the Fund Field

LEAs are required to code their transactions to at least the minimum fund level required by the California Department of Education (CDE). However, LEAs may also use more detailed CDE-defined optional fund codes (if available, they would be 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

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.
08–20	Special Revenue Funds
08	Student Activity Special Revenue Fund
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	Custodial Funds
76	Warrant/Pass-Through Fund
95	Student Body Fund

Procedure 305 Fund Classification

Fund Code Definitions

Code	Definition
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01–60	GOVERNMENTAL FUNDS
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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.

08–20	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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08	Student Activity Special Revenue Fund. This fund may be used to account for associated student body (ASB) activities that do not meet the fiduciary activity criteria pursuant to Governmental Accounting Standards Board (GASB) Statement 84, thus are governmental activities.
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The use of this fund is not required. LEAs may use Fund 08 or Fund 01 to account for nonfiduciary ASB activities, as well as Fund 09 and Fund 62 when those funds are used to report charter school activities.

Procedure 305 Fund Classification

Code	Definition
	<p>ASB activities that meet the fiduciary activity criteria pursuant to GASB Statement 84 are accounted for in Fund 95, Student Body Fund.</p> <p>Resource 8210, Student Activity Funds, must be used to report ASB activities accounted for in Fund 01, Fund 08, Fund 09, or Fund 62.</p>
09	<p>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.</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 a custodial fund (see Procedure 750).</p> <p>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.</p> <p>For charter schools operated as or by not-for-profit public benefit corporations, see Fund 62 for additional information.</p> <p>The principal revenues in this fund are:</p> <ul style="list-style-type: none">• Local Control Funding Formula (LCFF) Sources• Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes• Lottery• Interest• All Other Local Revenue <p>See Procedure 810 for further information on charter school reporting.</p>
10	<p>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.</p>

Procedure 305 Fund Classification

Code	Definition
	<p>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.</p>
	<p>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.</p>
	<p>See Procedure 755 for appropriate recording of transactions in this fund.</p>
11	<p>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.</p>
	<p>The principal revenues in this fund are:</p>
	<ul style="list-style-type: none">• 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
	<p>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 for specifically designated pupils shall not be expended for adult education (<i>Education Code</i> sections 52616 and 52501.5).</p>
	<p>Expenditures in this fund may be made only for direct instructional costs and direct support costs, and indirect costs as specified in <i>Education Code</i> Section 52616.4.</p>
	<p>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.</p>

Procedure 305 Fund Classification

Code	Definition
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
- 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 Early Education 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 8271).

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 (<i>Education Code</i> sections 38090 and 38093).
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The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- Child Nutrition Programs (State)
- Food Service Sales
- Interest
- All Other Local Revenue

Procedure 305 Fund Classification

Code **Definition**

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:

- 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 that are restricted or committed specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students.

Typical expenditures in this fund are items charged to Object 4400, Noncapitalized Equipment; Object 6400, Equipment; and Object 6500, Equipment Replacement.

Procedure 305 Fund Classification

Code	Definition
16	<p>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 (<i>Education Code</i> Section 2300; <i>Government Code</i> Section 29484).</p> <p>See Procedure 620 for appropriate recording of transactions in this fund.</p>
17	<p>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 (<i>Education Code</i> 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 (<i>Education Code</i> Section 42842).</p> <p>Although this fund is authorized by statute, it does not meet the generally accepted accounting principles (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.</p>
18	<p>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 (<i>Education Code</i> 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.</p> <p>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 <i>Education Code</i> 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 <i>Education Code</i> Section 17922.</p>
19	<p>Foundation Special Revenue Fund. This fund is used to account for resources received from gifts or bequests pursuant to <i>Education Code</i> 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</p>

Procedure 305 Fund Classification

Code	Definition
	<p>donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund.</p> <p>Amounts in the Foundation Special Revenue Fund (Fund 19) shall be expended only for the specific purposes of the gift or bequest (<i>Education Code</i> Section 41032).</p>
20	<p>Special Reserve Fund for Postemployment Benefits. This fund may be used pursuant to <i>Education Code</i> 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 (<i>Education Code</i> Section 42842).</p> <p>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.</p> <p>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.</p> <p>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.</p>
21–50	<p>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).</p> <p>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.</p>

Procedure 305 Fund Classification

Code	Definition
21	<p>Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (<i>Education Code</i> 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 (<i>Education Code</i> Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (<i>Education Code</i> Section 41003).</p>

The principal revenues and other sources in this fund are:

- Rentals and Leases
- Interest
- Proceeds from the Sale of Bonds
- Proceeds from the Sale/Lease–Purchase of Land and Buildings

Expenditures in Fund 21, Building Fund, are most commonly made against the 6000 object codes for capital outlay. Another example of an authorized expenditure in Fund 21 is repayment of State School Building Aid out of proceeds from the sale of bonds (*Education Code* Section 16058).

25	<p>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 (<i>Education Code</i> sections 17620–17626 and <i>Government Code</i> Section 65995 et seq.). The authority for these levies may also be county or city ordinances (<i>Government Code</i> 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 (<i>Government Code</i> Section 66006).</p>
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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).

Procedure 305 Fund Classification

Code	Definition
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 (<i>Education Code</i> Section 17000 et seq.). The LEA may be required to transfer to this fund any available moneys from other funds as the LEA’s contribution to a particular project.

The principal revenues and other sources in this fund are:

- Interest
- Interfund Transfers In
- School Facilities Apportionments

Typical expenditures in this fund are items charged to Object 6200, Buildings and 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 <i>Education Code</i> 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 (<i>Education Code</i> Section 17070.10 et seq.).
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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
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Procedure 305 Fund Classification

Code Definition

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
- 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, Other Transfers In From All Others.

Procedure 305 Fund Classification

Code	Definition
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 (<i>Education Code</i> 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. 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: <ul style="list-style-type: none">• 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 (<i>Education Code</i> 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 (<i>Government Code</i> 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

Procedure 305 Fund Classification

Code	Definition
	“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.

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

Procedure 305 Fund Classification

Code	Definition
56	<p>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.</p> <p>The principal financing source in this fund is Other Authorized Interfund Transfers In.</p> <p>Expenditures are most commonly made in the 7400 object codes for debt service.</p>
57–60	<p>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.</p>
57	<p>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.</p> <p>Amounts in Fund 57, Foundation Permanent Fund, shall be expended only for the specific purposes of the gift or bequest (<i>Education Code</i> Section 41032).</p>
61–70	<p>PROPRIETARY FUNDS</p>
61–65	<p>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:</p> <ol style="list-style-type: none">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. <p>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</p>

Procedure 305 Fund Classification

Code	Definition
	<p>than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded.</p> <p>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.</p> <p>Generally, use Goal 0000, Undistributed, with an enterprise fund.</p>
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>

Procedure 305 Fund Classification

Code	Definition
	<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 a custodial 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>
66–70	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>For more information on internal service funds, see Procedure 775.</p>
66	<p>Warehouse Revolving Fund. This fund is used primarily to maintain budget control and stock accounting of merchandise for an LEA's use (<i>Education Code</i> Section 42830). The Warehouse Revolving Fund (Fund 66) is reimbursed from various funds of the LEA for amounts consumed by these user funds.</p>
	<p>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 (<i>Education Code</i> Section 42832).</p>
	<p>See Procedure 775 for appropriate recording of transactions in this fund.</p>

Procedure 305 Fund Classification

Code **Definition**

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

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 custodial 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.

Procedure 305 Fund Classification

Code	Definition
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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 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).

Procedure 305 Fund Classification

Code	Definition
76–95	Custodial Funds. Custodial funds are used to account for fiduciary activities not required to be reported in pension (and other employee benefit) trust funds or private-purpose trust funds, such as the receipt and remittance of fiduciary resources to individuals or other governments on a purely cash conduit basis.
76	Warrant/Pass-Through Fund. This fund exists primarily to account separately for amounts held on behalf of other LEA’s employees for federal taxes, state taxes, transfers to credit unions, and other contributions. Such amounts collected from the LEA’s own employees are liabilities of the LEA and not held in a fiduciary capacity. 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. It is recommended that two custodial funds be used at a local level: one for clearing payroll withholdings and another for the pass-through of resources.
95	Student Body Fund. In the LEA financial reports, because Fund 95 is a custodial fund, it mainly consists of accounts representing resource additions and deductions, cash, liabilities, and restricted fiduciary net position. 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 (<i>Education Code</i> 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 (<i>Education Code</i> Section 48938). Disbursements from the student body’s bank account may be made for merchandise, student body activities, food, hospitality, and student awards (<i>California Code of Regulations, Title 5, Education</i> , 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., Every Student Succeeds Act (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 (e.g., Object 8290, All Other Federal Revenue)

Procedure 310 Resource (Project/Reporting) Classification

For example:

Resource	Object
3010 – ESSA Title I, Part A, Basic Grants Low-Income and Neglected	8290 – All Other Federal Revenue

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 –Child Nutrition Programs (Federal)
	8520 –Child Nutrition (State)
	8634 –Food Service Sales (Local)

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.

Procedure 310 Resource (Project/Reporting) Classification

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

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

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

Table of Resource Codes

The Table of Resource Codes contains the resources in numerical order with the most commonly associated revenue object codes, their number from the *Catalog of Federal Domestic Assistance (CFDA)*, and a 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 <https://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 "(24-25)" in the *California School Accounting Manual* indicates that the last year funding was available for this resource was fiscal year 2024–25. 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, with few exceptions, 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

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would remain in the matrix for fiscal years 2025–26, 2026–27, and 2027–28 to allow for expenditure of carryover balances.

Flexibility of the Resource Field

LEAs are required to code their transactions to at least the minimum resource level required by CDE. However, LEAs may also use more detailed CDE-defined optional resource codes (indicated by italics in the resource code listing). LEAs may create locally defined resource codes but only within the specific ranges shown on page 310-4. 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
4510–4530	Indian Education: Locally Defined
	Child Care and Development Programs
5160–5199	Administered by California Department of Social Services (Federal Funds): Locally Defined
5210–5240	Head Start Program: Locally Defined
5800–5999	Other Restricted Federal: Locally Defined
	Child Care and Development Programs
6160–6199	Administered by California Department of Social Services (State Funds): Locally Defined
7701–7799	State School Facilities Funds
7800–7999	Other Restricted State: Locally Defined
8201–8299	Student Activity Funds: 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

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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.

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 8260 8290 8311 8550 8590 8699	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
2000–9999	RESTRICTED RESOURCES	N/A	N/A	N/A
2600	Expanded Learning Opportunities Program	8590	F	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
3025	ESSA: Title I, Part D, Local Delinquent Programs	8290	U	84.010

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3040	ESSA: Title I, Part C, Migrant Ed Mini Corps Project (Regular and Summer)	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 Education (MESRP)	8990	U	84.011
3150	ESSA: Title 1, Part A, Schoolwide Programs (SWP)	8990	U	84.010
3155	ESSA: Consolidated Administrative Funds	N/A	N/A	N/A
3182	ESSA: School Improvement Funding for LEAs	8290	U	84.010
3183	ESSA: School Improvement Funding for COEs	8290	U	84.010
3211	ESSER – California Community School Partnership Program	8290	U	84.425
3212	Elementary and Secondary School Emergency Relief II (ESSER II) Fund	8290	U	84.425
3213	Elementary and Secondary School Emergency Relief III (ESSER III) Fund	8290	U	84.425
3214	Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	8290	U	84.425U
3216	Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	8290	U	84.425D
3217	Expanded Learning Opportunities (ELO) Grant: GEER II	8290	U	84.425C
3218	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	8290	U	84.425U
3219	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	8290	U	84.425U
3225	After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Summer Learning Programs	8290	U	84.425

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3226	After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Afterschool Programs	8290	U	84.425
3227	21st Century Community Learning Centers (CCLC) Rate Increase: ESSER III State Reserve Afterschool Programs	8290	U	84.425
3228	21st Century Community Learning Centers (CCLC): ESSER III State Reserve Summer Learning Programs	8290	U	84.425
3305	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	8182	U	84.027
3306	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Private School Individual Service Plans (ISPs)	8182	U	84.027
3307	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Coordinated Early Intervening Services	8990	U	84.027
3308	Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	8182	U	84.173
3309	Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants Coordinated Early Intervening Services	8990	U	84.173
3310	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	8181	U	84.027
3311	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	8181	U	84.027
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	84.173A
3317	Special Ed: IDEA Preschool Grants, Part B, Sec 619, Private School ISPs	8990	U	84.173A
3318	Special Ed: IDEA Part B, Sec 619 Preschool Grants Early Intervening Services	8990	U	84.173

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3326	Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619	8182	U	84.173A
3327	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	8287	U	84.027A
3345	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	8182	U	84.173A
3372	Special Ed: State Improvement Grant, Improving Special Ed Systems	8182	U	84.323
3384	Special Ed: ARP IDEA Part C, Early Education Program	8182	U	84.181X
3385	Special Ed: IDEA Early Intervention Grants	8182 8590	U	84.181
3386	Special Ed: IDEA Quality Assurance & Focused Monitoring	8182	U	84.027A
3395	Special Ed: Alternative Dispute Resolution	8182	U	84.027A
3410	Department of Rehab: Workability II, Transition Partnership	8290	U	84.126
3515	Strengthening Career and Technical Education for the 21st Century (Perkins V): State Leadership, Section 124	8290	U	84.048
3540	Strengthening Career and Technical Education for the 21st Century (Perkins V): State Institutions, Section 112	8290	U	84.048
3550	Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131	8290	U	84.048
3555	Strengthening Career and Technical Education for the 21st Century (Perkins V): Adult, Section 132	8290	U	84.048
3724	Advancing Wellness & Resilience in Education (NITT-AWARE) Program	8290	U	93.243
3900–3999	Adult Education	N/A	N/A	N/A
3905	Adult Education: Adult Basic Education, English Language Acquisition, and English Literacy and Civics Education	8290	U	84.002A
3909	Adult Education: State Leadership Projects	8290	U	84.002

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
3913	Adult Education: Adult Secondary Education	8290	U	84.002
3926	Adult Education: Integrated English Literacy and Civics Education	8290	U	84.002A
3940	Adult Education: Institutionalized Adults	8290	U	84.002
4035	ESSA: Title II, Part A, Supporting Effective Instruction	8290	U	84.367
4037	ESSA: Title II, Part A, 21st Century California School Leadership Academy	8290	U	84.367
4038	ESSA: Title II, Comprehensive Literacy State Development (CLSD) Grant	8290	U	84.371
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 Grants	8290	U	84.424
4128	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program (Competitive) (23–24)	8290	U	84.424
4129	Bipartisan Safer Communities Act-Stronger Connections Grant (BSCA-SCG)	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
4510–4530	Indian Education: Locally Defined These optional codes may be used at the LEA level to track federal Indian Education revenues not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 4510.	N/A	N/A	N/A
4510	Indian Education	8290	U	84.060
4600–4699	Charter Schools	N/A	N/A	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
4610	ESSA: Title IV, Part C, Public Charter Schools Grants	8290	U	84.282
5000–5199	Early Education Programs	N/A	N/A	N/A
5025	Early Education: Federal Child Care, Center-based	8290	U	93.575 93.596
5026	Early Education: Federal Family Child Care Homes	8290	U	93.596
5032	Early Education: Early Learning and Care Workforce Development Grant (Federal Funds) (23–24)	8290	U	93.575
5033	Early Education: Preschool Development Grant – Renewal FY 2020–23	8290	U	93.434
5035	Early Education: Quality Improvement Activities	8290	U	93.575
5050	Early Education: Federal Alternative Payment	8290	U	93.575 93.596
5055	Early Education: Local Planning Councils	8290	U	93.575 93.596
5058	Early Education: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	8290	F	93.575
5059	Early Education: ARP California State Preschool Program One-time Stipend	8290	F	93.575
5061	Early Education: Federal Alternative Payment, Stage 2	8290	U	93.575 93.596
5062	Early Education: Federal Alternative Payment, Stage 3	8290	U	93.575 93.596
5066	Early Education: ARP California State Preschool Program - Rate Supplements	8290	F	93.575
5067	Early Education: ARP California State Preschool Program - Rate Reform	8290	U	93.575
5095	Early Education: Infant/Toddler Child Care Resource Contracts	8290	U	93.575

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
5160-5199	Child Care and Development Programs Administered by California Department of Social Services (Federal Funds): Locally Defined These optional codes may be used at the LEA level to track federal child care and development programs administered by the Department of Social Services. When reporting data to CDE, LEAs must roll up these resources to Resource 5160.	N/A	N/A	N/A
5160	Child Care and Development Programs Administered by California Department of Social Services (Federal Funds)	8290	U/F	N/A
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
5245	Early Head Start-Child Care Partnership	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
5316	Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	8220	F	84.425
5320	Child Nutrition: Child Care Food Program (CCFP) Claims-Centers and Family Day Care Homes (Meal Reimbursements)	8220	F	10.558
5330	Child Nutrition: Summer Food Service Program Operations	8220	F	10.559
5335	Child Nutrition: Summer Food Service Sponsor Administration	8220	F	10.559

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
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
5460	Child Nutrition: CACFP COVID-19 Emergency Operational Costs Reimbursement (ECR)	8220	F	10.558
5465	Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	8220	F	10.555
5466	Child Nutrition: Supply Chain Assistance (SCA) Funds	8220	F	10.555
5467	Child Nutrition: Local Food for Schools	8220	U	10.555
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
5632	American Rescue Plan-Homeless Children and Youth (ARP - Homeless I)	8290	U	84.425
5633	American Rescue Plan - Homeless Children and Youth-Statewide Activities	8290	U	84.425
5634	American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	8290	U	84.425
5650	FEMA Public Assistance Funds	8281	F	97.036
5652	FEMA Hazard Mitigation Grant	8281	U	97.039
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

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
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 (22–23)	8590	U	N/A
6015	Adults in Correctional Facilities	8311	F	N/A
6018	Student Support and Enrichment Block Grant	8590	F	N/A
6030	Charter School Facility Grant Program	8590	U	N/A
6040	Early Education: State Alternative Payment	8590	U	N/A
6041	Early Education: State Alternative Payment, Stage 2	8590	U	N/A
6042	Early Education: State Alternative Payment, Stage 3	8590	U	N/A
6045	Early Education: State Local Planning Councils	8590	U	N/A
6052	Early Education: Prekindergarten and Family Literacy, Program Support	8590	U	N/A
6053	Early Education: Universal Prekindergarten (UPK) Planning and Implementation Grant Program - Universal Prekindergarten Planning Grants	8590	U	N/A
6054	Early Education: Universal Prekindergarten (UPK) Planning & Implementation Grant Program - Early Education Teacher Development Grant	8590	U	N/A
6057	Early Education: Universal Prekindergarten (UPK) Planning & Implementation Grant - Countywide Planning and Capacity Building Grant	8590	F	N/A
6060	Early Education: State General Child Care, Center-based	8530	U	N/A
6065	Early Education: Migrant Day Care Centers	8530	U	N/A
6070	Early Education: Migrant Special Services	8530	U	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
6075	Early Education: State Family Child Care Homes	8590	U	N/A
6100	Early Education: California Child Care Initiative Project	8590	U	N/A
6102	Early Education: Universal PreKindergarten Mixed Delivery Planning Grant	8590	U	N/A
6105	Early Education: California State Preschool Program	8590	U	N/A
6106	Early Education: Preschool Development Grant - Renewal FY 2021–23 (General Funds)	8590	U	N/A
6108	Early Education: SB 89 COVID-19 Early Learning and Care (ELC) Response Funds (23–24)	8590	U	N/A
6110	Early Education: Resource & Referral	8590	U	N/A
6121	Early Education: Early Learning and Care Workforce Development Grant (General Funds) (23–24)	8590	U	N/A
6123	Early Education: Quality Improvement Activities	8590	U	N/A
6126	Early Education: California Transitional Kindergarten Stipend (CTKS) Incentive Program (23–24)	8590	U	N/A
6127	Early Education: California State Preschool Program QRIS Block Grant RFA	8590	U	N/A
6128	Early Education: Inclusive Early Education Expansion Grant	8590	U	N/A
6129	Early Education: Center-Based Reserve Account for Department of Social Services Programs	8990	F	N/A
6130	Early Education: Center-Based Reserve Account	8990	F	N/A
6131	Early Education: Resource & Referral Reserve Account for Department of Social Services Programs	8990	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
6132	Early Education: Alternative Payment Reserve Account for Department of Social Services Programs	8990	F	N/A
6140	Early Education: Child Care Facilities Revolving Fund	8979	F	N/A
6145	Early Education: Facilities Renovation and Repair	8590 8979	U F	N/A
6160-6199	Child Care and Development Programs Administered by California Department of Social Services (State Funds): Locally Defined These optional codes may be used at the LEA level to track state child care and development programs administered by the Department of Social Services. When reporting data to CDE, LEAs must roll up these resources to Resource 6160.	N/A	N/A	N/A
6160	Child Care and Development Programs Administered by California Department of Social Services (State Funds)	8590	U/F	N/A
6211	Literacy Coaches and Reading Specialists Grant Program	8590	F	N/A
6230	California Clean Energy Jobs Act (23–24)	8590	F	N/A
6266	Educator Effectiveness, FY 2021–22	8590	F	N/A
6271	National Board for Professional Teaching Standards Certification Incentive Program	8590	U	N/A
6300	Lottery: Instructional Materials	8560	F	N/A
6317	California Equity Performance and Improvement Grant	8590	F	N/A
6318	Antibias Education Grant	8590	F	N/A
6331	CA Community Schools Partnership Act - Planning Grant	8590	F	N/A
6332	CA Community Schools Partnership Act - Implementation Grant	8590	F	N/A
6333	CA Community Schools Partnership Act - Coordination Grant	8590	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
6334	CA Community Schools Partnership Act - Technical Assistance Center Contracts	8590	U	N/A
6355	Direct Support Professional Training Program	8590	F	N/A
6360	Pupils with Disabilities Attending ROC/P	8990	U	N/A
6371	CalWORKs for ROCP or Adult Education	8590	F	N/A
6378	California Health Science Capacity Building Project (23–24)	8590	U	N/A
6383	Golden State Pathways Program	8590	F	N/A
6385	Governor’s CTE Initiative: California Partnership Academies	8590	U	N/A
6386	California Partnership Academies: Green Technology Partnership Academies	8590	U	N/A
6387	Career Technical Education Incentive Grant Program	8590	U	N/A
6388	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	F	N/A
6510	Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	8311	F	N/A
6512	Special Ed: Mental Health Services (23–24)	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
6536	Special Ed: Dispute Prevention and Dispute Resolution	8590	F	N/A
6537	Special Ed: Learning Recovery Support	8590	F	N/A
6540	Special Ed: State Staff Development	8590	U	N/A
6545	SELPA Systems Improvement Leads	8590	U	N/A
6546	Mental Health-Related Services	8590	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
6547	Special Education Early Intervention Preschool Grant	8590	F	N/A
6620	Reversing Opioid Overdoses	8590	F	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
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
6762	Arts, Music, and Instructional Materials Discretionary Block Grant	8590	F	N/A
6770	Arts and Music in Schools (AMS)-Funding Guarantee and Accountability Act (Prop 28)	8590	F	N/A
7010	Agricultural Career Technical Education Incentive	8590	U	N/A
7024	California-grown Fresh School Meals Grant	8520	U	N/A
7027	Child Nutrition: COVID State Supplemental Meal Reimbursement	8520	F	N/A
7028	Child Nutrition: Kitchen Infrastructure Upgrade Funds	8520	F	N/A
7029	Child Nutrition: Food Service Staff Training Funds	8520	F	N/A
7032	Child Nutrition: Kitchen Infrastructure and Training Funds - 2022 KIT Funds	8520	F	N/A
7033	Child Nutrition: School Food Best Practices Apportionment	8520	F	N/A
7034	Child Nutrition: Commercial Dishwasher Grant	8520	F	N/A
7085	Learning Communities for School Success Program	8590	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
7121	Distance Learning California Advanced Services Fund (23–24)	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	California 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 (23–24)	8590	F	N/A
7339	Dual Enrollment Opportunities	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
7368	Direct Services for Foster Youth	8590	U	N/A
7370	Supplementary Programs: Specialized Secondary	8590	U	N/A
7388	SB 117 COVID-19 LEA Response Funds	8590	F	N/A
7399	LCFF Equity Multiplier	8590	F	N/A
7410	Student Friendly Services	8590	F	N/A
7411	Online Education Resources (Student Friendly Services)	8590	F	N/A
7412	A-G Access/Success Grant	8590	F	N/A
7413	A-G Learning Loss Mitigation Grant	8590	F	N/A
7415	Classified School Employee Summer Assistance Program	8590	F	N/A
7422	In-Person Instruction (IPI) Grant (23–24)	8590	U	N/A
7425	Expanded Learning Opportunities (ELO) Grant (23–24)	8590	F	N/A

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Resource Code	Resource Description	Revenue Object	U/F	CFDA
7426	Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff (23–24)	8590	F	N/A
7428	County Safe Schools for All (23-24)	8590	F	N/A
7435	Learning Recovery Emergency Block Grant	8590	F	N/A
7505	Geographic Lead Agency System	8590	U	N/A
7510	Low-Performing Student Block Grant (23–24)	8590	F	N/A
7690	STRS On-Behalf Pension Contributions	8590	U	N/A
7700	California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program	8590	F	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
8201–8299	Student Activity Funds: Locally Defined These optional codes may be used at the LEA level to track student activity revenue funds not defined elsewhere. When reporting to CDE, LEAs must roll up these resources to Resource 8210.	N/A	N/A	N/A

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
8210	Student Activity Funds	8639 8689 8699	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

All resource codes listed in the following table are obsolete and are no longer valid SACS account codes. The resource codes listed below were not included in the last edition (2019) and are being included in this edition for historical purposes only.

Resource Code	Resource Description	Revenue Object	U/F	CFDA
3210	Elementary and Secondary School Emergency Relief (ESSER) Fund (obsolete)	8290	F	84.425D
3215	Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation (obsolete)	8290	F	84.425C
3220	Coronavirus Relief Fund (CRF): Learning Loss Mitigation (obsolete)	8290	U	21.019
5052	Child Development: CARES Act Federal Alternative Payment (Contract Prefix CAPP) (obsolete)	8290	U	93.575
5053	Child Dev: CARES Act Federal Alternative Payment, Stage 2 (Contract Prefix C2AP) (obsolete)	8290	U	93.575
5054	Child Development: CARES Act Federal Alternative Payment, Stage 3 (Contract Prefix C3AP) (obsolete)	8290	U	93.575

Procedure 310 Resource (Project/Reporting) Classification

Resource Code	Resource Description	Revenue Object	U/F	CFDA
5056	Child Dev: CARES Act General Child Care and Development (Contract Prefix CCTR) (obsolete)	8290	U	93.575
5057	Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- Alternative Payment Programs and Migrant Day Care (obsolete)	8290	U	93.575
7420	State Learning Loss Mitigation Funds (obsolete)	8590	F	N/A
7430	COVID Mitigation for Counties (obsolete)	8590	F	N/A
7431	COVID-19 Supplemental Funding for ROCPs (obsolete)	8590	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 2025 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 2024–25 fiscal year of July through June will contain three months of expenditures for that grant for the project year that ends September 30, 2024, and nine months of expenditures for that same grant for the project year that begins October 1, 2024, and will end September 30, 2025. 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
5	2024–25
6	2025–26
7	2026–27
8	2027–28
9	2028–29
0	2029–30
1	2030–31
2	2031–32
3	2032–33
4	2033–34

Note that a project year code of zero (“0”) represents a project year ending in zero (2030, 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 2029 and again with a “0” for activities of the project beginning in October 2029 and ending in September 2030. 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 2030 and again with a “1” for activities of the project beginning in October 2030 and ending in September 2031.

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, 2028. 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 2029 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 2028.

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

Procedure 315 Project Year Classification

grant funds from one year that the LEA is allowed to carry over and spend in the following year. 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.

Procedure 315 Project Year Classification

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Procedure 320 Goal Classification

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

How the Goal Field Is Used

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

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

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

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

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

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

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

- Typically used with Function 5000, Community Services.
- May be used with Function 3600, Pupil Transportation, and Function 3700, Food Services, if the expenditures can be directly identified and supported with a goal.

Undistributed Goal (Goal 0000):

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

Procedure 320 Goal Classification

of Direct Costs, and Object 5750, Transfers of Direct Costs—Interfund. For additional information, see Procedure 615.

Flexibility of the Goal Field

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

CDE has reserved three specific ranges of goals for use as locally defined codes:

- Goals 1130–1999, for local definition of regular TK/K–12 instruction. When reporting data to CDE, LEAs must roll up these goals to Goal 1110, Regular Education, TK/K–12.
- Goals 4130–4399, for local definition of regular adult education. When reporting data to CDE, LEAs must roll up these goals to Goal 4110, Regular Education, Adult.
- Goals 9000–9999, for reporting local goals not defined elsewhere. When reporting data to CDE, LEAs must roll up these goals to Goal 9000 – Other Local Goals.

Importance of the Goal Field in Program Cost Accounting

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

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

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

Procedure 320 Goal Classification

List of Goal Codes

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

Procedure 320 Goal Classification

Code	Title
5000–5999	Special Education
5001	Special Education—Unspecified
5050	Regionalized Services
5060	Regionalized Program Specialist
5710	Special Education, Infants
5730	Special Education, Preschool Students
5760	Special Education, Ages 5-22
6000–6999	Regional Occupational Center/Program (ROCP)
6000	Regional Occupational Center/Program (ROCP)
7000–9999	OTHER GOALS
7100–7199	Nonagency
7110	Nonagency—Educational
7150	Nonagency—Other
8100–8199	Community Services
8100	Community Services
8500–8599	Child Care and Development Services
8500	Child Care and Development Services
8600–8699	County Services to Districts
8600	County Services to Districts
9000–9999	Other Goals—Locally Defined
9000	Other Local Goals

Procedure 320 Goal Classification

Goal Code Definitions

Code	Definition
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0000	UNDISTRIBUTED
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Undistributed expenditures are expenditures other than those for instruction, ancillary services, and community service functions that are not directly assignable at the time of transaction to a specific goal.

