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 (F.A.C.), pursuant to the requirements of Sections 1010.01, 1010.20, and 1011.07, Florida Statutes (F.S.).

The Florida chart of accounts included in this manual 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 its major revision in 1973. Subsequent federal revisions in 1980, 1990, 2003, and 2009 have also been incorporated into the state chart of accounts to ensure compatibility with national statistical reports.

OVERVIEW

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

Funds are defined as fiscal and accounting entities with self-balancing sets of accounts. They record changes in cash and other financial resources, together with all related liabilities and residual equities or balances. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations (National Council on Governmental Accounting (NCGA) Statement 1, ¶2). The basic fund structure for Florida school districts follows generally accepted accounting principles (GAAP) for governments.

- Governmental Funds
  - General Fund
  - Special Revenue Funds
  - Debt Service Funds
  - Capital Projects Funds
  - Permanent Funds
- Proprietary Funds
  - Enterprise Funds
  - Internal Service Funds
- Fiduciary Funds
  - Pension (and Other Employee Benefit) Trust 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 (see definition above)	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. Instruction includes activities dealing directly with the teaching of students or the interaction between teacher and students. Instruction is further classified as Basic (K-12), Exceptional, Career and Technical, and Adult General. "Other Instruction" includes programs such as recreation, enrichment, and prekindergarten instruction.

Instructional Support Services. The Instructional Support Services category includes administrative, technical, and logistical support to facilitate and enhance instruction. Instructional Support Services include Student Personnel Services, Instructional Media, Instruction and Curriculum Development Services, Instructional Staff Training Services, and Instructional-Related Technology.

General Support Services. The General Support Services category includes activities associated with establishing policy, operating schools and the school system, and providing the necessary facilities and services for the staff and students. This includes salaries and expenditures for the Board, General Administration, School Administration, Facilities Acquisition and Construction, Fiscal Services, Food Services, Central Services, Student Transportation Services, Operation of Plant, Maintenance of Plant, and Administrative Technology Services.

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

Two other functional categories are necessary to support the school district, but do not include instruction, instructional support, or administrative activities.

Debt Service. The Debt Service category represents payments of principal and interest to service debt and expenditures related to issuance and retirement of debt.

Capital Outlay. The Capital Outlay category includes expenditures related, but not limited, to the procurement of land, the purchase of furniture and equipment, and the acquisition or construction of educational facilities.

Object refers to the goods purchased or the services obtained. There are seven major object categories for expenditures provided in this manual:

Salaries.
Employee Benefits.
Purchased Services.
Energy Services.
Materials and Supplies.
Capital Outlay.
Other.

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

Program refers to 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 12-month period to which the annual budget applies. This designation is useful in analyzing costs of programs that extend beyond one fiscal year.

Grant refers to code numbers assigned by the Florida Department of Education (DOE) for reporting state and federal grants.

Project refers to a classification that 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 the DOE. School districts may elect to crosswalk from a local coding structure to the state-designated grant and project numbers.

ACCOUNTING STANDARDS

GAAP for governmental entities are established by the Governmental Accounting Standards Board (GASB) 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, deferred outflows of resources, liabilities, and deferred inflows of resources – are recognized in the accounts and reported in the financial statements. GAAP 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 use the accrual basis of accounting. That is, revenues and expenses are generally 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 projects, debt service, and permanent. As indicated above, the modified accrual basis should be used in accounting and reporting for these funds. School districts maintaining proprietary 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 that charges each purchase order, contract, or salary commitment to an appropriation should be used as part of a budgetary accounting system. Transactions cease to be encumbrances when paid or canceled, or when the actual liability is recorded.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The reporting model for school districts is based on GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and is updated through GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. 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).

- 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 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 nonmajor funds rather than a fund-type presentation. The fiduciary and proprietary funds continue to use 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 position reported in the government-wide financial statements. The need to reconcile items arises 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 as new pronouncements from the GASB are introduced.

- RSI is supplementary financial information that must 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. The current funded status of other postemployment benefit plans, as of the three most recent actuarial valuation dates, is also required.

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 accrual basis of accounting, while the fund financial statements for governmental funds reflect the current financial resources measurement focus and the modified accrual basis of accounting.