

New Hampshire
Financial Accounting Handbook
for Local Education Agencies

1999 Edition
(Revised August 2001)

New Hampshire Department Of Education
In Cooperation With
New Hampshire Department of Revenue
Administration And
New Hampshire Association Of School Business
Officials

GOVERNOR of NEW HAMPSHIRE

JEANNE SHAHEEN

EXECUTIVE COUNCIL

District No. 1	Raymond S. Burton, Woodsville
District No. 2	Peter J. Spaulding, Hopkinton
District No. 3	Ruth L. Griffin, Portsmouth
District No. 4	Thomas P. Colantuono, Londonderry
District No. 5	Bernard A. Streeter, Nashua

NEW HAMPSHIRE STATE BOARD of EDUCATION

	<u>Term Expires</u>
John Lewis, Chairman Durham (jml5292257@aol.com)	2002
Ann McArdle Manchester (amcardle@sheehan.com)	2000
Gail F. Paine Intervale (g_paine@unhf.nh.edu)	2004
Joel C. Olbricht Derry (jco@b-ocpas.com)	2001
Jeffrey M. Pollock Manchester (jmpollock@nhbdc.com)	2003
David B. Ruedig Concord (mruedig@hotmail.com)	2001
Ann M. Logan Amherst (logans@sheena.mv.com)	2004

NEW HAMPSHIRE DEPARTMENT OF EDUCATION
101 Pleasant Street

Concord, NH 03301-3860

Tel: (603) 271-3494

Fax: (603) 271-1953

Citizens Services Line

1-800-339-9900

Commissioner of Education

Dr. Elizabeth M. Twomey

etwomey@ed.state.nh.us

Deputy Commissioner

Nicholas C. Donohue

ndonohue@ed.state.nh.us

Director, Division of Program Support

Dr. Judith D. Fillion

jfillion@ed.state.nh.us

To visit our Web site, our URL is <http://www.state.nh.us/doe/index.htm>

NOTICE OF NONDISCRIMINATION

The New Hampshire Department of Education does not discriminate on the basis of race, color, national/ethnic origin, age, sex, or disability in its programs, activities and employment practices. The following person has been designated to handle inquires regarding the nondiscrimination policies:

Susan E. Auerbach

NH Department of Education

101 Pleasant Street

Concord, NH 03301

(603) 271-3743

Equal Opportunity Employer-Equal Educational Opportunities

ACKNOWLEDGMENT

The development of the revised New Hampshire Financial Accounting Handbook for Local Education Agencies was funded, in part, by a grant from the National Center for Education Statistics. The Department thanks the following members who gave time, energy and enthusiasm to the project:

Patricia S. Busselle
New Hampshire Department of Education

Bernard R. Davis
SAU #46

Michael Everngam
SAU #5

Sallie Fellows
SAU # 56

Dr. Judith Fillion
New Hampshire Department of Education

Christine I. Hayes
SAU #2

Edgar A Kenney

Paul Partenope
SAU #20

Stephen Plodzick
Plodzick & Sanderson Professional Association

Andrea Reid
Department of Revenue Administration

Barbara Robinson
Department of Revenue Administration

Stephen J. Varone
SAU #60

Technical Assistance provided by:
Darlene Carbone, Lynn Fletcher, Sharon Kimball, Mary Mayo, and Kathy Vaughn

Table of Contents

Chapters

I Introduction

The Purpose of This Guide	I - 1
How This Guide Was Developed	I - 1
Comparability	I - 2
Terminology	I - 2
Criteria For Items Of Information	I - 3
Conformance With Generally Accepted Accounting Principles	I - 4
Basis Of Accounting	I - 5
Cash Basis Accounting	I - 5
Accural and Modified Accural Basis Accounting	I - 6

II Uses Of The Account Classification System

Introduction	II - 1
The Accounting System	II - 2
Basic Philosophy Of A Financial Accounting System	II - 2
Budgeting	II - 3
Financial Reports	II - 3
Users Of The LEA Financial Reports	II - 4
School Administrators and Other Employees	II - 4
School boards and Other Governing Units	II - 4
Congress and the State Legislature	II - 5
Creditors and Potential Creditors	II - 5
The General Public	II - 5

III Account Classifications

Introduction	III - 1
Fund Classifications	III - 1
Financial Activity Classifications	III - 3
Revenues and Other Fund Sources Dimensions	III - 3
Fund	III - 4
Source	III - 4
Project/Reporting	III - 5
Expenditures/Expenses and Other Fund Uses	III - 5
Fund	III - 5
Program	III - 5

Function	III - 5
Object	III - 5
Project/Reporting	III - 6
Level of Instruction	III - 6
Operational Unit	III - 6
Subject Matter	III - 6
Job Classification	III - 7
Special Cost Center	III - 7
Balance Sheet Dimensions	III - 8
The Minimum Chart of Accounts	III - 8

IV Prorating Expenditures For Budgetary and Reporting Purposes

The Necessity of Proration	IV - 1
Considerations in Selecting a Method of Expenditures	IV - 1
Methods for prorating Expenditures	IV - 2
The Time Method	IV - 2
The Pupil Population Method	IV - 2
The Time-Floor-Area Method	IV - 3
The Hour Consumption Method	IV - 3
The Participating-Students Method	IV - 3
The Mileage Method	IV - 4
The Quantity-Consumed Method	IV - 4
Establishing Standards for prorating	IV - 4
Prorating The Object Dimension	IV - 5
Salaries	IV - 5
Employee Benefits	IV - 5
Purchased Services	IV - 5
Supplies and Materials	IV - 5
Property	IV - 5
Other Objects IV	IV - 5
Conclusion	IV - 6

V Cost Accounting for Educational Programs

Introduction	V - 1
Frameworks for the Discussion	V - 1
Program Cost Accounting	V - 2
Purpose	V - 2
Setting Cost Objectives	V - 3
Distinguishing Between Direct and Indirect Costs	V - 4
Costing Standards	V - 5
Allocation Bases	V - 7
Indirect Cost Allocation Formula	V - 8

One-Step Cost Allocation Formulas	V - 9
Two-Step Cost Allocation Formulas	V - 9
Cost Allocation Formulas Using Simultaneous Equations	V - 9
Choosing the Indirect Cost Allocation formula	V - 10
Applying Indirect Costing -	V - 10
Design Goals	V - 10
Cost Objectives	V - 11
Costing Standards	V - 11
Indirect Cost Pools	V - 11
Crosswalk From Financial Accounting	V - 11
Allocation Bases	V - 12
Indirect Cost Allocation Formula	V - 12
Units of Measure	V - 16
Current Expenditures	V - 16
Current Expenditure Per Student	V - 17
Excess Costs for Special Education	V - 18
Federal Indirect Cost Reimbursement	V - 18

Appendices

- A Account Classifications**
- B Revenue and Balance Sheet Accounts by Fund**
- C GASB Jurisdiction and the GAAP Hierarchy**
- D Compendium of Business/Finance State Statutes Relating to School Districts and School Administrative Units**
- E Fixed Asset Accounting**
- F Compensated Absences**
- G Suggested Warrant Articles for School Districts**
- H Expendable Trust Funds**
- I Form DOE-25 Annual Financial Report**
- J Form DOE-25 Instructional Manual**

Introduction

Chapter I

I Introduction

The Purpose of this Guide	I - 1	
How this Guide Was Developed		I - 1
Comparability	I - 2	
Terminology	I - 2	
Criteria for Items of Information	I - 3	
Conformance With Generally Accepted Accounting Principles	I - 4	
Basis of Accounting	I - 5	
Cash Basis Accounting	I - 5	
Accrual and Modified Accrual Basis Accounting	I - 6	

CHAPTER I

INTRODUCTION

The Purpose Of This Guide

The primary purpose of this guide is to assist New Hampshire school districts with the establishment and maintenance of an accounting system which will serve the budgeting, operating and reporting needs of each district. The New Hampshire Department of Education guidelines in this document are consistent with Generally Accepted Accounting Principles (hereafter, GAAP), state statutes, and Department of Revenue Administration requirements. When a district's accounting system is established in accordance with these guidelines, officials should be able to provide accountability to both the local school board and the taxpayers, and to make wise fiscal decisions.

How This Guide Was Developed

This guide was developed by a committee comprised of representatives from the New Hampshire Department of Revenue Administration, the New Hampshire Department of Education, and the New Hampshire Association of School Business Officials. Consulting was provided by Plodzick and Sanderson Professional Association. Financial support for this effort was provided through a grant from the National Center for Education Statistics, Office of Education Research and Improvement, United States Department of Education.

The guide was developed after thorough review of the *New Hampshire Financial Accounting Handbook for Local Education Agencies*, (1980), the federal *Financial Accounting for Local and State School Systems (1990)*, Government Finance Officers Association's *Governmental Accounting, Auditing and Financial Reporting*, (1994) and applicable state statutes. The committee made every effort to maintain consistency with the guidelines established in the aforementioned documents. Where necessary, changes have been made to make categories more consistent with contemporary business activities and to accommodate needs specific to New Hampshire.

Comparability

This guide provides a comprehensive set of standardized terminology and practices for use in LEA (Local Education Agency) accounting and reporting. Using the classifications and definitions in this handbook will enhance comparability of recorded and reported financial information among LEAs, the States and the Federal Government. By establishing comparability, LEAs will be able to compare detailed revenue and expenditure information with other LEAs. State and Federal level reporting will be reliable and meaningful. This comparability will also assist State and Federal administrators, legislators, LEA boards of education and the general public in understanding where funds come from and how they are used. The statements and concepts in this publication directed toward LEAs also apply to the financial accounting needs of other educational agencies including private or specialized institutions.

Adoption of the practices recommended in this guide will also assist The National Center for Education Statistics (NCES) with its Congressional mandate to assess the condition of education in the United States by collecting and interpreting comprehensive educational statistics. NCES encourages states and LEAs to use the federal *Financial Accounting for Local and State School Systems (1990)* guidelines in developing recording and reporting systems. As a result, most of the nation's school systems and many Federal and State reports adhere closely to the federal guidelines, terms, and definitions.

Terminology

This handbook uses the following terminology:

- **Local Education Agency, or LEA**, refers to an education agency at the local level which exists primarily to operate schools or to contract for educational services. Normally, such publicly operated agencies may levy taxes for school purposes. This term, as used, is synonymous with the terms "school district," "school system," and "local basic administrative unit".
- **Area Education Agency, or AEA**, is an intermediate unit of government in between local and state levels having some independent fund-raising and dependent taxing capability.
- **State Education Agency, or SEA**, refers to State departments of education.
- **Federal Education Agency, or FEA**, as used here refers to any Federal agency or subdivision having responsibilities for supporting or delivering education services. It particularly refers to the U.S. Department of Education and its various subdivisions.
- **GAAFR**, refers to *Governmental Accounting, Auditing and Financial*

Reporting published by the Government Finance Officers Association, Chicago, 1994.

- **GAAP**, refers to generally accepted accounting principles.
- **GASB**, refers to the Government Accounting Standards Board.

Criteria For Items Of Information

The following basic criteria were used in selecting items and classifications for inclusion in this publication:

- The guidelines should serve all sizes and types of LEAs.
- The guidelines should conform to generally accepted governmental accounting principles.
- The guidelines should include the categories necessary to provide full disclosure of financial information.
- The items, accounts, and categories of information will provide the basic framework fundamental to a comprehensive financial management system.
- The categories of accounts should be both contractible and expandable, enabling all LEAs to adapt them to support various financial management information systems.
- Data elements should be additive into needed categories for purposes of reporting and comparing at the local, State and Federal levels.
- The categories included should provide an adequate audit trail.

The following two items are specifically not included in this handbook:

1. methods and procedures for recording financial data (such as how to record entries in journals and ledgers).
2. methods and procedures for utilizing financial data (such as budgeting and making decisions about the financial position of the LEA).

Conformance With Generally Accepted Accounting Principles

A primary emphasis of this publication is to define account classifications that provide meaningful financial management information to its users. As part of this emphasis, this

handbook is written to conform to generally accepted accounting principles (GAAP). For LEA's, 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.