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

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

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

0001–6999	INSTRUCTIONAL
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0001–0999	General Education, Pre-K
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Procedure 320 Goal Classification

Code	Definition
0001	<p>General Education, Pre-K. A group of activities and/or services that provides educational experiences for children during the year or years preceding transitional kindergarten (TK) or kindergarten that is part of a sequential program of an elementary school and is under the direction of a qualified teacher. The term <i>general</i> refers to basic skill areas that emphasize beginning literacy and numeracy. General Education, Pre-K, does not include special education.</p> <p>This goal would include those child development programs that require teachers to possess a children’s center instructional permit.</p> <p>Local child care programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges are typically accounted for in an enterprise fund.</p>
1000–3999	<p>General Education, TK/K–12. A group of activities and/or services that provides students in transitional kindergarten or kindergarten through grade twelve (TK/K–12) with learning experiences that prepare them for roles as citizens, family members, and employable workers. The term <i>general</i> refers to basic skill areas that emphasize literacy, numeracy, and knowledge in languages, mathematics, sciences, history and related social studies, arts, and other subject areas, including career technical education.</p>
1110	<p>Regular Education, TK/K–12. Educational programs that are designed to serve the vast majority of the public school student population in traditional settings. This goal should generally not be used by county offices of education except for a county-operated TK/K–12 charter school or a county-operated non-Pre-K child development program that requires teachers to possess a children’s center instructional permit.</p>
1130–1999	<p>Other TK/K–12 Subject Matter and Other TK/K–12 Tracking—Locally defined. LEAs may use these codes to locally track regular TK/K–12 education expenditures by subject matter. They may include languages, mathematics, sciences, history and related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 1110.</p>
2000–2999	<p>Reserved for Future State Definition for Other Subject Matter and Other Tracking</p>

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Code	Definition
3100	Alternative Schools. A school or separate class group established in a school district or county office of education that is operated to (a) maximize the opportunity for students to develop self-reliance, initiative, kindness, spontaneity, resourcefulness, courage, creativity, and joy; (b) recognize that the best learning takes place when the student learns because of his or her desire to learn; (c) maintain a learning situation maximizing student self-motivation and encouraging the student in his or her own time to follow his or her own interests; (d) maximize the opportunity for teachers, parents, and students to cooperatively develop the learning process and its subject matter; and (e) maximize the opportunity for the students, teachers, and parents to continually react to the changing world (<i>Education Code</i> Section 58500).
3200	Continuation Schools. Schools and classes established by high school and unified school districts to provide all of the following: (a) an opportunity for pupils to complete the academic courses of instruction to graduate from high school; (b) a program of instruction that emphasizes occupational orientation or a work-study schedule and offers intense guidance services to meet the special needs of pupils; and (c) a program designed to meet the educational needs of each pupil, including, but not limited to, independent study, regional occupational programs, work study, career counseling, and job placement services as a supplement to classroom instruction (<i>Education Code</i> Section 48430).
3300	Independent Study Centers. Study centers conducting activities undertaken by school districts pursuant to <i>Education Code</i> sections 46300(e) and 51745–51749.6 to provide certain students with the option of schooling apart from classrooms. For reporting purposes, include in this goal only those activities that provide full-time education pursuant to a written agreement, as required by statutes and regulations, as an alternative to daily attendance in a classroom. Do not include students participating in limited periods of full-time independent study because of illness, family vacation, and so on.
3400	Opportunity Schools. Alternative school, class, or program placements that may be provided by school districts or county boards of education for pupils who demonstrate irregular attendance, are at risk of being habitually truant, or are in danger of becoming insubordinate or disorderly during their attendance. The intent is to provide instruction to resolve the problems so that the students may maintain themselves in regular classes or return to regular classes or regular schools as soon as practicable (<i>Education Code</i> sections 48640 and 48641).

Procedure 320 Goal Classification

Code	Definition
3500	County Community Schools (COEs only). Schools established by a county board of education and administered by the county superintendent for (a) pupils who have been expelled from a school district; (b) pupils who have been referred to county community schools by a school district on the recommendation of a school attendance review board; (c) pupils who are probation-referred pursuant to the <i>Welfare and Institutions Code</i> or are on probation or parole and not in attendance in any school or expelled; and (d) pupils whose school districts of attendance have, at the request of the pupils' parents or guardians, approved the pupils' enrollment in a county community school or pupils who do not have a school district of residence (<i>Education Code</i> Section 1981).
3550	Community Day Schools (School Districts only). Schools established by a governing board of a school district for students who (a) have been expelled for any reason; (b) are on probation pursuant to the <i>Welfare and Institutions Code</i> ; or (c) are referred by a School Attendance Review Board (SARB) or any other attendance review board (<i>Education Code</i> sections 48660–48666).
3600	Juvenile Courts. Public schools in juvenile halls, juvenile homes, day centers, juvenile ranches, camps, and so forth provided by the county board of education or by contract with the governing board of the local school district (<i>Education Code</i> Section 48645-48650).
3700	Specialized Secondary Programs. Secondary schools established to provide advanced instruction and training in high-technology fields and in the performing arts. These schools benefit the state economy by providing talented students with enhanced learning opportunities in high-technology fields and in the performing arts while the students are enrolled in schools that are in close proximity to where the industries are located (<i>Education Code</i> Section 58800-58806).
3800	Career Technical Education. Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare students for gainful employment. The Career Technical Education goal is used to track the costs of career technical education students and is not used for adult education, ROCP, or special education costs.

Procedure 320 Goal Classification

Code	Definition
4000–4749	General Education, Adult. Refers to a group of activities and/or services for adults who have not completed or have interrupted their formal schooling and have subsequently taken on adult roles and responsibilities. Programs in which adults develop knowledge and skills to meet their immediate and long-range educational objectives include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career or postsecondary education program; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; and enrich the aesthetic qualities of life. Adult basic education is included in these goals (<i>Education Code</i> sections 41976 and 52610).
4110	Regular Education, Adult. Educational programs that are designed to serve the vast majority of the adult student population in more traditional settings.
4130–4399	Other Subject Matter and Other Tracking, Adult—Locally defined. LEAs may use these codes to locally track regular adult education expenditures by subject matter. They may include languages, mathematics, sciences, history and related social studies, and arts. When reporting data to CDE, LEAs must roll up these goals to Goal 4110.
4610	Adult Independent Study Centers. Study centers providing adult education classes and courses through independent study for adult students.
4620	Adult Correctional Education. Classes established for prisoners in any county jail, county honor farm, county industrial farm, or county or joint-county road camp for the purpose of providing instruction in civic, literacy, health, homemaking, career technical, and general education (<i>Education Code</i> sections 1900 and 41841.5).
4630	Adult Career Technical Education. Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare adult students for gainful employment.
4750–4999	Supplemental Education, TK/K–12. A group of activities and/or services designed to meet the needs of students in areas other than the basic skill areas. Supplemental education does not include special education.
4760	Bilingual. Activities and/or services provided to students from homes where English is not the primary language.

Procedure 320 Goal Classification

Code	Definition
4850	Migrant Education. Activities and/or services provided for children under the age of eighteen of migrant agricultural workers and migratory fishermen whose situations require additional resources through regional coordinating offices (<i>Education Code</i> sections 54440–54445). This goal is used with the migrant education resources.
4900	Other Supplemental Education (COE only). Activities or programs offered by county offices of education to directly serve students who attend other schools and who are not students of the county office, such as Foster Youth Services or Tutors for Indian Education. This goal may be associated with Function 1000, Instruction, or Function 3110, Guidance and Counseling, for example. County offices of education use Goal 3100 when providing services to students in their own programs, or Goal 8600 when providing services such as nursing or psychological services directly to its small districts.
5000–5999	Special Education. Activities and/or services to students with exceptional needs who are assigned individualized education programs (IEPs). The activities and/or services in the IEPs are designed for students with exceptional mental or physical needs and incorporate distinctive techniques, materials, and arrangements to suit their learning needs. Psychologist services for assessment testing of students with an IEP are coded to goals 5000–5999, using Function 3120, Psychological Services.
5001	Special Education—Unspecified. This code is used to account for the costs of services that are not identified for a specific special education population or setting as listed below. Goal 5001 may not be used with the special education instruction functions. These costs must be directly charged to a definitive special education goal, such as Goal 5760, Special Education, Ages 5–22.
5050	Regionalized Services. Regionalized services to local special education programs include personnel development for staff, parents, and community; data collection; curriculum development; and provision for ongoing review of programs under the local plan (<i>Education Code</i> Section 56836.23).

Procedure 320 Goal Classification

Code	Definition
5060	Regionalized Program Specialist. A program specialist has a special credential and advanced training in special education to assist instructional staff, plan programs, and provide staff development in a specialized area (<i>Education Code</i> sections 56362 and 56368). If a program specialist is working in a specific special education setting, his or her cost should be charged to that goal. If a program specialist is working on a regionalized basis, his or her cost should be charged to Goal 5060.
5710	Special Education, Infants. Children who are younger than three years of age and are identified by the district, the special education local plan area, or the county office as requiring intensive special education and services as defined by the State Board of Education (<i>Education Code</i> Section 56026[c][1]).
5730	Special Education, Preschool Students. Children with exceptional needs between the ages of three and five years inclusive (<i>Education Code</i> Section 56440). A five-year-old who meets the eligibility criteria to be identified as a TK/kindergartner shall be included in Goal 5760 (<i>Education Code</i> Section 56441.1).
5760	Special Education, Ages 5–22. Students between the ages of five (who have been identified as TK/kindergartners) and eighteen years identified as requiring special education services and students between the ages of nineteen and twenty-one years, and certain students twenty-two years of age, who are enrolled in or eligible for a special education program prior to their nineteenth birthday and have not yet completed the prescribed course of study or who have not met proficiency standards or have not graduated from high school with a regular high school diploma (<i>Education Code</i> Section 56026). LEAs may use locally defined goals, including 5750 and 5770, to track severely disabled and non-severely disabled student expenditures but the goals codes will need to be rolled to Goal 5760 when reporting data to the CDE.
6000–6999	Regional Occupational Center/Program (ROCP)
6000	Regional Occupational Center/Program (ROCP). Refers to skill areas, such as agriculture, distributive education, health, home economics, industrial arts, technology, and trades designed to prepare students for gainful employment.

Procedure 320 Goal Classification

Code	Definition
7000–9999	OTHER GOALS
7100–7199	Nonagency
7110	Nonagency—Educational. Refers to activities conducted on behalf of another LEA by contract or agreement for which the other LEA retains the prime responsibility. LEAs are defined as all TK/K–12 public educational agencies, including charter schools. Such services may be instructional or supportive in nature. Use for costs of providing special education, transportation, cafeteria, or any other services to other LEAs where the other LEA retains primary responsibility for providing those services.
7150	Nonagency—Other. Refers to activities conducted on behalf of a non-LEA agency by contract or agreement for which the other agency retains the prime responsibility. Such services may be instructional or supportive in nature. Contracts for a non-LEA, such as a community college or a private school, would be coded to this goal.
8100–8199	Community Services
8100	Community Services. A group of activities and/or services not directly related to the educational purpose and goals of an LEA. These include services and activities as authorized by the Community Recreation Act (<i>Education Code</i> Section 10900 et seq.) and by the Civic Center Act (<i>Education Code</i> Section 38130 et seq.).
8500–8599	Child Care and Development Services
8500	Child Care and Development Services. A group of activities and/or services pertaining to the operation of programs for the care of children in residential day schools or child care and development programs that are not a part of, or directly related to, LEA instructional goals. Child care and development programs that require teachers to possess a children’s center instructional permit should be reported in an instructional goal, such as Goal 0001, General Education, Pre-K.

Procedure 320 Goal Classification

Code	Definition
8600–8699	County Services to Districts
8600	County Services to Districts (or other county offices). Activities performed by the county superintendent of schools in support of school districts or other offices of county superintendents of schools, including, but not limited to, the following: (a) coordination activities and professional services, such as supervision of instruction, health, guidance, special education, attendance, and school library services (<i>Education Code</i> Section 1700 et seq.); (b) financial services (<i>Education Code</i> Section 42100 et seq.); and (c) credential services (<i>Education Code</i> Section 44330). Pursuant to Procedure 905, county offices of education that have staff within the county office or county board of education performing similar support-type activities for their own LEA and for their school districts may charge the costs as follows: <ul style="list-style-type: none">• 50 percent to Goal 8600, County Services to Districts• 50 percent to Goal 0000, Undistributed (for general administrative support)
9000–9999	Other Goals—Locally Defined. These codes are used, at the option of the LEA, to track other local goals that are not defined elsewhere. CDE will consider these activities to be undistributed goal costs.
9000	Other Local Goals. Report local goals not defined elsewhere. These goals will be treated as Goal 0000, Undistributed, by the CDE financial reporting software and will be allocated among appropriate goals on the program cost report/allocation factor (PCR/PCRAF) worksheets.

Procedure 320 Goal Classification

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Procedure 325 **Function (Activity) Classification**

The function field represents a general operational area in a local educational agency (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	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, including technology-based materials and correspondence. Included here are the activities of aides or classroom assistance of any type (e.g., readers, teaching machines) that assist in the instructional process. Also included are noon-duty personnel. Expenditures for instructional technology, which include costs for computers, routers and servers, software licenses, communication lines, and computer maintenance, may be coded to Function 1000, Instruction, where they can be identified directly with the classroom. If a stipend is paid to a teacher for any noninstructional function, the stipend should be coded to the appropriate function. Expenditures for department chairpersons who teach part time should be prorated using the full-time-equivalent (FTE) ratio. Full-time department chairpersons’ expenditures should be included in Function 2700, School Administration. Instructional functions may not be used in capital projects funds.
1001–1099	Instruction for Other Than Special Education—Locally defined. LEAs may use these codes to locally track instruction expenditures other than for

Procedure 325 Function (Activity) Classification

Code	Definition
	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.

Function 1130 services include, but are not limited to, the following:

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Code	Definition
	<p>Special Education Instructional Aides. Teaching assistants necessary to allow a special education student to participate in a regular classroom.</p> <p>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.</p> <p>Braille Services. Transcription services to convert materials from print to braille. Transcription is for textbooks, tests, worksheets, or other instructional necessities.</p> <p>Assistive Technology. Devices that allow a student to participate in a regular classroom environment.</p> <p>Special Education Home and Hospital Instruction. Instructional services provided to students with special needs who are either homebound or in a hospital.</p>
1180	<p>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 (<i>Education Code</i> Section 56365).</p>
1190	<p>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 them benefit educationally from the regular instruction program are coded under the Pupil Services functions. The difference between types of services in an instructional function and a pupil services function sometimes may be difficult to distinguish. The main question to bear in mind is whether the student is receiving direct instruction or is being given a supplemental health or other professional service that facilitates instruction. For example, an adaptive physical education teacher provides an instructional service in which the main purpose of the class is to provide physical education. A nurse or dentist provides health care that enhances the physical condition of a</p>

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Code

Definition

student so that they are 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.

Education Technological Services. Any specialized training or technical support for the incorporation of assistive devices, adaptive

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Code

Definition

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 California Partnership Academies Program.

Salaries and associated costs of staff members who provide supplemental administrative services for a program above the general level provided by

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Code

Definition

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). Activities associated with directing, managing, and supervising instructional services.</i>
2120	<i>Instructional Research (Optional). Activities associated with assessing programs and instruction based on research.</i>
2130	<i>Curriculum Development (Optional). Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques to stimulate and motivate students.</i>
2140	<i>In-house Instructional Staff Development (Optional). Expenditures for staff or consultants to develop curriculum for the professional or occupational growth and competence of instructional staff members during the time of their service to the school system or school. These activities include guiding teachers in the use of instructional materials, administering sabbaticals, providing the environment for in-service</i>

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Code

Definition

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 their 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 purposes. These activities consist of selecting, preparing, caring for, and making available to members of the instructional staff audiovisual

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Code

Definition

equipment and material, education programs presented through television services, and technology-based 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 technology-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. Technology-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.

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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 their 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

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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 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

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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 their 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,

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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 are reported in Goal 5760, Special Education, Ages 5–22.

3700

Food Services. Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery.

Costs in this function include those for:

- Food service supervisors, managers, directors, and related staff, such as bookkeepers and clerks
- Cooks and helpers
- Food purchases
- Nonfood purchases (e.g., plates, silverware, napkins) essential to providing food services to students
- Commodities
- Food services laundry
- Purchase of vehicles and other transportation costs, including insurance for those vehicles, for the purpose of transporting food from central locations to satellite locations
- Acquisition and replacement of related equipment
- Repair and maintenance of equipment used in this function
- Snacks for kindergarten classes
- Food purchased for lunches not reimbursed through the School Lunch Program

Costs in this function exclude food purchases for meetings or workshops or to instruct students on food preparation. Function 6000, Enterprise, is used for a catering service. (See the examples in Procedure 635.)

Function 3700 is generally used with Goal 0000, Undistributed.

3900

Other Pupil Services. Other support services to students not classified elsewhere in the 3000 functions.

Procedure 325 Function (Activity) Classification

Code**Definition**

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.

4000–4999**ANCILLARY SERVICES**

4000

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

Generally used with goals 0001–6999.

4100

School-Sponsored Co-curricular (Optional). School-sponsored activities, under the guidance and supervision of LEA staff, designed to provide students 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.

4200

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

4900

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

5000–5999**COMMUNITY SERVICES**

5000

Community Services. Activities concerned with providing community services to community participants other than students. These include activities authorized by the Community Recreation Programs (*Education Code* Section 10900 et seq.) and by the Civic Center Act (*Education Code*

Procedure 325 Function (Activity) Classification

Code

Definition

Section 38130 et seq.). Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, or a community child care center for working parents. This function is also used for scholarship payments.

Costs in this function include paid overtime or extra time for custodial services performed entirely as a result of community services activities.

Used with Goal 8100, Community Service, and Goal 8500, Child Care and Development Services.

5100 **Community Recreation (Optional).** *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.*

5400 **Civic Services (Optional).** *Activities concerned with providing services to civic affairs or organizations. This function includes services to parent teacher association meetings, public forums, lectures, and civil defense planning.*

5900 **Other Community Services (Optional).** *Community services activities that cannot be classified under the preceding areas of responsibility. "Other" may include public library services and welfare activities.*

6000–6999 ENTERPRISE

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

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

It is generally used with Goal 0000, Undistributed

Procedure 325 Function (Activity) Classification

Code Definition

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).*
- *Services rendered in connection with any school system election, including elections of officers and bond elections*

7120 Staff Relations and Negotiations (Optional). *Incremental costs of activities, not including those of the board or superintendent or their immediate staff, concerned with staff relations systemwide and the*

Procedure 325 Function (Activity) Classification

Code	Definition
	<i>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).</i>
7150	<p>Superintendent (Optional). <i>Activities associated with the overall general administration of or executive responsibility for the entire LEA.</i></p> <p><i>Costs in this function include:</i></p> <ul style="list-style-type: none"> • <i>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</i> • <i>Personnel and materials in the office of the chief executive officer</i> • <i>Activities associated with community/public relations</i> • <i>Activities associated with developing and maintaining good relationships with state and federal officials</i> • <i>Activities associated with grant procurement</i>
7180	<p>Public Information (Optional). <i>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.</i></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 \$1,000,000 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>
7191	<p>External Financial Audit—Other. Annual independent financial audits conducted pursuant to <i>Education Code</i> Section 14503, where the LEA expends less than \$1,000,000 in federal funds and a single audit is not required.</p>
7200	<p>Other General Administration. Activities other than Board and Superintendent (functions 71xx) that manage the LEA as an overall entity.</p>

Procedure 325 **Function (Activity) Classification**

Code

Definition

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 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.

Procedure 325 Function (Activity) Classification

Code	Definition
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	<p><i>Fiscal Services (Optional).</i> 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.</p>
7310	<p><i>Budgeting (Optional).</i> Activities concerned with supervising budget planning, formulation, control, and analysis.</p>
7320	<p><i>Accounts Receivable (Optional).</i> Activities concerned with receiving money. They include the current audit of receipts.</p>
7330	<p><i>Accounts Payable (Optional).</i> 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.</p>
7340	<p><i>Payroll (Optional).</i> Activities concerned with periodically paying individuals entitled to remuneration for services rendered.</p>
7350	<p><i>Financial Accounting (Optional).</i> 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.</p>
7360	<p><i>Project-Specific Accounting (Optional).</i> Activities concerned with maintaining the records of financial operations and transactions of specific projects. Examples might include business office staff assigned to construction cost accounting or preparation of analyses or reports for specific project areas or activities. For resource-specific project activities, see Function 2100, Instructional</p>

Procedure 325 Function (Activity) Classification

Code	Definition
	<i>Supervision and Administration, and optional Function 2150, Instructional Administration of Special Projects.</i>
7370	Internal Auditing (Optional). <i>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.</i>
7380	Property Accounting (Optional). <i>Activities concerned with preparing and maintaining current inventory records of land, buildings, and equipment. These records are used in equipment control and facilities planning.</i>
7390	Other Fiscal Services (Optional). <i>Fiscal services that cannot be classified under the preceding functions.</i>
7400	Personnel/Human Resources Services (Optional). <i>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.</i>
7410	Staff Development (Optional). <i>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.</i>
7430	Credentials (Optional). <i>Activities related to credential services.</i>
7490	Other Personnel/Human Resources Services (Optional). <i>Personnel services that cannot be classified under the preceding functions.</i>
7500	Central Support (Optional). <i>Activities other than general administration that support the instructional and supporting services programs. These activities include planning, research, development, evaluations, purchasing, distribution, and warehousing services for the LEA.</i>

Procedure 325 Function (Activity) Classification

Code	Definition
7510	<p><i>Planning, Research, Development, and Evaluation (Optional).</i> 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.</p> <p>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.</p> <p>Research Services include activities concerned with the systematic study and investigation of the various aspects of education and undertaken to establish facts and principles.</p> <p>Development Services include activities in the deliberate, evolving process of improving educational programs, such as activities using the products of research.</p> <p>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.</p>
7530	<p><i>Purchasing (Optional).</i> Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations.</p>
7540	<p><i>Warehousing and Distribution (Optional).</i> Activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail.</p>
7550	<p><i>Printing, Publishing, and Duplicating (Optional).</i> 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 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,</p>

Procedure 325 Function (Activity) Classification

Code	Definition
	<i>Transfers of Direct Costs, or Object 5750, Transfers of Direct Costs—Interfund.</i>
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, networked, or stand-alone computers 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 computers that include student and general administrative software and serve multiple functions.
- Salaries and other expenditures (including hardware/software maintenance) for mainframe computers that include student and general administrative software and serve multiple functions.
- Management Information Systems (MIS) directors.

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

Procedure 325 Function (Activity) Classification

Code	Definition
	<p>Methods of determining the amount of instruction-related costs to transfer include work orders or a count of workstations.</p> <p>Costs in this function exclude:</p> <ul style="list-style-type: none">• 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 <p>Function 7700 is generally used with Goal 0000, Undistributed.</p>
8000–8999	<p>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.</p>
8100	<p>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.</p> <p>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.)</p> <p>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.</p>
8110	<p><i>Maintenance (Optional). Activities involved with repairing, restoring, or renovating school property, including grounds, buildings, site improvements, building fixtures, and service systems.</i></p> <p><i>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</i></p>

Procedure 325 Function (Activity) Classification

Code

Definition

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.*

8400

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

8500

Facilities Acquisition and Construction. *Activities concerned with capital projects, such as acquiring land and buildings, remodeling buildings,*

Procedure 325 **Function (Activity) Classification**

Code

Definition

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.

Facility costs that are not clearly identifiable to a capital project should not be charged to Function 8500. Facility planning or administration should be charged to Function 7200, Other General Administration, or to optional Function 7510, Planning, Research, Development, and Evaluation. Facility improvements that do not significantly extend the life or increase the value of a site or building or that do not meet the LEA's threshold for capitalization should be charged to Function 8100, Plant Maintenance and Operations.

Most commonly used with objects 6100–6300 but may also be used with objects 6400–6700 and with most objects in the 1000–5999 range.

Refer to Procedure 770, "Distinguishing Between Supplies and Equipment," for additional information on capitalization concepts.

8700

Facilities Rents and Leases. Activities concerned with acquiring facilities through short-term leases or rentals without the option to purchase. This function does not include lease payments. Lease payments are considered debt service and are charged to all other outgo.

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.

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.

Procedure 325 **Function (Activity) Classification**

Code	Definition
	<p>The lease payments would be charged as documented direct support costs to a special education goal.</p> <p>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.</p> <p>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.</p>
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, that is equal to or less than investment earnings on the proceeds. If costs exceed investment earnings, the excess costs are to be charged to Function 7200, Other General Administration. If long-term debt is issued at a discount, the discount should be recorded in this function with Object 7699, All Other Financing Uses.
9200	Transfers Between Agencies. These include outgoing tuitions and transfers of apportionments and resources. Transfers may be to other LEAs and to all other agencies.
9300	Interfund Transfers. Financial outflows to other funds of the LEA that are not classified as quasi-external transactions, reimbursements, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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

Local educational agencies (LEAs) are required to code their transactions to at least the minimum object level required by the California Department of Education (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)

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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
6600	Lease Assets
6700	Subscription Assets
6900	Depreciation Expense (for proprietary and fiduciary funds only)
6910	Amortization Expense—Lease Assets (for proprietary and fiduciary funds only)
6920	Amortization Expense—Subscription Assets (for proprietary and fiduciary funds only)

Procedure 330 Object Classification

Code	Title
7000–7499	Other Outgo
7100–7199	Tuition
7110	Tuition for Instruction Under Interdistrict Attendance Agreements
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs
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
7500	Funds Distributed to Others (for custodial funds only)

Procedure 330 Object Classification

Code	Title
7600–7699	Other Financing Uses
7600–7629	Interfund Transfers Out
7611	From General Fund to Child Development Fund
7612	Between General Fund and Special Reserve Fund
7613	To State School Building Fund/County School Facilities Fund from All Other Funds of the District
7614	From Bond Interest and Redemption Fund to General Fund
7615	From General, Special Reserve, and Building Funds to Deferred Maintenance Fund (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 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)

Procedure 330 Object Classification

Code	Title
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
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 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

Procedure 330 Object Classification

Code	Title
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
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

Procedure 330 Object Classification

Code	Title
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8690–8719	Other Local Revenue
8691	Plus: Miscellaneous Funds Non-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
8800	Funds Collected for Others (for custodial funds only)
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

Procedure 330 Object Classification

Code	Title
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 Leases
8973	Proceeds from Lease Revenue Bonds
8974	Proceeds from SBITAs
8979	All Other Financing Sources
8980–8999	Contributions
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
9380	Lease Receivable
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

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Code	Title
9440	Equipment
9445	Accumulated Depreciation—Equipment
9450	Work in Progress
9460	Lease Assets
9465	Accumulated Amortization—Lease Assets
9470	Subscription Assets
9475	Accumulated Amortization—Subscription Assets
9490–9499	Deferred Outflows of Resources
9490	Deferred Outflows of Resources
9500–9689	Liabilities
9500	Accounts Payable (Current Liabilities)
9501–9589	Accounts Payable—Locally Defined (When reporting to CDE, LEAs must roll up these objects to Object 9500.)
9590	Due to Grantor Governments
9610	Due to Other Funds
9620	Due to Student Groups/Other Agencies (for custodial funds only)
9640	Current Loans
9650	Unearned Revenue
9660–9669	Long-Term Liabilities (Not used in governmental funds)
9660	Subscription Liability
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	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)

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Code	Title
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)
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

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Code	Title
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
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

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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	Certificated Personnel Salaries. Certificated salaries are salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing. Salaries paid to an employee on leave of absence continue to be charged in the same manner and to the same account classification that was applicable while the employee was in active service of the LEA. For compensated time off, a substitute for a position recorded in objects 1000–1999 should be charged to the same goal and function as the absent employee. For other than compensated time off, such as release time for negotiations, the substitute should be charged to the applicable goal and function.

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1100

Certificated Teachers' Salaries. Record the full-time, part-time, and prorated portions of salaries for all certificated personnel employed to teach the pupils of the district or pupils in schools maintained by a county superintendent of schools. Include salaries for teachers of children in homes or hospitals, all special education resource specialists and teachers, substitute teachers, and instructional television teachers. Include salaries of teachers who provide instruction to students on a pullout basis.

The separate recording of teachers' salaries is required by *Education Code* Section 41011 and is limited to salaries of certificated employees paid to teach the pupils of the district or pupils in schools maintained by a county superintendent.

The following comments, interpretations, and definitions are included to guide school officials in determining whether the total salary or a portion of the salary would be charged to Object 1100.

The total salary is recorded in Object 1100 under the following conditions:

The teacher is an employee of the district or office of the county superintendent in a position requiring certification qualifications. The teacher's duties require him or her to teach pupils of the district for at least one full instructional period on each school day for which he or she is employed, and he or she is assigned no duties 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

Procedure 330 Object Classification

Code

Definition

connection with, or an extension of, classroom teaching as limited herein. The remaining portion is then charged to the object(s) in which expenditures for the other assignments are recorded. Some of the other assignments may pertain to work outside the field of teaching. If a teacher performs such assignments, it will be necessary to prorate a portion of the teacher's salary to classifications other than Object 1100.

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

Certificated:

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

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Code	Definition
1200	<p>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 (<i>Education Code</i> sections 44872–44879 and 49422–49427).</p>
1300	<p>Certificated Supervisors’ and Administrators’ Salaries. Record the full-time, part-time, and prorated portions of salaries of principals, vice principals, administrative deans in individual schools, and other personnel performing similar duties; certificated personnel engaged in instructional supervision, including general supervisors, coordinators, directors, consultants, and supervisors of special subjects or grades and their certificated assistants (whether or not they supervise staff); superintendents and/or deputy, associate, area, and assistant superintendents in districts and offices of county superintendents of schools (<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>

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Code	Definition
2000–2999	<p data-bbox="451 422 1406 636">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 data-bbox="451 674 1390 848">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 data-bbox="451 886 1406 1031">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 data-bbox="451 1077 1406 1325">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 noncertificated instructional personnel, such as classified coaches, tutors, and drug/alcohol program mentors.</p>

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Code	Definition
2200	<p data-bbox="451 422 1393 600">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="451 638 1409 705">Salaries for the instructional media and library function include the salaries of library and media aides.</p> <p data-bbox="451 743 1382 810">Salaries for the student support function include the salaries of counselor aides and health aides.</p> <p data-bbox="451 848 1377 989">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 1026 1419 1276">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 1314 1360 1381">Salaries for the maintenance function include the salaries of carpenters, painters, plumbers, electricians, and other similar positions.</p> <p data-bbox="451 1419 1419 1560">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 1608 1414 1890">Classified Supervisors' and Administrators' Salaries. Record the full-time, part-time, and prorated portions of salaries of supervisory personnel who are business managers, controllers, directors, chief accountants, accounting supervisors, purchasing agents, site administrators, assistant superintendents, and superintendents. Include stipends for governing board members and personnel commission members. (For assistant superintendents and superintendents, see <i>Education Code</i> sections 35028, 35029, 35030, 44065, 44066, and 44069.)</p>

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Code	Definition
2400	Clerical, Technical, and Office Staff Salaries. Record the full-time, part-time, and prorated portions of salaries paid to clerks, secretaries, accountants, bookkeepers, programmers and computer technical support, machine and computer operators, and others in similar positions.
2900	Other Classified Salaries. Record the full-time, part-time, and prorated portions of salaries not identifiable with objects 2100 through 2400 (e.g., noon supervision personnel, students employed for work experience, civic center aides, and building inspectors). Students employed as part of a work-study curriculum or job-training grant are coded to Function 1000, Instruction.
3000–3999	Employee Benefits. Record employers' contributions to retirement plans and health and welfare benefits, including cash in lieu of benefits, for employees, their dependents, retired employees, and board members. Benefits are separated into two categories. A code that ends in 1 indicates benefits paid for personnel in certificated positions, and a code that ends in 2 indicates those paid for personnel in classified positions. Except for allocated costs of postemployment benefits other than pensions (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.
3101–3102	State Teachers' Retirement System. Record expenditures to provide personnel with retirement benefits under the State Teachers' Retirement System (STRS). Beginning with fiscal year 2014–15, this includes the state's contribution on behalf of LEAs to STRS, which is reported in Resource 7690, On-Behalf Pension Contributions. 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.

