

# Chapter 1

## Introduction

The primary purpose of this manual is to provide Florida school districts with a uniform chart of accounts for budgeting and financial reporting. Topics including governmental accounting standards, program cost accounting and reporting, and school internal funds are also addressed. This document is incorporated by reference in Rule 6A-1.001, Florida Administrative Code, pursuant to the requirements of Sections 237.01 and 237.02, F.S.

The chart of accounts included herein is adapted from the United States Department of Education publication, Financial Accounting for Local and State School Systems, which establishes a comprehensive and uniform structure for reporting education fiscal data. The Florida chart of accounts was modified following the initial publication of the Federal manual in 1957 and the major revision of 1973. Subsequent Federal revisions in 1980 and 1990 have also been addressed to ensure compatibility in national statistical reports.

### OVERVIEW

This section presents a brief overview of the accounting structure including fund, revenue, and expenditure classifications.

Fund. 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. (NCGA Statement 1, paragraph 2) The basic fund structure for Florida school districts follows generally accepted accounting principles for governments.

#### Governmental Funds

- General Fund

- Special Revenue Funds

- Debt Service Funds

- Capital Projects Funds

- Special Revenue Funds

- Permanent Funds

#### Proprietary Funds

- Enterprise Funds

- Internal Service Funds

#### Fiduciary Funds

- Pension Funds

- Investment Trust Funds

- Private-purpose Trust Funds

- Agency Funds

Revenues are categorized by fund, source, and appropriation. Since revenues are usually determined by law, revenue accounts are structured by source (Federal, State, and Local) and specific appropriation.

Expenditures are categorized using the following elements.

Fund	Program
Function	Fiscal Year
Object	Grant
Facility (School)	Project

Function refers to the objective or purpose of an expenditure. Functions are the activities performed to accomplish the objectives of the organization. The activities of school districts are classified into four major functional categories as follows:

Instruction. The activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Instruction is further classified as Basic (K-12), Exceptional, Vocational-Technical, and Adult General. Another subfunction, "Other Instruction", is provided for programs such as recreation and enrichment and prekindergarten instruction.

Instructional Support Services. This includes administrative, technical, and logistical support to facilitate and enhance instruction. Support Services include Pupil Personnel Services, Instructional Media, Instruction and Curriculum Development Services, and Instructional Staff Training Services.

General Support Services. Those activities associated with establishing policy, operating schools and the school system, and providing the necessary facilities and services for the staff and pupils. This includes salaries and expenses for the Board, General Administration, School Administration, Facilities Acquisition and Construction, Fiscal Services, Food Services, Central Services, Pupil Transportation Services, Operation of Plant, and Maintenance of Plant.

Community Services. Community Services consist of those activities that are not directly related to providing education for pupils in a school system. These include noninstructional services provided by the school system for the community.

Object means the goods purchased or the service obtained. There are eight major object categories provided in this manual:

- Salaries
- Employee Benefits
- Purchased Services
- Energy Services
- Materials and Supplies
- Capital Outlay
- Other Expenses
- Transfers

Facility. The school or office location that is the center for accumulation of costs.

Program. Activities, operations, or organizational units designated to accomplish an objective or purpose. Educational programs are established by law for Florida school districts and are the basis for the program cost accounting and reporting system (see Chapter 5).

Fiscal Year. Denotes the twelve month period to which the annual budget applies. This designation is useful in analyzing costs of programs that extend over more than one fiscal year.

Grant. Code numbers assigned by DOE for reporting state and federal grants.

Project. This classification is used to identify expenditures related to a specific activity such as a construction project or a project funded through grants.

For reporting purposes, grant and project numbers are five character codes, that are designated by DOE. Districts may elect to crosswalk from a local coding structure to the state-designated grant and project numbers.

## ACCOUNTING STANDARDS

Generally accepted accounting principles for governmental entities are established by the Governmental Accounting Standards Board and provide the foundation for financial accounting and reporting for school districts.

Basis of accounting refers to when revenues, expenditures, expenses, and transfers--and the related assets and liabilities--are recognized in the accounts and reported in the financial statements. Generally accepted accounting principles require the use of the modified accrual basis of accounting for governmental funds. This means that revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are generally recognized when the related fund liability is incurred, if measurable.

Proprietary and fiduciary funds utilize the "full accrual" basis of accounting. That is, revenues and expenses are recognized when they occur regardless of the timing of the related cash flows.

Florida school districts operate the following types of budgetary funds: general, special revenue, capital project, and debt service. As indicated above, the modified accrual basis should be used in accounting and reporting for these funds. Districts maintaining propriety and fiduciary funds should apply the accrual basis of accounting.

Most grants accounted for in the special revenue funds require the expenditure of funds as the primary determinant of eligibility for funding. Therefore, the date of expenditure also becomes the point of revenue recognition for the grant.

An encumbrance system which charges each purchase order, contract, or salary commitment to an appropriation should be used as part of a budgetary accounting system. These transactions cease to be encumbrances when paid, canceled, or when the actual liability is recorded.

## GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 34

In June, 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments which requires all governments, including special-purpose governments such as school districts, to implement a new financial reporting model. The model includes management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, and certain other required supplementary information (RSI) other than MD&A.

- The MD&A is a component of RSI that precedes the financial statements.
- The basic financial statements include 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.
  - The government-wide financial statements report information for the government as a whole, except for its fiduciary funds. These statements reflect the economic resources measurement focus and the full accrual basis of accounting.
  - The fund financial statements for governmental, proprietary, and fiduciary funds follow the government-wide financial statements. The governmental and enterprise fund statements reflect major funds and combined non-major funds rather than a fund-type presentation. The fiduciary and proprietary funds continue to utilize the economic resources measurement focus and accrual basis of accounting while the governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. A reconciliation is required to explain the differences between the change in fund balances reported in the fund financial statements and the change in net assets reported in the government-wide financial statements. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.
  - The notes to the financial statements are an integral part of the basic financial statements and additional disclosures are required for the new reporting model.
- RSI is supplementary financial information that is required to be presented with the basic financial statements. Required budgetary comparisons include the original and final budgets for the general fund and each major special revenue fund that has a legally adopted annual budget.

One of the primary differences between the government-wide statements and the fund financial statements is the measurement focus and basis of accounting. The government-wide statements reflect the economic resources measurement focus and the full accrual basis of accounting while the fund financial statements for governmental funds continue to reflect the current financial resources measurement focus and the modified accrual basis of accounting.

The following chapters of this manual have been modified to address the requirements of GASB Statement 34 as it relates to the chart of accounts, student internal funds, internal service funds, and fiduciary funds. Additional guidance in the implementation of Statement 34 is available through the Department's publication, Financial Reporting Model Implementation Guide for Florida School Districts.