The twelve principles applicable to LEA's are summarized below:

1. ***Accounting reporting capabilities.*** An LEA's accounting system must be capable of producing financial reports in conformity both with GAAP and with legal requirements if the two are different.
2. ***Fund accounting system.*** The LEA accounting system must be organized and operated on a fund basis.
3. ***Types of funds.*** Only seven types of funds should be used by LEAs. These types are listed later in this manual.
4. ***Number of funds.*** An LEA should establish and maintain the least number of funds possible.
5. ***Accounting for fixed assets and long-term liabilities.*** Fixed assets and long-term liabilities not related to specific proprietary funds or trust funds should be accounted for in the general fixed assets and general long-term debt account groups, respectively.
6. ***Valuation of fixed assets.*** LEA fixed assets should be recorded at historical cost or estimated historical cost. Donated fixed assets are recorded at fair market value on the date of donation.
7. ***Depreciation of fixed assets.*** Depreciation should not be recorded in the accounts of the governmental funds. If depreciation in governmental funds is required for cost accounting purposes, it may be recorded in the general fixed assets account group. Depreciation of proprietary fund fixed assets should be recorded in the accounts of that fund.
8. ***Basis of accounting.*** The accrual basis of accounting should be used for proprietary funds, non-expendable trust funds and pension trust funds. The modified accrual basis of accounting should be used for governmental funds and expendable trust funds.
9. ***Budgeting, budgetary control, and budgetary reporting.*** Every LEA should adopt annual operating budgets and certain of those budgets should be reported in the financial statements.
10. ***Revenue, expenditure/expense, and transfer, account classifications.*** An LEA should provide for the classification of revenues, expenditures, and expenses into certain specific categories. Interfund transfers and the proceeds from general long-term debt should be classified separately from revenues and expenditures or

expenses.

11. ***Common terminology and classifications.*** An LEA should consistently utilize terminology and classifications common to the funds maintained.
12. ***Interim and annual financial reports.*** A comprehensive annual financial report should be issued by every LEA. Interim financial statements should be prepared to facilitate management control of financial operations. These may be made available externally.

Basis Of Accounting

The "basis of accounting" refers to the point in time when revenues, expenditures or expenses (as appropriate), and the related assets and liabilities are recognized in the accounts and reported in the financial statements. In other words, the "basis of accounting" determines the timing with which the accounting system recognizes transactions. Thus, in keeping with GAAP, this publication's content and format are based on a double entry accounting system and the accrual or modified-accrual basis of accounting. However, some LEAs will continue to maintain their day-to-day accounting records on a cash basis.

Cash Basis Accounting

Cash basis accounting recognizes transactions when cash is received or disbursed. In the most common version of a cash basis accounting system, the financial condition of the LEA is measured primarily by the size of the system's cash balance. All other assets and liabilities are recognized only to the extent they have arisen from prior cash transactions. Notes and bonds payable and interfund loans receivable and payable are, therefore, recognized, for example, but accounts receivable and accounts payable are not. Cash basis accounting provides information about the LEA's financial operations only by reporting changes in the system's cash balance, adjusted for changes in any other assets or liabilities which have arisen through prior cash transactions.

One of the greatest weaknesses of the cash basis of accounting is that it *does not recognize* accounts receivable, accounts payable and other accrued items. It therefore, does not match resources used to resources provided. This situation may falsely lead financial statement readers to believe that the statements present the LEA's complete financial position and results of operations. Using the cash basis, an LEA may thus fall into a deficit position without being aware of its real financial position. It is difficult to eliminate a current year deficit if the LEA is not aware of the circumstances until the close of the fiscal year. With cash basis statements, then, the statement reader may not be able to determine if an LEA is operating beyond its means.

For these reasons, cash basis accounting is not utilized by LEAs in the state of New Hampshire for financial reporting purposes.

Accrual and Modified Accrual Basis of Accounting

The accrual basis of accounting is regarded as the superior method of accounting for the economic resources of the LEA. This method allows an LEA to determine its financial position and results of operations by measuring economic resources and obligations. Changes in these factors can also be measured as those changes occur, regardless of the timing of the related cash flows.

GAAFR recommends use of the accrual basis to the fullest extent practicable. With minor differences in wording, the Association of School Business Officials International (ASBO) agrees with this position. Between proprietary funds (accrual) and governmental funds (modified accrual), the basis is applied differently. In proprietary funds, revenues are recorded when they are earned and become measurable, and expenses are recorded when the liability for them is incurred, if measurable. The governmental fund revenues and expenditures should be recorded on the modified-accrual basis. Revenues should be recorded when they become available and measurable. Expenditures should be recorded when incurred, if measurable. Some of the advantages of accrual basis accounting include:

- Providing a comprehensive measurement of financial position and results of operations.
- Providing accountability for individual assets within the accounting system at the earliest appropriate date.
- Providing the potential for cost accounting analyses and comparisons.
- Promoting comparability from period to period.
- Reducing management's ability to control cash flows in such a way as to produce financial statements that will seem to present financial position and results of operations in either a more optimistic or more pessimistic context, depending upon management's particular preference at the end of any given fiscal year.

Uses of the Account Classification System

Chapter II

Uses of the Account Classification System

II Uses Of The Account Classification System

Introduction	II - 1	
The Accounting System	II - 2	
Basic Philosophy Of A Financial Accounting System	II - 2	
Budgeting		II - 3
Financial Reports	II - 3	
Users Of The LEA Financial Reports	II - 4	
School Administrators and Other Employees	II - 4	
School boards and Other Governing Units	II - 4	
Congress and the State Legislature	II - 5	
Creditors and Potential Creditors	II - 5	
The General Public	II - 5	

CHAPTER II

USES OF THE ACCOUNT CLASSIFICATION SYSTEM

Introduction

An LEA is a complex organization comprised of various operational components such as student, staff, program/curriculum and financial management. An educational information system comprised of the same components can provide a structure to support effective operation and oversight of an LEA.

The various components of the educational information system interact in at least two ways. At the operational level, information entering the system through one area may affect information in another area. For example, gross and net pay information created in the employee's master record in the payroll component of the financial system could be cross posted to the staff system. The other interaction is in methods of classification. It often is necessary to classify the data in one component using the classifications primarily applicable to another component. For example, a subject matter classification from the curriculum component is often used to categorize expenditures.

An account classification structure defines the financial component of a financial system. While account classifications can impact other components of the LEA's educational information system, the scope of this handbook is limited to its use within a financial system.

The purposes of this chapter are to: (1) describe the need for and advantages of the account classification system contained in this publication; (2) define the systems framework envisioned in the coding structure; (3) clarify the multiple uses that can and should be made of that coding structure; and (4) help the reader understand what may appear to be an imposing system.

The Accounting System

The accounting system is the means by which financial data are captured during actual operation of the LEA, recorded in the books of account, and then analyzed to produce the reports needed. Financial transactions can be classified to facilitate their accumulation in the categories needed on the required reports. The guidelines here provide a classification structure which will meet most of the accounting system's needs and will provide comparability of reported data when reports from different LEA's are combined, compared, or both.

Basic Philosophy Of A Financial Accounting System

Several criteria are inherent in the design of the account classification structure in this publication. Taken together, they support the needs expressed above. They are:

- ***The chart of accounts encourages full disclosure of the financial position of the LEA.*** Emphasis is placed on the accurate classification of financial transactions. Expenditures are recorded in the accounting categories applicable.
- ***Comprehensive financial reporting is encouraged.*** The LEA should incorporate all financial activities into a single accounting and reporting system for full disclosure. The account classifications here encourage this procedure. Accounts for such activities as food services, student activities, community services and commercial-like enterprises should all be included in the financial reports of the LEA.
- ***Simplified reporting is encouraged.*** GAAFR encourages using the minimum number of funds necessary for legal and operational use. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.
- ***Financial reporting emphasizes the results of LEA operations more than the resources applied.*** The account code structure emphasizes program accounting and the application of supporting services costs to the "products" of the educational enterprise.
- ***The account classification system is flexible: it meets the needs of both small and***

large LEA's while retaining comparability of reported data. The guidelines here include a minimum list of accounts essential for financial reporting. They also provide a variety of optional classifications for LEA's interested in a more comprehensive approach to financial accounting and reporting.

- *The classification of accounts and the recommended reporting structure remain in accordance with generally accepted accounting principles.*

Budgeting

The financial accounting classification system offers a variety of ways in which LEA's can prepare a budget. Generally, an LEA will want to budget monies for the various object classifications within program, subject matter, operational unit or function or some combination of those dimensions. Budgets also are made up for separate projects using the project/reporting code as the key.

It is recommended that principals, department heads, teachers, and other staff personnel be involved in the total budgetary process and that the budget developed support the educational program objectives of the LEA. The legal responsibility for insuring the adequacy and fulfillment of the budgeting and accounting requirements for the LEA lies with its elected board and its officers.

Because of the flexibility and comprehensive uses of this classification system, there is a tendency for budgets to become extremely detailed, with individual budget line items being drawn up for comparatively small amounts of money. This leads to needless restrictions on the budget manager, and, in some systems, can greatly increase the paperwork required for budget adjustment. To alleviate this problem, the LEA should draw and maintain its legal appropriation at a higher level of classification than the level at which it keeps its accounting records. More detailed budgets may be maintained for the use of individual budget managers.

Financial Reports

Educational accounting and financial reporting systems must satisfy a number of objectives simultaneously. GAAFR states that governmental accounting exists for the purpose of providing complete and accurate financial information, in proper form and on a timely basis, to the several groups of persons responsible for, and concerned with, the operations of governmental units and agencies.

The financial reports necessary in an LEA fall into two major groupings: internal and

external. Some examples of the internal reports include:

- Comparison of budgeted vs. actual revenues and expenditures.
- Cash flow projection.
- Operation and maintenance costs, by building.

External financial reports are produced by the LEA to satisfy the needs of the various users who are not a part of the LEA. Examples of external reports include:

- District budget forms (MS 22 and MS 26/27).
- Annual Financial Report (DOE 25).
- General purpose financial statements.
- Condensed summary financial data.

School districts in New Hampshire are not required to complete a comprehensive annual financial report. The state required Annual Financial Report (DOE 25), which can be considered a general purpose financial report, should not be considered a comprehensive report because it does not include (1) introductory, supplemental and statistical information, and (2) schedules essential to demonstrate compliance with finance related legal and contractual provisions.

Users Of The LEA Financial Reports

The groups most interested in the output of the financial reporting system are: school administrators, school boards and other governing units, Congress and State legislative bodies, creditors, and the general public, including taxpayers.

School Administrators and Other Employees

First and foremost, the account classification system found in this guide is designed to be used by school administrators. They must rely on financial reports to evaluate past performance, to aid in day-to-day decision making and to inform the general public.

Quality budgeting relies upon correct and properly classified accounting information. The expenditure dimensions used here offer the administrator a variety of methods for budgeting and permit local judgment about the most appropriate technique. Additionally, the accounting system satisfies the administrator's obligation to ensure compliance with the legal, regulatory and fiduciary responsibilities of that position of public trust. This publication is designed to meet these overlapping requirements.

School Boards and Other Governing Units

School boards and other governing units have a responsibility for the operation of the school system. The school board is responsible for establishing policies and for overseeing and appraising the administrator as he or she carries out these policies. The school board thus needs timely warning in case situations develop that require corrective action. The board also needs information as a basis for judging both the efficiency of the administration and its effectiveness in complying with policies and restrictions. Some of this information can be provided by general purpose financial reports. Comparable information obtained about other LEA's may also be used as a basis for comparison.

Congress and the State Legislature

The U.S. Congress and the State legislature provide resources for the operation of LEA's in the country today. Accordingly, they need information on the schools' operations as a basis for deciding whether to commit additional resources, and how much. Additionally, governing units need cumulative information (in compatible format) about the operations of groups of LEA's in order to formulate funding policies. To this end, legislators are interested in such matters as:

- The ways in which local, State and Federal programs interact within specific operational areas.
- Profiles of school financial structures as they relate to tax resources.
- The impact (and cost) of programs resulting from specific legislative initiatives.

Hence, characteristics of the accounting and reporting system of interest to State and Federal legislators are comparability of data, ability to achieve a variety of classifications, and timeliness in reporting.

Creditors and Potential Creditors

In governmental accounting, creditors are considered to include bondholders and prospective bondholders, commercial banks, vendors, and others who have extended credit, or who are considering extending credit, to the LEA. Typically, they would be interested in the financial position of the organization, its operating performance, and its likely sources and uses of funds as indications of the probability that the bonds or loans will be repaid in full and on time.

The General Public

The general public has an interest in the operation of the LEA from two perspectives. Through its elected representatives it is a provider and financier of educational services. As such, the general public is interested in both the appropriateness of services provided and the efficiency and effectiveness with which these services are delivered. At the same time, some members of the general public are also consumers of services delivered by an LEA. While the perspective of parent is more personal in nature, the allocation of resources and the effectiveness with which resources are used is equally important.