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Code	Definition
3201–3202	Public Employees’ Retirement System. Record expenditures to provide personnel with retirement benefits under the Public Employees’ Retirement System (PERS). This also includes the state’s contribution on behalf of LEAs to PERS, which is reported in Resource 7690, On-Behalf Pension Contributions. This excludes employee contributions, although it does include the employer’s payment of an employee’s contribution. Object 3201 indicates those employees in certificated positions and enrolled in PERS; Object 3202 indicates employees in classified positions and enrolled in PERS.
3301–3302	OASDI/Medicare/Alternative. Record expenditures to provide employee benefits under the federal Social Security system. Include expenditures to qualifying alternative retirement plans for employees not covered under the Social Security system, STRS, or PERS. This excludes employee contributions. Object 3301 indicates that the Social Security benefits cover certificated positions; Object 3302 indicates that these benefits cover classified positions.
3401–3402	Health and Welfare Benefits. Record expenditures made to provide personnel with health and welfare insurance benefits. This excludes employee contributions but includes health and welfare benefit premiums paid to a self-insurance fund. Object 3401 indicates that the benefits cover certificated positions; Object 3402 indicates that the benefits cover classified positions.
3501–3502	State Unemployment Insurance. Record expenditures made to provide personnel with unemployment compensation. Object 3501 indicates that the state unemployment insurance covers certificated positions; Object 3502 indicates that the state unemployment insurance covers classified positions.
3601–3602	Workers’ Compensation Insurance. Record expenditures made to provide personnel with workers’ compensation benefits. This includes workers’ compensation insurance premiums paid to a self-insurance fund. Object 3601 covers certificated positions; Object 3602 covers classified positions.

Procedure 330 Object Classification

Code	Definition
3701–3702	<p>OPEB, Allocated. Record expenditures (1) for retirees and other former employees for current-year 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 activities. Object 3701 relates to certificated positions; Object 3702 relates to classified positions.</p>
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>

Procedure 330 Object Classification

Code	Definition
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 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 (<i>Education Code</i> Section 60010[h]). The cost includes all consumable materials available in the approved series, such as kits, audiovisual materials, or workbooks.</p> <p>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.</p> <p>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.</p>

Procedure 330 Object Classification

Code	Definition
4200	<p>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.</p> <p>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.</p> <p>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.</p>

Procedure 330 Object Classification

Code	Definition
4300	<p>Materials and Supplies. Record expenditures for consumable materials and supplies and non-consumable 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>Expenditures for rentals of materials are coded to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements.</p> <p>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>Payments to outside vendors for duplication services should be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.</p>
4400	<p>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>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>Object 4700, Food, is used only with Function 3700, Food Services.</p> <p>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>

Procedure 330 Object Classification

Code	Definition
5000–5999	Services and Other Operating Expenditures. Record expenditures for services, rentals, short-term 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.

Procedure 330 Object Classification

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
- 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:

Procedure 330 Object Classification

Code

Definition

- 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.

Procedure 330 Object Classification

Code	Definition
5200	<p>Travel and Conferences. Record actual and necessary expenditures incurred by and/or for employees and other representatives of the LEA for 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>

Procedure 330 Object Classification

Code	Definition
5500	<p>Operations and Housekeeping Services. Record expenditures for water, heating fuel, light, power, waste disposal, pest control, laundry and dry cleaning (such as laundering of curtains and cleaning of drapes), and so forth. Include contracts for these services. Object 5500 is used only with the maintenance and operation functions 8100–8500 and Function 6000, Enterprise.</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, short-term leases, 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>Leases, other than short-term leases, should be recorded according to the accounting procedures for lease 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>

Procedure 330 Object Classification

Code	Definition
5700–5799	<p data-bbox="451 422 1398 491">Transfers of Direct Costs. Record the transfer of costs for services, other than indirect costs, between resources, goals, functions, and/or funds.</p> <p data-bbox="451 527 1398 884">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> <p data-bbox="451 926 1398 1094">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.</p> <p data-bbox="451 1136 1398 1241">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.</p>
5710	<p data-bbox="451 1289 1398 1394">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.</p>
5750	<p data-bbox="451 1442 1398 1579">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.</p>

Procedure 330 Object Classification

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 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.

Procedure 330 Object Classification

Code

Definition

Record expenditures for internet-based publications and materials, excluding approved textbooks and core curricula materials (Object 4100). Record periodic costs of licensing (refer to Procedure 710), 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 the arbitrage rebate in the period incurred, even if it will 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.

Procedure 330 Object Classification

Code	Definition
5900	<p data-bbox="451 407 1419 730">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.</p> <p data-bbox="451 768 1419 1016">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.</p> <p data-bbox="451 1054 1419 1268">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.</p> <p data-bbox="451 1306 1419 1591">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.</p>

Procedure 330 Object Classification

Code	Definition
6000–6999	<p>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 intangible right-to-use assets acquired through leases and subscription-based information technology arrangement (SBITA) agreements.</p> <p>These object codes are not used in proprietary funds, in which capital assets are recorded in objects 9400–9499 and subsequently depreciated or amortized.</p>
6100	<p>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.</p>
6170	<p>Land Improvements. Record expenditures for each of the following with Function 8500, Facilities Acquisition and Construction:</p> <ul style="list-style-type: none"><li data-bbox="492 1213 1419 1535">• 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 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.<li data-bbox="492 1545 1419 1612">• Leasehold improvements to sites. Include costs of site improvements to leased property.<li data-bbox="492 1623 1419 1759">• 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.

Procedure 330 Object Classification

Code	Definition
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> <p>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.</p> <p>Piece-for-piece replacements of equipment are recorded in Object 6500, Equipment Replacement, if the unit cost exceeds the LEA's capitalization threshold.</p> <p>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.</p>

Procedure 330 Object Classification

Code	Definition
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).
6600	Lease Assets. Record expenditures for intangible right-to-use assets in the amount equal to the discounted present value of total future stipulated payments on lease agreements. (For more detail, refer to Procedure 710.)
6700	Subscription Assets. Record expenditures for intangible right-to-use assets in the amount equal to the discounted present value of total future stipulated payments on SBITA agreements. (For more detail, refer to Procedure 710.)
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.
6910	Amortization Expense—Lease Assets (for proprietary and fiduciary funds only). Record the portion of the cost of a lease asset charged as an expense during the fiscal year. In accounting for amortization, the cost of a lease asset is prorated over the shorter of the lease term or the useful life of the underlying asset. <i>Note:</i> This object is applicable only for funds 61, 62, 63, 66, 67, and 73.
6920	Amortization Expense—Subscription Assets (for proprietary and fiduciary funds only). Record the portion of the cost of a subscription asset charged as an expense during the fiscal year. In accounting for amortization, the cost of a subscription asset is prorated over the shorter of the subscription term or the useful life of the underlying information technology (IT) asset. <i>Note:</i> This object is applicable only for funds 61, 62, 63, 66, 67, and 73.

Procedure 330 Object Classification

Code	Definition
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.
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.

Procedure 330 Object Classification

Code	Definition
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.
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.

Procedure 330 Object Classification

Code	Definition
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	<p>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.</p>
7350	<p>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.</p>
7370	<p>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.</p>
7380	<p>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.</p>
7430–7439	<p>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.</p>

Procedure 330 Object Classification

Code	Definition
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 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 leases and certificates of participation.
7500	Funds Distributed to Others (for custodial funds only). Record a single aggregated total for deductions in custodial funds. <i>Note:</i> This object is applicable only for funds 76 and 95.
7501–7519	Funds Distributed to Others—Locally Defined. These accounts are used at the option of LEAs to track specific types of distributions. When data are reported to CDE, these objects must be rolled up by the LEA to Object 7500.
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.

Procedure 330 Object Classification

Code	Definition
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 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.

Procedure 330 Object Classification

Code	Definition
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	Local Control Funding Formula (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 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. Revenue that was not previously accrued but is the result of the correction of a prior apportionment, or is included in the final state apportionment, should be recorded in the revenue class or classes that define the original apportionment.
8010–8019	Principal Apportionment

Procedure 330 Object Classification

Code	Definition
8011	<p>LCFF State Aid—Current Year. Record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.</p> <p>For school districts and charter schools, this primarily includes general purpose funds allocated per regular transitional kindergarten/kindergarten through grade twelve average daily attendance (<i>Education Code</i> sections 42238.01–42238.07).</p> <p>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	<p>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.</p>
8015	<p>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.)</p>
8019	<p>LCFF 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.</p>
8020–8039	<p>Tax Relief Subventions</p>
8021	<p>Homeowners' Exemptions. Record amounts received for loss of revenue because of homeowners' exemptions (<i>Revenue and Taxation Code</i> Section 218).</p>
8022	<p>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).</p>

Procedure 330 Object Classification

Code	Definition
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 (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).

Procedure 330 Object Classification

Code	Definition
8047	<p>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 2575(c) and 42238.02(j)(6)). These exceptions are recorded in Object 8625, Community Redevelopment Funds Not Subject to LCFE 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.</p>
8048	<p>Penalties and Interest from Delinquent Taxes. Record penalties and interest assessed on objects 8041–8044.</p>
8070	<p>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.</p>
8080–8089	<p>Miscellaneous Funds. Include miscellaneous funds received from federal, state, and local sources (<i>Education Code</i> Section 41604).</p>
8081	<p>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.</p>

Procedure 330 Object Classification

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>

Procedure 330 Object Classification

Code	Definition
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 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	<p>LCFF 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.</p>
8100–8299	<p>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.</p>
8110	<p>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.</p>
8181	<p>Special Education—Entitlement. Record the federal Individuals with Disabilities Education Act of 2004 (IDEA) entitlement.</p>
8182	<p>Special Education—Discretionary Grants. Record all other federal revenues for special education pursuant to the IDEA.</p>
8220	<p>Child Nutrition Programs. Record federal revenues for child nutrition programs.</p>
8221	<p>Donated Food Commodities. Record the fair market value of commodities received from the federal government for use in school meal programs.</p>

Procedure 330 Object Classification

Code	Definition
8260	Forest Reserve Funds. Record all revenue from forest reserve funds apportioned by the federal government. Refer to Procedure 620 for coding examples.
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	Pass-Through Revenues from Federal Sources. Record the receipt of those federal pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8290	All Other Federal Revenue. Record all other federal funds received.
8300–8599	Other State Revenue
8311	Other State Apportionments—Current Year. Report revenues received under the Principal Apportionment other than the state-aid portion of the LCFF. For instance, include apportionments for special education programs. This account is intended to record amounts allowed for the current year, including amounts accrued at the end of the fiscal year.

Procedure 330 Object Classification

Code	Definition
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.
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).

Procedure 330 Object Classification

Code	Definition
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
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	Pass-Through Revenues from State Sources. Record the receipt of those state pass-through grants in which the recipient LEA has only administrative involvement. Refer to Procedure 750 for information regarding pass-through activities. The disbursements of these pass-through grants should be recorded using objects 7211, 7212, and 7213, as appropriate.
8590	All Other State Revenue. Record all other state funds received.
8600–8799	Other Local Revenue. Record in the appropriate subordinate classifications in this major classification revenue from local sources. All revenue received from tax sources is to be accounted for when it is received (cash basis). Credits to an LEA’s various tax accounts are made on receipt of an apportionment notice from the county superintendent of schools indicating that taxes have been deposited in the county treasury.

Procedure 330 Object Classification

Code	Definition
8610–8629	County and District Taxes
8611	Voted Indebtedness Levies, Secured Roll. Record revenue from taxes levied on the secured tax roll for debt service repayment.
8612	Voted Indebtedness Levies, Unsecured Roll. Record revenue from taxes levied on the unsecured tax roll for debt service repayment.
8613	Voted Indebtedness Levies, Prior Years' Taxes. Record revenue from tax levies of prior years for debt service repayment. Include secured and unsecured receipts from redemptions and tax sales.
8614	Voted Indebtedness Levies, Supplemental Taxes. Record taxes resulting from changes in assessed value because of changes in ownership and completion of new construction at the time they occur. Record in this account those taxes for debt service repayment.
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.

Procedure 330 Object Classification

Code	Definition
8621	Parcel Taxes. Record the special taxes based on other than the value of properties (not ad valorem) levied by the LEA.
8622	Other Non-Ad Valorem Taxes. Record all other non-ad valorem taxes, such as sales taxes or maintenance assessment district funds or Mello-Roos special tax receipts.
8625	Community Redevelopment Funds Not Subject to LCFF Deduction. Record community redevelopment funds not subject to the LCFF deduction pursuant to <i>Education Code</i> Section 2575(c) and 42238.02(j)(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.

Procedure 330 Object Classification

Code	Definition
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. Record revenue for lease payments received by lessors for leases.
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 revenue for interest earned on each lease payment received by lessors. Record any premium on issuance of short-term debt such as Tax and Revenue Anticipation Notes (TRANs).
8662	Net Increase (Decrease) in the Fair Value of Investments. Report gains and losses on investments, including changes in the fair value of investments that include the realized and unrealized gains and losses. Refer to Procedure 425 for information regarding accounting for and reporting the fair value of investments.
8670–8689	Fees and Contracts
8671	Adult Education Fees. Record revenue received from students enrolled in classes for adults.
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.

Procedure 330 Object Classification

Code	Definition
8675	Transportation Fees from Individuals. Report fees paid by students to be transported to school.
8677	<p>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 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	Mitigation/Developer Fees. Report, in the general fund, only those fees collected by agreement between the school district and the developer that are not imposed as a condition for approving a residential development. Any fees that are collected as a condition to approving a development must be deposited in the Capital Facilities Fund (Fund 25).
8689	All Other Fees and Contracts. Record revenue received for all other fees and contract services from entities other than LEAs.
8690–8719	Other Local Revenue
8691	Plus: Miscellaneous Funds Non-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.
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>

Procedure 330 Object Classification

Code	Definition
8699	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.
8710	Tuition. Record tuition payments received from the following sources: Tuition contracts for general or specific instructional services, including transportation for interdistrict attendance agreement (IDAA) pupils (<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. 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. Revenues received for excess costs and/or deficits for providing services to other LEAs’ pupils. All other tuition payments not identified above.
8780–8799	Interagency Transfers In
8780	Transfers from Sponsoring LEAs to Charter Schools in Lieu of Property Taxes (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.
8781	All Other Transfers from Districts or Charter Schools. Record transfers of resources other than apportionments or pass-through revenues from school districts or charter schools.
8782	All Other Transfers from County Offices. Record transfers of resources other than apportionments or pass-through revenues from county offices. An example is the transfer of funding from a county office of education to one of its small districts for health services.

Procedure 330 Object Classification

Code	Definition
8783	All Other Transfers from JPAs. Record transfers of resources other than apportionments or pass-through revenues from JPAs.
8791	Transfers of Apportionments from Districts or Charter Schools. Record transfers of apportionments of special education 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.
8800	Funds Collected for Others (for custodial funds only). Record a single aggregated total for additions in custodial funds. <i>Note:</i> This object is applicable only for funds 76 and 95.
8801–8819	Funds Collected for Others–Locally Defined. These accounts are used at the option of LEAs to track specific sources of funds collected. When data are reported to CDE, these objects must be rolled up by the LEA to Object 8800.
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.

Procedure 330 Object Classification

Code	Definition
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.
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).

Procedure 330 Object Classification

Code	Definition
8953	<p>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.</p> <p>Record insurance recoveries, if significant, relating to impairment of capital assets.</p>
8961	<p>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).</p>
8965	<p>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.</p>
8971	<p>Proceeds from Certificates of Participation. Record the proceeds received from the issuance of certificates of participation.</p>
8972	<p>Proceeds from Leases. Record the proceeds that result from entering into a lease.</p>
8973	<p>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.</p>
8974	<p>Proceeds from SBITAs. Record the proceeds that result from entering into a SBITA.</p>
8979	<p>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.</p>
8980–8999	<p>Contributions</p>

Procedure 330 Object Classification

Code	Definition
8980	<p>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.</p>
8990	<p>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.</p>
8995	<p>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 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.</p> <p>Transfers involving these apportionments other than those transfers specified in <i>Education Code</i> 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.</p> <p>Transfers among categorical programs pursuant to Section 12.40 of the annual Budget Act should be recorded using Object 8998.</p>

Procedure 330 Object Classification

Code	Definition
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.
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).

Procedure 330 Object Classification

Code	Definition
9130	<p>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).</p>
9135	<p>Cash with a Fiscal Agent/Trustee. Deposits with a fiscal agent, such as a third-party administrator for self-insurance. This account also includes the proceeds of certificates of participation deposited with a trustee and amounts in an escrow account.</p>
9140	<p>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.</p>
9150	<p>Investments. Investments authorized by the governing board of the LEA recorded at fair value (<i>Education Code</i> Section 41015).</p>
9200	<p>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.</p>

Procedure 330 Object Classification

Code	Definition
9290	<p>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.</p> <p>This account is also used if the grantors are other governmental entities, including counties, cities, and other school districts.</p>
9310	<p>Due from Other Funds. Amounts due from other funds of the LEA.</p>
9320	<p>Stores. Amounts of materials, supplies, and possibly certain equipment kept in a central warehouse and subject to requisition and use.</p>
9330	<p>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.</p> <p>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.</p>
9340	<p>Other Current Assets. Assets that are available or that can be made readily available to be used in current operations or to pay current liabilities.</p>
9380	<p>Lease Receivable. Amounts due from the lessee over the lease term of a lease.</p>
9400–9489	<p>Capital Assets. Accounts used in the proprietary or fiduciary 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.</p>
9410	<p>Land. A capital asset account reflecting the cost of land owned by the LEA.</p>

Procedure 330 Object Classification

Code	Definition
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 that are not an integral part of the building or building system, and certain intangible assets other than lease assets and subscription 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.

Procedure 330 Object Classification

Code	Definition
9460	Lease Assets. A capital asset account reflecting the cost of the control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in a lease.
9465	Accumulated Amortization—Lease Assets. A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using lease assets over the shorter of the lease term or the useful life of the underlying asset. The amortization expense is reported in Object 6910, Amortization Expense–Lease Assets, in proprietary and fiduciary funds only.
9470	Subscription Assets. A capital asset account reflecting the cost of the control of the right to use another party’s IT software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in a SBITA.
9475	Accumulated Amortization—Subscription Assets. A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using subscription assets over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization expense is reported in Object 6920, Amortization Expense–Subscription Assets, in proprietary and fiduciary funds only.
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

Procedure 330 Object Classification

Code	Definition
9500	<p>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 custodial fund.</p> <p><i>Note:</i> Range 9501–9589 is reserved for local use, such as for payroll tax accruals.</p>
9501–9589	<p>Accounts Payable—Locally Defined. These accounts are used at the option of LEAs to track current liabilities, such as payroll withholdings and deductions. When data are reported to CDE, these objects must be rolled up by the LEA to Object 9500.</p>
9590	<p>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.</p>
9610	<p>Due to Other Funds. Amounts due to other funds within the LEA.</p>
9620	<p>Due to Student Groups/Other Agencies. This account is used to record amounts owed to student groups or other agencies within custodial funds. Other general receivables from students in the general fund should be coded to Object 9200, Accounts Receivable.</p>
9640	<p>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.</p>
9650	<p>Unearned Revenue. Resources received prior to revenue recognition.</p>

Procedure 330 Object Classification

Code	Definition
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).
9660	Subscription Liability. A liability account reflecting the noncurrent portion of the discounted present value of total future stipulated payments on SBITA agreements.
9661	General Obligation Bonds Payable. The liability account reflecting the outstanding balance of general obligation bonds.
9662	State School Building Loans Payable. A liability account reflecting the outstanding principal balance of State School Building Loans. State School Building Loans were granted in the past to facilitate school construction. These loans are no longer being offered under this program; however, some LEAs still have outstanding balances that are being repaid.
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.

Procedure 330 Object Classification

Code	Definition
9666	Certificates of Participation (COPs) Payable. The liability account reflecting the outstanding principal balance of COPs.
9667	Leases Payable. A liability account reflecting the noncurrent portion of the discounted present value of total future stipulated payments on lease agreements.
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 and other similar items.
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.

Procedure 330 Object Classification

Code	Definition
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.
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.

Procedure 330 Object Classification

Code	Definition
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). (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.

Procedure 330 Object Classification

Code	Definition
9720	Reserve for Encumbrances (Budgetary account). (This account is not reported to CDE.) An amount set aside to provide for encumbrances. Generally, encumbrances are closed at the end of the fiscal year, and new purchase orders or contracts are opened for the subsequent year. However, an LEA 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 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.

Procedure 330 Object Classification

Code	Definition
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.
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	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. 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. 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.

Procedure 330 Object Classification

Code	Definition
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.
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.

Procedure 330 Object Classification

Code	Definition
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 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.

Procedure 330 Object Classification

Code	Definition
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 335 School Classification

The school field designates a specific, physical school structure or group of structures that form a campus as identified in the California School Directory at <https://www.cde.ca.gov/SchoolDirectory>. The field refers to the physical location of the school building or buildings where students attend class. It is a unit under a principal's responsibility for which a unique set of test scores is reported.

How the School Field Is Used

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

Although the field is mandated, reporting to the state at this level is not required. Local educational agencies should build into their systems a capacity to house this field in the event it is required for use in the future.

If the school field becomes required for state reporting in the future, the CDE will provide guidance and instructions to LEAs as appropriate.

Procedure 335 School Classification

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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 local educational agencies (LEAs) submit to the California Department of Education (CDE) using the CDE’s SACS Web-based Financial Reporting System (SACS Web System). 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 the CDE 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, that is, school 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, TK/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, TK/K–12, is not valid in Fund 21, Building Fund, or Fund 51, Bond Interest and Redemption

Procedure 340 Valid Account Code Combinations

Fund, because specific populations of students, such as TK/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, TK/K–12	Goal 5760 Special Ed., Ages 5–22	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 345 Illustrations Using the Account Code Structure

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

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

Revenue Transactions

Revenues are classified by source and type in the object field. When revenues are for restricted uses or are unrestricted but have special reporting requirements, they are identified by the resource field with a specific resource number in the resource code range 0001 through 1999 (for unrestricted) or 2000 through 9999 (for restricted); otherwise, they are identified with Resource 0000, Unrestricted. When revenues are for projects that operate on a project year that is different from the local educational agency (LEA) fiscal year of July 1 through June 30, they are further identified by a code in the project year field.

Revenue Example 1

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

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

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

Revenue Example 2

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

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

- **Fund 01** is the General Fund.
- **Resource 6010** is ASES.

Procedure 345 Illustrations Using the Account Code Structure

- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues.
- **Function** is not required for revenues.
- **Object 8590** is All Other State Revenue.
- **School** is not required.

Revenue Example 3

A fictitious federal grant is used for purposes of illustration in this example.

A school district receives a one-year federal grant in two consecutive years. This particular grant program operates on the federal fiscal year, October 1 through September 30. The first grant will end in September 2024, and the subsequent grant will begin in October 2024 and end in September 2025. For the 2024–25 fiscal year, the revenue is recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3XXX	4	0000	0000	8290	000
01	3XXX	5	0000	0000	8290	000

- **Fund 01** is the General Fund.
- **Resource 3XXX** is the federal project reporting code assigned to the grant.
- **Project Year** is 4 for the first grant, which ends in September 2024 during the LEA fiscal year. Project Year is 5 for the second grant, which begins during the LEA fiscal year and will end in September 2025.
- **Goal** is generally not required for revenues.
- **Function** is not required for revenues.
- **Object 8290** is All Other Federal Revenue.
- **School** is not required.

Expenditure Transactions

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

Expenditure Example 1

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

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

Procedure 345 Illustrations Using the Account Code Structure

- **Fund 01** is the General Fund.
- **Resource 1100** is Lottery: Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12. The computer lab is used by the regular TK/K–6 students of the ABC Elementary School.
- **Function 2420** is Instructional Library, Media, and Technology.
- **Object 4400** is Noncapitalized Equipment.
- **School 123** is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Expenditure Example 2

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

Fund	Resource	Project Year	Goal	Function	Object	School
01	6010	0	1110	1000	4300	123

- **Fund 01** is the General Fund.
- **Resource 6010** is ASES.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12. A goal is required with an instructional function.
- **Function 1000** is Instruction.
- **Object 4300** is Materials and Supplies.
- **School 123** is the ABC Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Expenditure Example 3

A fictitious federal grant is used for purposes of illustration in this example.

Funds from a one-year grant that operates on the federal fiscal year of October 1 through September 30 are used to provide supplementary instructional services to eligible regular education students. The teachers are paid during fiscal year 2024–25 for services performed during both the first and the second year of the grant. The expenditures are recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3XXX	4	1110	1000	1100	456
01	3XXX	5	1110	1000	1100	456

Procedure 345 Illustrations Using the Account Code Structure

- **Fund 01** is the General Fund.
- **Resource 3XXX** is the federal project reporting code assigned to the grant.
- **Project Year** is 4 for the first grant, which ends in September 2024 during the 2024–25 LEA fiscal year, and is used for expenditures from July through September 2024. Project Year is 5 for the second grant, which begins during the 2024–25 LEA fiscal year, and is used for expenditures from October 2024 through June 2025.
- **Goal 1110** is Regular Education. A goal is always required with an instructional function.
- **Function 1000** is Instruction.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School 456** is the XYZ Elementary School. Coding to the school field is not required; however, LEAs may wish to code expenditures for local information.

Balance Sheet Transactions

Balance sheet accounts (i.e., assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances) are classified in the object field. If the transactions are from restricted revenues, the balance sheet accounts are also coded to the resource field.

Balance Sheet Example 1

At year end an invoice for materials purchased with unrestricted lottery funds has not been paid. The payable is recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	0000	0000	9500	000

- **Fund 01** is the General Fund.
- **Resource 1100** is Lottery: Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for balance sheet accounts.
- **Function** is not required for balance sheet accounts.
- **Object 9500** is Accounts Payable.
- **School** is not required.

Balance Sheet Example 2

ASES revenue received for the fiscal year exceeds ASES expenditures for the fiscal year. Deferral of unspent ASES revenue is recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6010	0	0000	0000	9650	000

Procedure 345 Illustrations Using the Account Code Structure

- **Fund 01** is the General Fund.
- **Resource 6010** is ASES.
- **Project Year** is not applicable in this example.
- **Goal** is not required for balance sheet accounts.
- **Function** is not required for balance sheet accounts.
- **Object 9650** is Unearned Revenue.
- **School** is not required.

Balance Sheet Example 3

A fictitious federal grant is used for purposes of illustration in this example.

On June 30, 2024, the final payment has not yet been received from the granting agency for the remainder of the first one-year federal grant that operates on the federal fiscal year of October 1 through September 30, or for the beginning months of the same federal grant for the second year. The two receivables are recorded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3XXX	4	0000	0000	9290	000
01	3XXX	5	0000	0000	9290	000

- **Fund 01** is the General Fund.
- **Resource 3XXX** is the federal project reporting code assigned to the grant.
- **Project Year** separately identifies the receivables for the two grants. Its use is optional but advisable for balance sheet accounts.
- **Goal** is not required for balance sheet accounts.
- **Function** is not required for balance sheet accounts.
- **Object 9290** is Due from Grantor Governments.
- **School** is not required.

Procedure 345 Illustrations Using the Account Code Structure

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Procedure 405 Accounting for Inventories

LEAs often maintain an inventory of significant amounts of classroom materials, maintenance supplies, and food for the food service program to allow sites, programs, and departments to obtain 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 2024–25, a total of \$5,000,000 was requisitioned from the warehouse. Based on the 2024–25 information, the overhead rate for 2025–26 would be determined as follows:

Procedure 405 Accounting for Inventories

2024–25 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 2025–26 year. This same method, based on the estimated 2025–26 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	01-6500-0-5760-1110-4300	\$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 415 Adopting a Stores System

A central stores system enables a local educational agency (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 or electronic 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 electronic version or 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 electronic 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

Procedure 415 Adopting a Stores System

Note: The following additional information on the stock records may be desirable: (1) minimum and maximum quantities to be stocked; (2) reference to vendors from whom stock is purchased; (3) memoranda of orders placed; (4) memoranda of unfilled requisitions; (5) reference to warehouse location of item if the identifying stock number cannot be used for this purpose; and (6) provision for values of receipts, issues, and balances on hand.

Verification by Physical Inventory

Provisions should be made for at least an annual count of all stocked items. The count can be done on a cyclical basis, with only a portion of the total stock inventoried during each period. Persons other than warehouse personnel should make this count. In the event warehouse personnel are used to make the count, persons other than those responsible for stock should spot-check the record. A common practice is for the firm performing the LEA's audit to make the spot checks.

Security Control and System of Internal Checks

In planning the stores system, the LEA should make provisions for adequate security of stock and a system of internal checks. Buildings used for warehouse storage should be as fireproof as possible and should have adequate locks. Only specified personnel should be allowed to issue stock. Preferably, the stock records should be maintained in an office removed from the warehouse (stock records are commonly maintained in the accounting or purchasing offices). At inventory time or other periodic checkup time, any difference between the record and the 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

Procedure 415 Adopting a Stores System

- c. Account(s) to be charged
- d. Provision for approvals as to budget, items allowed, quantities, and the like
- e. Provision for posting reference
- f. For each item: quantity ordered, unit stock number, description, unit price, and total dollar amount; and, on each requisition, columns for noting substitutions, back orders, and the like
- g. Provision for evidence of receipt and date of delivery. A multiple-copy snap-out form, or a digital equivalent, 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, 2024, 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
7-1-24	Insurance	5400	\$5,000	
	Cash in County Treasury	9110		\$5,000
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
7-1-24	Insurance	5400	\$1,000	
	Prepaid Expenditures	9330	4,000	
	Cash in County Treasury	9110		\$5,000
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	\$1,000	\$1,000	\$1,000	\$1,000

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, 2024, would appear as follows:

Date	Object Title	SACS Account String	Debit	Credit
5-01-24	Prepaid Expenditures	01-0000-0-0000-0000-9330	\$450	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$450
To record payment of August conference registration.				

