

Chapter 1

Introduction

The primary purpose of this manual is to provide Florida school districts and charter schools with a uniform chart of accounts for financial, cost and budgetary reporting. This manual is also the basis for grant budgeting and reporting. For more information on reporting for grants, please see the Florida Department of Education (FDOE) publication, [*Project Application and Amendment Procedures for Federal and State Programs*](#) (Green Book).

Generally accepted governmental accounting standards, program cost accounting and reporting, and school internal funds are addressed in this manual. This document is incorporated by reference in rule 6A-1.001, Florida Administrative Code, pursuant to the requirements of sections 1010.01, 1010.20 and 1011.07, Florida Statutes.

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 state 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, 2009 and 2014 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 Statement 1 (as amended), ¶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
 - Custodial 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 (or expense for government-wide and proprietary financial statement presentation). 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 teachers and students. Instruction is further classified as Basic, Exceptional Student Education, Career Education, Adult General and Other Instruction. Other Instruction includes programs such as recreation, enrichment and prekindergarten instruction.

Student and Instructional Support Services. Student and Instructional Support Services are administrative, technical and logistical support services to facilitate and enhance instruction. Specific activities under this category include Student Support Services, Instructional Media Services, Instruction and Curriculum Development Services, Instructional Staff Training Services and Instruction-Related Technology.

General Support Services. General Support Services are 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 School 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, such as 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. Debt Service represents payments of principal and interest to service debt and expenditures related to issuance and retirement of debt.

Capital Outlay. Capital Outlay includes expenditures related to, 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	Materials and Supplies	Energy Services
Employee Benefits	Capital Outlay	
Purchased Services	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 FDOE 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 FDOE. School districts may elect to crosswalk from a local coding structure to the state-designated grant and project numbers.

The primary purpose of this publication is to provide a uniform chart of accounts for governmental fund financial and cost reporting; however, many of the asset, deferred outflow, liability and deferred inflow accounts are only used to satisfy the minimum reporting requirements for financial statement presentation. While the functional elements are used for reporting governmental fund expenditures, these same groupings are used as expenses for government-wide financial statement presentation and for reporting expenses in proprietary funds.

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 earned, measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current 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 87, *Leases*. Florida school districts may use the basic model for financial reporting, which includes management’s discussion and analysis (MD&A), basic financial statements and required supplementary information (RSI) other than the MD&A. Descriptions of all components of the basic financial statements can be found in section 2200 of the *Codification of Governmental Accounting and Financial Reporting Standards* published by the GASB.

- The MD&A is a component of RSI that precedes the basic financial statements.
- The basic financial statements should 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 financial 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 financial statements, and certain required eliminations.
 - The notes to the financial statements are an integral part of the basic financial statements and follow the fund financial statements.
- RSI (other than the MD&A) is supplementary financial information that must be presented after the basic financial statements and includes budgetary comparisons (between budgeted and actual) for the general fund and each major special revenue fund that has a legally adopted budget, pension plan information, other postemployment benefit plan schedules and notes to the RSI.