Account Classifications

Chapter III

Account Classifications

III Account Classifications

Introduction	III - 1
Fund Classifications	III - 1
Financial Activity Classifications	III - 3
Revenues And Other Fund Sources Dimensions	III - 3
Fund	III - 4
Source	III - 4
Project/Reporting	III - 5
Expenditures/Expenses And Other Fund Uses	III - 5
Fund	III - 5
Program	III - 5
Function	III - 5
Object	III - 5
Project/Reporting	III - 6
Level of Instruction	III - 6
Operational Unit	III - 6
Subject Matter	III - 6
Job Classification	III - 7
Special Cost Center	III - 7
Balance Sheet Dimensions	III - 8
The Minimum Chart Of Accounts	III - 8

CHAPTER III

ACCOUNT CLASSIFICATIONS

Introduction

This chapter contains a summary of the account classifications and dimensions provided for LEA use. Specific descriptions for these classifications and dimensions are included in *Appendix A, Account Classification Descriptions*. This chapter covers:

- Fund Classifications
- Financial Activity Classifications
- Revenue And Other Financing Sources Dimensions
- Expenditure/Expenses And Other Fund Uses
- Balance Sheet Dimensions.

Fund Classifications

Governmental accounting systems should be organized and operated on a fund basis. The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing financial transactions in a single accounting entity. Instead, the required accounts are organized on the basis of different funds, each of which is completely independent of any other. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures/expenses, and fund equities is continually maintained. These purposes are accomplished by providing a complete self-balancing set of accounts for each fund which shows its assets, liabilities, reserves, fund balances or retained earnings, revenues, and expenditures or expenses, as applicable.

A fund is a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations

The classifications of fund and account groups included here are similar to those used by other State and local governmental units. They consist of the following fund classifications and account groups:

Governmental Funds - The funds through which most LEA functions are typically financed. The reporting focus of these funds is upon determining financial position rather than net income;

Proprietary Funds - The funds used to account for LEA activities that are similar to business operations in the private sector; or where the reporting focus is on determining net income, financial position and changes in financial position;

Fiduciary Funds - The funds used to account for assets held by an LEA as trustee or agent. Each trust fund is treated for accounting measurement purposes in a manner similar to either a governmental fund or a proprietary fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

Account Groups - Groups of accounts used to record and control the LEA's general fixed assets and unmatured general long-term liabilities. Fixed assets and long-term liabilities of proprietary and nonexpendable trust funds should not be accounted for here, but should be kept within those individual funds.

The four classifications listed above are divided into the following categories, called fund types:

- **Governmental Funds**
 1. General Fund
 2. Special Revenue Funds
 3. Capital Projects Funds
 4. Debt Service Funds
- **Proprietary Funds**
 5. Enterprise Funds
 6. Internal Service Funds
- **Fiduciary Funds**
 7. Trust and Agency Funds
- **Account Groups**

- 8. General Fixed Asset
- 9. General Long-Term Debt

Descriptions of these nine funds and account groups can be found in *Appendix A, Account Classification Descriptions*.

Financial Activity Classifications

This publication provides for classifying three basic types of financial activity: revenues and other sources of funds; expenditures/expenses and other uses of funds; and transactions affecting the balance sheet only. For each type of activity, the specific account code is made up of a combination of classifications called dimensions. Each dimension describes one way of classifying financial activity. The dimensions (some of which are optional) applicable to each type of transaction are:

Revenues	Expenditures	Balance Sheet
Fund	Fund	Fund
Source	Program	Balance Sheet Account
Project/Reporting	Function	
	Object	
	Project/Reporting	
	Level of Instruction	
	Operational Unit	
	Subject Matter	
	Job Classification	
	Special Cost Center	

In this section, the purpose and uses of each of these dimensions are described. *Appendix B, Revenue and Balance Sheet Accounts by Fund*, contains a table which identifies the funds in which these accounts are frequently used. Detailed descriptions of all the funds can be found in *Appendix A, Account Classification Descriptions*.

Revenues And Other Financing Sources Dimensions

Revenues are defined as additions to net assets other than expenditure/expense refunds, residual equity transfers, or contributed capital in a proprietary fund. Also, general long-term debt proceeds in a governmental fund, and operating transfers are classified separately as “other financing sources.”

Fund

See Fund Classifications at the beginning of this chapter.

Source

Revenues are classified into four major sources (defined below): local, intermediate, State and Federal.

1. Revenue from local sources is the amount of money produced within the boundaries of the LEA and available to the LEA for its use. Money collected in the same amount by another governmental unit as an agent of the LEA (less collection costs) is recorded as revenue from local sources. Shared revenue (revenue levied by another governmental unit, but shared in proportion to the amount collected within the LEA) is also recorded as revenue from local sources;
2. Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit, or a political subdivision between the LEA and the State, and distributed to LEAs in amounts that differ in proportion to those which were collected within such systems.

An illustration of revenue from intermediate sources is a sales tax levied and collected by a county government, which then distributes the money collected to the LEAs on a flat grant or equalization-aid basis. In this example, on the books of a school system, the county would be the intermediate unit;

3. Revenue from State sources is revenue from funds produced within the boundaries of and collected by the State and distributed to LEAs in amounts different proportionately from those which were collected within such LEAs;
4. Revenue from Federal sources is revenue from funds collected by the Federal Government and distributed to LEAs in amounts that differ in proportion from those which were collected within such LEAs. In determining whether a revenue is a Federal revenue, it is unimportant whether the funds are distributed directly to the LEA by the Federal Government or through some intervening agency such as the State. When an LEA does not have a method for determining the prorated share of Federal, State and other sources of revenue in a commingled grant, the distributing agency should provide this information to the local agency. When recording reimbursement for indirect costs, the revenue should be recorded in the fund and revenue source classification for the program for which the indirect costs are claimed.

Within each source of revenue, individual items are classified into basic groupings of similar types of revenue such as taxes or tuition. These group headings are not account titles; they are used only as a convenient means of identifying specific revenue accounts for reporting purposes.

The revenue source classification includes "other financing sources" which constitute fund revenues in a strict fund accounting context, but are not considered revenues to the LEA. They include the sale of bonds and the receipt of interfund transfers. These other sources are described in the 5000 accounts.

Project/Reporting

When an LEA receives money for restricted uses, it frequently must prepare a report showing the amount received and the amounts expended for those purposes. When revenues of this nature are received and expenditures made, the LEA will use a unique project/reporting classification designation with these transactions. The state assigns project codes for grants which are administered by the state.

Expenditures/Expenses And Other Fund Uses

Fund

See Fund Classifications at the beginning of this chapter.

Program (optional)

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. This dimension provides the LEA the framework for classifying expenditures by program to determine cost. Using this dimension allows certain support service costs to both the program and the function to be classified concurrently.

Function

The function describes the activity for which a service or material object is acquired. The functions of an LEA are classified into five broad areas: Instruction, Support Services, Operation of Non-Instructional Services, Facilities Acquisition and Construction Services, and Other Outlays. Functions and subfunctions consist of activities which have somewhat the same general operational objectives. Furthermore, categories of activities comprising each of these divisions and subdivisions are grouped according to the principle that the activities should be combinable, comparable, and mutually exclusive.

Object

The object is the service or commodity bought. This publication identifies several major object categories. These categories are divided into sub-objects for more detailed accounting.

Project/Reporting

When an LEA receives money for restricted uses, it frequently must prepare a report showing the amount received and the amounts expended for those purposes. When revenues of this nature are received and expenditures made, the LEA will use a unique project/reporting classification designation with these transactions. The state assigns project codes for grants which are administered by the state.

Level of Instruction

This dimension permits segregation of expenditures by organizational level. An LEA must differentiate expenditures in functions 1000 Instruction, 2000 Support Services, and 3000 Operation of Non-Instructional Services by instructional level as approved by the State Department of Education.

Operational Unit (optional)

LEA's may use this dimension: (1) to identify attendance centers; (2) as a budgetary unit or cost center designator; (3) as a means of segregating costs by building structure; and (4) to meet other local requirements.

These usages sometimes coincide but more often conflict with each other. For example, the first two are most frequently used to manage the school system's finances. However, it is possible to have more than one attendance center within a budgetary unit, or vice versa. Hence, a classification designed for financial management often represents a combination of the two uses. This combined classification may conflict, however, with the requirements of the maintenance department to capture the costs associated with operating and maintaining the various physical structures (option 3 above). Therefore, an LEA wishing to use this dimension must first have its objectives clearly in mind; then design the actual classifications. If too many conflicting objectives exist, it may be necessary to create extra dimensions in the LEA's chart of accounts to accommodate these needs.

Subject Matter (optional)

The subject matter dimension describes a group of related subjects. This dimension permits the costs of providing instruction for particular subject areas to be accumulated. The 29 two digit codes are listed in Appendix C - Subject Codes, and described in NCES publication NCED 95-480 A Pilot Standard Course Classification System for Secondary Education.

Job Classification (optional)

This dimension enables LEAs to classify expenditures for salaries and employee benefits by the employees' job classifications. There are at least three ways in which this dimension is used in school accounting: (1) classifying payroll costs for personnel purposes; (2) segregating certified and non-certified salaries and benefits; and (3) accumulating payroll costs by bargaining unit for purposes of labor negotiations.

Special Cost Center (optional)

Finally, it is recognized that LEAs utilize many other methods of classifying expenditures for particular purposes. None of these methods is used with enough regularity for inclusion here, but when used, they are important. These codes may be added to the expenditure account designator at the discretion of the LEA. Some of the possible additional dimensions are:

- **Term.** Some LEAs may like to classify expenditures by time of year.

- **Course.** LEAs may desire to expand the subject matter dimension to include a breakdown of expenditures by course or course cluster.
- **Work Order.** In some LEA accounting systems, charges to individual work orders are accumulated for maintenance and operational control.
- **Bus Route or Vehicle.** It may be desirable to allocate transportation costs to individual bus routes or student transportation vehicles.
- **Federal Common Accounting Number (CAN).** Some LEAs may desire to use the Common Accounting Number to trace selected Federal programs.

Furthermore, in automated systems, there may be a need to add some codes for use by the computer. These might include:

- A transaction code to route the transaction through the system and post the correct files and fields in the data record.
- A fiscal year code, to assist with closing out one year while beginning to process activity for the new year.
- A reporting level code to assist in organizing report contents and subtotals.
- A district or other organizational unit code in a multi-district system such as sharing arrangements with multiple districts.

Balance Sheet Dimensions

Fund

See Fund Classifications at the beginning of this chapter.

Balance Sheet Account

These classifications correspond to the items normally appearing on the balance sheet.

The Minimum Chart Of Accounts

Used in its entirety, the account classification structure (particularly the expenditure classifications) can generate amounts of detailed data. However, much of the classification system described herein is offered for the optional use of the LEA. Hence, an LEA may choose, in a number of ways, which parts of the system it needs or wants to use. It may choose:

1. Not to use certain dimensions at all.
2. To consolidate certain dimensions in its own local chart of accounts.
3. To use less (or more) than the number of digits described for any particular dimension in this publication.

Whatever course an LEA chooses, it must follow a certain minimum list of these classifications to meet Federal and State reporting requirements. This list is referred to as the "minimum chart of accounts." It is as follows:

Revenues	Expenditures	Balance Sheet
Fund	Fund	Fund
Source	Program	Balance Sheet Account
Project/Reporting	Function	
	Object	
	Project/Reporting	

Prorating Expenditures For Budgetary and Reporting Purposes

CHAPTER IV

Prorating Expenditures For Budgetary And Reporting Purposes

The Necessity Of Proration	IV - 1
Considerations In Selecting A Method For Prorating Expenditures	IV - 1
Methods For Prorating Expenditures	IV - 2
The Time Method	IV - 2
The Pupil Population Method	IV - 2
The Time-Floor-Area Method	IV - 3
The Hour Consumption Method	IV - 3
The Participating-Students Method	IV - 3
The Mileage Method	IV - 4
The Quantity-Consumed Method	IV - 4
Establishing Standards For prorating	IV - 4
Prorating The Object Dimension	IV - 5
Salaries	IV - 5
Employee Benefits	IV - 5
Purchased Services	IV - 5
Supplies and Materials	IV - 5
Property	IV - 5
Other Objects	IV - 6
Conclusion	IV - 6

CHAPTER IV

PRORATING EXPENDITURES FOR BUDGETING AND REPORTING PURPOSES

The Necessity Of Proration

The primary purpose of this chapter is to suggest methods by which a District may realistically prorate expenditures between elementary schools, approved middle/junior high schools and high schools, for budgeting and reporting purposes. Expenditures must be distributed by level on the year-end financial report for tuition calculation purposes. Districts have the option of prorating expenditures at the end of a school year, but it is recommended that this be limited to a few select accounts. It is best to do prorations at the time of the expenditure.