Procedure 420 Prepaid Expenditures

Date	Object Title	SACS Account String	Debit	Credit
8-30-24	Cash in County Treasury	01-0000-0-0000-0000-9110	\$450	
	Prepaid Expenditures	01-0000-0-0000-0000-9330		\$450
	Travel and Conference	01-3010-0-1110-1000-5200	\$450	
	Cash in County Treasury	01-3010-0-0000-0000-9110		\$450
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 2024–25

Assume that on July 1, 2024, 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, 2025, 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 6-30-25	\$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 7-1-24	(105,000)
Net increase (decrease) in fair value for fiscal year 2024–25	\$(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
6-30-25	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 2025–26

Assume that during fiscal year 2025–26, the district had deposits of \$1,000,000 and disbursements of \$985,000. On June 30, 2026, 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 6-30-26	\$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 7-1-25	(78,000)
Net increase (decrease) in fair value for fiscal year 2025–26	\$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
6-30-26	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 6-30-24:	\$5,000	(\$105,000 Fair Value versus \$100,000 “Cash” in County Treasury)
2024–25 Change in fair value:	\$(2,000)	
Ending Balance 6-30-25:	\$3,000	(\$78,000 Fair Value versus \$75,000 “Cash” in County Treasury)
2025–26 Change in fair value:	\$1,000	
Ending balance 6-30-26:	\$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 2025–26 would be as follows:

Date	Object Title	Object Code	Debit	Credit
7-1-25	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 6-30-25 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
6-30-26	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 430 Capital Assets

Property and equipment of material value are commonly referred to as fixed or capital assets. These include land and land improvements, buildings and building improvements, equipment, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Recordkeeping Requirements for Capital Assets

Since capital assets represent one of the largest investments of a local educational agency (LEA), control and accountability are of significant concern. Generally accepted accounting principles regarding internal controls, *Education Code* Section 35168, and federal funding agencies require LEAs to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections. The need for data on capital assets is important regardless of the size of the LEA.

The accounting system for capital assets should accomplish the following:

1. Conform with *Education Code* requirements for inventorying capital assets.
2. Enable the LEA to report capital assets and accumulated depreciation in conformity with generally accepted accounting principles.
3. Enable administrators to account for and control all assets under their care.
4. Assist the site administrator in planning and providing proper equipment for schools by furnishing such data as useful life, location, and condition.
5. Aid LEAs in determining insurable values and in securing insurance appraisals.
6. Aid LEAs in substantiating loss in the event of fire, theft, or other catastrophe.
7. Encourage employees and others to better discharge their responsibilities in the care and use of the LEA's equipment.

Education Code Requirements

Education Code Section 35168 requires LEAs to maintain records that properly account for equipment whose market value exceeds \$500. To meet this requirement, the LEA must keep records containing the following information about the item:

1. Description
2. Name
3. Identification number
4. Cost
5. Date of acquisition

Procedure 430 Capital Assets

6. Location of use
7. Time and mode of disposal

Not all items of equipment for which the LEA maintains records pursuant to *Education Code* Section 35168 should necessarily be reported as capital assets on the LEA's government-wide statement of net position. The threshold for capitalization is typically higher than the threshold for inventory. (The capitalization threshold is discussed in Procedure 770.)

Accounting for Acquisition of Capital Assets

Capital assets can be acquired permanently or temporarily, through purchase, rental, or by lease. These acquisitions are accounted for as follows:

- The purchase of a capital asset is charged as any other purchase for which title passes on receipt of payment. In governmental funds, capital assets are typically charged to a capital outlay expenditure account in the 6000 range of object codes.
- The acquisition of capital assets through leases is discussed in Procedure 710.
- The rental or short-term lease of a capital asset for which title does not pass to the LEA does not increase the assets of the LEA. (Short-term lease is discussed in Procedure 710.) Rentals and short-term leases are charged to Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements. *Exception:* If equipment is rented for a specific capital outlay project (e.g., a tractor for a major landscaping project), the amount paid should be charged to that project as a capital expenditure. This is achieved by charging the rental to Function 8500, Facilities Acquisition and Construction, but the rental may also be charged to a capital outlay object, such as Object 6170, Land Improvements.

Valuation of Property and Equipment

Generally accepted accounting principles require the use of "historical cost" to measure an entity's investment in property and equipment.

Historical cost simply means actual cost at the time of acquisition. It includes the invoice cost of the item plus any applicable sales tax, freight, or installation charges. Such cost represents the value to be derived over the useful life of the asset through depreciation.

When items are disposed of in any manner, their cost is removed from the capital asset account. Any accumulated depreciation is also removed from the depreciation allowance account.

Valuation of existing inventory of property and equipment can be made on the basis of:

1. Actual historical cost of each item (if records are available to support such costs)
2. Estimated historical cost (based on date of acquisition)

Procedure 430 Capital Assets

The following guidelines are to be used in determining the method of valuation for inventory purposes:

1. Actual historical cost

The actual cost should include the invoice cost paid by the LEA plus tax, freight charges, or costs of other forms of transportation for delivery to the LEA, whether added to the invoice or paid separately to a carrier. To these costs the LEA should add any labor and other costs of installation. Labor and other costs of installation by the vendor will usually be included in the original invoice price or may be billed separately by the vendor.

2. Estimated historical cost

a. Appraised acquisition cost. When LEAs first establish a capital asset inventory, they may find it desirable to employ an outside agency to set up the inventory and/or update it. Appraisal companies have the ability to compute the estimated historical cost on the basis of the estimated date of acquisition of the particular items. Costs developed in this manner would be acceptable in either establishing a new inventory or adding to the inventory items that may have been missed in the establishment of the initial inventory. Use of an appraisal service also has the additional advantage of developing current market values for insurance purposes, either on a replacement-cost basis or a depreciated-replacement-cost basis, although current market values or replacement costs are not used for accounting purposes. Once the inventory listing is established, it is necessary to update it for current-year purchases and disposals of capital assets.

b. Reasonable estimate of acquisition cost. If the original acquisition cost cannot be traced through the LEA's records, a reasonable estimate of original acquisition cost may be used. Methods of determining such reasonable estimates of cost are many and varied. It is important for auditing purposes that the methods employed be carefully documented. While it is not necessary to use the same method for each item, the methods should be designed to produce a consistent result. Care should be exercised in the establishment of each item's cost. Among the methods that may be employed are the following:

- Compare the item with a similar one of more recent acquisition for which you have a price. Adjust that price through a formula that would eliminate the effect of inflation/deflation for the number of years the older item has been in your possession.
- Research bid files for bids on similar items and apply any necessary inflation adjustments.
- Seek assistance from vendors who manufacture or sell items similar to the items you are attempting to price.
- Check with other LEAs that may have purchased similar items.

Procedure 430 Capital Assets

Any other method that can be shown to reflect a reasonable estimate of the original acquisition cost of the item may also be used.

- c. In accepting donated items, the LEA's governing board should approve the valuations based on their fair market values as of the dates of acceptance.

Reporting Capital Assets of Governmental Activities

In governmental funds, expenditures for acquisitions of capital assets are accounted for in Objects 6000–6999, Capital Outlay. Consistent with the modified accrual basis of accounting used in governmental funds, the capital assets themselves and their related depreciation are not reported in the funds. Rather, capital assets of governmental activities are reported only in the government-wide financial statements. Capital assets and accumulated depreciation are reported on the statement of net position, and depreciation expense is reported on the statement of activities.

Reporting Capital Assets of Business-Type Activities

Unlike capital assets relating to governmental activities, capital assets of business-type activities accounted for in proprietary funds (enterprise funds and internal service funds) are recorded both in the respective funds and in the government-wide statements. These funds reflect their capital assets for the following reasons:

- Capital assets are used in the production of the funds' services or products.
- Depreciation of the capital assets is an essential element in determining the funds' total expenses, net income, and changes in fund equity.
- Capital assets may serve as security for the issuance of debt by enterprise or internal service funds.

In proprietary funds, capital assets are accounted for in Objects 9400–9489, Capital Assets. Depreciation is accounted for in Object 6900, Depreciation Expense. Lease amortization is accounted for in Object 6910, Amortization Expense-Lease Assets.

Reporting Capital Assets of Fiduciary Activities

Capital assets of fiduciary trust funds are reported in the funds' financial statements but not in the government-wide statements because fiduciary funds are not included in those statements.

This manner of accounting for capital assets by trust funds results in the following benefits:

- Enhances the likelihood of compliance with trust agreement terms
- Discourages mismanagement of trust assets
- Facilitates the computation of depreciation when the trust corpus must not be spent

In fiduciary funds, capital assets are reported using Objects 9400–9489, Capital Assets.

Procedure 430 Capital Assets

Estimated Useful Life

Estimated useful life means the estimated number of months or years that an asset can be used for the purpose for which it was intended. Estimated useful lives are used to allocate depreciation expense to the appropriate periods.

In estimating an asset's useful life, LEAs should consider the asset's present condition, use, construction type, maintenance policy, and the length of time the asset is expected to meet service demands.

LEAs may depreciate assets either individually or in groups. If the LEA elects to depreciate assets in groups, the estimated life of the group may be based on the weighted average or the simple average of the useful lives of the individual items or on an assessment of the life of the group as a whole.

The following table of estimated useful lives is included for general information only. Estimation of useful lives should be a local decision based on local factors. LEAs are not required to utilize the estimated useful lives suggested in this table.

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Table of Estimated Useful Lives

The following table is used by permission. It is provided as general guidance regarding reasonable estimated useful lives. In estimating an asset's useful life, LEAs should consider the asset's present condition, use of the asset, construction type, maintenance policy, and other local variables.

Asset Class	Examples	Years
Land	-	N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings	-	50
Portable Classrooms	-	25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing	-	20
Interior Construction	-	25
Carpet Replacement	-	7
Electrical / Plumbing	-	30
Sprinkler / Fire System	Fire-suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and Tools	Shop and maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating, and printing equipment	10
Copiers	-	5
Communications Equipment	Mobile, portable radios, noncomputerized	10
Computer Hardware	PCs, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audiovisual Equipment	Projectors, cameras (still and digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors' Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

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Procedure 430 Capital Assets

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Procedure 465 Liability for Compensated Absences in Governmental Funds

This procedure provides guidance in the accounting and reporting of the liability for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement 101, *Compensated Absences*. Compensated absences include vacation or annual leave, sick leave, paid time off, holidays, parental leave, jury duty leave, military leave, bereavement leave, and unrestricted sabbatical leave.

In governmental funds, expenditures or liabilities for compensated absences are recognized only to the extent that they have come due for payment in each period. There is no recognition of either the current or the long-term portions of the unmatured liability. This means that amounts expected to be paid within the next fiscal year are not recognized. Only amounts that have actually become due and payable as of the end of the fiscal year because relevant events have occurred, such as employee resignations and retirements, are recognized.

In the government-wide statements, generally accepted accounting principles require that the full expense and liability for compensated absences be recognized as the compensated absences are earned by employees. The entire unmatured portion (the portion that has not yet come due for payment) of the liability for compensated absences is recognized as long-term debt in the statement of net position.

For presentation on that statement, the current portion of the liability may be estimated. The estimate could be based on such factors as historical trends or budgeted amounts, or other factors, including the local educational agency's (LEA's) policy on whether unused leave balances from prior periods must be used before amounts earned in the current period.

In most LEAs, the employees will forfeit any unused sick leave upon termination of employment. LEAs will have to perform an analysis to determine how much of the sick leave balances that employees have at the end of fiscal year is *more likely than not*¹ to be used as time off in future reporting periods and report a liability for the estimated sick leave to be used by those employees in the future.

The calculation of the liability should include certain payments associated with payment for compensated absences, such as the employer's share of Social Security, Medicare taxes, PERS, State Unemployment Insurance, and workers' compensation.

¹ GASB 101 defines the term "*more likely than not*" as a likelihood of more than 50 percent.

**Procedure 465 Liability for Compensated Absences in Governmental
Funds**

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Procedure 510 Recognition of Common Revenue Sources

This procedure contains specific guidance for recognition of certain revenue sources commonly received by California local educational agencies (LEAs). The following revenue sources are explained or illustrated: Local Control Funding Formula (LCFF) and other state apportionments, prior year corrections to state apportionments, local property taxes, state-mandated cost reimbursements, local interest, State Lottery revenues, and categorical funds (subject to unearned revenue or subject to fund balance).

General accounting principles relating to revenue recognition are discussed in Procedure 101.

Year-End Corrections for LCFF State Aid and Other State Apportionments

LCFF and other state apportionments are government-mandated nonexchange transactions and are recognized when all eligibility requirements have been met. Second period to annual corrections for LCFF and other state apportionments, either positive or negative, should be accrued at the end of the fiscal year.

For example, to identify LCFF State Aid adjustment, the LEA would calculate the Annual LCFF entitlement and subtract the LEA's actual tax receipts as reported by the county auditor and the estimated amount of Education Protection Account (EPA) entitlement, to determine the Annual LCFF State Aid to which the LEA is entitled. Any difference between the calculated Annual state aid and the state aid received on the Second Principal Apportionment is recorded as follows.

If the adjustment is positive, and more LCFF State Aid is due than has been received, a receivable is recorded:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	Due from Grantor Governments	01-0000-0-0000-0000-9290	xxxx	
	LCFF State Aid—Current Year	01-0000-0-0000-0000-8011		xxxxx
To record the second period to annual adjustment to the state LCFF State Aid apportionment.				

If the adjustment is negative and less LCFF State Aid was due than was received, a payable is recorded:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	LCFF State Aid—Current Year	01-0000-0-0000-0000-8011	xxxx	
	Due to Grantor Governments	01-0000-0-0000-0000-9590		xxxxx
To record the second period to annual adjustment to the state LCFF State Aid apportionment.				

Procedure 510 Recognition of Common Revenue Sources

Under California's apportionment schedule, LEAs do not receive the amounts they accrue for adjustments to state aid until the following fiscal year, which is beyond the period normally defined as "available" in the modified accrual basis of accounting. However, adjustments to state aid result from the overcollection or undercollection of annual property taxes, EPA changes, and other adjustments that occur after the initial estimates on which state-aid apportionments were based. Consequently, it might vary from one LEA to the next as to whether the accrual for adjustment to state aid is a payable or a receivable.

It would result in inconsistent reporting of revenues for one LEA to accrue a payable for its adjustment to state aid but for the next LEA not to accrue a receivable for its adjustment to state aid. In the interest of comparable revenue reporting among California LEAs, all LEAs should use the CDE definition of *available* in Procedure 101, Revenue Recognition, and should accrue their receivables for adjustments to LCFF State Aid.

Prior Years' Corrections to State Apportionment

Any corrections to state apportionments resulting from LEA amendments to prior years' data or other adjustments are reflected as revenue and accrued as accounts receivable or payable in the year in which the adjustment amounts become known and the amendments are filed, provided that the actual cash adjustments are expected to be made no later than the following fiscal year.

Property Taxes

California LEAs should recognize property tax revenues actually received as reported on the CDE Principal Apportionment Data Collection web application, used by county offices of education and county auditors to report school district and county office taxes. LEAs should make no accrual for property taxes receivable as of June 30.

Although this guidance may seem contrary to generally accepted accounting principles, it must be remembered that under California's unique funding formula, an LEA's total LCFF entitlement is funded through a combination of local property taxes and state aid (LCFF and EPA). The amount of property taxes the LEA actually receives by June 30 is applied toward the total entitlement. The difference is funded through state aid. Recognition of only those property taxes received by June 30 is, therefore, appropriate because accruing additional property taxes receivable as of June 30, unless the LEA were to make an offsetting adjustment to its state-aid accrual, would misstate the LEA's LCFF entitlement. Making an offsetting adjustment to the state-aid accrual would be unnecessarily burdensome for the LEA and would result in the accrual no longer matching the amount actually receivable from the state as reported on apportionment documents.

Mandated Cost Reimbursements

Mandated cost reimbursements do not become available until appropriated by the Legislature and approved by the Governor. Therefore, revenue from claims for mandated costs is recorded

Procedure 510 Recognition of Common Revenue Sources

on a cash basis. However, if a known amount is received within 60 days of the close of the fiscal year, the LEA will accrue the amount as follows:

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Due from Grantor Governments	01-0000-0-0000-0000-9290	xxxx	
	Mandated Cost Reimbursements	01-0000-0-0000-0000-8550		xxxx
To accrue the mandated costs revenue due from the state.				

Interest

Interest revenue is accrued so that the amount earned during the four quarters of the fiscal year is reflected as revenue in that fiscal year.

State Lottery Revenue

The estimated fourth-quarter payment of State Lottery revenue is accrued at the end of the fiscal year. The adjusting payment of lottery revenues from the prior year to current ADA is reflected as revenue in the year in which the adjusting payment is received.

Categorical Funds Subject to Unearned Revenue

LEAs commonly receive restricted grant awards that are “reimbursement type” or “expenditure driven.” These awards may be mandated by the government or may have been accepted voluntarily by the LEA. The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. If an executed contractual agreement is required, the incurrence of allowable costs is not sufficient to fulfill recognition criteria in the absence of such executed agreement in accordance with the grantor’s legal requirements. Revenue is recognized in the period in which the qualifying expenditures are made with an executed contractual agreement, if required. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

For example, if a \$10,000 federal grant has been received but only \$8,125 in qualifying expenditures has been incurred by the end of the fiscal year, only \$8,125 revenue is recognized:

Date	Object Title	SACS Account String	Debit	Credit
6-30-xx	All Other Federal Revenue	01-3XXX-0-0000-0000-8290	\$ 1,875	
	Unearned Revenue	01-3XXX-0-0000-0000-9650		\$ 1,875
To reduce \$10,000 revenue of the XYZ Grant by the amount not expended.				

Procedure 510 Recognition of Common Revenue Sources

In the uncommon event that cash is received before the time requirement is met, but all other eligibility requirements have been met (that is, funds are received in advance of the period in which allowable expenditures may be incurred), the advanced funds are reported as a deferred inflow of resources.

Categorical Funds Subject to Fund Balance

LEAs commonly receive restricted funds for which they have fulfilled specific eligibility requirements or have provided a particular service. For example, a district may be granted funds to provide meals to students. Once the LEA has provided the service, the LEA has met the eligibility requirements and therefore earned the revenue provided. Any unspent money is carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period in which the eligibility requirements are met, and any carryover becomes a part of the LEA's ending fund balance.

Labels such as *grants* or *entitlements* are sometimes used for restricted categorical resources. These terms do not necessarily define the characteristics necessary for proper revenue recognition; that is, the term *grant* does not necessarily mean that unspent revenue in that resource is deferred for recognition in the following year, and the term *entitlement* does not necessarily mean that unspent revenue in that resource is recognized as fund balance. Care should be taken to understand the characteristics of each resource to determine how revenue should be recognized by the LEA.

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 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, TK/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	6510	0	0000	0000	9790	000
Cr	01	6510	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 6510** is Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program).
- **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	6510	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 6510** is Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program); 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, TK/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 federal Child Nutrition Programs; **Object 8520** is state 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	5760	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 5760** is Special Education, Ages 5–22; 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	5760	1190	1100	456
Dr	01	6500	0	5760	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 5760** is Special Education, Ages 5–22; goal is not required for balance sheet accounts.
- **Function 1190** is Special Education: Other Specialized Instructional Services, 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, local educational agencies (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 ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/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.

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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.

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- **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, TK/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 (districtwide 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: 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 ESEA (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, TK/K–12; **Goal 5001** is Special Education—Unspecified; **Goal 3550** is Community Day Schools; and **Goal 0000** is Undistributed. Goal is not required for balance sheet accounts.
- **Function 7210** is Indirect Cost Transfers.
- **Object 7310** is Transfers of Indirect Costs, and **Object 9110** is Cash in County Treasury.
- **School** is not required.

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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.

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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 Staff Development Classes

If a speaker is engaged to give instructional training to the district’s teachers and teacher’s aides, the cost 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, TK/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 3a: Cost of Attending Staff Development Class for Certificated Staff

If a school district sends a teacher to a staff development conference or training workshop, and there are costs related to registration, transportation, and lodging, the costs may be coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	5200	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12.
- **Function 1000** is Instruction.
- **Object 5200** is Travel and Conferences.
- **School** is not required.

The school district should use Function 1000, Instruction, rather than Function 7410, Staff Development, as the staff development class is a cost directly related to improving a teacher’s ability to provide classroom instruction.

This coding can also be used if the conference or training workshop occurs in a virtual or online format.

Example 3b: Cost of Attending Staff Development Class for Classified Staff

If a school district sends a classified staff, such as a safety officer, to a disaster preparedness conference in order to develop districtwide training programs, and there are costs related to registration, transportation, and lodging, the costs may be coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	7410	5200	000

- **Fund 01** is the General Fund.

Procedure 625 Staff Development—Coding Examples

- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7410** is Staff Development.
- **Object 5200** is Travel and Conferences.
- **School** is not required.

Example 4: 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, TK/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 630 Technology—Coding Examples

The following examples are offered to illustrate the coding of expenditures for computer hardware, software, and other technological components.

For information on equipment inventory requirements and capitalization thresholds, see Procedure 405, “Accounting for Inventories,” and Procedure 770, “Distinguishing Between Supplies and Equipment.”

Coding Examples

Example 1: Purchase of Technology-Based Materials

- (a) In this example, the technology-based materials is an integral part of a core curriculum adopted by the State Board of Education and is a part of the approved list of instructional materials.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	4100	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, Grades TK/K–12.
- **Function 1000** is Instruction.
- **Object 4100** is Approved Textbooks and Core Curricula Materials.
- **School** is not required.

- (b) Instructional technology-based materials is purchased either off-the-shelf or by download for use as a reference tool for students in the classroom. The cost is less than the local educational agency’s (LEA’s) capitalization threshold.

Fund	Resource	Project Year	Goal	Function	Object	School
01	1100	0	1110	1000	4200	000

- **Fund 01** is the General Fund.
- **Resource 1100** is Lottery: Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, Grades TK/K–12.
- **Function 1000** is Instruction.
- **Object 4200** is Books and Other Reference Materials.
- **School** is not required.

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(c) Technology-based games are purchased for use in the classroom during rainy day recesses.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1110	1000	4300	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, Grades TK/K–12.
- **Function 1000** is Instruction.
- **Object 4300** is Materials and Supplies.
- **School** is not required.

(d) The district’s data processing department purchases a new financial accounting software system. This is a major system that handles financial data, personnel data, student attendance, and student grades. The contract includes four costs: a software purchase price of \$15,000, a software maintenance agreement of \$10,000, a one-time research and development cost of \$5,000, and one-time training for \$3,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7700	6400	000	\$30,000
01	0000	0	0000	7700	5800	000	\$ 3,000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7700** is Centralized Data Processing.
- **Object 5800** is Professional/Consulting Services and Operating Expenditures, and **Object 6400** is Equipment.
- **School** is not required.

In this example, the initial cost of the software is capitalized; often, a purchase contract does not specify the price for each of these components. The cost includes the research and development fee and the software maintenance agreement, following the capitalization rules that include all costs of acquisition and installation in the cost of the asset. Note that training is not included in the cost of the asset and is coded to Object 5800. If an annual software maintenance fee is paid each year, the subsequent cost should be coded to Object 5800.

(e) The district’s business office purchases a downloaded or off-the-shelf spreadsheet program for use by staff members. Their electronic devices are on a network, and the

Procedure 630 Technology—Coding Examples

software cost includes an original license fee for multiple users. There is an annual software maintenance agreement included with this program to provide users with help. The total cost of the contract is \$18,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7200	6400	000	\$18,000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7200** is Other General Administration.
- **Object 6400** is Equipment.
- **School** is not required.

A purchase is reported as “equipment” and capitalized if it has a life of over one year and if the cost exceeds the LEA’s capitalization threshold.

- (f) The district’s business office purchases a downloaded or off-the-shelf spreadsheet program for use by the accountant on an electronic equipment. An annual software maintenance agreement included with this program provides users with help. The total cost is \$350.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7200	4300	000	\$350

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7200** is Other General Administration.
- **Object 4300** is Materials and Supplies.
- **School** is not required.

During the following year, the software vendor offers an upgrade of the software.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7200	4300	000	\$225

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

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- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7200** is Other General Administration.
- **Object 4300** is Materials and Supplies.
- **School** is not required.

A software upgrade is considered a new purchase of materials.

In all of these examples, the initial cost of the software includes the license fee and maintenance agreement. If, during subsequent years, annual software license or maintenance fees were incurred, they would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures.

Example 2: Purchase of Technology-Based Equipment

- (a) The data processing department purchases a computer system that includes hardware and some software packages for the operating system.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	7700	6400	000	\$6,750

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 7700** is Centralized Data Processing.
- **Object 6400** is Equipment.
- **School** is not required.

In this example, the entire package has been capitalized; the operating software is considered part of the cost of getting the hardware installed and functioning. Additional software added later would be coded either to Object 4300, Materials and Supplies, or Object 6400, Equipment, depending on the district's capitalization threshold.

Generally, software is a separate and independent item; it is not a part of hardware. A purchase of a software license enables the user to move the software from one piece of equipment to another, and thus the software exists independently of the equipment. Therefore, if hardware and software were purchased at the same time, and if the costs could be distinguished, two items would be entered under Object 6400, Equipment: the cost of the hardware and the cost of the software.

- (b) The school nurse buys a personal computer for their desk, with some software. The cost covers (1) the hardware (with operating software) for \$5,500, which includes a

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maintenance agreement; (2) additional software designed for school nurse applications for \$1,500; (3) a license fee of \$500 for that software; and (4) an annual software maintenance agreement for \$350. The district’s capitalization threshold is \$5,000.

Fund	Resource	Project Year	Goal	Function	Object	School	Amount
01	0000	0	0000	3140	6400	000	\$5,500
01	0000	0	0000	3140	4300	000	\$2,350

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 3140** is Health Services.
- **Object 4300** is Materials and Supplies, and **Object 6400** is Equipment.
- **School** is not required.

The software for school nurses is not a part of the hardware system and may be considered a supply, Object 4300, because of its relatively short useful life, low vulnerability to theft, and difficulty in tagging. The license fee and fee for the first year of software maintenance may be part of the initial cost of the nursing software and therefore may be categorized as a single cost. If either fee is separate from the price of the software and/or is optional in the purchase contract, then the fees would be coded to Object 5800, Professional/Consulting Services and Operating Expenditures. In the following year, any upgrade of the software would be coded to Object 4300, and a renewal of the software license fee or of the software maintenance agreement would be coded to Object 5800.

Example 3: Installation and Maintenance of Technology Systems

- (a) XYZ District is ordering a complete workover to wire each classroom for the internet and other technological advances. False floors with wires in conduits are added to the buildings. Underground wiring has also been installed in the classrooms.

Underground wiring up to a building is a land improvement cost; wiring inside the building is a building cost.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	0000	8500	6170	000
01	9010	0	0000	8500	6200	000

- **Fund 01** is the General Fund.
- **Resource 9010** is a locally defined restricted resource representing a restricted donation from a local business.

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- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 8500** is Facilities Acquisition and Construction.
- **Object 6170** is Land Improvements, and **Object 6200** is Buildings and Improvements of Buildings.
- **School** is not required.

(b) Two years later there is a wiring problem in Room 23, which is a classroom. The staff electrician locates the problem and repairs the wiring in the cable under the floor. The costs are reported in the salary, benefits, and supplies in Maintenance and Operations as costs of maintaining the facility.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 8100** is Plant Maintenance and Operations.
- **Object 2200** is Classified Support Salaries, and **Object 4300** is Materials and Supplies.
- **School** is not required.

Although the costs are originally charged to the Maintenance and Operation function, they may be transferred through Object 5710, Transfers of Direct Costs, from Goal 0000, Undistributed, to an instructional goal based on a work order or another method of documentation. The function is not changed even though the costs can be directly documented; the essence of the maintenance work does not change to instructional work.

(c) The library has a multimedia area for student use. A work order has been completed for the construction of a built-in cabinet to house electronic equipment. The resulting cabinet is built into the wall and is an integral part of the building.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	8100	2200	000
01	0000	0	0000	8100	4300	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.

Procedure 630 Technology—Coding Examples

- **Function 8100** is Plant Maintenance and Operations.
- **Object 2200** is Classified Support Salaries, and **Object 4300** is Materials and Supplies.
- **School** is not required.

If the LEA wishes to capitalize the cost of the building improvement, the final cost of the addition to the room can be transferred by work order to Function 8500, Facilities Acquisition and Construction. In this case, because the function changes, the correct object is 5710, Transfers of Direct Costs.

If the cabinet were a rolling cabinet instead of a built-in, it would be considered a piece of equipment. The transfer would be to the relevant goals, such as Goal 1110, Regular Education, TK/K–12; and Function 2420, Instructional Library, Media, and Technology.

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Procedure 635 Cafeteria—Coding Examples

Pursuant to *Education Code* sections 38090–38093, LEAs may establish a cafeteria fund to account separately for federal, state, and local resources to operate a food service program. LEAs may establish either of the cafeteria funds defined in SACS: the Cafeteria Special Revenue Fund, Fund 13, or the Cafeteria Enterprise Fund, Fund 61. LEAs may also account for their food service program in a restricted account within the general fund. Although the cafeteria fund is meant to account for the LEA’s food service program (*Education Code* sections 38091 and 38100), there may be certain costs associated with providing food that are initially accounted for in this fund and then subsequently transferred to other funds.

Coding Examples

In these examples, it is assumed that the LEA uses Fund 13, Cafeteria Special Revenue Fund.

Example 1: Meals for Field Trips Funded by the Child Nutrition Program

The cafeteria prepares sack lunches for students to take on a field trip. The sack lunches are included in the daily lunch count and qualify for reimbursement from the Child Nutrition Program.

Fund	Resource	Project Year	Goal	Function	Object	School
13	5310	0	0000	3700	4700	000

- **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is Child Nutrition: School Programs.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 3700** is Food Services.
- **Object 4700** is Food.
- **School** is not required.

Example 2: Meals for Field Trips Not Provided Through the LEA’s Food Service Program

Sometimes meals provided for a field trip are not provided through the food service program and are not paid for with Child Nutrition Program money or included in the lunch count in the Child Nutrition Program report. In this case, Function 3700 is not used because the cost of the meals is part of the cost of the field trip. For example, a local fundraiser provides the money to send a class on a field trip, and part of the cost of the field trip is for meals.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	1110	1000	4300	000

Procedure 635 Cafeteria—Coding Examples

- **Fund 01** is the General Fund.
- **Resource 9010** is Other Restricted Local.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12, for a particular class taking the field trip.
- **Function 1000** is Instruction. The cost of the lunch is a part of the cost of the field trip.
- **Object 4300** is Materials and Supplies; the lunches are part of the supplies provided for the field trip.
- **School** is not required.

Example 3: Meals Provided by the Food Service Program but Not Funded by the Child Nutrition Program

If an LEA does not participate in the Child Nutrition Program but still operates a food service program, the costs of meals served are normally paid from unrestricted funds.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	3700	4700	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 3700** is Food Services.
- **Object 4700** is Food.
- **School** is not required.

Example 4: Refreshments for Meetings

The cafeteria program provides a pastry and coffee service for the superintendent's cabinet meeting on an incidental basis. The cost of the service is transferred from the cafeteria fund to the general fund.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	3700	5750	000
Dr	01	0000	0	0000	7100	5750	000
Cr	01	0000	0	0000	0000	9110	000

- **Fund 13** is the Cafeteria Special Revenue Fund; **Fund 01** is the General Fund.
- **Resource 5310** is Child Nutrition: School Programs, and **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.

Procedure 635 Cafeteria—Coding Examples

- **Goal 0000** is Undistributed.
- **Function** is not required for balance sheet accounts; **Function 3700** is Food Services; and **Function 7100** is Board and Superintendent.
- **Object 9110** is Cash in County Treasury, and **Object 5750** is Transfers of Direct Costs—Interfund. Here the cost of the food is transferred from the cafeteria special revenue fund to the general fund as a cost of supplies for the meeting.
- **School** is not required.

Example 5: Reclassification of Costs for Food Used by Another Program

The cafeteria program purchases many food products in bulk and allows the Home Economics department to purchase certain ingredients at cost for use in cooking classes. The cafeteria program does not provide any services to the Home Economics department. The cost of the food is reclassified to the instructional program.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	1110	1000	4300	000
Cr	01	0000	0	0000	0000	9110	000
Dr	13	5310	0	0000	3700	9110	000
Cr	13	5310	0	0000	3700	4700	000

- **Fund 01** is the General Fund; **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 0000** is Unrestricted; **Resource 5310** is Child Nutrition: School Programs.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12; **Goal 0000** is Undistributed.
- **Function 1000** is Instruction; **Function 3700** is Food Services.
- **Object 4300** is Materials and Supplies; **Object 9110** is Cash in County Treasury; **Object 4700** is Food.
- **School** is not required.

Example 6: Catering Services

A cafeteria program engages in catering activities and offers its services to outside customers, with profits supporting the Child Nutrition Program. For example, the Rotary Club contracts with the cafeteria to provide a dinner for local business people. The cafeteria identifies the cost of food, supplies, and labor for the dinner and is paid by the Rotary Club for the service.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	6000	5710	000
Cr	13	5310	0	0000	3700	5710	000
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	6000	8699	000

Procedure 635 Cafeteria—Coding Examples

- **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is Child Nutrition: School Programs.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function 6000** is Enterprise; **Function 3700** is Food Services. In this entry, the costs of the food, salaries, and labor are transferred from the Food Services function to the Enterprise function. A function code is not required when recording revenue; but in this example, the use of the function code with both revenue and expenditure might be helpful in analyzing the profitability of the catering activity in the Cafeteria Fund.
- **Object 5710** is Transfers of Direct Costs; **Object 9110** is Cash in County Treasury; **Object 8699** is All Other Local Revenue. This object is separate from food service sales (Object 8634).
- **School** is not required.

Example 7: Central Kitchen Serving Other Districts' Students

An LEA operates a central kitchen that provides meals not only for its own students but also for the students of several other school districts. At the end of every month, the LEA reclassifies the prorated share of costs attributable to other LEAs (on the basis of the number of meals provided to those LEAs' students) and will bill the other LEAs.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	7110	3700	5710	000
Cr	13	5310	0	0000	3700	5710	000

- **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is the Child Nutrition: School Programs.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed; **Goal 7110** is Nonagency—Educational. It is used here because the contract is with other LEAs that retain prime responsibility for delivery of the service.
- **Function 3700** is Food Services.
- **Object 5710** is Transfers of Direct Costs.
- **School** is not required.

Example 8: District Receiving Revenues for Food Services Provided

The LEA operating the central kitchen records the revenue it receives from the other LEAs for services provided to them under contract, its own federal and state reimbursements, and its own sales of adult à la carte lunches.

Procedure 635 Cafeteria—Coding Examples

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	13	5310	0	0000	0000	9110	000
Cr	13	5310	0	0000	0000	8677	000
Cr	13	5310	0	0000	0000	8220	000
Cr	13	5310	0	0000	0000	8520	000
Cr	13	5310	0	0000	0000	8634	000

- **Fund 13** is the Cafeteria Special Revenue Fund.
- **Resource 5310** is the Child Nutrition: School Programs.
- **Project Year** is not applicable in this example.
- **Goal 0000** is Undistributed.
- **Function** is not required for revenues.
- **Object 8677** is Interagency Services Between LEAs; **Object 8220** is federal Child Nutrition Programs; **Object 8520** is state Child Nutrition; **Object 8634** is Food Service Sales; **Object 9110** is Cash in County Treasury.
- **School** is not required.

Procedure 635 Cafeteria—Coding Examples

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Procedure 640 Transportation—Coding Examples

The main purpose of most local educational agency (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, TK/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, TK/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 charters a private bus to attend a weekend parade.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	1677	4000	5800	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 1677** is a locally defined goal for a regular high school music program.
- **Function 4000** is Ancillary Services. The optional **Function 4100**, School-Sponsored Co-Curricular, may be used.
- **Object 5800** is Professional/Consulting Services and Operating Expenditures.
- **School** is not required.

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 to, retain prime responsibility.

Procedure 640 Transportation—Coding Examples

- (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 “cost pool” 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 “cost pool” 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.

Below is an example of a journal entry associated with receiving payment for home-to-school transportation services rendered to a contracting LEA.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
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.
- **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 3600** is Pupil Transportation.
- **Object 8677** is Interagency Services Between LEAs, and **Object 9110** is Cash in County Treasury.
- **School** is not required.

Example 4: A Contracting LEA Pays Another School District for Transportation Services.

- District A records the payment to District B for home-to-school transportation services.

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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, TK/K–12. Goal is not required for balance sheet accounts.
- **Function 1000** is Instruction, and **Function 4000** is Ancillary Services. Function is not required for balance sheet accounts.
- **Object 5800** is Professional/Consulting Services and Operating Expenditures, and **Object 9110** is Cash in County Treasury.
- **School** is not required.

(c) District A records the payment to District B for the cost of vehicle maintenance performed on the superintendent’s car, the cafeteria’s delivery van, and a maintenance pickup truck.

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

Procedure 640 Transportation—Coding Examples

(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.

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 students with disabilities can be charged to special education goals. The examples vary according to the accounting used at the time the costs are initially incurred.

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(a) Initially, the costs of transporting students with disabilities for whom transportation is required by their individualized education programs (IEPs) are distinguished from the costs of transporting regular education and other students with disabilities by using the goal code.

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	5760	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, TK/K–12; **Goal 5001** is Special Education—Unspecified; and **Goal 5760** is Special Education, Ages 5–22. 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 students with disabilities for whom transportation is required by their IEPs are transferred from Goal 0000 to Goal 5760.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	5760	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; and **Goal 5760** is Special Education, Ages 5–22. Goal is not required for balance sheet accounts.

Procedure 640 Transportation—Coding Examples

- **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 students with disabilities are charged to Goal 5001, Special Education—Unspecified.

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

At year-end, the costs of transporting students with disabilities for whom transportation is required by their IEPs are transferred from Resource 0000 and Goal 5001 to Resource 0000 and Goal 5760.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	School
Dr	01	0000	0	5760	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 5760** is Special Education, Ages 5–22. 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.

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Procedure 645 County Office of Education—Coding Examples

County offices of education (COEs)—i.e., offices of county superintendents of schools—perform various activities in support of school districts or other educational entities, including, but not limited to:

- a. Coordination activities and professional services, such as supervision of instruction, health, guidance, attendance, and school library services (*Education Code* Section 1700 et seq.)
- b. Financial services (*Education Code* Section 42100 et seq.)
- c. Credential services (*Education Code* Section 44330)

Coding Examples

Below are examples of common COE activities.

Example 1: COE Financial Office Staff Processes Districts' Payrolls.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	7200	2400	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 8600** is County Services to Districts.
- **Function 7200** is Other General Administration.
- **Object 2400** is Clerical, Technical, and Office Staff Salaries.
- **School** is not required.

Example 2: The COE Processes Internal Payroll.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	7200	2400	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 0000** is Undistributed.
- **Function 7200** is Other General Administration.
- **Object 2400** is Clerical, Technical, and Office Staff Salaries.
- **School** is not required.

Procedure 645 County Office of Education—Coding Examples

Example 3: The COE Examines District Budgets for Solvency and Compliance with State Criteria and Standards (*Education Code Section 42127 et seq.*).

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8601	7200	2300	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 8601** is a locally defined goal used by this COE to track this activity. Goal 8601 rolls up to Goal 8600, County Services to Districts, when data is submitted to CDE at year-end.
- **Function 7200** is Other General Administration.
- **Object 2300** is Classified Supervisors' and Administrators' Salaries.
- **School** is not required.

Example 4: The COE Administers the Tobacco Use Prevention Education (TUPE) Program for School Districts in the County.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	8600	2100	1200	000

- **Fund 01** is the County School Service Fund.
- **Resource 6680** is TUPE: COE Administration Grants.
- **Project Year** is not required in this example.
- **Goal 8600** is County Services to Districts. The COE's role is administrative and is not directly involved with instructing students; the districts are implementing the TUPE curriculum.
- **Function 2100** is Instructional Supervision and Administration.
- **Object 1200** is Certificated Pupil Support Salaries.
- **School** is not required.

Example 5: The COE Holds Annual Math, Spelling, and Language Arts Contests for the School Districts' Students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	4900	4000	4300	000

Procedure 645 County Office of Education—Coding Examples

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 4900** is Other Supplemental Education. This goal is for services the COE provides directly to students of other districts who are not on COE attendance rolls.
- **Function 4000** is Ancillary Services.
- **Object 4300** is Materials and Supplies.
- **School** is not required.

Example 6: The COE Provides Direct Services to Its Small Districts by Employing Nurses to Provide Nursing Care for District Students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	3140	1200	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 8600** is County Services to Districts.
- **Function 3140** is Health Services.
- **Object 1200** is Certificated Pupil Support Salaries.
- **School** is not required.

Example 7: The COE Assistant Superintendent Coordinates Curriculum Development with School Districts.

The COE’s assistant superintendent in charge of curriculum works with LEA teachers and curricula experts to coordinate programs between school districts. (This person is not primarily involved with COE general administration.)

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	8600	2100	1300	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 8600** is County Services to Districts.
- **Function 2100** is Instructional Supervision and Administration.
- **Object 1300** is Certificated Supervisors’ and Administrators’ Salaries.
- **School** is not required.

Procedure 645 County Office of Education—Coding Examples

Example 8: The COE Receives Its Local Control Funding Formula (LCFF) Apportioned Based on the Attendance of COE Students Enrolled Pursuant to *Education Code* Section 2574(c)(4) (the Alternative Education Grant) and Operates a Juvenile Court School and a County Community School.

(a) The COE receives its LCFF entitlement, which consists partly of the Alternative Education Grant.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8011	000
01	0000	0	0000	0000	8041	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenues.
- **Function** is not required for revenues.
- **Object 8011** is LCFF State Aid—Current Year. **Object 8041** is Secured Roll Taxes.
- **School** is not required.

(b) The COE operates its Alternative Education programs.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	3500	1000	1100	000
01	0000	0	3600	1000	1100	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 3500** is County Community Schools, and **Goal 3600** is Juvenile Courts.
- **Function 1000** is Instruction.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School** is not required.

Procedure 645 County Office of Education—Coding Examples

Example 9: The COE Receives Tuition from a School District for District-Funded County-Served Students Enrolled in a County-Operated Program Pursuant to *Education Code Section 2576*.

- (a) The COE receives payment of tuition from the school district. The district coded its payment to the COE using Object 7142, Other Tuition, Excess Costs and/or Deficit Payments to County Offices.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8710	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenues.
- **Function** is not required for revenues.
- **Object 8710** is Tuition.
- **School** is not required.

- (b) The COE operates its Alternative Education programs. Its expenditures are coded as illustrated in Example 8(b).

Note that the nature of the agreements between different COEs and districts for interagency services might vary. A different coding model might be appropriate for a different arrangement. Procedure 750 discusses various types of arrangements and the accounting for each.

Procedure 645 County Office of Education—Coding Examples

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Procedure 650 Facility Maintenance Programs—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 county offices of education (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), established pursuant to the Leroy F. Greene State School Building Lease–Purchase Law of 1976. 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

- **Fund 01** is the General Fund.

Procedure 650 Facility Maintenance Programs—Coding Examples

- **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, committed, or assigned to the purposes of the fund may also be reported in the fund. LEAs that

Procedure 650 Facility Maintenance Programs—Coding Examples

elect to maintain a deferred maintenance fund typically commit a portion of their Local Control Funding Formula (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 9300** is Interfund Transfers. Function is not required for revenues or balance sheet accounts.
- **Object 7619** is Other Authorized Interfund Transfers Out. **Object 8919** is Other Authorized 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 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 the 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, TK/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, TK/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 their 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 the 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	5760	1110	3901	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **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

Procedure 655 Employment Separation Costs—Coding Examples

these costs during the calculation of the indirect cost rate (see Procedure 915, Indirect Cost Rate).

Example 3: A Federally Funded Teacher Accepts a Salary Bonus in Exchange for Early Retirement

Teachers are offered a two-month salary bonus in exchange for early retirement, and a teacher working in a federal Title III program accepts the offer. Because this salary bonus is an abnormal or mass separation cost, it cannot be charged to 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 Leases and Subscription-Based Information Technology Arrangements (SBITAs)

Local educational agencies (LEAs) can enter into agreements to use other entities' assets for a specific period of time. LEAs can also enter into agreements that permits other entities the right to use LEA's assets, for which the LEA receives compensation.

This procedure addresses two kinds of arrangements by which LEAs obtain right-to-use assets: (1) leases, and (2) subscription-based information technology arrangements (SBITAs).

Leases

Governmental Accounting and Financial Reporting Standards (GASB Codification) Section L20.102 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for the length of time covered by the lease, that is, lease term, in an exchange or exchange-like transaction. Examples of nonfinancial assets include land, buildings, vehicles, and equipment. Further, *GASB Codification* Section L20.103 lists the following two criteria that must be met in order to determine whether a contract conveys control of the right to use the underlying asset:

1. The LEA must have the right to obtain the present service capacity from use of the underlying asset as specified in the contract; and
2. The LEA must have the right to determine the nature and manner of use of the underlying asset as specified in the contract.

Leases exclude contracts for services, except those contracts that contain both a lease component and a service component. In addition, the following do not meet the definition of leases:

- Leases of intangible assets, including licensing contracts for items such as video recordings, plays, manuscripts, patents, and copyrights; and licensing contracts for computer software.
- Leases of biological assets, including timber, living plants, and living animals.
- Leases of inventory.
- Contracts that are in the scope of the SBITAs (see later in this procedure).
- Supply contracts, such as power purchase agreements that do not convey control of the right to use the underlying power generating facility.

Lease Payments in Advance

For lease payments received in advance prior to the commencement of the lease contract, the lessee should record the advance payment as an asset, for example, using Object 9330, Prepaid Expenditures, and the lessor should record the advance payment received as a liability, for example, using Object 9650, Unearned Revenue.

Procedure 710 Leases and SBITAs

Short-Term Leases

If the lease term is for 12 months or less with no option to extend the lease beyond 12 months, the lessee should record the lease payments as expenditures, for example, using Object 5600, Rentals, Leases, Repairs, and Noncapitalized Improvements. The lessor should record the lease payments received as revenues, for example, using Object 8650, Leases and Rentals.

Contracts That Transfer Ownership

A contract that transfers ownership of the underlying asset to the lessee at the end of the contract term and does not contain termination options is reported as a financed purchase of a capital asset (the underlying asset) for the lessee and as a sale of capital asset (the underlying asset) for the lessor.

Leases Other Than Short-Term Leases or Contracts That Transfer Ownership

I. Lessee Accounting

When a lessee LEA's lease agreement meets the definition of a lease pursuant to *GASB Codification* Section L20.102, except for a short-term lease or contract that transfers ownership, the following accounting guidance applies in the governmental funds:

1. At the inception of the lease, record the lease asset in the fund acquiring the underlying asset as a debit to Object 6600, Lease Assets, for the amount of the entire principal that is due. The credit is to Object 8972, Proceeds from Leases.
2. As lease payments are made, record the payments in the fund acquiring the underlying asset as a debit to Objects 7438, Debt Service—Interest, and 7439, Other Debt Service—Principal.

As an example of accounting for a 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, 2024, 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 Leases and SBITAs

Amortization Schedule

Date	Lease Payment	Interest Expenditure @ 10%	Principal Expenditure	Principal Balance of Leases Payable*
6-30-24	\$0	\$0	\$0	\$208,493
6-30-24	50,000	0	50,000	158,493
6-30-25	50,000	15,849	34,151	124,342
6-30-26	50,000	12,434	37,566	86,776
6-30-27	50,000	8,678	41,322	45,454
6-30-28	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 for the lessee to make the entries that are needed to record the lease.

The entries for the photocopy machine lease would be recorded as follows:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-24	Lease Assets	01-0000-0-0000-7200-6600	\$208,493	
	Proceeds from Leases	01-0000-0-0000-0000-8972		\$208,493
	To record the lease of equipment.			

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-24	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 lease payments, the appropriate resource and goal would be used.*

Procedure 710 Leases and SBITAs

The second lease payment (6-30-25) would be recorded in the following manner:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-25	Debt Service—Interest Other Debt	01-0000-0-0000-9100-7438*	\$15,849	
	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 lease payments, the appropriate resource and goal would be used.*

Repayments of debt such as 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.

The assets acquired under the lease are reported by the lessee in the government-wide statement of net position.

II. Lessor Accounting

When a lessor LEA's lease agreement meets the definition of leases pursuant to *GASB Codification* Section L20.102, except for a short-term lease or contract that transfers ownership, the following accounting guidance applies for the governmental funds:

1. At the inception of the lease, record the lease receivable in the fund where the underlying asset is recorded as a debit to Object 9380, Lease Receivable, for the amount of the entire principal that is due. The credit is to Object 9690, Deferred Inflows of Resources.
2. As lease payments are received, record the payments in the fund where the underlying asset is recorded as a credit to Objects 9380, Lease Receivable, and 8660, Interest. In addition, recognize the related revenues as a debit to Object 9690, Deferred Inflows of Resources, and a credit to Object 8650, Leases and Rentals.

As an example of accounting for a lease, use the same photocopy machine example, including amortization schedule, as above.

Procedure 710 Leases and SBITAs

Amortization Schedule

Date	Lease Payment	Interest Revenue @ 10%	Principal Amount	Principal Balance of Lease Receivable*
6-30-24	\$0	\$0	\$0	\$208,493
6-30-24	50,000	0	50,000	158,493
6-30-25	50,000	15,849	34,151	124,342
6-30-26	50,000	12,434	37,566	86,776
6-30-27	50,000	8,678	41,322	45,454
6-30-28	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 received each year from the total principal balance at the beginning of the lease.*

The entries for the photocopy machine lease would be recorded as follows:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-24	Lease Receivable	01-0000-0-0000-0000-9380	\$208,493	
	Deferred Inflows of Resources	01-0000-0-0000-0000-9690		\$208,493
To record the lease receivable at the inception of a lease.				

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-24	Cash in County Treasury	01-0000-0-0000-0000-9110	\$50,000	
	Lease Receivable	01-0000-0-0000-0000-9380		\$50,000
To record the first lease payment received.				

Procedure 710 Leases and SBITAs

The second lease payment (6-30-25) would be recorded in the following manner:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
6-30-25	Cash in County Treasury	01-0000-0-0000-0000-9110	\$50,000	
	Lease Receivable	01-0000-0-0000-0000-9380		\$34,151
	Interest	01-0000-0-0000-0000-8660		15,849
To record the second lease payment received and recognize the interest revenue.				

Date	Object Title	SACS Account String	Debit	Credit
6-30-25	Deferred Inflows of Resources	01-0000-0-0000-0000-9690*	\$41,699	
	Leases and Rentals	01-0000-0-0000-0000-8650*		\$41,699
To recognize lease revenue over the term of the lease.				

**The deferred inflows of resources should be amortized and recognized as revenue over the lease term in a systematic and rational manner. In this example, the LEA management believes that a straight-line recognition over the five-year lease term is the most appropriate method (i.e., \$208,493 divided by five years).*

The underlying lease assets continue to be reported in the lessor's government-wide statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs)

GASB Codification Section S80.103 defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for the length of time covered by the SBITA, that is, subscription term, in an exchange or exchange-like transaction. Further, *GASB Codification* Section S80.104 lists the following two criteria that must be met in order to determine whether a contract conveys control of the right to use the underlying IT asset:

1. The LEA has the right to obtain the present service capacity from use of the underlying IT assets as specified in the contract; and
2. The LEA has the right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

Procedure 710 Leases and SBITAs

SBITAs exclude contracts that solely provide IT support services, but include contracts that contain both a right-to-use IT asset component and an IT support services component. In addition, the following do not meet the definition of SBITAs:

- Contracts that convey control of the right of use another party's combination of IT software and tangible capital assets that meets the definition of a lease (as defined in the Leases section), in which the software component is insignificant when compared to the cost of the underlying tangible capital asset. Examples are a computer with operating software and a smart copier that is connected to an IT system. The LEAs should treat the contracts as leases and follow the guidance provided in this procedure.
- Governments that provide the right to use their IT software and the associated tangible capital assets to other entities through SBITAs (i.e., governments are software vendors).
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software.

Short-Term SBITAs

If the subscription term is for 12 months or less with no option to extend the SBITA beyond 12 months, the LEA should record the subscription payments as expenditures, for example, using Object 4100, Approved Textbooks and Core Curricula Materials, for internet-based or computer-based state-adopted core curriculum, and using Object 5800, Professional/Consulting Services and Operating Expenditures, for internet-based publications and materials.

SBITAs Other Than Short-Term SBITAs

When an LEA's agreement meets the definition of a SBITA defined in *GASB Codification* Section S80.103, except for short-term SBITAs, the following rules apply to accounting for SBITAs in the governmental funds:

1. At the inception of a SBITA, record the subscription asset in the fund acquiring the underlying IT asset as a debit to Object 6700, Subscription Assets, for the amount of the entire principal that is due. The credit is to Object 8974, Proceeds from SBITAs.
2. As subscription payments are made, record the payments in the fund acquiring the underlying IT asset as a debit to Objects 7438, Debt Service—Interest, and 7439, Other Debt Service—Principal.

As an example of accounting for a SBITA in a governmental fund, assume that a subscription agreement is signed on July 1, 2022; the subscription term starts on July 1, 2022, and ends on June 30, 2027. Beginning on this date, five annual payments of \$15,000 will be made. The discount rate is 5 percent.

The SBITA agreement contains the following amortization schedule, which shows the breakdown of the annual payments into the principal and interest components:

Procedure 710 Leases and SBITAs

Amortization Schedule

Date	Subscription Payment	Interest Expenditure @ 5%	Principal Expenditure	Principal Balance of Subscription Liability*
7-01-22	\$0	\$0	\$0	\$68,189
7-01-22	15,000	0	15,000	53,189
7-01-23	15,000	2,659	12,341	40,848
7-01-24	15,000	2,042	12,958	27,890
7-01-25	15,000	1,395	13,605	14,285
7-01-26	15,000	715	14,285	-0-
Total	\$75,000	\$6,811	\$68,189	

**This column was computed from the amortization schedule provided in the SBITA agreement. To compute this column, subtract the amount of principal paid each year from the total principal due at the beginning of the SBITA agreement.*

This amortization schedule is necessary to make the entries that are needed to record the SBITA agreement.

The entries for the SBITA agreement would be recorded as follows:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
7-01-22	Subscription Assets	01-0000-0-0000-7200-6700	\$68,189	
	Proceeds from SBITAs	01-0000-0-0000-0000-8974		\$68,189
	To record inception of the IT asset subscription.			

General Fund

Date	Object Title	SACS Account String	Debit	Credit
7-01-22	Other Debt			
	Service—Principal	01-0000-0-0000-9100-7439*	\$15,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$15,000
	To record the first subscription payment.			

**If a restricted resource will be used to make the payments on the SBITA agreement, the appropriate resource and goal would be used.*

Procedure 710 Leases and SBITAs

The second subscription payment (07-01-23) would be recorded in the following manner:

General Fund

Date	Object Title	SACS Account String	Debit	Credit
7-01-23	Debt Service—Interest	01-0000-0-0000-9100-7438*	\$2,659	
	Other Debt			
	Service—Principal	01-0000-0-0000-9100-7439*	12,341	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$15,000
To record the second subscription payment.				

**If a restricted resource will be used to make the payments on the SBITA agreement, the appropriate resource and goal would be used.*

Repayments of debt such as SBITAs, which typically 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 subscription payments were to be paid from a debt service fund, the above entry would be recorded in that fund. Any transfers from the general fund to the debt service fund would be treated as operating transfers, not as general fund expenditures.

The subscription assets acquired under the SBITAs are reported in the government-wide statement of net position.

SBITA Development Stages and Categorization of Associated Costs

SBITAs have three development stages. The costs for activities associated with each stage are accounted as follows:

1. Preliminary Project Stage – Costs incurred during this stage are not capitalized. These costs include the following activities:
 - Conceptual formulation of alternatives
 - Evaluation of alternatives
 - Determination of the existence of needed technology
 - Final selection of alternatives for the SBITA

2. Initial Implementation Stage – Costs incurred during this stage involve both internal and external costs incurred to develop the IT software and are capitalized as part of the subscription asset. These costs include the following:
 - Design of the chosen path, including configuration
 - Coding
 - Installation associated with the LEA’s access to the underlying SBITA assets
 - Minimum data conversion necessary to make the underlying SBITA assets operational

Procedure 710 Leases and SBITAs

- Testing
3. Operation and Additional Implementation Stage – Costs incurred during this stage are not capitalized but are expensed as incurred. These costs include the following:
- Training
 - Software maintenance
 - Data conversion beyond what is strictly necessary to make the underlying SBITA assets operational

Procedure 710 Leases and SBITAs

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Procedure 715 Tax and Revenue Anticipation Notes (TRANS)

Tax and revenue anticipation notes (TRANS) are short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date. They are used to finance temporary cash flow shortfalls arising from the mismatch between the timing of expenditures and the receipt of revenues. The notes are repaid from the revenues to which they relate.

Tax and revenue anticipation notes can mature in either the same fiscal year as issued or in the following fiscal year. Because tax and revenue anticipation notes are short term rather than long term, they are reported as a fund liability in the fund receiving the proceeds. The proceeds are typically held by a fiscal agent or trustee, except for amounts drawn down by the local educational agency (LEA) to avoid cash shortfalls.

Assume, for example, that the LEA issues a TRAN on July 1. The issue is for \$1,000,000 at 5 percent interest and is issued at a premium of \$1,000. The repayment schedule requires that the fiscal agent move 50 percent of the principal from the proceeds account to a repayment reserve account in December. The entire principal, plus interest for the entire issue, is to be repaid in April. In this example, the administrative costs (\$9,500) are deducted from the note's proceeds at the time of issuance, and the LEA draws down part of the proceeds to cover temporary general fund cash shortfalls in November.

The following entries are made:

Date	Object Title	SACS Account String	Debit	Credit
7-1-xx	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$991,500	
	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-9100-5800	9,500	
	Current Loans	01-0000-0-0000-0000-9640		\$1,000,000
	Interest	01-0000-0-0000-0000-8660		1,000
To record the receipt of the TRAN's proceeds plus issue premium and the associated administrative costs.				

Date	Object Title	SACS Account String	Debit	Credit
11-15-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	\$200,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$200,000
To record the drawdown of TRAN proceeds to cover temporary cash shortfalls during November.				

Procedure 715 Tax and Revenue Anticipation Notes (TRANs)

Date	Object Title	SACS Account String	Debit	Credit
12-15-xx	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$200,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$200,000
To record the return of TRAN proceeds drawn down during November.				

Date	Object Title	SACS Account String	Debit	Credit
4-30-xx	Current Loans	01-0000-0-0000-0000-9640	\$1,000,000	
	Interest Expense	01-0000-0-0000-9100-5800	50,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110	1,500	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$991,500
	Interest	01-0000-0-0000-0000-8660		60,000
To record the repayment of the TRAN principal plus interest, the interest earned on the invested proceeds, and the transfer of the difference to Cash in County Treasury.				

Note that no entry is made in the LEA’s general ledger to record the transfer by the fiscal agent of 50 percent of the principal from the proceeds account to a repayment reserve account in December. Since the funds are merely moved from one account to another within the custody of the fiscal agent, the entry if the transfer were recorded would be a debit and a credit to Cash with a Fiscal Agent/Trustee, which would be unnecessary. Also note that the accounting is the same whether the fiscal agent service is provided by a financial services institution or by the county treasurer.

In the event that the LEA is assessed a penalty for issuing tax and revenue anticipation notes without a demonstrable cash flow need, the penalty be recorded as follows:

Date	Object Title	SACS Account String	Debit	Credit
xx-xx-xx	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-7110-5800	\$xx,xxx	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$xx,xxx
To record the penalty assessed for issuing TRANs without a demonstrable cash flow need.				

Procedure 720 Certificates of Participation (COPs)

An issuance of certificates of participation (COPs) is a mechanism for providing capital to school districts and county offices to purchase equipment, finance construction projects, or refinance existing leases. This financing technique provides long-term financing through a lease with an option to purchase or a conditional sales agreement.

The major disadvantage of a COP is that there is no repayment source connected to its issuance, such as there is with an issuance of general obligation debt. The lease obligation is payable out of the general fund or from other available revenues.

Accounting for Certificates of Participation

The following points are important to understanding how certificates of participation are accounted for in conformity with generally accepted accounting principles (GAAP):

1. The financing of certificates of participation typically involves the following parties:

Lessee (Issuer)—A school district or county office of education

Lessor—A nonprofit corporation, joint powers authority, leasing company, bank, or other entity that holds title to the equipment during the lease period

Trustee—A commercial bank or trust company that receives the proceeds, collects the lease payments on behalf of the lessor, and/or repays the notes. The trustee is required to adhere to the standards in the trust agreement and maintain the trust fund accounts. The trust fund accounts show all disbursements made against the certificates of participation's proceeds as well as any interest earned.

Underwriter—A municipal securities dealer who commits to the purchase of the certificates and remarkets them to investors. The underwriter will charge a fee, known as the underwriter's discount, to assume the underwriting risk of the COPs.