The proration methods suggested are in no way designed to act as a substitute for the budgeting and reporting of actual expenditures for different activities where such budgeting and recording is possible. No school system can ignore the problem of prorating expenditures, but through the use of adequate coding, using the expenditure dimension, and instructional organization, it is usually possible to directly record expenditures without resorting to proration. When proration is necessary, however, the methods recommended in this chapter will provide guidance in establishing a satisfactory and consistent system of proration.

Considerations In Selecting A Method For Prorating Expenditures

The most important consideration in selecting a method of prorating expenditures is that the method selected have a direct relationship to the activity for which the expenditures are being prorated. As a general guide, whenever salaries are being prorated, the time method is the most desirable method for prorating expenditures. For most other expenditures, pupil population constitutes a sound basis for prorating. For certain other expenditures, still other methods or a combination of methods may be more desirable.

Regardless of the method used for prorating, it is important that once the method of proration has been selected, this method be used consistently for like expenditures during the fiscal year. It is also important that this consistency in use carry over from one fiscal year to another.

Methods For Prorating Expenditures

There are a variety of methods used in prorating expenditures. The more common of these use as a basis either: 1) time; 2) pupil population; 3) time-floor-area; 4) hour-consumption; 5) pupil participation; 6) mileage; or 7) quantity consumed. Although these proration methods are more common than others, there may be occasions when none of these methods will apply in a particular school situation. In such cases, the local district should select modifications to the methods presented here, to fit the particular local situation. The method chosen should be documented and used consistently for that particular class of expenditure.

The Time Method

The time method for prorating consists of allocating a portion of an expenditure to a given activity in proportion to the time spent in the activity.

For example:

A teacher spends 75% of his employed time in high school classrooms teaching and 25% in elementary teaching. In this case, 75% of his salary would be recorded in instructional organization (level) High School and 25% would be recorded in instructional organization (level) Elementary.

The Pupil Population Method

When applicable expenditures are prorated using this method, it is recommended that the district establish the appropriate base number (ADM or Fall Enrollment) as the basis for proration and that this be used consistently as the basis for both budgeting and reporting.

For Example: Using ADM

In a school district, all psychological services are recorded in the undistributed account, psychological services (2140) during the school year. The total psychological services for the year total \$15,000. Since this is an end of the year proration, ADM is recommended as a basis for proration. The elementary school ADM is 700. The high school ADM is 300. Therefore the elementary school would be charged 70% of the costs (\$10,500) while the high school would be charged 30% of the costs (\$4,500).

For Example: Using Fall Enrollment

In November, the district prorates the SAU assessment, totaling \$50,000. The proration is to divide costs between elementary and high school. The current year elementary school fall enrollment was reported as 600 students and the current high school fall enrollment was reported as 400 pupils. The elementary proration would be 60% or \$30,000 and the High School would be 40% or \$20,000.

The Time-Floor-Area Method

The time-floor-area method for prorating consists of allocating a portion of an expenditure to a given activity in proportion to the gross floor area used by the activity and the length of time the floor area is used. This method applies predominantly to Plant accounts including Utilities.

For example:

The district plans to prorate a \$12,000 fuel expenditure between the high school account and the approved junior high school accounts, when the two programs use the same building. The gross floor area of the building is 30,000 sq. ft. The junior high program uses 10,000 square feet, while the high school program utilizes 20,000 square feet. On the basis of floor area alone the junior high program then would be charged with 33% of the costs, or \$4,000 while the high school would be charged with 66% of the cost, or \$8,000. This is strictly a floor area-method.

If we assume all the other facts remain constant, but the junior high meets 25 hours per week and the high school meets 30 hours per week, it would be appropriate to add time to the proration equation. The junior high program would then be responsible for 5/6 of the cost developed using the floor area method only, while the high school would be responsible for the remainder.

The Hour Consumption Method

The hour-consumption method for prorating consists of allocating a portion of the expenditure to a given activity in proportion to the length of time the activity uses facilities and the hourly rate at which the utility is consumed in the use of such facilities. This method of proration applies primarily to expenditures for water, electricity and gas.

For example:

If adult classes use the shop facilities, the hourly rate of consumption of electricity for the facilities would be multiplied by the number of hours the facilities were used by adult classes, and a part of the expenditure for electricity would be prorated to adult education accounts in proportion to the amount used. If the shop facilities are metered separately, the determination of the hourly rate of consumption can be made directly from the meter readings. When, as in most cases, the facilities are not metered separately, it would be necessary to estimate the hourly rate of consumption. Local utility companies can provide assistance in making these estimates in line with local conditions.

The Participating Students Method

This method of prorating consists of allocating a portion of an expenditure to a given activity in proportion to the actual number of pupils involved (not ADM or Fall Enrollment). This method is commonly used for expenditures for transporting special groups of pupils on activity or athletic trips.

For example:

Assume that there are a total of 1000 students in grades 7-12 of a Jr./Sr. High School, with 300 Jr. High Students and 700 High School Students. Prorating general transportation costs might mean 30% of the transportation costs being charged to Jr. High while 70% might be charged to the High School. However, assuming only 50 Jr. High School Students participate in interscholastic sports and 200 High

School Students take part, athletic transportation costs would be prorated 20% Jr. High and 80% High School.

The Mileage Method

The mileage method of prorating consists of allocating a portion of an expenditure in proportion to the mileage traveled for the activity.

For example:

Travel expenses for the school district nurse amounts to \$1,000 per year. She traveled 2,000 miles during the year, 1,500 miles working with elementary students and 500 miles working with high school pupils. Therefore, 75% of the cost (\$750) is chargeable as an elementary expense and 25% (\$250) is chargeable as a high school expense.

The Quantity-Consumed Method

The quantity-consumed method for prorating consists of allocating a portion of an expenditure to a given activity in proportion to the anticipated or actual consumption of supplies or other like materials.

For example:

- a. In a twelve grade school, \$2,000 worth of paper was ordered, and based on previous consumption, it is anticipated that 25% of the paper would be used by the high school. In this instance, 25% or \$500 would be recorded in high school teaching supplies and 75% or \$1,500 would be recorded in elementary school teaching supplies.
- b. Paper was purchased in the amount of \$2,000 and through a stock record it was found that 20% of the paper was used by the high school and 80% was used by the elementary school. In this instance \$400 would be recorded under high school teaching supplies and \$1,600 would be recorded under elementary teaching supplies.
- c. If a major computer purchase is made and 50% of the items are to be used at the elementary level, 20% at the jr. high level, and 30% at the high school level, the costs would be prorated accordingly.

Establishing Standards For Prorating

In order to obtain the benefits which prorating offers, and to minimize the work involved, districts may find it expedient to determine the general classes of expenditures which are to be prorated and determine the proper proration method for each class. This is important for both budgeting and reporting expenditures/expenses. Once the district has established the method to be used for each class of expenditure/expenses, that method should remain consistent from year to year. While the methods would be established in view of local conditions, the guides previously presented in this chapter could serve as aids in utilizing equitable methods.

Prorating The Object Dimension

Normally like objects are prorated by the same method regardless of function. Each of the major object classifications are illustrated below.

Salaries (Object 100)

The time method of prorating is recommended for instructional salaries and all others that can be quantified on the basis of time. Other salaries such as administrative or managerial should be prorated by the pupil population method.

Employee Benefits (Object 200)

The method of allocating employee benefits should be consistent with that of the associated salary. For instance if a teacher's salary is prorated based on the time method, that teacher's benefits should also be prorated on the time method. If a nurse's salary is prorated by the pupil population method, the associated benefits and fixed charges should also be prorated by the pupil population method.

Purchased Services (Objects 300, 400, 500)

- a. Purchased professional and technical services are normally prorated by the pupil population method.
- b. Most purchased property services would be prorated by the pupil population method. However for water, expenditures could be prorated using the hour-consumption method, if that information is available.
- c. Pupil transportation should be prorated using the pupil participation method.
- d. Property insurance would normally use the time-floor-area method.
- e. The mileage method is recommended for most travel expenses.

Supplies and Materials (Object 600)

The quantity consumed method is recommended for most supplies when proper inventory controls are in place. Otherwise it is recommended that the pupil population method be used. For supplies such as gas and electricity, the time-floor-area method is recommended.

Property (Object 700)

The method recommended for property (equipment) is the quantity-consumed method.

Other Objects (Object 800)

Pupil Population is normally recommended for all other objects.

Conclusion

The above recommendations are not intended to be all inclusive; particular circumstances within any given district may cause the method of proration to change.

In concluding this discussion of proration, it is again emphasized that proration is not being recommended as a substitute for the budgeting and reporting of expenditures for different activities when feasible. As mentioned before, through the use of adequate coding, it is usually possible to record directly many expenditures without prorating. When such direct recording is not possible, or desirable, the methods suggested in this chapter should prove helpful.

COST ACCOUNTING FOR EDUCATIONAL PROGRAMS

Chapter V

V Cost Accounting for Educational Programs

Introduction	V - 1	
Frameworks for the Discussion		V - 1
Program Cost Accounting	V - 2	
Purpose		V - 2
Setting Cost Objectives		V - 3
Distinguishing Between Direct and Indirect Costs	V - 4	
Costing Standards		V - 5
Structure Of The Financial Accounting System	V - 6	
Allocation Bases		V - 7
Indirect Cost Allocation Formula	V - 8	
One-Step Cost Allocation Formulas	V - 9	
Two-Step Cost Allocation Formulas	V - 9	
Cost Allocation Formulas Using Simultaneous Equations	V - 9	
Choosing the Indirect Cost Allocation formula	V - 10	
Applying Indirect Costing -	V - 10	
Design Goals	V - 10	
Cost Objectives		V - 11
Costing Standards		V - 11
Indirect Cost Pools	V - 11	
Crosswalk From Financial Accounting	V - 11	
Allocation Bases		V - 12
Indirect Cost Allocation Formula	V - 12	
Units of Measure		V - 16
Current Expenditures	V - 16	
Current Expenditure Per Student	V - 17	
Excess Costs for Special Education	V - 18	
Federal Indirect Cost Reimbursement	V - 18	

CHAPTER V

COST ACCOUNTING FOR EDUCATIONAL PROGRAMS

Note: This chapter has been included for the benefit of business managers who may be interested in determining costs on a program, rather than function, basis. There is no requirement for the use of program codes in New Hampshire. While GASB standards do not require program based reporting, there is growing support for doing so.

In recent years, education officials, from the local level to the Federal level, have increased their interest in developing more accurate cost data for education programs. The motivations behind this interest are varied. Federal categorical funding programs depend on cost information to budget and award grants. While cost accounting is optional, LEAs may wish to determine the costs of various administrative and instructional activities for the purposes of indirect cost recovery from the Federal government. There is increasing pressure at the local level to improve the quality of education, and an LEA's ability to control the quality of education depends on its ability to measure the costs of education programs in relation to their effectiveness.

This chapter discusses the techniques of program cost accounting and indirect costing; gives a brief theoretical background to the use of these techniques; and demonstrates a model application of indirect costing in an LEA. Other methods of accumulating financial data to provide managerial information also are discussed.

Framework for the Discussion

There is no one cost accounting system or specific indirect cost model which would serve all LEA's and higher levels of government equally well. The form and substance of a cost accounting system is shaped by its purpose, the costing standards which the user wishes to apply, and the type of financial accounting system used. Its design also is affected by the size of the organization. Hence, in this chapter, no standard indirect costing system is proposed. Rather, the theory of indirect cost system design is discussed and some examples shown. LEA's interested in applying indirect costs locally should be prepared to develop a system unique to their own situations.

The discussion which follows is an attempt to summarize the current common practices in program cost accounting, and, perhaps, to provide impetus for an LEA to develop a process. Two caveats concerning this discussion need to be stated at the outset: (1) cost accounting systems tend to be unique to the needs of the individual user (currently there is no generally applicable system); and (2) the most appropriate method for determining an indirect cost for internal use will likely differ from the prescribed method for determining allowable indirect costs

on Federal projects as described in Circular A-87 (OMB, *Cost Principles for State and Local Governments*, 1981) and discussed later in this chapter.