2. At the time the proceeds of the COPs are deposited with the trustee, the money legally belongs to the local educational agency (LEA). Therefore, at this time, the LEA must record the proceeds in its books.
3. The proceeds of the COPs should be reported in the fund that will be used to acquire or construct the assets. This will typically be the general fund or a capital projects fund.

School districts may identify developer fees as the repayment source for COPs. If this is the case, the LEA will record the proceeds of the COPs in the Capital Facilities Fund.

4. The LEA must review the section of the COPs documents titled "Sources and Uses of Funds" to determine the opening entry needed on the LEA's books to account for the COPs. The following sources or uses of funds will typically be found:

Procedure 720 Certificates of Participation (COPs)

Accrued Interest—The amount of interest accrued on COPs from the issue date until closing. The underwriter pays this amount to the trustee at closing, and the money is held by the trustee in the lease payment account as a credit toward the first scheduled lease payment. For this reason, the accrued interest is recorded as interest payable.

Capitalized or Funded Interest—The amount of interest on a COP that will accrue from the COP's issue date to the date the project or property being financed is projected to be completed. California law precludes issuers from making lease payments unless they have constructive use or occupancy of the property being financed. The funded interest is a component of the COP's proceeds and is used to pay the investors their semiannual interest payments during the construction period. As a matter of practice, funded interest normally extends two to three months beyond the projected completion date to cover unforeseen delays.

Reserve Account (Reserve for Debt Service)—Underwriters typically require a debt service reserve funded by the proceeds of the COP. The reserve is held by the trustee to pay investors in the event of the issuer's default or in the case of late payment. If neither of these events occurs, the reserve account is used to make the final lease payment. Because the amount of the COP's proceeds that represents the Reserve for Debt Service may not legally be spent, this amount must be shown as nonspendable fund balance at year-end.

Underwriter's Discount—The fee a municipal underwriter charges to assume the underwriting risk of the COP. The underwriter's fees will typically be deducted from the proceeds before the proceeds are deposited with the trustee.

5. The trustee will maintain the proceeds in various trust accounts. The trustee will provide information to the LEA on all activity in the trust accounts. The LEA must account for all such activity in its books.
6. It is not necessary to make the lease payments for COPs from a separate debt service fund.

The following examples show the accounting for COPs in conformity with GAAP.

Assume that on August 1, 2024, a school district issues certificates of participation for the purchase of 123 school buses from the ABC Bus Company. The XYZ Bank is designated as trustee of the certificates and is assigned the right to enforce amounts payable by the district under the agreement. The first lease payment is due in February 2025, and the final payment is due in August 2029.

Procedure 720 Certificates of Participation (COPs)

Estimated Sources and Uses of Proceeds

Sources	Amount
Certificate Proceeds	\$18,200,000
Accrued Interest	100,000
Total Sources	\$18,300,000

Uses	Amount
Cost of Equipment	\$14,950,000
Capitalized Interest	500,000
Reserve for Debt Service	2,700,000
Underwriter's Discount	150,000
Total Uses	\$18,300,000

Assume that the Reserve for Debt Service of \$2,700,000 was invested and estimated to earn interest of \$110,000 through January 31, 2025, and \$92,000 from February 1 through June 30, 2025.

The lease payment schedule is as follows:

Lease Payment Dates	Principal Component	Interest Component	Total Payment
February 1, 2025		\$500,000	\$500,000
August 1, 2025	3,200,000	500,000	3,700,000
February 1, 2026		400,000	400,000
August 1, 2026	3,300,000	400,000	3,700,000
February 1, 2027		300,000	300,000
August 1, 2027	3,500,000	300,000	3,800,000
February 1, 2028		200,000	200,000
August 1, 2028	3,800,000	200,000	4,000,000
February 1, 2029		100,000	100,000
August 1, 2029	4,400,000	100,000	4,500,000
Total	\$18,200,000	\$3,000,000	\$21,200,000

Key Entries for Certificates of Participation

1. Proceeds from the sale of the certificates of participation (COPs) are deposited with the trustee in the name of the LEA. The terms of the COPs require a debt service reserve of \$2,700,000. All interest earned on the debt service reserve is available for debt repayment.

Procedure 720 Certificates of Participation (COPs)

Date	Object Title	SACS Account String	Debit	Credit
8-1-24	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$18,150,000	
	Professional/Consulting Services and Operating Expenditures	01-0000-0-0000-9100-5800	150,000	
	Proceeds from COPs	01-0000-0-0000-0000-8971		\$18,200,000
	Accounts Payable	01-0000-0-0000-0000-9500		100,000
To record the receipt of the proceeds from the sale of the COPs to be used for the purchase of equipment and the underwriter's discount.				

2. Equipment is purchased.

Date	Object Title	SACS Account String	Debit	Credit
9-1-24	Equipment	01-0000-0-0000-3600-6400	\$14,950,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$14,950,000
To record the purchase of 123 buses acquired through the issuance of COPs.				

3. Reimbursement is received from the trustee.

Date	Object Title	SACS Account String	Debit	Credit
11-1-24	Cash in County Treasury	01-0000-0-0000-0000-9110	\$14,950,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$14,950,000
To record the reimbursement received from the trustee.				

Procedure 720 Certificates of Participation (COPs)

4. Interest is received on the investments of the \$2,700,000 debt service reserve.

Date	Object Title	SACS Account String	Debit	Credit
2-1-25	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$110,000	
	Interest	01-0000-0-0000-0000-8660		\$110,000
To record the interest earned on the debt service reserve.				

5. The first lease payment, which represents interest only, is made in accordance with the lease payment schedule.

Date	Object Title	SACS Account String	Debit	Credit
2-1-25	Debt Service—Interest	01-0000-0-0000-9100-7438	\$400,000	
	Accounts Payable	01-0000-0-0000-0000-9500	100,000	
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		\$500,000
To record the first payment on the COPs.				

6. Interest of \$92,000 is earned, but not yet received, on the debt service reserve.

Date	Object Title	SACS Account String	Debit	Credit
6-1-25	Accounts Receivable	01-0000-0-0000-0000-9200	\$92,000	
	Interest	01-0000-0-0000-0000-8660		\$92,000
To accrue interest earned on the investment of the debt service reserve.				

7. At the end of the fiscal year, the LEA reports nonspendable fund balance for the COP's required Reserve for Debt Service.

Date	Object Title	SACS Account String	Debit	Credit
6-30-25	Unassigned/ Unappropriated	01-0000-0-0000-0000-9790	\$2,700,000	
	All Other Nonspendable Assets	01-0000-0-0000-0000-9719		\$2,700,000
To reflect the nonspendable portion of fund balance that represents the COP's required debt service reserve.				

Procedure 720 Certificates of Participation (COPs)

8. The interest earned on the debt service reserve is received.

Date	Object Title	SACS Account String	Debit	Credit
7-5-25	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135	\$92,000	
	Accounts Receivable	01-0000-0-0000-0000-9200		\$92,000
To record the receipt of interest earned on the debt service reserve through June 30.				

9. The second lease payment is made.

Date	Object Title	SACS Account String	Debit	Credit
8-1-25	Debt Service—Interest Other Debt	01-0000-0-0000-9100-7438	\$500,000	
	Service—Principal	01-0000-0-0000-9100-7439	3,200,000	
	Cash in County Treasury	01-0000-0-0000-0000-9110		\$3,498,000
	Cash with a Fiscal Agent/Trustee	01-0000-0-0000-0000-9135		202,000
To record the second lease payment on the COPs.				

Procedure 725 Emergency Apportionments and Other State Loans

LEAs may receive from the state various types of loans that have to be repaid in the future. Two of these loans are the following:

1. Emergency apportionments (loans) to LEAs as provided by *Education Code* sections 41320–41322
2. Building repayment loans

Although statute specifies that an emergency apportionment does not constitute a borrowing on the part of the district but, instead, constitutes an advance payment of apportionments [EC 41329.50(c)], the substance of the transaction requires that it be accounted for as a loan. Both of the above loans are recorded as debt issue proceeds (Object 8931, Emergency Apportionments, or Object 8979, All Other Financing Sources) and not as revenue because an offsetting debt is incurred.

When the proceeds of these loans are received, the following entry is made to the appropriate funds:

Date	Object Title	Object Code	Debit	Credit
x-xx-xx	Cash in County Treasury	9110	xxxx	
	Emergency Apportionments	8931		xxxx
	To record the receipt of the emergency apportionment loan from the state.			

Or

Date	Object Title	Object Code	Debit	Credit
x-xx-xx	Cash in County Treasury	9110	xxxx	
	All Other Financing Sources	8979		xxxx
	To record the receipt of the building loan from the state.			

Building Loans

The repayment of a state loan for a construction project will be accomplished automatically during the loan’s repayment period, as specified in the loan agreement, by the state’s withholding of the annual repayment amount from the Principal Apportionment. The State Controller makes the withholdings over a period of four months—February, March, April, and May. Accordingly, during each of these months, a prorated portion of the total loan and the interest due will be subtracted from the amounts due to the LEA from the State School Fund in accordance with Principal Apportionment calculations.

Procedure 725 Emergency Apportionments and Other State Loans

This means that the credit to the LEA’s funds as reported by the county superintendent will be smaller, by the same amount as the repayment on the loan, than the State Superintendent of Public Instruction’s certification of the LEA’s apportionment. The LEA must record as revenue the full amount of the apportionment before the reduction for the loan repayment and interest, and it must record as expenditures the loan repayment and interest.

Assume, for example, that the LEA received a building repayment loan for \$80,000 during the spring of year one. The LEA will repay the building loan from the Tax Override Fund. The loan agreement specifies that the loan will be repaid over a two-year period.

In year two, \$40,000 plus \$4,800 interest will be deducted from the LEA’s Principal Apportionment in four payments. The February, March, April, and May apportionments will each be reduced by \$11,200 (\$10,000 + \$1,200 interest).

The entries will be made as follows.

In Year One in the General Fund

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	\$80,000	
	All Other Financing Sources	01-0000-0-0000-0000-8979		\$80,000
To record the proceeds of the building repayment loan.				

Assume that the LEA’s February apportionment in year two was \$100,000. The LEA will receive \$88,800 (\$100,000 - 11,200), and the following entries will be made:

Procedure 725 Emergency Apportionments and Other State Loans

In Year Two in the General Fund and the Tax Override Fund

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Cash in County Treasury	01-0000-0-0000-0000-9110	\$100,000	
	LCFF State Aid—Current Year	01-0000-0-0000-0000-8011		\$100,000
	State School Building Repayment	53-0000-0-0000-9100-7432	\$10,000	
	Debt Service—Interest	53-0000-0-0000-9100-7438	\$1,200	
	Cash in County Treasury	53-0000-0-0000-0000-9110		\$11,200
<p>To record the receipt of the February Principal Apportionment. The apportionment was reduced by \$11,200 (for the building loan repayment and interest due to the state), which is being expended from the Tax Override Fund.</p>				

Note that the net effect of the entries in the two funds is \$88,800, the amount the LEA actually received.

Emergency Apportionments

The repayment of emergency apportionments (loans) is done in the same manner as illustrated for the repayment of building loans. The interest and principal payments due annually on an emergency loan will be withheld from the LEA’s Principal Apportionment based on the loan repayment schedule and must be recorded as expenditures. All emergency loan proceeds and repayments are normally recorded in the general fund.

Procedure 725 Emergency Apportionments and Other State Loans

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Procedure 730 Short-Term Borrowing

Local educational agencies (LEAs) may find it necessary periodically to finance temporary cash shortfalls resulting from differences in the timing of expenditures and revenue receipts. The following options may be available to alleviate these shortfalls.

Interfund Borrowing

Education Code Section 42603 provides that moneys held in any fund or account may be temporarily transferred to another fund or account for payment of obligations, with certain limitations:

1. Amounts transferred shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.
2. Borrowing shall occur only when the fund receiving the money will earn sufficient income during the current fiscal year to repay the amount transferred.
3. No more than 75 percent of the maximum of moneys held in any fund during a current fiscal year may be transferred.

Although statute refers to “transfers” in connection with interfund borrowing, interfund transfers and interfund borrowing are not the same, and the accounting for the two is different. Interfund transfers are flows of assets without equivalent flows of assets in return and without a requirement for repayment. The distinction between interfund transfers and interfund borrowing is discussed further in Procedure 551, Expenditures and Other Financing Uses. The accounting for interfund borrowing is described below.

Concerns regarding the legality of borrowing from certain funds or restricted programs should be discussed with legal counsel. Amounts borrowed from restricted funds should be repaid with interest, if there are interest requirements relating to those programs or funds.

Accounting for Interfund Borrowing

Education Code Section 42603 provides that the “transfer” shall be accounted for as temporary borrowing between funds or accounts and shall not be available for appropriation or be considered income to the borrowing fund or account.

The accounting is a debit to Object Code 9310, Due from Other Funds, with a credit to Cash in the lending fund, and a debit to Cash in the borrowing fund, with a credit to Object Code 9610, Due to Other Funds.

Procedure 730 Short-Term Borrowing

Date	Object Title	SACS Account String	Debit	Credit
x-xx-xx	Due from Other Funds	40-0000-0-0000-0000-9310	\$100,000	
	Cash in County Treasury	40-0000-0-0000-0000-9110		\$100,000
	Cash in County Treasury	01-0000-0-0000-0000-9110	\$100,000	
	Due to Other Funds	01-0000-0-0000-0000-9610		\$100,000
To record the temporary interfund borrowing of cash from the Special Reserve for Capital Outlay Fund to cover a temporary cash shortfall in the General Fund.				

These amounts are then carried on the balance sheet until the entry is reversed when the funds are repaid.

Temporary borrowings are not accounted for as interfund transfers and do not affect the fund balance of either the borrowing or the lending fund.

Short-Term Borrowing from External Sources

If it is not possible to alleviate temporary cash shortfalls by interfund borrowing, it may be necessary for LEAs to borrow funds on a short-term basis from external sources. The following are some possible sources.

Tax and Revenue Anticipation Notes. Tax and Revenue Anticipation Notes (TRANs) are short-term, interest-bearing notes issued by a government in anticipation of tax revenues that will be received at a later date. The notes are retired from the tax revenues to which they relate. Many LEAs issue TRANs for cash flow management purposes every year.

See Procedure 715 for further information and examples of accounting for transactions relating to TRANs.

County Office of Education. *Education Code* sections 42621 and 42622 authorize county offices of education to lend funds to school districts or charter schools. The funds must be repaid either within the fiscal year or within the next fiscal year, depending on the type of loan that is granted. Certain other restrictions apply, as indicated in the applicable statutes. Such loans are discretionary and are subject to availability of funds at the county office level.

County Treasurer. *Education Code* Section 42620 requires the county board of supervisors to lend money to school districts and county offices of education when certain conditions exist. However, Section 6 of Article XVI of the Constitution of the State of California requires that such loans must be made before the last Monday in April of the current fiscal year. It may be necessary to coordinate loan and repayment terms, as

Procedure 730 Short-Term Borrowing

these terms vary by county. Statute also states that the county auditor and treasurer are required to repay the funds from which they were taken from the first moneys accruing to the school district or county school service fund and before any other obligation of the school district or county office of education is paid.

Accounting for Short-Term Borrowing from External Sources

The accounting is a debit to Cash and a credit to Object Code 9640, Current Loans, in the borrowing fund. The loan is carried on the balance sheet until it is repaid. Temporary borrowing does not affect the fund balance of the borrowing fund.

Procedure 730 Short-Term Borrowing

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Procedure 750 Pass-Through Grants and Cooperative Projects

Frequently, local educational agencies (LEAs) have occasion to pass grant funds through to other LEAs. As examples, school districts and county offices of education (COEs) often enter into subagreements with other LEAs to operate a program more effectively, or several LEAs may pool their resources to operate certain projects cooperatively (cooperative projects), or an LEA may simply pass funds through to other LEAs (pass-through grants). Three models are commonly used to account for these transactions between LEAs: cash conduits, pass-through grants, and subagreements for services.

Cash Conduit Model

Governmental Accounting Standard Board (GASB) Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, generally requires the original recipient LEA to report pass-through grants in a governmental fund or (more rarely, for LEAs) in a proprietary or trust fund. However, when the recipient LEA acts only as a cash conduit that transfers money to the subrecipient grantee and has no administrative or direct financial involvement in the program, the recipient LEA should report the grant in a custodial fund. In custodial funds, unlike governmental funds, only the assets held for other agencies and the corresponding amounts due to those agencies are reported. Revenues and expenditures are not recorded in a custodial fund.

As a practical matter, it is rare for an LEA to qualify as a pure cash conduit when passing funding through to another LEA. One of the rare circumstances when an LEA does qualify as a pure cash conduit is when an authorizing LEA passes through certain funding sources to a charter school that has elected to be locally funded but that is not otherwise a part of the LEA, such as the charter school's State Lottery Revenue. Because the authorizing LEA has no administrative or direct financial involvement, the LEA should report the pass-through of this funding source in a custodial fund.

For all other revenue that flows through an LEA, the LEA should consult the guidance in the following paragraphs to determine whether the LEA has administrative involvement or both administrative and financial involvement and to assess whether the pass-through of revenue should be recorded in the LEA's general fund or in a custodial fund.

Pass-Through Grants and Subagreements for Services Models

For recipient LEAs that have either administrative or direct financial involvement in a pass-through grant, the pass-through transactions must be recorded in a governmental fund. The model used to account for the pass-through transactions depends on whether the recipient LEA has (1) only administrative involvement or (2) both administrative and financial involvement. Generally, an LEA with only administrative involvement will use the pass-through grant model. An LEA with both administrative and direct financial involvement will use the subagreement for services model.

Procedure 750 Pass-Through Grants and Cooperative Projects

1. Administrative Involvement Only: Pass-Through Grant Model

A recipient LEA has only administrative involvement in a pass-through grant if it (a) monitors subrecipient LEAs for compliance with requirements; (b) determines eligibility of subrecipient LEAs, even if using grantor-established criteria; or (c) has the ability to exercise discretion in how the funds are allocated. The accounting for this type of pass-through grant is as follows:

Recipient LEA (administrative involvement only)

The recipient LEA reports the receipt of the grant revenue as a pass-through revenue using Object 8287, 8587, or 8697 with the resource code for the grant. The recipient LEA reports the pass-through of funds to the subrecipient LEA as an interagency transfer using Object 7211, 7212, or 7213 with Goal 0000, Undistributed, and Function 9200, Transfers Between Agencies.

Subrecipient LEAs

Subrecipient LEAs report receipt of the grant revenues in the normal revenue object for the grant (e.g., 8290, All Other Federal Revenue) with the resource code for the grant. Subrecipient LEAs report their grant expenditures in the resource for the grant with the normal goals, functions, and objects.

Exception for Special Education

Pass-throughs of state apportionments for special education are accounted for as “transfers of apportionment” rather than as pass-through grants. For more detail, refer to Procedure 755.

2. Administrative and Direct Financial Involvement: Subagreement for Services Model

A recipient LEA has direct financial involvement in a pass-through grant if it is liable for disallowed costs or if it funds part of the costs. By having financial involvement in a pass-through grant, a recipient LEA automatically has administrative involvement as well. These types of pass-through grants are commonly referred to as “subagreements for services” between LEAs, that is, transactions in which the recipient LEA to whom the funding was originally awarded contracts with subrecipient LEAs to carry out the terms of the grant under the direction of the recipient LEA. The accounting for this type of pass-through grant is as follows:

Recipient LEA (administrative and direct financial involvement)

The recipient LEA reports the receipt of the grant revenue in the normal revenue object for the grant (e.g., 8290, All Other Federal Revenue) with the resource code for the grant. The recipient LEA reports the disbursement of funds to subrecipient LEAs in Object 5100, Subagreements for Services, in the normal goals and functions for the grant expenditures.

Procedure 750 Pass-Through Grants and Cooperative Projects

Subrecipient LEAs

Subrecipient LEAs report the receipt of subagreement revenues in Object 8677, Interagency Services Between LEAs (or in Object 8285, Interagency Contracts Between LEAs, if the original grant is of federal origin) and in an applicable resource. Subrecipient LEAs report their subagreement expenditures in Goal 7110, Nonagency—Educational, in the normal functions and objects.

Cooperative Projects

California school districts and COEs often pool their resources and operate certain federal and state projects cooperatively for economic efficiency.

Some cooperative projects are formed to meet certain objectives established by the participants. This approach usually calls for the participants to pool their resources and for one school district or county office to serve as the lead and operate the project for the others. Typically this is a local decision, not a condition of the grant itself, and the appropriate accounting is the “subagreement for services” model.

Other cooperative projects are formed in order to meet specific federal grant or entitlement conditions and requirements. This approach usually requires that one LEA serve as the applicant for purposes of receiving federal funds and disbursing them to the other participating LEAs that operate their own projects. Periodic cash advances may be made directly to the applicant LEA for deposit and disbursement. The appropriate accounting for this type of cooperative project is the “pass-through” model.

Procedure 750 Pass-Through Grants and Cooperative Projects

Summary Examples of Pass-Through Transactions

I. Transfer of Apportionment (Special Education only)

Original Recipient	Subrecipient
Receipt of Special Education apportionment 10-6500-0-5001-0000-8311	N/A
Transfer of Special Education apportionment 10-6500-0-5001-9200-7221, 2, 3	Receipt of transfer of Special Education apportionment 01-6500-0-5001-0000-8791, 2, 3
N/A	Expenditure of Special Education funds 01-6500-0-5XXX-XXXX-XXXX

II. Pass-Through of All Other Resources (Federal, State, or Local)

Original Recipient	Subrecipient
Receipt of federal revenue to be passed through 01-3310-0-5001-0000-8287	N/A
Pass-through of federal revenue 01-3310-0-5001-9200-7211, 2, 3	Receipt of passed-through federal revenue 01-3310-0-5001-0000-8181
N/A	Expenditure of federal program funds 01-3310-0-5XXX-XXXX-XXXX
Receipt of state revenue to be passed through 01-7810-0-0000-0000-8587	N/A
Pass-through of state revenue 01-7810-0-0000-9200-7211, 2, 3	Receipt of passed-through state revenue 01-7810-0-0000-0000-8590
N/A	Expenditure of state program funds 01-7810-0-XXXX-XXXX-XXXX
Receipt of restricted local revenue to be passed through 01-9010-0-0000-0000-8697	N/A
Pass-through of restricted local revenue 01-9010-0-0000-9200-7211, 2, 3	Receipt of passed-through restricted local revenue 01-9010-0-0000-0000-8699
N/A	Expenditure of restricted local program funds 01-9010-0-XXXX-XXXX-XXXX

Procedure 750 Pass-Through Grants and Cooperative Projects

III. Subagreements for Services

Original Recipient	Subrecipient
Receipt of grant revenue 01-6500-0-5001-0000-8311	N/A
Payment to subrecipient for subagreement services 01-6500-0-5760-1110-5100	Receipt of payment for subagreement services 01-9010-0-7110-0000-8677 (or 8285 if federal)
N/A	Expenditures for subagreement services 01-9010-0-7110-1110-XXXX

Sample Journal Entries for a Cooperative Project

Small school districts may find it advantageous to pool their resources to provide programs that could not be financed by one district alone. The following example assumes that five small districts contract with the COE to use Tobacco-Use Prevention Education (TUPE) money to run a program designed to reach students at risk of using tobacco.

Example: COE Receives TUPE Grant Money for Administrative Purposes, and Districts Receive TUPE Money for Program Purposes; Districts and the COE Form a Cooperative Project for TUPE Services

(a) The following entries record the receipt of the TUPE grants.

For the COE:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	0000	0000	8590	000

- **Fund 01** is the County School Service Fund.
- **Resource 6680** is TUPE: COE Administration Grants.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenue.
- **Function** is not required for revenue.
- **Object 8590** is All Other State Revenue.
- **School** is not required.

Procedure 750 Pass-Through Grants and Cooperative Projects

For the districts:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6690	0	0000	0000	8590	000

- **Fund 01** is the General Fund.
- **Resource 6690** is TUPE: Grades Six Through Twelve.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenues.
- **Function** is not required for revenues.
- **Object 8590** is All Other State Revenue.
- **School** is not required.

(b) According to the contractual agreement, the districts use their TUPE program funds to pay the COE to operate a Friday Night Live program designed for regular education students.

The COE records the revenue received from the districts in a locally defined restricted local resource:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	0000	0000	8677	000

- **Fund 01** is the County School Service Fund.
- **Resource 9150** is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Restricted Local, when data is submitted to CDE at year-end.
- **Project Year** is not applicable in this example.
- **Goal** is generally not required for revenue.
- **Function** is not required for revenue.
- **Object 8677** is Interagency Services Between LEAs.
- **School** is not required.

The districts, as the original recipient LEAs, are responsible for reporting their expenditures to CDE; they use the applicable goal and functions, and the object illustrates that they subcontracted with the COE:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6690	0	1110	4000	5100	000

Procedure 750 Pass-Through Grants and Cooperative Projects

- **Fund 01** is the district’s General Fund.
- **Resource 6690** is TUPE: Grades Six Through Twelve.
- **Project Year** is not applicable in this example.
- **Goal 1110** is Regular Education, TK/K–12, because the Friday Night Live program targets regular education students.
- **Function 4000** is Ancillary Services.
- **Object 5100** is Subagreements for Services.
- **School** is not required.

(c) The COE operates the Friday Night Live program using the funds received from the districts.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	7110	4000	1200	000

- **Fund 01** is the County School Service Fund.
- **Resource 9150** is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Restricted Local, when data is submitted to CDE at year-end.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational. The money of another entity is used to provide services on behalf of that entity, not on behalf of its own student population.
- **Function 4000** is Ancillary Services.
- **Object 1200** is Certificated Pupil Support Salaries.
- **School** is not required.

The districts have no further entries because they have spent their grants.

When the COE spends its own TUPE money administering the districts’ TUPE programs, the TUPE resource is retained:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6680	0	8600	2100	2400	000

- **Fund 01** is the County School Service Fund.
- **Resource 6680** is TUPE: COE Administrative Grants.
- **Project Year** is not applicable in this example.
- **Goal 8600** is County Service to Districts.
- **Function 2100** is Instructional Supervision and Administration.
- **Object 2400** is Clerical, Technical, and Office Staff Salaries.
- **School** is not required.

Procedure 750 Pass-Through Grants and Cooperative Projects

(d) At year-end, not all funds have been spent, and the remaining funds are carried over into the next year. The terms of the contract with the districts allow carryover only into the following year; money not spent in the following year must be returned to the districts.

The COE books unearned revenue as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	9150	0	0000	0000	9650	000

- **Fund 01** is the County School Service Fund.
- **Resource 9150** is a locally defined restricted code for the Friday Night Live contract. Resource 9150 rolls up to Resource 9010, Other Restricted Local, when data are submitted to CDE at year-end.
- **Project Year** is not applicable in this example.
- **Goal** is not required for balance sheet accounts.
- **Function** is not required for balance sheet accounts.
- **Object 9650** is Unearned Revenue.
- **School** is not required.

Procedure 755 Special Education

Special education budgets are complex and are of great interest to the public, both locally and statewide. *Education Code* Section 56205(b)(1) requires that a special education budget shall identify particular elements. Identification of the following elements is facilitated by the standardized account code structure (SACS):

1. Apportionment received by the local educational agency (LEA) in accordance with the allocation plan adopted by the Special Education Local Plan Area (SELPA). (The apportionment is tracked in SACS in the resource field in combination with the revenue code in the object field.)
2. Use of property taxes allocated to the SELPA pursuant to *Education Code* Section 2572. (Property taxes allocated to the SELPA are tracked in the resource field and identified by a revenue code in the object field.)
3. Administrative costs of the plan. (These costs are tracked in the function field.)
4. Costs of supplemental aids and services provided to meet the individual needs of pupils placed in regular education classrooms and environments. (Costs of these aids and services are tracked in the function field.)
5. Costs of special education services to pupils with disabilities. (This population is identified by the goal field.)
6. Costs of regionalized operations and services and direct instructional support by program specialists in accordance with *Education Code* sections 56836.23 through 56836.31. (These costs are tracked in the goal field for regionalized operations and in the function field for instructional services.)

Maintenance of Effort

Funds provided under Part B of the federal Individuals with Disabilities Education Act (IDEA) are subject to a maintenance of effort (MOE) requirement. This is stipulated in Title 20, Section 1413 of the *United States Code*; Title 34, Section 300.203 of the *Code of Federal Regulations*; and *Education Code* Section 56205.

The MOE requirement is that Part B IDEA funds shall not be used, except in specified situations, to reduce the LEA's level of expenditures for the education of children with disabilities, from state and local funds or from local funds only, below the comparison year's level. This test must be met on either an aggregate or a per capita basis.

Special Education Local Plan Area (SELPA)

Each school district and county office of education is required to be a member of a consortia formed in geographical regions of sufficient size and scope to provide for the special education service needs of all the children residing within the region boundaries. Charter schools have two options to provide special education services to eligible students with disabilities:

- Elect to remain a school of the authorizing LEA for special education services; or

Procedure 755 Special Education

- Operate as an LEA member for the purposes of special education in a Special Education Local Plan Area (SELPA) to access special education funds and related services.

Each region, known as a SELPA, develops a local plan describing how it will provide special education services.

There are various types of SELPA structures. They include:

- Multidistrict SELPAs
- Multidistrict/county office SELPAs
- Single-district SELPAs
- Multidistrict/multicounty SELPAs
- Countywide SELPAs with joint powers agencies
- All-charters SELPAs

Each SELPA has an Administrative Unit (AU), a member LEA that receives funds on behalf of the SELPA, distributes those funds to member LEAs in accordance with the local plan, and is responsible for seeing that every eligible child receives appropriate services.

Changes to Special Education Assembly Bill (AB) 602 Funding Calculation

In fiscal year 2022–23, AB 181 amended the calculation for funded average daily attendance and base funding from a SELPA level to each individual LEA, which includes county offices of education, school districts, and charter schools that are an LEA for the purposes of special education. However, funding for each SELPA continues to be allocated to the SELPA AU.

SELPA Administrative Unit (AU) Pass-Through Activities

The AU typically has certain financial transactions relating to its receipt and pass-through of revenues to other member LEAs that most other LEAs do not have. If these transactions were included in the AU's general fund, they could impair meaningful comparison of LEA data by making the AU's per-pupil revenues appear distorted in comparison to those of otherwise similar LEAs. Accordingly, AUs that receive special education pass-through revenues and that have administrative involvement in allocating and distributing those revenues to other member LEAs are required to use the Special Education Pass-Through Fund (Fund 10 in SACS), rather than their general fund, for special education pass-through transactions.

Procedure 755 Special Education

By definition, most AUs do have administrative involvement¹ in the pass-through of special education revenues and should use Fund 10. A rare exception is an AU that serves purely as a cash conduit in receiving special education revenues and relaying them directly to a joint powers agency (JPA), where the JPA then performs all other AU services including allocation of the funds to member LEAs. AUs that serve purely as cash conduits, and AUs of single-district SELPAs that receive no pass-through revenues for any other LEAs, do not use Fund 10. A JPA that receives and passes through revenues to other member LEAs as described in this paragraph uses Fund 10 and the entries in this procedure.

Fund 10 is used only for pass-through revenues. Special education pass-through revenues are those revenues received by the AU on behalf of the SELPA for distribution to other member LEAs in accordance with the local plan. Such revenues typically include state special education apportionments, federal local assistance under the Individuals with Disabilities Education Act, the portion of a COE's local property taxes restricted to special education, and federal preschool funding.

Special education revenues that are not passed through to other member LEAs, but instead are retained for use by the AU in accordance with the local plan, are not accounted for in Fund 10. These revenues and the related expenditures are operational in nature and are accounted for in the AU's own general fund.

Interfund transfers are not used in Fund 10. Reallocation of balances between the general fund and Fund 10 is done by adjusting current year revenue transactions.

Ending fund balances may exist in Fund 10 because the amount of pass-through revenue received may not match the amount passed through to other member LEAs due to various local factors such as agreements for reserves to be maintained by the SELPA AU or timing differences relating to when amounts are passed through.

Recording Special Education Transactions

For state reporting, LEAs use the goal field to report direct special education costs for different objectives, such as the costs of providing services to infants or to disabled students ages five through twenty-two. The costs are further broken down by the type of instructional service provided, such as special education instruction in separate classes, using the function field.

Shown below are discussions of how certain special education transactions are accounted for. Later in this section, examples of transactions are given to illustrate the accounting entries.

¹ "Administrative involvement" is defined in Governmental Accounting Standards Board (GASB) Statement 24 and in Procedure 750 of this manual. When a recipient agency has either administrative or direct financial involvement in a pass-through grant, the pass-through transactions must be reported by the recipient agency in a governmental fund, proprietary fund, or trust fund.

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1. Salaries of certificated employees providing other specialized instructional services are recorded in Function 1190, Special Education: Other Specialized Instructional Services, with Object 1100, Certificated Teachers' Salaries.
2. Salaries of instructional aides are recorded in the special education instructional functions 1100–1199, except 1180, with Object 2100, Classified Instructional Salaries. If a classified employee provides other support services, that cost should be coded to a support function with Object 2200, Classified Support Salaries.
3. Administrative costs of the SELPA AU are recorded either in Function 2100, Instructional Supervision and Administration, or Function 2200, Administrative Unit of Multidistrict SELPA. Activities of the AU of a single-district SELPA are reported under Function 2100, while activities of the AU of a multidistrict SELPA are reported under Function 2200. A school district or county superintendent of schools may be the AU.
4. Salaries of a program specialist providing regionalized services as defined by *Education Code* Section 56836.23 are recorded in Goal 5060, Regionalized Program Specialist, with Function 2100, Instructional Supervision and Administration, and Object 1900, Other Certificated Salaries.

Salaries of a program specialist not providing regionalized services but instead working locally with students as a support to teachers are recorded in Function 2100, Instructional Supervision and Administration, with the appropriate special education goal, and Object 1900, Other Certificated Salaries.

5. Apportionments for regionalized operations and services and the direct instructional support of program specialists are made directly to the AU. These apportionments are recorded by the AU using Object 8311, Other State Apportionments—Current Year (or Object 8319, Other State Apportionments—Prior Year).

The AU, by agreement, may transfer these apportionments to a member agency. It can transfer them in one of two ways: by transferring to the other LEA the responsibility for providing regionalized services, or by contracting with the other LEA to provide the services while retaining the responsibility for providing the services.

Method 1—Transferring to Another LEA the Responsibility for Providing Regionalized Services

An AU transferring to another LEA the responsibility for providing regionalized services records the receipt of the apportionments in Fund 10 using Object 8311 or Object 8319. The AU records the transfer as a transfer of apportionments in Fund 10 using Function 9200, Transfers Between Agencies, with a transfer of apportionments object, such as Object 7221, Transfers of Apportionments to Districts or Charter Schools; Object 7222, Transfers of Apportionments to County Offices; or Object 7223, Transfers of Apportionments to JPAs.

Procedure 755 Special Education

The LEA receiving the apportionment under this arrangement records the revenues in Resource 6500, Special Education, in the appropriate special education goals, with a transfer of apportionments object, such as Object 8791, Transfers of Apportionments from Districts or Charter Schools; or Object 8792, Transfers of Apportionments from County Offices. The expenditures are recorded in the same goals as the revenues, in Function 2100, Instructional Supervision and Administration, and in the appropriate object (e.g., Object 1300, Certificated Supervisors' and Administrators' Salaries).

See Example 7 later in this procedure for an illustration of how to code this type of transaction.

Method 2—Contracting with Another LEA to Provide Regionalized Services While Retaining the Responsibility for Providing the Services

An AU contracting with another LEA to provide regionalized services while retaining the responsibility for providing the services records the receipt of the apportionments in the general fund using Object 8311 or Object 8319. The AU records the payments to the other LEA as payments for contracted services, also in the general fund. The AU records these payments in Object 5100, Subagreements for Services, still in Resource 6500 with a special education goal (e.g., Goal 5xxx) and an appropriate expenditure function.

The LEA providing the services under the contract does not record the revenues and expenditures in the special education resource or in a special education goal but in Resource 9010, Other Restricted Local (or a locally defined resource), and Goal 7110, Nonagency—Educational (use of this goal in this revenue transaction is optional; otherwise, use Goal 0000), with Object 8677, Interagency Services Between LEAs. It records expenditures in Goal 7110, Nonagency—Educational (whether or not Goal 7110 was used for the revenue), Function 2100, Instructional Supervision and Administration, and the appropriate objects for salaries, benefits, and supplies.

See Example 10 later in this procedure for an illustration of how to code this type of transaction.

6. Apportionments for other than regionalized services may be allocated to districts and county offices of education in accordance with the allocation plan adopted pursuant to *Education Code* Section 56836.05 unless the allocation plan specifies that funds will be apportioned to the AU (*Education Code* Section 56195.7).

Method 1—Special Education Apportionment Allocated to the Administrative Unit (AU):

If the SELPA has opted for the apportionments to be made to the AU, the AU records the receipt of apportionment and the transfer of funds to the members basically in the same manner as recording the transfer of apportionments for program specialists and regionalized services, where the AU also transfers to the member LEA the responsibility for providing regionalized services, as discussed in item 5, Method 1.

Procedure 755 Special Education

The member LEA records the receipt of these moneys from the AU and the expenditures basically in the same manner as discussed in that part of item 5, Method 1.

See Example 7 later in this procedure for an illustration of how to code this type of transaction.

Method 2—Special Education Apportionment Allocated to Districts and County Superintendents of Schools:

If the SELPA has opted for special education apportionments (other than for regionalized services) to be made directly to the member agencies, each district or county office records the apportionment as Resource 6500, Special Education; an appropriate special education goal, such as Goal 5001, Special Education—Unspecified; and Object 8311, Other State Apportionments—Current Year.

7. A district, county office, or JPA billing for and receiving payment for special education excess costs or deficits records the revenue received as Object 8710, Tuition, with the appropriate special education resource and an appropriate special education goal.

The LEA paying the excess costs or deficits records the payment with an appropriate resource, a special education goal, Function 9200, Transfers Between Agencies, and Object 7141, Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools; Object 7142, Other Tuition, Excess Costs, and/or Deficit Payments to County Offices; or Object 7143, Other Tuition, Excess Costs, and/or Deficit Payments to JPAs.

8. A district or county office receiving the federal IDEA basic local assistance revenue records the revenue in Resource 3310, IDEA Basic Local Assistance Entitlement, Part B, with a special education goal, in Object 8181, Special Education—Entitlement, and records the expenditures in Resource 3310, with the appropriate special education goals, functions, and objects.
9. A district or county office that receives a federal IDEA grant-in-aid for approved special projects records the revenue as Object 8182, Special Education—Discretionary Grants, with the appropriate resource and the appropriate special education goal.
10. Any AU receiving federal IDEA money of either the local assistance entitlement or a discretionary grant that is to be distributed to a district or county office records the revenue to be passed to member LEAs in Fund 10 as Object 8287, Pass-Through Revenues from Federal Sources, with the appropriate resource and Goal 5001, Special Education—Unspecified.

The AU distributes these funds, using the appropriate resource, the appropriate special education goal, Function 9200, Transfers Between Agencies, and Object 7211, Transfers of Pass-Through Revenues to Districts or Charter Schools; Object 7212, Transfers of

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Pass-Through Revenues to County Offices; or Object 7213, Transfers of Pass-Through Revenues to JPAs.

See Example 8 later in this procedure for an illustration of how to code this type of transaction.

The following are examples of recording revenues received and expenditures incurred for the education of students with disabilities . The illustration of which codes to use for these transactions has been simplified. Only one side of the accounting entry is shown; in actual entries, the debit(s) must equal the credit(s).

Sample Journal Entries

Example 1: Splitting an Employee’s Costs Between Functions.

A teaching assistant is hired to work half a day in a separate class for students with disabilities and half a day assisting a student with disabilities who has been mainstreamed into a regular education class.

Because the teaching assistant is working solely with the students with disabilities, their salary has one goal. However, their work is split between two functions.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1110	2100	000
01	6500	0	5760	1130	2100	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not required in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1110**, Special Education: Separate Classes, captures the costs of running a separate class for disabled students; and **Function 1130**, Special Education: Supplemental Aids and Services in Regular Classrooms, captures the costs of providing a teaching assistant for a student who attends a regular education class.
- **Object 2100** is Classified Instructional Salaries.
- **School** is not required.

Example 2: Costs for Special Education Students in Regular Education Classrooms.

A student who has a low-incidence disability has been placed in a juvenile court school. Their individualized education program (IEP) necessitates the presence of an interpreter and the services of a resource specialist. The following services are being provided by different resources and for different populations. The cost of the teacher in the juvenile court school is chargeable to

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regular education; the costs of the interpreter and the resource specialist are chargeable to special education.

The cost of the juvenile court school teacher is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	3600	1000	1100	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not required in this example.
- **Goal 3600**, Juvenile Courts, identifies the costs of educating juvenile court school students.
- **Function 1000** is Instruction. General education teachers are coded to the general population they are contracted to teach. A special education student who attends a regular education class is considered a part of the general education class.
- **Object 1100** is Certificated Teachers' Salaries.
- **School** is not required.

The cost of the interpreter assigned to the student who has an IEP and has been placed in the juvenile court classroom is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1130	2100	000

- **Fund 01** is the County School Service Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1130** is Special Education: Supplemental Aids and Services in Regular Classrooms.
- **Object 2100** is Classified Instructional Salaries. (The LEA may have locally defined objects if it is important to track the costs of interpreters separately from those of classroom assistants.)
- **School** is not required.

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The cost of the resource specialist who works with this student on a pullout basis is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1120	1100	000

- **Fund 01** is the County School Service Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1120** is Special Education: Resource Specialist Instruction. This is a resource specialist who works directly with the students in an instructional setting.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School** is not required.

Example 3: Costs for Special Education Students in a Regional Occupational Center/Program (ROCP).

Some students with disabilities are in transition, going from the special education TK/K–12 program into the adult workforce. The students have been placed in an ROCP class, where they receive training at a fast-food business supplemented with ROCP classes. The cost of the ROCP instructor is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6360	0	6000	1000	1100	000

- **Fund 01** is the school district’s General Fund.
- **Resource 6360** is Pupils with Disabilities Attending ROCP.
- **Project Year** is not applicable in this example.
- **Goal 6000** is Regional Occupational Center/Program.
- **Function 1000** is Instruction.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School** is not required.

The cost of a teaching assistant assigned to the students with disabilities to enable them to participate in the ROCP class is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1130	2100	000

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- **Fund 01** is the school district’s General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1130** is Special Education: Supplemental Aids and Services in Regular Classrooms.
- **Object 2100** is Classified Instructional Salaries.
- **School** is not required.

Example 4: Costs of Instruction Provided on a Pullout Basis.

An orientation and mobility (O&M) specialist is hired to teach students how to travel safely and independently around the school and in the community. The specialist works with blind students who attend regular classes at the elementary and high schools. This service is provided on a pullout basis. The O&M specialist has a teaching credential and is trained to teach special education students.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1190	1100	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1190** is Special Education: Other Specialized Instructional Services. This function includes pullout services that may be provided to students who are normally found in separate classes or regular education classes.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School** is not required.

Example 5: Costs of Pupil Services.

A counselor is hired to provide students with disabilities with behavior management services, a systematic implementation of procedures designed to promote lasting, positive changes in the students’ behavior, resulting in greater access to a variety of community settings, social contacts, and public events, and placement in the least restrictive environment. The counselor is a licensed professional with a certificate for school service. The salary is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	3110	1200	000

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- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 3110** is Guidance and Counseling Services.
- **Object 1200** is Certificated Pupil Support Salaries.
- **School** is not required.

The students receiving this behavior modification training are enrolled in a separate class for emotionally disabled students or autistic students. This class is taught by a special education teacher who works with the counselor to apply the behavior modification procedures in the classroom. The cost of the teacher is coded as follows:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1110	1100	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1110** is Special Education: Separate Classes.
- **Object 1100** is Certificated Teachers’ Salaries.
- **School** is not required.

Example 6: Costs Related to Federal Resources.

- (a) Funds from IDEA basic local assistance entitlement were used to pay a classified assistant to work with students who are in transition from TK/K–12 special education into gainful employment in local businesses.

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	0	5760	1190	2100	000

- **Fund 01** is the school district’s General Fund.
- **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1190** is Special Education: Other Specialized Instructional Services. The student has been transferred from a regular or separate classroom to a work site or other setting.

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- **Object 2100** is Classified Instructional Salaries.
- **School** is not required.

(b) An LEA uses IDEA basic local assistance entitlement funds to purchase assistive technology for a student who will use the computer to communicate with teachers and peers in a regular education classroom.

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	0	5760	1130	6400	000

- **Fund 01** is the General Fund.
- **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1130** is Special Education: Supplemental Aids and Services in Regular Classrooms. The equipment is an aid to the student in a regular classroom.
- **Object 6400** is Equipment.
- **School** is not required.

Example 7: A County Office, as the AU, Receives the State Apportionment and Transfers It to Member LEAs.

The local plan provides that \$10,000 will be used by the AU and \$90,000 will be passed through.

(a) As the AU, the county office records the receipt of the state apportionment of \$100,000.

\$10,000 for the AU’s own operations:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	0000	8311	000

- **Fund 01** is the County School Service Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not necessary for revenue.
- **Object 8311** is Other State Apportionments—Current Year.
- **School** is not required.

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\$90,000 for pass-through to other member LEAs:

Fund	Resource	Project Year	Goal	Function	Object	School
10	6500	0	5001	0000	8311	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not necessary for revenue.
- **Object 8311** is Other State Apportionments—Current Year.
- **School** is not required.

(b) The AU distributes the apportionment of \$90,000 to the other member LEAs, which in this case includes another county office.

Fund	Resource	Project Year	Goal	Function	Object	School
10	6500	0	5001	9200	7221	000
10	6500	0	5001	9200	7222	000
10	6500	0	5001	9200	7223	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function 9200** is Transfers Between Agencies.
- **Object 7221** is Transfers of Apportionments to Districts or Charter Schools; **Object 7222** is Transfers of Apportionments to County Offices; and **Object 7223** is Transfers of Apportionments to JPAs.
- **School** is not required.

(c) The member LEA (in this case, a school district) makes the following entry to record receipt of apportionment from the AU (in this case, a county office).

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	0000	8792	000

- **Fund 01** is the school district’s General Fund.

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- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not required for revenue.
- **Object 8792** is Transfers of Apportionments from County Offices. In this case, the AU is a county office of education.
- **School** is not required.

Example 8: A County Office, as the AU, Receives the Federal IDEA Grant and Transfers It to Member LEAs.

The local plan provides that \$20,000 will be used by the AU and \$60,000 will be passed through.

- (a) As the AU, the county office records the receipt of the federal grant of \$80,000.

\$20,000 for the AU’s own operations:

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	0	5001	0000	8181	000

- **Fund 01** is the County School Service Fund.
- **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not necessary for revenue.
- **Object 8181** is Special Education—Entitlement.
- **School** is not required.

\$60,000 for pass-through to other member LEAs:

Fund	Resource	Project Year	Goal	Function	Object	School
10	3310	0	5001	0000	8287	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
- **Project Year** is not applicable in this example.

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- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
 - **Function** is not necessary for revenue.
 - **Object 8287** is Pass-Through Revenues from Federal Sources.
 - **School** is not required.
- (b) The AU distributes the federal grant of \$60,000 to the other member LEAs, which in this case includes another county office.

Fund	Resource	Project Year	Goal	Function	Object	School
10	3310	0	5001	9200	7211	000
10	3310	0	5001	9200	7212	000
10	3310	0	5001	9200	7213	000

- **Fund 10** is the Special Education Pass-Through Fund.
 - **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
 - **Project Year** is not applicable in this example.
 - **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
 - **Function 9200** is Transfers Between Agencies.
 - **Object 7211** is Transfers of Pass-Through Revenues to Districts or Charter Schools; **Object 7212** is Transfers of Pass-Through Revenues to County Offices; and **Object 7213** is Transfers of Pass-Through Revenues to JPAs.
 - **School** is not required.
- (c) The member LEA (in this case, a school district) makes the following entry to record receipt of the federal grant from the AU (in this case, a county office).

Fund	Resource	Project Year	Goal	Function	Object	School
01	3310	0	5001	0000	8181	000

- **Fund 01** is the school district’s General Fund.
- **Resource 3310** is Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not required for revenue.
- **Object 8181** is Special Education—Entitlement.
- **School** is not required.

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Example 9: A County Office, as the AU, Receives State Revenue Other Than the State Apportionment and Transfers It to Member LEAs.

The local plan provides that \$5,000 will be used by the AU and \$45,000 will be passed through.

- (a) As the AU, the county office records the receipt of the state revenue of \$50,000 (in this case, the state revenue is Special Education—Infant Discretionary Funds).

\$5,000 for the AU’s own operations:

Fund	Resource	Project Year	Goal	Function	Object	School
01	6515	0	5001	0000	8590	000

- **Fund 01** is the County School Service Fund.
- **Resource 6515** is Special Ed: Infant Discretionary Funds.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not necessary for revenue.
- **Object 8590** is All Other State Revenue.
- **School** is not required.

\$45,000 for pass-through to other member LEAs:

Fund	Resource	Project Year	Goal	Function	Object	School
10	6515	0	5001	0000	8587	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 6515** is Special Ed: Infant Discretionary Funds.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not necessary for revenue.
- **Object 8587** is Pass-Through Revenues from State Sources.
- **School** is not required.

- (b) The AU distributes the state revenue of \$45,000 to the other member LEAs, which in this case includes another county office.

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Fund	Resource	Project Year	Goal	Function	Object	School
10	6515	0	5001	9200	7211	000
10	6515	0	5001	9200	7212	000
10	6515	0	5001	9200	7213	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 6515** is Special Ed: Infant Discretionary Funds.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function 9200** is Transfers Between Agencies.
- **Object 7211** is Transfers of Pass-Through Revenues to Districts or Charter Schools; **Object 7212** is Transfers of Pass-Through Revenues to County Offices; and **Object 7213** is Transfers of Pass-Through Revenues to JPAs.
- **School** is not required.

(c) The member LEA (in this case, a school district) makes the following entry to record receipt of state revenue from the AU (in this case, a county office).

Fund	Resource	Project Year	Goal	Function	Object	School
01	6515	0	5001	0000	8590	000

- **Fund 01** is the school district’s General Fund.
- **Resource 6515** is Special Ed: Infant Discretionary Funds.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified. A special education goal is required for special education revenue (but not for other revenues).
- **Function** is not required for revenue.
- **Object 8590** is All Other State Revenue.
- **School** is not required.

Example 10: A County Office, as the AU, Receives the Apportionment for Regionalized Services and Then Contracts with a Member District to Provide Regionalized Services.

(a) The county office, as the AU, records payment on a contract with a district to provide regionalized services (in this case, to coordinate curriculum development).

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5050	2130	5100	000

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- **Fund 01** is the County School Service Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5050** is Regionalized Services.
- **Function 2130** is Curriculum Development.
- **Object 5100** is Subagreements for Services.
- **School** is not required.

(b) The district records the interagency revenue from the AU.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	7110	0000	8677	000

- **Fund 01** is the General Fund.
- **Resource 9010** is Other Restricted Local (in this case, a contract with another LEA).
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational. (Use of this goal for a revenue transaction is optional; it will enable the LEA to match contract revenue with the contract expenditures.)
- **Function** is not required for revenue.
- **Object 8677** is Interagency Services between LEAs.
- **School** is not required.

(c) As part of this contract, the district pays a program specialist who provides regionalized services to members of the SELPA.

Fund	Resource	Project Year	Goal	Function	Object	School
01	9010	0	7110	2100	1900	000

- **Fund 01** is the General Fund.
- **Resource 9010** is Other Restricted Local.
- **Project Year** is not applicable in this example.
- **Goal 7110** is Nonagency—Educational.
- **Function 2100** is Instructional Supervision and Administration.
- **Object 1900** is Other Certificated Salaries.
- **School** is not required.

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Example 11: A County Office, as the AU, Receives Interest Earned on Special Education Balances.

The AU receives a total of \$200 interest (\$50 on the special education balances maintained in the general fund, and \$150 on the special education balances maintained in the special education pass-through fund).

- (a) Where there is a local agreement that the AU will distribute interest earned on balances in the pass-through fund to the member LEAs, the interest is posted between the general fund and the special education pass-through fund.

Interest of \$50 earned on the general fund balance:

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8660	000

- **Fund 01** is the County School Service Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenue except for special education revenues.
- **Function** is not necessary for revenue.
- **Object 8660** is Interest.
- **School** is not required.

Interest of \$150 earned on the special education pass-through fund balance:

Fund	Resource	Project Year	Goal	Function	Object	School
10	0000	0	0000	0000	8660	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenue except for special education revenues.
- **Function** is not necessary for revenue.
- **Object 8660** is Interest.
- **School** is not required.

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The AU distributes the \$150 interest earned to other member LEAs, which in this case includes another county office.

Fund	Resource	Project Year	Goal	Function	Object	School
10	0000	0	0000	9200	7281	000
10	0000	0	0000	9200	7282	000
10	0000	0	0000	9200	7283	000

- **Fund 10** is the Special Education Pass-Through Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenue except for special education revenues.
- **Function 9200** is Transfers Between Agencies.
- **Object 7281** is All Other Transfers to Districts or Charter Schools; **Object 7282** is All Other Transfers to County Offices; and **Object 7283** is All Other Transfers to JPAs.
- **School** is not required.

A member LEA (in this case, a school district) receives interest from the AU (in this case, a county office).

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8782	000

- **Fund 01** is the school district's General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenue except for special education revenues.
- **Function** is not required for revenue.
- **Object 8782** is All Other Transfers from County Offices. In this case, the AU is a county office of education.
- **School** is not required.

(b) Where there is a local agreement that the AU will not distribute interest earned on balances in the pass-through fund to member LEAs, the entire \$200 is posted to the general fund for the AU's operational purposes.

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	0000	0000	8660	000

- **Fund 01** is the County School Service Fund.

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- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal** is not required for revenue except for special education revenues.
- **Function** is not required for revenue.
- **Object 8660** is Interest.
- **School** is not required.

Example 12: A School District, a Member of a SELPA, Makes Payments to Another Entity for a Special Education Student’s Education.

- (a) The district makes payments of tuition to a State Special School using unrestricted resources.²

Fund	Resource	Project Year	Goal	Function	Object	School
01	0000	0	5001	9200	7130	000

- **Fund 01** is the General Fund.
- **Resource 0000** is Unrestricted.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified.
- **Function 9200** is Transfers Between Agencies.
- **Object 7130** is State Special Schools.
- **School** is not required.

- (b) The district makes payments to a nonpublic school for a disabled student’s education.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	1180	5100	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 1180** is Special Education: Nonpublic Agencies/Schools.
- **Object 5100** is Subagreements for Services.
- **School** is not required.

² Instead, Resource 6500, Special Education, could be used to record this payment.

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(c) A school district pays tuition to the county office of education for district students served in a special education program operated by the county office.

(1) The school district pays tuition to the county office. In this example, the district uses special education funds to pay the tuition.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	9200	7142	000

- **Fund 01** is the district’s General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable for this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function 9200** is Transfers Between Agencies.
- **Object 7142** is Other Tuition, Excess Costs, and/or Deficit Payments to County Offices.
- **School** is not required.

(2) The county office of education receives the tuition revenue from the district.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5760	0000	8710	000

- **Fund 01** is the County School Service Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable for this example.
- **Goal 5760** is Special Education, Ages 5–22.
- **Function** is not required for revenue or balance sheet accounts.
- **Object 8710** is Tuition.
- **School** is not required.

Example 13: Identifying Administrative Costs

(a) The AU of a multidistrict SELPA pays its director.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	2200	1300	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.

Procedure 755 Special Education

- **Goal 5001** is Special Education—Unspecified.
- **Function 2200** is Administrative Unit of a Multidistrict SELPA.
- **Object 1300** is Certificated Supervisors’ and Administrators’ Salaries.
- **School** is not required.

(b) A district charges its special education programs its indirect cost rate.

Fund	Resource	Project Year	Goal	Function	Object	School
01	6500	0	5001	7210	7310	000

- **Fund 01** is the General Fund.
- **Resource 6500** is Special Education.
- **Project Year** is not applicable in this example.
- **Goal 5001** is Special Education—Unspecified.
- **Function 7210** is Indirect Cost Transfers.
- **Object 7310** is Transfers of Indirect Costs.
- **School** is not required.

Procedure 765 Recognition of Legal Obligations in Reporting for Federal Grants

Legal obligations are commitments made by a local educational agency (LEA) to purchase goods or services immediately or in a future period. Commitments are generally made in the form of a purchase order or a written contract.

For purposes of accounting at year-end, obligations for future periods are not reflected in the current year's books. Rather, the obligated goods or services are recognized in the following year's books, when the goods or services are actually received. But for purposes of grant reporting, federal funding may be claimed under a current-year grant for certain qualifying legal obligations incurred by the end of the grant period, even though the goods or services will not be received until after the grant period ends.

The question of whether or not an obligation is claimable for funding under a current-year grant is determined by what the obligation is for. The following table based on the *Education Department General Administrative Regulations (EDGAR) Code of Federal Regulations (CFR)*, Title 34, Part 76.707, shows when various commitments are considered to be legal obligations.

<i>If the obligation is for . . .</i>	<i>The legal obligation is made . . .</i>
Acquisition of real or personal property	On the date on which the LEA makes a binding written commitment to acquire the property
Personal services by an employee of the LEA	When the services are performed
Personal services by a contractor who is not an employee of the LEA	On the date on which the LEA makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the LEA makes a binding written commitment to obtain the work
Public utility services	When the LEA receives the services
Travel, conferences	When the travel is taken or conference attended
Rental of real or personal property	When the LEA uses the property
A pre-agreement cost that was approved in advance by the federal awarding agency	On the first day of the grant or subgrant performance period

On the basis of the preceding table, an example of a legal obligation that would qualify for funding under a current year grant ending June 30 is the cost of books for which a purchase order was issued in June, even though the books will not be received until July. An example of a legal obligation that would not qualify for funding under a current-year grant ending June 30 is the

Procedure 765 Recognition of Legal Obligations in Reporting for Federal Grants

cost of a conference to be held in July. Regardless of when a purchase order or contract is signed, that legal obligation occurs when the conference is attended, not before.

When federal grant funds are claimed for legal obligations in one year for expenditures that are recognized in the following year, unexpended federal revenue will remain on the books at year-end and will be deferred for recognition in the following year because the expenditures for the legal obligations will not occur until the following year. The unexpended revenue is deferred by debiting the revenue account and crediting the unearned revenue account. The grant funds claimed for grant reporting purposes, therefore, will exceed the federal grant revenues recognized in the current year's books.

An example follows below.

Description	Grant Claim (ends 6/30)	Current- Year Books (as of 6/30)	Subsequent- Year Books (begin 7/1)
Federal Revenue Received	100	100	0
Federal Revenue Deferred	0	(20)	20
Subtotal, Revenue	100	80	20
Actual Expenditures	80	80	20
Legal Obligations	20	0	0
Subtotal, Expenditures/Obligations	100	80	20

This is a normal difference between governmental accounting principles and grant reporting procedures.

When federal grant funds are claimed for legal obligations in one year for expenditures that are recognized in the following year, as described previously, the LEA must be careful not to claim these amounts again the following year. The grant funds claimed for grant reporting purposes in the following year, then, would be less than the federal grant revenues recognized in the following year's books.

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 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 should capitalize a group of assets acquired at the same time that do not meet the threshold for capitalization individually, if that group of assets in the aggregate is significant. 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.

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).

Examples include the following items:

- Plumbing fixtures

Procedure 770 Distinguishing Between Supplies and Equipment

- 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, Plant 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.

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.

Procedure 770 Distinguishing Between Supplies and Equipment

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 overcharged 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)	01-6500-0-5760-1110-3601	\$1,000	
	Workers' Comp. Insurance (Class)	01-6500-0-5760-2100-3602	\$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 In-District	67-9010-0-0000-0000-9110	\$6,000	
	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 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 the 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 785-21. 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

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

age sixty-five. 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 785-8.

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, i.e., a 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 recognize OPEB expenditures to the extent of amounts actually paid for OPEB, and any current liabilities (amounts expected to be liquidated with expendable available resources). 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. The change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

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If the defined benefit OPEB plan is administrated 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. The change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

The following three scenarios illustrate the calculation of OPEB expenditures when an OPEB plan is administered through a qualifying trust.

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 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 trust. The total OPEB expenditures reported by the LEA for the reporting period are \$12,000.

Scenario 3: The LEA made a \$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 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 OPEB expenditures in the current reporting period because it is assumed that the associated OPEB expenditures would have been reported in the period(s) those funds were contributed to the trust.

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 payroll or the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. Refer to GASB 75 for further details regarding required disclosures and RSI depending on the type of OPEB plan.

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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.

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.

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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 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, the CDE followed the principles previously agreed to with the United States Department of Education (ED) 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

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- 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.

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.

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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.

Summary of Allowable OPEB Charges to Programs

The following tables summarize the agreements reached between the ED and the 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.

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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. The CDE and the ED agree that these expenditures should not be included in the traditional indirect cost pool and that they should not count toward administrative cost caps in programs where such caps exist. Indirect costs and their application to programs are discussed in Procedure 915.