Program Cost Accounting

A program cost accounting system can be described in terms of seven basic elements:

1. The purpose(s) of the cost accounting system.
2. Final cost objectives.
3. Indirect cost pools (intermediate cost objectives).
4. Costing standards employed.
5. The crosswalk between the financial accounting system and the cost accounting system.
6. The allocation bases.
7. The indirect cost allocation formula employed.

Purpose

An LEA might make several uses of a program cost accounting system. These can be categorized into uses which support internal management decision making and may include:

- ***Deciding on Resource Allocation.*** Cost data or cost/benefit data can help determine how much money should be allocated to new programs or services, and whether incremental portions of supporting service costs can be saved when existing programs or services are cut back or eliminated.
- ***Monitoring Costs.*** Cost data can assist in evaluating whether or not a program or service is cost effective compared to the value expected, or whether a cost reduction program is actually working.
- ***Setting Tuition Rates or Other Fees.*** Cost data can be used to set tuition rate schedules for students who live outside the district. They also are used to set other student-related fees and fees for community use of buildings.
- ***Charging For Internal Services.*** Many LEA's wish to develop fee schedules for intra-school or interdepartmental services, such as data processing, printing, or distributing materials and supplies. In this way, receiving programs can be charged their equitable share of such costs.
- ***Justifying Funding Requests.*** Program costs can assist in justifying past expenditures, applying for funds for new programs or seeking increased funding for current programs.
- ***Deciding Whether To Accept State or Federal Grants.*** In recent years, a number of LEA's have begun to question the financial value of accepting certain state and federal grants. Depending on the spending and reimbursement restrictions placed on a grant, some LEA's may find the portion of the program which must be funded locally to be too

burdensome for the value received. Some LEAs have refused or dropped grants for this reason. Program objectives and cost analyses are a helpful basis for making such important decisions.

- ***For Accountability.*** Each LEA provides certain reports to its board and to state and federal agencies. There has been a recent tendency to ask for program cost data in some of these reports.

An LEA may choose to satisfy one or several of these objectives simultaneously, or none at all. At any rate, the LEA must have the purpose for developing cost information clearly in mind before designing and implementing cost accounting. Program cost accounting does not of itself improve the decision making process. Rather, this technique provides both a discipline and a tool for managers to apply when evaluating programs. For example, it is not particularly useful for an LEA administrator to know that a particular program (e.g., Natural Science) costs the LEA \$381 per student. But, it may be helpful to compare this cost to the per-student cost for the same program in the preceding few years; or to know that the \$381 is made up of \$220 of instructional (i.e., direct) expense and \$161 of support (i.e., indirect) costs; or to compare the cost for this program with the costs of a similar program in another LEA. In any of these events, the administrator would still need to consider other intangible factors, such as the importance of the program to the community and to the overall educational effort of the LEA.

Setting Cost Objectives

The cost objectives in an LEA's cost accounting system may consist of instructional programs, special projects, or any of several other types of program classifications. However, in most cases the final cost objectives will be comprised of instructional programs and other activities, such as community services, and the indirect cost pools will be comprised of the support service programs.

A possible set of cost objectives could be built upon the program structure defined in this guide. Subcategorizes of programs could be developed to suit the structure of the LEA. For example, regular instructional programs could be categorized as:

110	Pre-Kindergarten
120	Kindergarten
130	Elementary
140	Middle School
150	High School
160	Alternative High School

The indirect cost pools for a cost accounting system might be taken directly from the support services categories in the function dimension as follows:

2100	Support Services - Students
2200	Support Services - Instructional Staff
2300	Support Services - General Administration

2400	Support Services - School Administration
2500	Support Services - Business
2600	Support Services - Operation and Maintenance of Plant
2700	Support Services - Student Transportation
2800	Support Services - Centralized Services

By setting cost objectives in this manner, the LEA is able to allocate the indirect costs accumulated in the support services functions to programs using different bases for allocation. Different LEA's will choose to use different program structures and different indirect cost pools. Other categories sometimes used by LEAs include subject matter, course or course cluster and enterprise activities.

To insure accuracy, it is desirable to design a program structure which is all-inclusive so that indirect costs, when allocated, are fully distributed. Many LEA's allocate indirect costs only to certain programs (e.g., Title VI)—particularly where the objective is cost reimbursement. However, this entails the risk of inconsistency in cost allocation and involves the possibility of double charging. In any event, it is important to design a program structure whose individual elements are mutually exclusive.

Distinguishing Between Direct and Indirect Costs

OMB Circular A-87 defines direct costs as ". . . those which can be identified specifically with a particular cost objective." (p. 4) Indirect costs are defined as "... those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved ." (p. 5)

This definition expresses two basic concepts:

- an indirect cost is one that benefits more than one activity (cost objective); and
- an indirect cost is one that is not readily allocated among the activities benefited.

Any cost transaction which affects more than one program or cost objective should be allocated among them. The best allocation is one which distributes a portion of the cost to each program or cost objective in proportion to the benefit or services received. Thus, if a teacher teaches one-third of his or her time in vocational education and two-thirds in social studies, one-third of his or her salary would be allocated to vocational education and two-thirds to social studies. This distribution of cost can be readily identified and allocated. Therefore, it would be proper to consider the allocated portions of the salary cost as *direct* to their respective program areas. (In this example, assume that subject matter areas have been designated as programs.) If, on the other hand, the LEA could not easily allocate a counselor's salary to programs, then such payments would be posted to a general salary account in the financial accounting system and would be termed indirect costs to all the instructional programs.

Since instructional programs are generally considered the cost objectives of the district, the LEA's may regard all charges to instructional programs as direct costs whether they are

directly charged at the time of the transaction or allocated later. In the public sector, there is generally a great deal of interest in the components of a program's cost. These should be developed in such a way that both school managers and the general public can compare them between programs and between districts. While no such standard currently exists, it would be desirable to arrive at mutual agreement on the distinction between direct and indirect costs.

In summary, the relationship between a cost and the various cost objectives being analyzed will determine whether a cost is direct or indirect. Further, deciding whether some costs are direct or indirect is often judgmental, involving consideration of how much precision is required in cost analysis results and how much effort and expense might be needed in achieving this precision. Such factors as whether the financial accounting system is functionally oriented or based on the LEA's organizational structure can affect the effort needed to produce the desired program costs.

Costing Standards

Proper costing standards promote cost data that is internally consistent and highly comparable. Data developed under widely varying costing standards may provide misleading comparisons and may contain hidden inaccuracies.

An excellent discussion of costing standards is found in an article jointly published by NACUBO and NCHEMS. While written for institutions of higher education, it is equally applicable to elementary/ secondary education. With regard to costing standards, it says:

“The term 'costing standards' as used here refers to principles that should be applied in determining cost. Costing standards constitute the framework or foundation on which costing is performed. Because costing standards are basic definitions of how costs should be determined, they provide a better understanding of the meaning and applications of costing.”

Costing standards facilitate a more consistent determination of cost; however, the application of these standards will not insure uniform determination of cost information, because judgmental and other factors are involved in the costing process. Costing standards provide criteria for the selection of costing alternatives that are valid in terms of their justification of cost accumulation and allocation within a conceptual foundation of cost accounting theory.

The development of costing standards is an evolving process and additional standards may be added from time to time as more study is given to this complex subject. ["Fundamental Considerations for Determining Cost Information in Higher Education"; National Association of College and University Business Officers, One Dupont Circle, Washington, D.C. 20036, 1975, p. 14]

Among other standards, this article suggests that:

- cost information be based on the accrual method of accounting;
- cost data be reconcilable to official financial accounting data;
- non-financial data be reconcilable to official institutional records;
- uniform definitions be employed in determining cost;
- cost information and related costing service units cover the same time period;
- cost information be consistently determined from period to period and from organizational unit to organizational unit;
- indirect costs be allocated practically;
- capital cost of a cost objective reflect the applicable expired (i.e., depreciated) cost of the period; and
- cost information be accompanied by a disclosure statement. [p. 14]

Structure of the Financial Accounting System

Cost data is provided to the cost accounting system by the financial accounting system. The account structure of the latter must be examined to see how readily costs can be transferred, or crosswalked, from the financial accounts to the cost objectives in the cost system. In circumstances where the cost system and the financial accounting system have been well-planned and coordinated, the financial accounts may coincide with the final cost objectives. The ideal situation is to have all final cost objectives identically represented in the financial accounting structure, thus making the crosswalking of data from one system to the other a direct one-to-one transfer of data.

However, in many LEA's the final cost objectives will not match the accounts in the financial accounting system identically. For example, an LEA may account for expenditures for "special education--instruction" in its financial accounting system, yet desire a breakdown of special education costs by type or handicap in its cost accounting system. To meet these requirements, the "special education instruction" account would have to be further analyzed by handicap for cost accounting purposes. This takes time and effort, and introduces a degree of inaccuracy into the resulting cost calculations. Consequently, it is important to carefully identify all financial accounts that will supply data for each final cost objective and to minimize the amount of analysis that must take place during the crosswalking process. This may require

modification of either the cost objectives or the financial account structure so that they relate more directly to one another.

Allocation Bases

In a cost accounting system, each indirect cost pool accumulates the costs of a certain type of support service. For each support service, a unit of measure can be selected which directly relates the costs of that service to the amount of benefit received by each program. For example, the amount of student personnel services associated with the instructional programs may be considered to vary with the number of students in each program. These units of measure are used to allocate support costs to each program. When used for this purpose, such units of measure are called allocation bases.

The principal considerations in selecting allocation bases are accuracy and cost of collection. These often tend to conflict with each other. Proper choice of the allocation bases used can greatly affect the resulting accuracy of the indirect cost allocation formula. The more direct the relationship between an allocation basis and the cost of support services received by the benefiting program, the more closely the resulting "calculated" program costs will approximate the "real" program costs. It must be recognized that the calculation of true program cost can only be a goal and probably never realized. Any cost accounting system involves a process of estimation, so that the resulting costs applied to a program can only be an approximation of that program's "real" cost.

It may be impossible to identify an allocation basis which relates well to all the costs in an indirect cost pool. In this case, dividing the pool into groups of homogeneous services and selecting the best allocation basis for each will improve the accuracy of cost calculations.

When two or more indirect cost pools can be allocated using the same allocation basis, they may be combined to form a single indirect cost pool. The resulting pool can then be allocated with the same accuracy, saving the effort required to allocate each pool separately.

The cost of collecting data for use in the allocation formula varies according to the basis used. For example, two suitable bases for allocating the cost of student transportation services to instructional programs might be (1) the average daily membership (ADM) in each program, and (2) the number of student-miles per program (the number of miles each student in a program is transported). The costs of collecting the data for these alternative allocation bases would be very different. ADM is normally collected anyway and could probably be easily related to programs, while student-miles per program probably would involve an expensive logging, pro-rating and accumulation system. In this case, the LEA would probably choose to use ADM as its allocation basis.

The more common allocation bases used in LEA's are: (1) number of students, (2) number of teaching staff, (3) number of units consumed, produced, or processed, (4) elapsed time, (5) space occupied, (6) space occupied over time, (7) mileage, and (8) dollars. The listing below shows the allocation bases most commonly used in LEA's for the indirect cost pools most commonly employed.

- **Student Support:** ADM, ADA, time spent by staff providing service
- **Instructional Staff Support:** FTE teaching staff, time spent
- **General Administration:** Direct program expenditure, time spent, staff FTE
- **School Administration:** Direct program expenditures, time spent, FTE employees
- **Business:** Number of transactions, direct program expenditures
- **Operation and Maintenance of Plant:** Floor space occupied, space occupied over time, labor hours
- **Student Transportation:** Miles driven, student miles driven, driver hours
- **Central Support Services:** Direct program expenditures, time spent, FTE employees
- **Facilities Acquisition and Construction:** Usually not allocated
- **Other Outlays:** Usually not allocated

While the listing shows typical allocation bases in an LEA, many other combinations are possible. Indirect cost pools can be further combined or further expanded, and many other allocation bases are both possible and logical for varying circumstances. This listing should in no sense be regarded as definitive in this area. The selection of the indirect cost pools and allocation bases are among the most critical factors in the design of the LEA cost system and must be tailored both to its objectives and to its degree of sophistication.

Indirect Cost Allocation Formula

The indirect cost allocation formula is the heart of the cost system. It consists of rules or constraints which dictate how the indirect costs will be distributed among the cost objectives. There are three common techniques by which indirect costs are allocated: using a one-step process, a multi-step process, or simultaneous equations.