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 due under an OPEB plan that is not administered through a qualifying trust. These expenditures must be allocated to all activities. Objects 3701–3702 are also used for expenditures related to the amounts paid to an OPEB plan administered 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 administered through a qualifying trust, up to the current year actuarially determined service costs for OPEB-eligible active employees. Service costs 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-

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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 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 health care coverage for retirees) rather than as a health care cost for active employees of the current period. GASB 75 provides a conceivable exception for certain employers in community rated cost-sharing plans. “Community rated” is not the same as “blended,” the actuary will determine whether this exception applies.

The existence of an implicit rate subsidy does not require that LEAs change their accounting for health benefit expenditures in governmental funds and report any portion as OPEB contributions.

OPEB Accounting Illustrations

The following illustrations discuss the accounting for OPEB in eight different scenarios. For purposes of these illustrations, amounts and calculations have been deliberately simplified.

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OPEB Plans Not Administered Through a Qualifying Trust

Scenario 1: The LEA pays \$38 for current year OPEB benefits as the benefits come due. The LEA’s OPEB expenditure is equal to current year benefits for already-retired employees.

- 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	5760	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 administered through a trust that 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 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. Refer to Scenario 1 for accounting entries.

Continue to report \$12 as the LEA's assets. Expenditure accounts are charged only when claims are paid.

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 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, but 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 contributes \$45 to a qualifying 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:

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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

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.

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	5760	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 the Employer to the OPEB Trust

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. 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.

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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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	5760	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	5760	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 the Employer to the OPEB Trust

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 contributes \$12 to a qualifying 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 is \$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.

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	5760	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

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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	5760	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.

Contributions from the Employer to the OPEB Trust

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 contributes \$5 to a qualifying 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 is \$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.

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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	5760	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 the Employer to the OPEB Trust

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 makes a lump-sum contribution of \$5,000, which is substantially greater than the service costs, to a qualifying trust. Service costs for the current period are \$45. 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 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.

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	5760	1110	3751	xx	
01	xxxx	0	0000	0000	9110		xx
					Total	45	45

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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	5760	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 the Employer to the OPEB Trust

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 GASB Statement 34 narrowed the definition of fiduciary funds), the amounts previously recorded as expenditures should not be recorded as expenditures again. These amounts should be recorded as a debit to Object 7299, All Other Transfers Out to All Others, rather than as an operating expenditure of any kind.

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 payroll. The payroll on which contributions to an OPEB plan are based.

Covered-employee payroll. The payroll of employees 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 having terms that (a) provide an individual account for each employee; (b) define the contribution that an employer is required to make (or the credits

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

that are 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 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. 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 (or Asset). The total OPEB liability net of the plan's fiduciary net position. The net OPEB liability (or asset) is reported 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 health care 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

Procedure 785 Postemployment Benefits Other Than Pensions (OPEB)

scope. It encompasses all situations in which employers provide OPEB to their employees, regardless of how the benefits are financed. In this context, an OPEB plan refers to “all benefits to be provided to plan members or beneficiaries in accordance with the current substantive plan (the plan terms as understood by the employer and plan members).”

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 that has been “earned” by employees based on past years of service. The total OPEB liability is reported 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 (COEs) 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.

Procedure 805 Joint Powers Agreements/Agencies (JPAs)

Note: Expenditure reports submitted by JPAs are subject to the same analysis that CDE applies to school districts and COEs, 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 and Districts web page at <https://www.cde.ca.gov/ds/si/ds>. (For assistance or questions regarding county–district code applications, please contact County-District-School Administration at 916-327-4014 or by email at [cgsadmin@cde.ca.gov](mailto:cdsadmin@cde.ca.gov).)
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 COE 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 810 Charter Schools

The *California School Accounting Manual* provides guidance on generally accepted accounting principles (GAAP) for all local educational agencies (LEAs) as well as specific guidance for LEAs in California. *Title 5, Section 15071 of the California Code of Regulations* requires that charter schools follow the guidelines in the manual, to the extent the guidelines apply, for reporting of financial data. Much of the guidance in the manual is relevant to charter schools.

GAAP for Charter Schools

Governmental agencies such as traditional school districts and county offices of education use the governmental fund accounting model and the modified accrual basis of accounting for their governmental activities. Charter schools that are governmental use this basis of accounting. The authoritative source of GAAP for this model is the Governmental Accounting Standards Board (GASB).

Not-for-profit charter schools approved under *Education Code* Section 47604 that operate as, or are operated by, a nonprofit public benefit corporation pursuant to Section 501(c) (3) of the *Internal Revenue Code* typically use the not-for-profit accounting model and the accrual basis of accounting. The authoritative source of GAAP for this model is the Financial Accounting Standards Board (FASB).

The not-for-profit model more closely resembles private-sector (for-profit) accounting than governmental fund accounting. Nongovernmental not-for-profit entities using this model present external financial statements consisting of a statement of financial position, a statement of activities, a statement of cash flows, and notes to the financial statements.

Governmental fund accounting and the differences between the accrual and the modified accrual bases of accounting are discussed in Procedure 101, Governmental Accounting.

Reporting Charter School Financial Data to CDE

Pursuant to *Education Code* Section 42100, all LEAs, including charter schools, must report their unaudited actual financial data to the California Department of Education (CDE).

The decision as to whether a charter school should report to the CDE as part of its authorizing LEA or separately should be based on whether the charter school is a part of the LEA or a separate reporting entity for purposes of GAAP. Authoritative guidance on the reporting entity is contained in GASB statements 14, 39, and 61. A charter school that is the same reporting entity as its authorizing LEA, as defined by GAAP, will be included in the LEA's financial statements and will typically report to the CDE as part of the LEA. A charter school that is a separate reporting entity, as defined by GAAP, will issue its own financial statements that are separate from those of its authorizing LEA and will typically report separately to the CDE as well.

Procedure 810 Charter Schools

Reporting Formats

Charter school year-end data may be reported in either the standardized account code structure (SACS) format or in the alternative format for charter schools approved by the State Board of Education and titled the Charter School Unaudited Actuals Financial Report—Alternative Form (hereafter referred to as the Alternative Form). Charter schools are encouraged to discuss the reporting options with their authorizing agencies and their independent auditors before choosing a format.

Regardless of the format used, the year-end data submitted for each charter school must be a complete report of all of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

Using SACS for Charter School Financial Reporting

The main operating funds available for charter schools reporting in SACS are as follows:

- General Fund (Fund 01) (modified accrual basis of accounting): For charter schools reporting separately from the authorizing LEA and for charter schools reporting as part of the LEA within the LEA's general fund.
- Charter Schools Special Revenue Fund (Fund 09) (modified accrual basis of accounting): For charter schools reporting as part of the authorizing LEA but reporting outside the LEA's general fund.
- Charter Schools Enterprise Fund (Fund 62) (accrual basis of accounting): For charter schools using the not-for-profit reporting model, reporting either as part of the authorizing LEA or separately.

Only one main operating fund should be reported.

If a charter school reporting in Fund 01 uses additional funds, the charter school must report those funds in addition to its main operating fund.

If Fund 62 is used for any of a charter school's activities, it should be used for all of the charter school's activities. Note that fund accounting is inconsistent with the not-for-profit financial reporting model, so in this case Fund 62 serves as a financial statement for purposes of reporting to the CDE rather than as a fund.

Costs reported in Fund 62 should include the function most descriptive of the activity being performed (e.g., instruction, school administration, pupil services, and plant services) rather than Function 6000, Enterprise, which is normally used in an enterprise fund.

Regardless of the basis of accounting, charter school financial reporting will typically be simpler than such reporting for traditional school districts because charter schools typically operate fewer instructional programs. As with any other LEA, charter schools need to use only what is

Procedure 810 Charter Schools

necessary, required, and applicable to them. For guidance in using SACS, charter schools are encouraged to refer to applicable sections and procedures in this manual.

Using the Alternative Form for Annual Financial Reporting

Charter schools using the Alternative Form for year-end financial reporting are encouraged to set up their accounts to align with the Alternative Form. Written definitions of each of the accounts (objects) on the Alternative Form can be found in Procedure 330.

Charter schools using the Alternative Form for financial reporting must use the version provided in the SACS Web System, and the county office of education must submit the data to CDE electronically. Because of the brevity of the form, additional data necessary for compliance or other calculations may have to be submitted separately.

The Alternative Form allows for either the modified accrual basis of accounting used by governmental agencies or the accrual basis of accounting normally used by not-for-profit entities. Regardless of the basis of accounting, charter schools using the Alternative Form report all financial data on the form, using one basis of accounting or the other. The year-end data submitted for each charter school must be a complete report of the charter school's financial operations, including beginning balances, revenues, expenditures (or expenses), and ending balances.

If a charter school maintains more than one fund in its own accounting system and uses the Alternative Form for reporting to the CDE, it should consolidate all the financial data from all its funds on the Alternative Form.

The Alternative Form, user's guide, and additional information about charter school year-end financial reporting are posted near the end of each fiscal year on the CDE Financial Reporting web page at <https://www.cde.ca.gov/fg/sf/fr>.

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Procedure 901 Overview of Cost Accounting

Elementary and secondary schools in California spend approximately \$100 billion to provide a high-quality education for almost 6 million children. In accounting for these dollars, it is important to identify not only the types of expenditures (e.g., salaries, books, equipment) but also the specific objective or purpose of those expenditures (e.g., regular education, special education, career technical education). Cost accounting is the means whereby this important identification of all costs can be accomplished. Because the standardized account code structure (SACS) is comprehensive, local educational agencies (LEAs) are able to include program cost information in the coding of most transactions.

An important step in assigning proper SACS codes is recognizing how each field affects different aspects of cost accounting. The following areas are directly affected by cost accounting procedures and data:

- **Documentation Criteria.** The cornerstone of any cost accounting system is ensuring costs are properly identified with the benefiting programs. For consistency in reporting, there are standardized rules for documenting costs. The documentation requirements apply to federal and state compliance as well as program cost accounting.
- **Program Cost Report.** Identifying the proper instructional setting or group of students receiving the service (e.g., regular education, special education, career technical education, opportunity schools) is accomplished by the SACS goal code. The goal codes are the basis for program cost accounting.
- **Indirect Cost Rate Calculation.** The general operational areas (e.g., instruction, pupil services, community services, general administration) are identified in SACS by the function code. The function codes group together related activities and form the basis for distinguishing indirect costs from all other costs and identifying the components of the indirect cost rate calculation.

The procedures in this section provide in-depth details on how each area is affected by cost accounting rules and processes.

Procedure 901 Overview of Cost Accounting

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Procedure 905 Documenting Salaries and Wages

Documentation of salaries and wages is often necessary to support charges to specific funding sources (resources), instructional settings (goals), and activities (functions). Some level of formalized time documentation is 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 the 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 200.1). 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.

Procedure 905 Documenting Salaries and Wages

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. **Schoolwide 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.

Procedure 905 Documenting Salaries and Wages

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 their 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 their 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 their position is supported by multiple federal awards that have different rules as to the eligibility of participants or allowable costs.
2. The employee works on dissimilar activities for more than one federal program, and the programs are not combined in an approved SWP.
3. The employee works on dissimilar activities for a mixture of federal and state programs, and those programs are not combined in an approved SWP.
4. The employee works on a mixture of federal and general-purpose activities that have not been combined in an approved SWP.

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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.

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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.

Salaries and wages used in meeting cost sharing or matching requirements of federal awards must also be supported by one of these methods.

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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 Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. If an employee has a set schedule for the whole school year, the LEA may consider completing a periodic certification encompassing the entire school year. If the employee does not maintain a set schedule for the entire school year, the periodic certification must be completed at least semiannually.

The periodic certification must:

- Be prepared at least semiannually, unless the employee works a set schedule for the entire school year.
- 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.

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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.

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 regularly 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 905-19. 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.

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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 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.

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3. Project salary and fringe benefit allocations for December through February and April through June.
 - The process starts over again the following July to support incurred labor cost allocations for that month and to compare and adjust the budgeted effort distribution for April through June. 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 separate periodic 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.

The 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, the 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

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challenges with implementing the substitute system. This certification may be used by auditors and by the CDE oversight personnel when conducting audits and sub-recipient monitoring of the substitute time-and-effort system.

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 regularly completed 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.

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- 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*.

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 the CDE. Approval is automatically granted once the LEA provides certain assurances. The assurances and the approval process are administered through the Consolidated Application (ConApp).

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.

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

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 the 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

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to Document Federally Funded Salaries and Wages” beginning on page 905-4. These methods include monthly PARs, periodic certifications, and the substitute system for time accounting.

When using federal methods to document state programs, LEAs will follow the single- and multiple-cost objective guidelines to determine the level of time documentation needed. For example, an employee who works on multiple state cost objectives will complete a PAR (or equivalent documentation) or participate in the substitute system for time accounting rather than completing a periodic 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)

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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. 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 the 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

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correspond to those of the manager, in which case clerical staff members should document their time by using an activity worksheet.

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 their 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 timesheet 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:

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A. Instructional Salaries and Wages

Instructional activities must be direct-charged to a specific goal. Generally, the class roster provides sufficient documentation for substantiating the salaries and wages of classroom teachers charged to specific goals.

The documentation for instructional aides may be based on their assignment to teachers with class rosters or the category of students to whom they are assigned.

B. Noninstructional Salaries and Wages

Charged to a Single Goal:

When supported by verifiable documentation, noninstructional salaries and wages may be direct-charged to a single goal. Examples of documentation that would be adequate include the contract or job description of a school employee, such as a nurse or counselor, that specifies the 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 905-12). 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

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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).

Charged to Multiple Resources and Goals:

Where salaries and wages are charged to multiple restricted funding sources (resources) and multiple goals, the 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 earlier, 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,” on 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.

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When state funds are involved, the distribution of costs to the specific programs or cost objectives may be done on a schedule that best meets local needs (e.g., monthly, quarterly, at the first or second interim budget reporting periods, or at some other periodic interval). To determine the distribution of costs, record the actual hours worked in each program or cost objective as reported on the time documentation. Determine a proration by computing a ratio of the time spent in each to the total time worked. Distribute the salary and wage costs on the basis of the computed proration. The same proration will be applied to all costs associated with the activity, including the cost of associated clerical staff.

Cost Distributions in Lieu of Time Documentation

The charging of state salaries and wages to more than one goal usually requires documentation of the time spent 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

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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

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Sample Personnel Activity Report

Personnel Activity Report (PAR)			
Period Covered: ¹ _____		Fiscal Year: _____	
Employee Name: _____			
School/Division/Department: _____			
Cost Objective/Program Title	Account/Resource Code	Hours Worked ²	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 Certification for an Individual Employee Working on a Single Cost Objective

Periodic Certification ¹		
Period Covered: ² _____		Fiscal Year: _____
Employee Name: _____		
School/Division/Department: _____		
Cost Objective/ Program Title	Account/Resource Code	Percentage of Effort
Program ABC	1111	100%
<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>Employee or Supervisory Official:³ _____ Date: _____</p>		
<p>1. This sample certification:</p> <ul style="list-style-type: none"> • 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. <p>2. Certification must be prepared at least semiannually, unless employee works a set schedule that covers the entire period of the certification (e.g., twelve months for an annual certification).</p> <p>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.</p>		

Procedure 905 Documenting Salaries and Wages

Sample Blanket Periodic Certification for Multiple Employees Working on a Single Cost Objective

Blanket Periodic Certification ¹		
Period Covered: ² _____ Fiscal Year: _____		
School Name: _____		
The following individuals have worked 100 percent of their time during the last six months under a single cost objective.		
Cost Objective Name: _____		
Cost Objective Account/Resource Number: _____		
Position	Printed Name	Signature ³
Teacher A	_____	_____
Teacher B	_____	_____
Teacher C	_____	_____
Instructional Assistant	_____	_____
Tutor	_____	_____
Guidance Counselor	_____	_____
<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: _____ Title: _____</p> <p>Supervisory Official Printed Name: _____ Date: _____</p>		
<ol style="list-style-type: none"> 1. This sample certification: <ul style="list-style-type: none"> • 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, unless employees work a set schedule that covers the entire period of the certification (e.g., twelve months for a annual 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 periodic 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%

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.

Employee: _____ Date: _____

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: _____ Date: _____

Supervisory Official Printed Name: _____ Title: _____

1. This certification must be prepared at least annually and cover the entire period of the certification (e.g., twelve months for an annual 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. Local educational agencies (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 statewide reporting and comparisons of LEA program cost data, Goal 0000 costs will be distributed to programs based on LEA-supplied allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-4).

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

Procedure 910 Program Cost Accounting

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

Procedure 910 Program Cost Accounting

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.) Using 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 the 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.

Procedure 910 Program Cost Accounting

Allocation Factors

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

Procedure 910 Program Cost Accounting

Factor	Definition
	<p>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 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</p>

Procedure 910 Program Cost Accounting

Factor	Definition
	<p>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 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>
<p>Pupils Transported (PT)</p>	<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>

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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.

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

Procedure 910 Program Cost Accounting

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.

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, TK/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.

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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 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 the 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.

Procedure 910 Program Cost Accounting

- **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.

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).

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Function	Title
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).
	3600 Pupil Transportation
	<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 PT (pupils transported).
	3700 Food Services
	<ul style="list-style-type: none">• 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
	<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
4000–4999	Ancillary Services <ul style="list-style-type: none">• 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 <ul style="list-style-type: none">• 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 <ul style="list-style-type: none">• Other cost (not associated with a particular goal for program cost accounting).• Costs are accumulated in Goal 0000, Undistributed.• Costs may not be allocated.
7000–7999	General Administration <p>7100 Board and Superintendent 7190 External Financial Audit—Single Audit 7191 External Financial Audit—Other 7200 Other General Administration 7700 Centralized Data Processing</p> <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.

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Function	Title
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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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 (CDE) federally approved indirect cost plan for TK/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. The 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 the CDE 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.

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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 the 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 five special revenue funds (student activity, adult education, child development, cafeteria, 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.

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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:

- **Food Costs** (Object 4700), which include expenditures for food used in food services activities.
- **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

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spares LEAs the necessity of annually calculating the space used by administration compared with each of their other programs and activities.

When the ratio is calculated, an adjustment may be required in those occasional circumstances where costs for administrative salaries and benefits are understated because certain administrative services, although performed on site, are provided by contract rather than by the LEA's own employees. If this occurs, LEAs may provide supplemental data to adjust the ratio for costs relating to such services.

The ratio of administrative salaries and benefits to other salaries and benefits is then multiplied by the costs of plant maintenance and operations and facilities rents and leases to assign to the indirect cost pool an "administrative offices" share of these facility costs.

Employment separation costs. Some costs relating to employees' separation from service may have restrictions on how they can be charged (see Procedure 655, Employment Separation Costs).

"Normal" separation costs are unallowable as direct costs to 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 2024–25 as the current reporting period and illustrates the fiscal years affected by the indirect cost rate calculation.

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In 2024–25, indirect costs are charged to programs using an indirect cost rate that was calculated and approved using 2022–23 data as an estimate of the indirect costs that would be incurred in 2024–25. The calculated difference between the indirect costs that theoretically could be charged to programs in 2024–25 based on this approved rate, and the indirect costs actually incurred in that year (i.e., the theoretical overrecovery or underrecovery of indirect costs), is called a carry-forward adjustment.

Then, based on the actual indirect costs and base costs incurred in 2024–25 and the carry-forward adjustment, a new indirect cost rate will be calculated for use in 2026–27.

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 the 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 the CDE, is the rate that should be used to recover indirect costs.

Using the Rate

Approved indirect cost rates for TK/K–12 LEAs, including charter schools, are posted online annually on the CDE 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

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Guidance). The rates may also be used for state programs, subject to any restrictions that may govern the individual programs.

Indirect Cost Rates for Individual Schools

Individual schools may use an indirect cost rate not to exceed their school district's rate (or county office of education's rate, if applicable). An exception to this is charter schools, which have separate indirect cost rate guidelines. The 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 Objects 4700 and 5100, and multiplying that total by the indirect cost rate approved for use with the program. Expenditures in objects 4700, 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

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or award letters should be consulted to determine whether programs limit or prohibit the claiming of indirect costs. Some of the more common limitations include:

1. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a program's capped rate.
2. Limiting the indirect cost rate to the lesser of the LEA's approved rate or a statewide average rate, such as for the food service program. Information on statewide average rates is available on the CDE 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 the CDE 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 Objects 4700 and 5100), in Fund 01 (general), funds 09 and 62 (charter schools), Fund 08 (student activity), Fund 11 (adult education), Fund 12 (child

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development), funds 13 and 61 (cafeteria), and funds 19 and 57 (foundation) are part of the indirect cost rate calculation; therefore, expenditures in these fund and object combinations may generally have indirect costs charged against them. Costs in objects that are excluded from the calculation of the rate (e.g., food costs, 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.

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Indirect and direct cost transfers are illustrated in Procedure 615.

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 food costs, 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)

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9. Carry-Forward Adjustment for overrecovery or underrecovery of indirect costs (overrecovery is subtracted, underrecovery is added)
10. Total Adjusted Indirect Costs (line A8 plus line A9)

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. Student Activity (Fund 08, functions 4000–5999)
15. Adult Education (Fund 11, functions 1000–6999, 8100–8400, and 8700)
16. Child Development (Fund 12, functions 1000–6999, 8100–8400, and 8700)
17. Cafeteria (funds 13 and 61, functions 1000–6999, 8100–8400, and 8700)

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18. Foundation (funds 19 and 57, functions 1000–6999, 8100–8400, and 8700)

19. Total Base Costs (sum of lines B1 through B12 and B13b through B18, minus line B13a)

C. Straight Indirect Cost Percentage (before carry-forward adjustment) (line A8 divided by line B19)

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 B19)

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: Food Costs (Object 4700); 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 *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, student activity, adult education, cafeteria, child development, and foundation funds minus any excluded costs, such as food costs, 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 their 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 they provide 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, food costs, 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 the CDE 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).

Restricted rate. Same as *indirect cost rate*.

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*.

Appendix B Normal Balances of Balance Sheet Accounts

Chart of Accounts

Object Code		Normal Balance
	Assets	
9110	Cash in County Treasury	Dr
9111	Fair Value Adjustment to Cash in County Treasury	Dr
9120	Cash in Bank(s)	Dr
9130	Revolving Cash Account	Dr
9135	Cash with a Fiscal Agent/Trustee	Dr
9140	Cash Collections Awaiting Deposit	Dr
9150	Investments	Dr
9200	Accounts Receivable	Dr
9290	Due from Grantor Governments	Dr
9310	Due from Other Funds	Dr
9320	Stores	Dr
9330	Prepaid Expenditures (Expenses)	Dr
9340	Other Current Assets	Dr
9380	Lease Receivable	Dr
9410	Land	Dr
9420	Land Improvements	Dr
9425*	Accumulated Depreciation—Land Improvements	Dr
9430	Buildings	Dr
9435*	Accumulated Depreciation—Buildings	Dr
9440	Equipment	Dr
9445*	Accumulated Depreciation—Equipment	Dr
9450	Work in Progress	Dr
9460	Lease Assets	Dr
9465*	Accumulated Amortization—Lease Assets	Dr
9470	Subscription Assets	Dr
9475*	Accumulated Amortization—Subscription Assets	Dr
	Deferred Outflows of Resources	
9490	Deferred Outflows of Resources	Dr

*Accumulated depreciation/amortization accounts are contra-asset accounts that reduce the carrying value of the capital assets to which they relate. Accumulated depreciation/amortization accounts may technically be reported either as debit accounts with negative balances or as credit accounts with positive balances. For clarity of presentation and consistency of LEA data statewide, accumulated depreciation/amortization accounts shall be reported as debit accounts with their credit balances displayed as negatives.

Appendix B Normal Balances of Balance Sheet Accounts

Object Code	Liabilities	Normal Balance
9500	Accounts Payable (Current Liabilities)	Cr
9590	Due to Grantor Governments	Cr
9610	Due to Other Funds	Cr
9620	Due to Student Groups/Other Agencies	Cr
9640	Current Loans	Cr
9650	Unearned Revenue	Cr
9660	Subscription Liability	Cr
9661	General Obligation Bond Payable	Cr
9662	State School Building Loans Payable	Cr
9663	Net Pension Liability	Cr
9664	Total/Net OPEB Liability	Cr
9665	Compensated Absences Payable	Cr
9666	Certificates of Participation (COPs) Payable	Cr
9667	Leases Payable	Cr
9668	Lease Revenue Bonds Payable	Cr
9669	Other General Long-Term Debt	Cr
Object Code	Deferred Inflows of Resources	Normal Balance
9690	Deferred Inflows of Resources	Cr
Object Code	Fund Balance	Normal Balance
9711	Nonspendable Revolving Cash	Cr
9712	Nonspendable Stores	Cr
9713	Nonspendable Prepaid Items	Cr
9719	All Other Nonspendable Assets	Cr
9720	<i>Reserve for Encumbrances</i>	Cr
9740	Restricted Balance	Cr
9750	Stabilization Arrangements	Cr
9760	Other Commitments	Cr
9780	Other Assignments	Cr
9789	Reserve for Economic Uncertainties	Cr
9790	Unassigned/Unappropriated/Unrestricted Net Position	Cr
9791	Beginning Fund Balance	Cr
9793	Audit Adjustments	Cr
9795	Other Restatements	Cr
9796	Net Investment in Capital Assets	Cr
9797	Restricted Net Position	Cr

Appendix B Normal Balances of Balance Sheet Accounts

Object Code	Budgetary Accounts (These accounts are not reported to CDE.)	Normal Balance
9810	Estimated Revenue	Dr
9815	Estimated Other Financing Sources	Dr
9820	Appropriations	Cr
9825	Estimated Other Financing Uses	Cr
9830	Encumbrances	Dr
Object Code	Control Accounts (These accounts are not reported to CDE.)	Normal Balance
9840	Revenue	Cr
9845	Other Financing Sources	Cr
9850	Expenditures	Dr
9855	Other Financing Uses	Dr
Object Code	Nonoperating Accounts (These accounts are not reported to CDE.)	Normal Balance
9910	Suspense Clearing	Dr, Cr

Appendix B Normal Balances of Balance Sheet Accounts

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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 Standardized Account Code Structure with the Federal Handbook

Conformance with Generally Accepted Accounting Principles

Federal Handbook	Standardized Account Code Structure
<p>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.</p>	<p>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.</p>

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. 	<p>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.</p>

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

Suggested Criteria for Statewide System

Adapting State Reporting Requirements

Federal Handbook	Standardized Account Code Structure
<p>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.</p>	<p>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.</p>

Comparability

Federal Handbook	Standardized Account Code Structure
<p>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>	<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 Standardized Account Code Structure with the 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 • Project Year • 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 and technology-based 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 and technology-based instructional services	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, technology-based materials, and correspondence)	1000
Instructional Administration	2100
Instructional Administration—Special Projects (typically funded from a specific resource and requires project budget and audit)	2100/2150

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Instructional Aide—Regular Education	1000
Instructional Aide—Special Education	1110–1130
Instructional Staff Development—In-house	2100/2140
Instructional Library	2420
Instructional Materials—Guidance of Teachers	2100
Instructional Media	2420
Instructional Programs—Selecting, preparing, and making available to instructional staff television or technology-based 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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Photocopying—Instructional Materials	1000–1999
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, groundskeeping, 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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Special Education—Career Technical Education Training	1190
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 (in-person or virtual)—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

Appendix D Function Codes for Common Activities

Description	Typical Function(s)
Telephone Lines—Instructional Internet Access	1000 or 2420
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

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.

Allocation. Division or distribution in accordance with a predetermined plan.

Allowable costs. Costs that meet the specific criteria of a granting agency.

Glossary

- 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 46000–46393.)

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 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).

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.

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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).

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

Glossary

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.

Custodial fund. A fund consisting of resources received and held by an LEA as an agent for others.

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.

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).

Glossary

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 US 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.

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.

Glossary

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 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 standardized account code structure (SACS), *function* refers to those activities or services performed to accomplish a goal.

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

Fund balance. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The fund equity of governmental and trust funds.

Glossary

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 US 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.

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).

Glossary

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. 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.

Glossary

Interim reports. Reports prepared as of a date or a period during the fiscal year. They include budgetary estimates, financial transactions during current year-to-date, and end-of-year projections.

Internal audit. An appraisal activity within an LEA that (1) determines the adequacy of the system of internal control; (2) verifies and safeguards assets; (3) determines the reliability of the accounting and reporting system; (4) ascertains compliance with existing policies and procedures; and (5) appraises the performance of activities and work programs.

Internal control. A plan of organization under which employees' duties are so arranged, and records and procedures so designated, as to provide a system of self-checking, thereby enhancing accounting control over assets, liabilities, revenue, and expenditures. Under such a system, the employees' work is subdivided so that no single employee performs a complete cycle of operation. Such procedures call for proper authorization by designated officials.

Internal service funds. Funds created to render services on a cost-reimbursement basis to other organizational units of the LEA. Such funds are generally intended to be self-supporting.

Inventory. A detailed list showing the quantities and a description of the property on hand at a given time. It may also include units of measure, unit prices, and values.

Investments. Usually, securities and real estate held for the purpose of generating revenues, such as interest, dividends, or rental payments.

Invoice. An itemized statement of charges for merchandise sold or services rendered to the purchaser.

J

Job account. An account established to record the accumulation of costs of a specific piece of work; work orders showing charges for material and labor used.

Journal. Any accounting record in which the financial transactions of an LEA are formally recorded for the first time (e.g., the cash receipts book, check register, and general journal).

Journal voucher. A form provided for the recording of certain transactions or information in place of, or supplementary to, the journal or registers.

Judgments. Amounts due to be paid or collected by the LEA as the result of court decisions.

L

LEA. See *Local educational agency*.

Lease. A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The following two criteria must be met in order to determine whether a contract conveys control of the right to use the underlying asset:

- The LEA must have the right to obtain the present service capacity from use of the underlying asset as specified in the contract.

Glossary

- The LEA must have the right to determine the nature and manner of use of the underlying asset as specified in the contract.

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, charter school, 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:

Glossary

- It receives contributions of significant amounts of resources from providers who do not expect a commensurate or proportionate pecuniary return.
- Its operating purposes are other than to provide goods or services at a profit.
- Unlike business enterprises, it does not have an interest in ownership.

O

Object. As used in an expenditure classification, *object* applies to the article purchased or to the service obtained.

Obligations. Amounts that the LEA may be legally required to meet from its resources. They include not only actual liabilities but also unliquidated encumbrances.

Operating transfers. All interfund transfers other than residual equity transfers.

Order (for payment). A written demand by the governing board of an LEA requiring the county superintendent of schools to draw their 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. A custodial 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. Computers or work areas assigned for data processing purposes.