As with the other components of the cost system, the key consideration in the design of the allocation formula is the tradeoff between precision and complexity. Greater precision can increase the potential for a closer approximation of true program costs; but more precise allocation formulas are usually more complex. With computer support, this complexity may not be a disadvantage; but without computer support, the complex calculations in some formulas can result in a great expenditure of resources, and can increase the probability of erring.

The user, as a rule, should not attempt to employ an allocation formula which provides greater precision than the other components of the cost system. For example, it would probably be inappropriate to use simultaneous equations or a multiple-regression formula to allocate indirect costs if those costs were accumulated in only a few indirect cost pools and allocated by such gross measures as total direct dollars expended.

The following is a discussion of the three general types of cost allocation formulas.

One-Step Cost Allocation Formulas

One-step (or "single-fold") cost allocation formulas are designed so that all indirect costs are distributed only to the final cost objectives and not to other indirect cost pools. Each indirect

cost pool is fully allocated the first time; there are no additional allocations. The assumption underlying this approach is that the services whose costs are contained in each indirect cost pool are rendered only to the final cost objectives (such as instructional programs) and not to any of the support functions or activities in the other indirect cost pools. This assumption is not always true since support services can often serve other support activities. An example can be constructed using custodial services: part of custodial services go to support the payroll function (e.g., keeping the payroll department clean); the payroll department in turn supports student personnel services by paying salaries to counselors; and counselors offer services to students and thereby can be linked to the cost of instructional programs. Such interrelationships of support services are not reflected in the one-step process.

Two-Step Cost Allocation Formulas

Two step (or "double-fold") cost allocation formulas recognize that some support programs serve not only instructional programs, but other support programs as well. In the first step of this approach, indirect costs are allocated to both instructional programs and to other indirect cost pools according to the proportion of services provided. Therefore, unlike the one-step process, some indirect cost pools still have costs assigned to them at the end of step one. In step two, all remaining indirect costs are allocated to the instructional programs; none are allocated to other indirect cost pools.

Cost Allocation Formulas Using Simultaneous Equations

This is the most accurate of the cost allocation methods. Like the two-step approach, it also recognizes that some support programs serve both instructional programs and other support programs. However, while the two-step approach violates this assumption in its second step, this method does not. By using a set of simultaneous equations, this method, in effect, keeps allocating back and forth among instructional programs and indirect cost pools until the amounts in the indirect cost pools are reduced to zero. As a result, the formula itself contributes no inaccuracy to the final program cost results.

Choosing the Indirect Cost Allocation Formula

The one-step approach is the least accurate in terms of distributing indirect costs to the programs they actually support (without considering the accuracy of the other elements which comprise the cost system). However, the sacrifice in accuracy associated with the one-step method can be offset by its relative simplicity. Also, depending on how the rest of the cost system is designed (cost objectives, allocation bases, etc.), it is usually the least costly to use. For these

reasons, a one-step cost allocation formula is the usual choice for most LEA's.

For LEA's with computer support and more sophisticated accounting systems, the selection of a cost allocation formula may depend on the specific costing purpose. For research purposes or large, detailed cost studies, the simultaneous equations approach may be preferred. For smaller projects, the two-step approach, or even a one-step formula may be suitable.

The criteria to consider when designing an indirect cost allocation formula are:

1. Does the situation require detailed, highly accurate program costs?
2. What level of sophistication exists within financial management applications?
3. Does the required level of accuracy justify the time, effort, and money that may have to be expended?
4. If either the two-step method or the simultaneous equations method is to be employed, has the rest of the cost accounting system been designed to support this level of accuracy?

Applying Indirect Costing

Let us now use the principles discussed above to establish a model of an indirect cost system which might be used by an LEA. This model is included as an example only and should not be construed as a standard for use by all LEA's.

Design Goals

Our hypothetical LEA has two primary purposes in attempting to establish a program cost accounting system. At the last two or three annual meetings, citizens have shown greater and greater interest in the costs of attaining certain educational objectives. They seem particularly concerned about the "extra" programs the district is offering such as athletics, adult education and the school lunch program. One objective, then, is to collect cost data about these programs.

Management's other objective is to develop good data on per-student costs for various kinds of educational services to be used in negotiating tuition rates with neighboring districts.

These, then, were established as the objectives of the program accounting system. Concurrently, it was decided that:

1. The approach used should produce program costs that have reasonable accuracy and precision;
2. The approach should be reasonably simple to implement; and
3. The approach should take as little time as possible to operate.

Cost Objectives

The hypothetical LEA determined that the purpose of its model program costing system was to delineate the costs of its major programs. These, then, would become the final cost objectives in the system. The program structure selected was: regular education, vocational education, special education, other PK-12 education, adult/continuing education, community services and food services.

Costing Standards

The costing standards employed would be based upon those used in the financial accounting system already operational in the hypothetical LEA. That is:

1. Cost reports will be prepared for the full year at the end of the fiscal year;
2. Expenditure data is recorded on the accrual basis at year's end. Since cost reports will be required only at year's end, this procedure will be satisfactory; and
3. Most of the allocation basis data will be extracted from the data used to prepare the annual statistical report for the State. Some analysis will have to be done to develop this data on a program basis. Also, it will be necessary to adjust some of this data to reflect the fiscal year (July to June) rather than the school year (September to August).

Indirect Cost Pools

Seven indirect cost pools will be used: student support, instructional support, school administration, other administration, operation and maintenance of plant, student transportation, and property.

Crosswalk From Financial Accounting

Except for the application of property-use costs, all financial information will crosswalk from the financial accounting system without analysis.

Indirect costs in this system will be only those costs charged to one of the seven pools *and* to program 000-Undistributed Expenditures. Some costs will be assigned to the support services functions, but will be direct-charged to programs at the time of recording the transaction. For example, the guidance counselor at the high school spends half of his/her time working with special education students and half in regular education. The counselor's salary is charged directly to these two programs even though it is also charged to function-Guidance. As another example, the district has determined that all costs of preparing and serving food in the lunchroom can be direct-charged to the food service program. Only custodial and some administrative costs remain to be allocated in this case.

Allocation Bases

The LEA has determined that it will use the following allocation bases for the various indirect cost pools:

Indirect Cost Pool	Allocation Basis
Student Support	ADM by program
Instructional Support	FTE teaching staff assigned each program
School Administration	FTE teaching staff assigned each program
Other Administration	Total program direct expenditures
Operation & Maintenance of Plant	Square feet assigned each program
Student Transportation	Miles driven by program
Building Use Costs	Square feet assigned each program
Equipment Costs	Total program direct expenditures

ADM, FTE teaching staff and program expenditure data will be derived from the annual statistical report prepared for the State. Square feet assigned each program will be computed at the beginning of each school year based upon the classroom assignments made at that time. For this purpose, arbitrary allocations will be made for adult/continuing and for community services, since these programs use the same space assigned to the other programs, but at different times of the day. Miles driven will be summarized by program from the student transportation vehicle logs.

Indirect Cost Allocation Formula

One important decision is needed, and that has to do with the way in which building and equipment costs are accounted for in program costing. Presently, equipment purchases are treated as expenditures at the time of purchase, while most building costs are expensed in the capital projects fund and then recorded in the general fixed assets account group.

Management is not sure how to treat these costs, so the business manager experiments with three approaches:

1. Treat equipment purchases as expenditures of the current year and ignore building costs, as is now done;
2. Capitalize all property purchases and depreciate them; or
3. Capitalize all property purchases and apply some sort of building and equipment use cost in place of depreciation.

The following will compare three different formulas for cost allocation.

Year-End Data

At the end of the fiscal year, the LEA had recorded the information in its financial

accounting records. The direct cost data from the financial accounting records and the additional statistical and financial data given above (ADM, FTE, square feet, and miles driven), constituted all the information needed by the business manager for program costing. With this data, the three computations of program costs were made.

Method 1—Equipment as Current Expenditure

The first approach considered involves treating equipment costs as current expenditures and ignoring any current costs for the use of the buildings. This approach has the advantage of being simpler to use, but does not do a very good job of relating the costs of use of buildings and equipment to the programs (or periods) in which they are used. Since equipment is to be direct-charged to programs at the time of purchase, this method involves only two steps to calculate program costs:

1. Allocating the support service (indirect) costs to programs; and
2. Computing program cost totals.

Indirect Cost Allocation

The allocation of indirect costs to programs has two parts: calculating the percentage of costs that apply to each program; and computing the amount to be allocated to each. For example, the first indirect cost pool to be allocated is student support. It has been decided that this pool will be allocated using the percentage of ADM assigned to each program from the statistical data.

Method 2—Depreciating Property

To perform the indirect cost calculation using depreciation (method 2), it is necessary first to deduct equipment and building costs from the total direct expenditures figure and to capitalize them along with other property acquired earlier.

Obviously, this approach involves more bookkeeping. However, it has the clear advantage of relating the costs of equipment use to the periods in which they are used. Further, it recognizes that there is a cost associated with the use of the buildings, although some would consider that a sunk cost. This factor was ignored in the first approach.

Using the depreciation approach, three steps are needed to complete the program costing activity:

1. Computing the amount to be depreciated. For this purpose, the simplest method available was used—straight line depreciation of equipment over 10 years and buildings over 50 years. The resulting depreciation amounts will be placed in cost

- 2. Allocating indirect costs (including depreciation) to programs; and
- 3. Computing program cost totals.

Depreciation

A tabulation shows the LEA that it has total undepreciated property at the end of the fiscal year amounting to \$22,880,005. Since land is not depreciated, the depreciation calculation is as follows:

- 1. Buildings: \$18,674,170 (undepreciated amount) x .02 (annual depreciation factor using straight-line over 50 years) = \$373,483 (annual depreciation)
- 2. Equipment: \$2,999,835 (undepreciated amount) x .10 (annual depreciation factor using straight-line over 10 years) = \$299,984 (annual depreciation)
- 3. Total: \$373,483 (buildings) + \$299,984 (equipment) = \$673,467 for the current year.

Indirect Cost Allocation

Using these data, the LEA computed the allocation of each indirect cost pool to the programs. Notice that the amounts allocated in the pools changed from Method 1 because depreciation was used in place of equipment costs. To simplify this computation, the LEA added equipment depreciation to the amount in the Other Administration pool and building depreciation to the amount in the Operation and Maintenance pool before computing the allocations. This could be done because the allocation bases selected in these cases were the same.

Method 3—Building and Equipment Use Charges

The calculation using building and equipment use charges is similar to the depreciation method, except that a use charge is substituted for the depreciation charge. Some believe this to be a fairer way of accounting for the utilization of property since it can be established to reflect replacement cost. The problem with using depreciation as a current charge is that depreciation is calculated as a percentage of the original cost of the item, a cost which may have been "booked" years ago and has little or no relationship to the current value of the item.

There is no standard approach for calculating use charges. Therefore, to establish a cost base which more nearly represented the current value of the LEA's property, it was decided to use the annual valuation made for insurance purposes. For the current year, that valuation was:

Buildings	\$22,185,004
Equipment	\$ 4,049,034

To this increased base cost the same percentages are applied as with the depreciation method (i.e., buildings, 2 percent; equipment, 10 percent) to arrive at equitable use charges. The

amounts so computed and entered into the indirect cost pools then were:

1. Operation and maintenance (building use charges) \$22,185,004 x .02 = \$443,700
2. Other administration (equipment use charges) \$ 4,049,034 x .10 = \$404,903

Comparison of the Three Methods

A summary of the three methods indicates the following conclusions:

1. In relation to the overall costs of operating major programs, there does not seem to be much difference in the method used. However, if viewed in the context of property charges only, costs vary between methods.
2. The costs of each program as a percent of the total expenses did not vary much from one method to the other, although per student expenses would be considerably different with the three methods.
3. When property use charges are applied, citizens' concerns about some of the LEA's peripheral programs seem to be borne out. Costs for Other PK-12 Education increased by 12 percent, and for Food Services by 10 percent when the cost of the facilities provided them is considered.

Reporting Program Cost Results

A Statement of Current Expense was prepared using method 3 as the basis of presenting program costs to the board and the public. In this presentation, the focus was on reconciling the program cost analysis to the expenditures reported in the general purpose financial statements.

Units of Measure

A variety of financial measures have been developed for schools that use financial data. Among them are: current expenditures, per student cost, and excess costs.

Current Expenditures

"Current expenditures" is a term describing the expenditures of the current year used to educate elementary/secondary students. In general, current expenditures include all current outlays of the LEA for elementary/secondary education. Not included are outlays for: (1) acquiring property; (2) enterprise-type operations of the LEA (whether or not included in the proprietary funds) recovered through offsetting revenues; and, (3) debt retirement.

Using the expenditure classification structure contained in this handbook, "current expenditures" include all expenditures for elementary/secondary education from pre-kindergarten

through grade 12 (regular elementary/secondary programs; special education programs; vocational education programs; cocurricular activities and athletics; enterprise programs; ROTC; driver education; and summer school [even when students pay tuition to attend) for the functions of instruction, support services and operation of non-instructional services. Revenues from fees and charges to individuals must be subtracted from this amount.

Specifically excluded are expenditures for nonpublic school programs; out-of-district tuition payments, adult/continuing education; community/junior college education; and community services programs (including day care) because these expenses are not related to the student basis. Functions of facilities acquisition and construction services are capital rather than operating items, and other financing sources reflect transfers rather than expenditures. Food service revenues represents receipts from fees charged to individuals. Therefore, current expenditures are net of food service revenues.

Various methods are available to deal with costs for buildings and equipment. Three methods were described in the preceding indirect cost examples. A fourth method is used by the New Hampshire Department of Education to determine cost per pupil. Because depreciation of equipment is not used, and because there is no consistent standard for determining usage charges, the Department excludes all capital and equipment expenses. While understating the current costs of education, this method does provide a comparable measure between districts.

Current Expenditure Per Student

Current expenditure per student is a measure of long standing. It was adopted when general or basic education comprised most of the educational curriculum. "Current expenditures per student" is commonly used for several different purposes. These include: comparing program costs between states and LEA's; measuring the quality of educational opportunity; and reimbursing direct expenditures under various federal aid programs.

The advent of an extended school day and school year, and the inclusion of special education, vocational education, adult/continuing education, community services and summer sessions has tended to make the per student expenditure measure less valuable. Since the number and types of programs can differ between schools, it is best to use current expenditure per pupil on a program by program basis. Nevertheless, the increasing emphasis on achieving equality of educational opportunities has made this a popular measure.

The recommended procedure for computing the current expenditures per student is to sum all current expenditures (defined above), then divide the sum by the ADM-A (or other measure of attendance) for the year. When computing the per student expenditures for a particular LEA program such as vocational education, it is important to include all costs, both prorated indirect costs and direct costs. In other words, those indirect costs of vocational education such as operation and maintenance, student support services, staff support services, and others, must be included. Current expenditures per student can then be calculated for each program by dividing the current expenditures of that program by the unit of measure of student attendance in that program.

An important consideration in the development of comparison of per student expenditure measures is the similarity of programs. LEA's differ in the number and types of programs offered. Individual programs may differ by length of the school day or year. One would expect costs to be higher for secondary schools which offer programs such as vocational education, alternative schools, honors and ESL programs. Even at the elementary level, current expenditures per student are not completely comparable unless all LEA's have the same grade span.

For purposes of comparability, the NH Department of Education computes an average daily membership in attendance (ADM-A), and uses this figure in computing per student expenditures. Because ADM-A by program is not collected by the State, current expenditure per pupil is refined only to the grade level (i.e. elementary, middle/junior high and high school). While simple, even this approach fails to account for the district to district differences in grade spans of the elementary and middle/junior high level.

Excess Costs for Special Education

Laws governing the use of federal funds for special programs to educate the disabled dictate that such funds may only be used to pay the excess costs of providing special education and related services. "Excess costs" are defined as: "Those costs which are in excess of the average annual per student expenditure in a local educational agency during the preceding school year for an elementary or secondary school student, as may be appropriate." [PL 91-230, as amended by PL 94-142, Part B, Section 602(20), quoted from *A Compendium of Federal Education Laws (as Amended Through June 30, 1977)*, U. S. Government Printing Office, Washington, D.C., 1977, p. 765.]

Using the classifications presented here, excess costs may be computed as follows:

1. The LEA determines current expenditures (calculated as above) for students in the regular, vocational and other instructional (Pre K-12) programs. This includes an allocation of indirect support services costs to these programs;
2. This total is then divided by the ADM-A students (including "main-streamed" students) in these programs, giving "average annual per-student expenditures";
3. Total current expenditures for special education programs are then calculated (including allocated indirect support services). Amounts expended for equipment in the special programs should be added;
4. This total is divided by the ADM-A of students in programs for disabled students to arrive at average annual per-student expenditures for special education programs;
5. The amount calculated in step 4 is reduced by the average annual per-student expenditure amount arrived at in step 2 to give "excess costs."

Federal Indirect Cost Reimbursement

OMB circular A-87 authorizes indirect costs on federally funded projects to be reimbursed and establishes the methods of calculating the amount. The stated objective of the federal indirect cost reimbursement procedure is "to provide that Federally assisted programs bear their fair share of costs recognized . . . except where restricted or prohibited by law." The cost objectives (i.e., programs) stipulated in these regulations are federally funded projects operated by an LEA. The indirect cost allocation process most often used for this purpose provides for the calculation of an indirect cost rate or rates for the LEA as a whole. These rates are then applied to selected portions of the LEA's direct expenditures to arrive at overhead or indirect cost amounts for particular projects. Certain costs which might normally be considered indirect costs to a program are not allowed in the circular A-87 formula because of legal restrictions.

Items which constitute allowable and unallowable costs vary from program to program, particularly between federal agencies. Instructions published with programs may provide instructions related to the indirect cost determination. Federal rates are either "unrestricted" or "restricted". Both rates treat expenditures related to general administration as indirect costs. The unrestricted rate excludes the salary of the superintendent and support staff working directly for the superintendent. The "unallowed" costs are excluded, i.e. are neither direct nor indirect. The "restricted" rate excludes all 2600 Operation and Maintenance of Plant expenses from both the direct and indirect cost pools.

While this system works well for federal cost reimbursement purposes, its specialized design makes it inappropriate for developing indirect cost data to be used by LEA management for decision making and other purposes.

APPENDIX A

ACCOUNT CLASSIFICATIONS

Appendix A Account Classifications

Account Classification Index	A - 1
Funds and Account Groups	A - 1
Revenues and Other Funding Sources	A - 2
Expenditures and Other Financing Uses	A - 6
Programs	A - 6
Functions	A - 7
Objects	A - 13
Project/Reporting	A - 16
Level of Instruction	A - 16
Operational Unit	
Subject Matter	A - 16
Job Classification	A - 17
Special Cost Center	A - 17
Balance Sheet Accounts	A - 18
Assets and Other Debits	A - 18
Liabilities, Equity and Other Credits	A - 19
Account Classification Descriptions	A - 21
Funds	A - 21
Revenues and Other Financing Sources	A - 23
Expenditures and Other Financing Uses	A - 33
Programs	A - 33
Functions	A - 38
Objects	A - 61
Project/Reporting	A - 74
Level of Instruction	A - 74
Operational Unit	A - 77
Subject Matter	A - 77
Job Classification	A - 81
Special Cost Center	A - 83
Balance Sheet Accounts	A - 84
Assets and Other Debits	A - 84
Liabilities, Equity and Other Credits	A - 90

APPENDIX A

ACCOUNT CLASSIFICATION INDEX

Funds and Account Groups

10	General Fund
20	Special Revenue Fund
21	Food Service
22	All Other Special Revenue Funds
30	Capital Projects Fund
40	Debt Service Fund
50	Enterprise Fund
60	Internal Service Fund
70	Trust and Agency Funds
80	General Fixed Assets Account Group
90	General Long-term Debt Account Group

Revenue and Other Financing Sources

- 1000 Revenue From Local Sources**
 - 1100 Taxes Levied/Assessed by the LEA**
 - 1110 Ad Valorem Taxes
 - 1111 Current Appropriation
 - 1112 Deficit Appropriation
 - 1119 Other Appropriation
 - 1200 Revenue From Local Governmental Units Other Than LEAs**
 - 1300 Tuition**
 - 1310 Tuition From Individuals
 - 1311 Regular Day School
 - 1314 Summer School
 - 1315 Driver Education
 - 1316 Adult Education
 - 1320 Tuition From Other LEAs Within the State
 - 1321 Regular Day School
 - 1322 Special Education
 - 1323 Vocational
 - 1330 Tuition From Other LEAs Outside the State
 - 1331 Regular Day School
 - 1332 Special Education
 - 1333 Vocational
 - 1340 Tuition From Other Sources
 - 1341 Regular Day School
 - 1342 Special Education
 - 1349 Other
 - 1400 Transportation Fees**
 - 1410 Transportation Fees From Individuals
 - 1411 Regular Day School
 - 1414 Summer School
 - 1420 Transportation Fees From Other LEAs Within the State
 - 1421 Regular Day School
 - 1422 Special Education
 - 1423 Vocational
 - 1430 Transportation Fees From Other LEAs Outside the State
 - 1431 Regular Day School
 - 1432 Special Education
 - 1433 Vocational
 - 1440 Transportation Fees From Other Sources
 - 1500 Earnings on Investments**
 - 1510 Interest on Investments
 - 1520 Dividends on Investments
 - 1530 Gains or Losses on Sale of Investments
 - 1540 Earnings on Investment in Real Property
 - 1600 Food Service**

- 1610 Daily Sales Reimbursable Programs
 - 1611 Daily Sales School Lunch Program
 - 1612 Daily Sales School Breakfast Program
 - 1613 Daily Sales Special Milk Program
- 1620 Daily Sales Non-Reimbursable Programs
- 1630 Special Functions
- 1700 Student Activities**
 - 1710 Admissions
 - 1720 Bookstore Sales
 - 1730 Student Organization Membership Dues & Fees
 - 1740 Fees
 - 1790 Other Student Activity Income
- 1800 Revenue From Community Services Activities**
- 1900 Other Revenue From Local Sources**
 - 1910 Rentals
 - 1920 Contributions and Donations From Private Sources
 - 1930 Gains or Losses on Sale of Fixed Assets
 - 1940 Textbook Sales and Rentals
 - 1941 Textbook Sales
 - 1942 Textbook Rentals
 - 1950 Services Provided Other LEAs and Intermediate Ed. Agencies
 - 1951 Services Provided Other LEAs Within the State
 - 1952 Services Provided Other LEAs Outside the State
 - 1953 Services Provided Intermediate Agencies in the State
 - 1960 Services Provided Other Local Governmental Units
 - 1980 Refund of Prior Year's Expenditures
 - 1990 Other Local Revenue
- 2000 Revenue From Intermediate Sources**
- 3000 Revenue From State Sources**
 - 3100 Unrestricted Grants-in-Aid**
 - 3111 Adequacy Aid (Grant) *(Added August 2001)*
 - 3112 Adequacy Aid Retained from (State Tax) *(Added August 2001)*
 - 3120 RSA 31 Shared Revenues
 - 3190 Other Unrestricted State Aid
 - 3200 Restricted Grants-in-Aid**
 - 3210 School Building Aid
 - 3215 Kindergarten Building Aid
 - 3220 Kindergarten Aid *(Added August 2001)*
 - 3230 Catastrophic Aid
 - 3240 Vocational Aid
 - 3241 Vocational Tuition Aid
 - 3242 Vocational Transportation Aid
 - 3243 Vocational Buildings Aid
 - 3249 Other Vocational Aid
 - 3250 Adult Education Aid
 - 3260 Child Nutrition Aid

- 3270 Driver Education Aid
- 3280 School Improvement Aid *(Added August 2001)*
- 3281 Best Schools *(Added August 2001)*
- 3290 Other Restricted State Aid
- 3700 Grants-In-Aid Through Public Intermediate Agencies**
- 3800 Revenue in Lieu of Taxes**
- 3900 Revenue for/on Behalf of the LEA**
- 4000 Revenue From Federal Sources**
- 4100 Unrestricted Grants-in-Aid From the Federal Government**
- 4200 Unrestricted Grants-in-Aid From Federal Government Through the State**
- 4300 Restricted Grants-in-Aid Direct From the Federal Government**
- 4310 Elementary/Secondary Programs
- 4330 Vocational Programs
- 4350 Disabilities Programs
- 4500 Restricted Grants-in -Aid From the Federal Government Through the State**
- 4520 Elementary/Secondary (ESEA) - Title 1
- 4530 Elementary/Secondary (ESEA) - All Other
- 4540 Vocational Education
- 4550 Adult Education
- 4560 Child Nutrition
- 4570 Disabilities Programs
- 4580 Medicaid Distribution
- 4590 Other Restricted Federal Aid Through State
- 4700 Grants From Federal Government Through Other Intermediate Agencies.**
- 4800 Revenue in Lieu of Taxes**
- 4810 Federal Forest Reserve
- 4890 Other Revenue in Lieu of Taxes
- 4900 Revenue for/on Behalf of the LEA**
- 5000 Other Sources**
- 5100 Sale of Bonds and Note Proceeds**
- 5110 Bond/Notes Principal
- 5120 Premium
- 5130 Accrued Interest
- 5140 Reimbursement Anticipation Notes
- 5200 Fund Transfers (Other Sources)** *(Revised August 2001)*
- 5210 Transfers from General Fund
- 5221 Transfers from Food Service Special Revenue Fund
- 5222 Transfers from All Other Special Revenue Funds
- 5230 Transfers from Capital Project Funds
- 5250 Transfers from Trust Funds
- 5251 Transfers from Capital Reserve Funds
- 5252 Transfers from All Other Expendable Trust Funds
- 5253 Transfers from Nonexpendable Trust Funds
- 5300 Sale or Compensation for Loss of Fixed Assets**
- 5400 Loans**

5500 Capital Leases
5600 Lease Purchases

Expenditures and Other Financing Uses

Programs

OPTIONAL: Program codes are provided for reference and/or local use. New Hampshire reporting requirements do not utilize program codes.

100	Regular Programs (PreK-12)
200	Special Programs
210	Special Education (for students with disabilities)
250	Culturally Deprived
260	Bilingual
270	Gifted and Talented
290	Other Special Programs
300	Vocational Programs
310	Agriculture
320	Distributive Education
330	Health Occupations
340	Home Economics
	341 <u>Occupational</u>
	342 <u>Consumer and Homemaking</u>
350	Industrial Arts
360	Office Occupations
370	Technical Education
380	Trades and Industrial
390	Other Vocational Programs
400	Other Instructional Programs (PreK-12)
410	School-Sponsored Cocurricular Activities
420	School-Sponsored Athletics
430	Summer School
490	Other
500	Non-Public School Programs
600	Adult/Continuing Education Programs
700	Community/Junior College Programs
800	Community Services Programs
810	Community Recreation
820	Civic Services
830	Public Library Services
840	Custody and Child Care Services
850	Welfare Activities
890	Other Community Services
900	Enterprise Programs
910	Food Service
990	Other Enterprise Programs

Functions

- 1000 Instruction**
 - 1100 Regular Education Programs (PreK-12)**
 - 1200 Special Programs**
 - 1210 Special Education (for students with disabilities)
 - 1250 Culturally Deprived
 - 1260 Bilingual
 - 1270 Gifted and Talented
 - 1290 Other Special Programs
 - 1300 Vocational Programs**
 - 1310 Agriculture
 - 1320 Distributive Education
 - 1330 Health Occupations
 - 1340 Home Economics
 - 1341 Occupational
 - 1342 Consumer and Homemaking
 - 1350 Industrial Arts
 - 1360 Office Occupations
 - 1370 Technical Education
 - 1380 Trades and Industrial
 - 1390 Other Vocational Programs
 - 1400 Other Instructional Programs (PreK-12)**
 - 1410 School-Sponsored Cocurricular Activities
 - 1420 School-Sponsored Athletics
 - 1430 Summer School
 - 1490 Other
 - 1500 Private Programs** *(Revised August 2001)*
 - 1600 Adult/Continuing Education Programs**
 - 1700 Community/Junior College Programs**
 - 1800 Community Services Programs**
 - 1810 Community Recreation
 - 1820 Civic Services
 - 1830 Public Library Services
 - 1840 Custody and Child Care Services
 - 1850 Welfare Activities
 - 1890 Other Community Services
- 2000 Support Services**
 - 2100 Support Services-Students**
 - 2110 Attendance and Social Work Services
 - 2111 Supervision of Attendance and Social Work Services
 - 2112 Attendance Services
 - 2113 Social Work Services
 - 2114 Student Accounting Services
 - 2119 Other Attendance and Social Work Services
 - 2120 Guidance Services

- 2121 Supervision of Guidance Services
- 2122 Counseling Services
- 2123 Appraisal Services
- 2124 Information Services
- 2125 Record Maintenance Services
- 2126 Placement Services
- 2129 Other Guidance Services
- 2130 Health Services
 - 2131 Supervision of Health Services
 - 2132 Medical Services
 - 2133 Dental Services
 - 2134 Nursing Services
 - 2139 Other Health Services
- 2140 Psychological Services
 - 2141 Supervision of Psychological Services
 - 2142 Psychological Testing Services
 - 2143 Psychological Counseling Services
 - 2144 Psychotherapy Services
 - 2149 Other Psychological Services
- 2150 Speech Pathology and Audiology Services
 - 2151 Supervision of Speech Pathology and Audiology Services
 - 2152 Speech Pathology Services
 - 2153 Audiology Services
 - 2159 Other Speech Pathology and Audiology Services
- 2160 Physical and Occupational Therapy Services
 - 2161 Supervision of Physical & Occupational Therapy Services
 - 2162 Physical Therapy Services
 - 2163 Occupational Therapy Services
 - 2169 Other Physical and Occupational Therapy Services
- 2190 Other Support Services—Student
- 2200 Support Services-Instructional Staff**
- 2210 Improvement of Instruction Services
 - 2211 Supervision of Improvement of Instruction Services
 - 2212 Instruction and Curriculum Development Services
 - 2213 Instructional Staff Training Services
 - 2219 Other Improvement of Instruction Services
- 2220 Educational Media Services
 - 2221 Supervision of Educational Media Services
 - 2222 School Library Services
 - 2223 Audiovisual Services
 - 2224 Educational Television Services
 - 2225 Computer-Assisted Instruction Services
 - 2229 Other Educational Media Services
- 2290 Other Support Services—Instructional Staff

- 2300 Support Services-General Administration**
 - 2310 School Board Services
 - 2311 Supervision of School Board Services
 - 2312 District Secretary/Clerk Services
 - 2313 District Treasurer Services
 - 2314 Election Services
 - 2315 Tax Collection and Assessment Services *N/A in NH*
 - 2316 Staff Relations and Negotiations Services
 - 2317 Audit
 - 2318 Legal
 - 2319 Other School Board Services
 - 2320 Executive Administration Services
 - 2321 Office of the Superintendent Services
 - 2322 Community Relations Services
 - 2323 State and Federal Relations Services
 - 2329 Other Executive Administration Services
 - 2330 Specific Area Administrative Services
 - 2331 Regular Programs
 - 2332 Special Programs
 - 2333 Vocational Programs
 - 2334 Other Programs
 - 2390 Other Special Support Services - General Administration
- 2400 Support Services—School Administration**
 - 2410 Office of the Principal Services
 - 2490 Other Support Service--School Administration
- 2500 Support Services—Business**
 - 2510 Fiscal Services
 - 2511 Supervising Fiscal Services
 - 2512 Budgeting Services
 - 2513 Receiving and Disbursing Funds Services
 - 2514 Payroll Services
 - 2515 Financial Accounting Services
 - 2516 Internal Auditing Services
 - 2517 Property Accounting Services
 - 2519 Other Fiscal Services
 - 2520 Purchasing Services
 - 2530 Warehousing and Distributing Services
 - 2535 Warehouse Inventory Adjustment
 - 2540 Printing, Publishing, and Duplicating Services
 - 2590 Other Support Services—Business
- 2600 Operation and Maintenance of Plant Services**
 - 2610 Supervision of Operation and Maintenance of Plant Services
 - 2620 Operating Buildings Services
 - 2630 Care and Upkeep of Grounds Services
 - 2640 Care and Upkeep of Equipment Services
 - 2650 Vehicle Operation & Maintenance Services. (Other Than Student Transportation Vehicles.)
 - 2660 Security Services

- 2690 Other Operation and Maintenance of Plant Services
- 2700 Student Transportation Services**
 - 2710 Supervision of Student Transportation Services
 - 2720 Vehicle Operation Services
 - 2721 Regular Programs
 - 2722 Special Programs
 - 2723 Vocational Programs
 - 2724 Athletic Programs
 - 2725 Field Trip/Cocurricular
 - 2726 Intra-District Transportation *(Added August 2001)*
 - 2729 Other Vehicle Operation
 - 2730 Monitoring Services
 - 2740 Vehicle Servicing and Maintenance Services
 - 2741 Regular Programs
 - 2742 Special Programs
 - 2743 Vocational Programs
 - 2744 Athletic Programs
 - 2745 Field Trip/Cocurricular
 - 2749 Other Vehicle Servicing and Maintenance
 - 2750 Non-Student Transportation *(Added August 2001)*
 - 2790 Other Student Transportation Services
- 2800 Support Services-Central**
 - 2810 Planning, Research, Development, and Evaluation Services
 - 2811 Planning Services
 - 2812 Research Services
 - 2813 Development Services
 - 2814 Evaluation Services
 - 2820 Information Services
 - 2821 Supervision of Information Services
 - 2822 Internal Information Services
 - 2823 Public Information Services
 - 2824 Management Information Services
 - 2829 Other Information Services
 - 2830 Staff Services
 - 2831 Supervision of Staff Services
 - 2832 Recruitment and Placement Services
 - 2833 Staff Accounting Services
 - 2834 Inservice Training Services (for Non-Instructional Staff)
 - 2835 Health Services
 - 2839 Other Staff Services
 - 2840 Information Management Services
 - 2841 Supervising Information Management Services
 - 2842 Systems Analysis Services
 - 2843 Systems Engineering Services
 - 2844 Operation of Information Systems
 - 2849 Other Information Management Services
 - ~~2850 Retired Employee Expenses~~ *(Deleted August 2001)*
- 2900 Support Services - Other**

- 3000 Operation of Non-Instructional Services**
 - 3100 Food Services Operations**
 - 3110 Food Service Supervision
 - 3120 Food Service Operations
 - 3130 Food Service Delivery
 - 3190 Food Service Other
 - 3200 Enterprise Operations**
 - ~~**3300 Community Services Operations**~~ *(Deleted August 2001)*
- 4000 Facilities Acquisition and Construction Services**
 - 4100 Site Acquisition Services**
 - 4200 Site Improvement Services**
 - 4300 Architecture and Engineering Services**
 - 4400 Educational Specifications Development Services**
 - 4500 Building Acquisition and Construction Services**
 - 4600 Building Improvements Services**
 - 4900 Other Facilities Acquisition and Construction Services**
- 5000 Other Outlays**
 - 5100 Debt Service**
 - 5110 Principal
 - 5120 Interest
 - 5200 Fund Transfers (Other Outlays)** *(Revised August 2001)*
 - 5210 Transfer to the General Fund
 - 5220 Transfer to Special Revenue Funds
 - 5221 Transfer to Food Service Fund
 - 5222 Transfer to All Other Special Revenue Funds
 - 5230 Transfer to Capital Projects Funds
 - 5250 Transfer to Trust /Agency Funds
 - 5251 Transfer to Capital Reserve Funds
 - 5252 Transfer to Other Expendable Trust Funds
 - 5253 Transfer to Non-expendable Trust Funds
 - 5254 Transfer to Agency Funds
 - 5300 Intergovernmental Agency Allocations**
 - 5310 Allocations to Charter Schools
 - 5390 Allocations to Other Governmental Agencies

Objects

- 100 Personal Services—Salaries**
 - 110 Salaries of Regular Employees**
 - 120 Salaries of Temporary Employees**
 - 130 Salaries for Overtime**
 - 140 Salaries for Sabbatical Leave**
- 200 Personal Services—Employee Benefits**
 - 210 Group Insurance**
 - 211 Health Insurance
 - 212 Dental Insurance
 - 213 Life Insurance
 - 214 Disability Insurance
 - 219 Other Group Insurance
 - 220 Social Security Contributions**
 - 230 Retirement Contributions**
 - 231 State Retirement for Non-Teachers
 - 232 State Retirement for Teachers
 - 239 Other Retirement
 - 240 Tuition Reimbursement**
 - 250 Unemployment Compensation**
 - 260 Workers' Compensation**
 - 270 Health Benefits**
 - 290 Other Employee Benefits**
- 300 Purchased Professional and Technical Services**
 - 310 Official/Administrative Services**
 - 311 Intermediate Educational Agency Services
 - 312 Management Services
 - 313 Staff Management Services
 - 319 Other Official/Administrative Services
 - 320 Professional Educational Services**
 - 321 Professional Services for Instruction
 - 322 Professional Services for Instructional Program Improvement
 - 323 Professional Services for Pupils
 - 329 Other Professional Educational Services
 - 330 Other Professional Services**
 - 340 Technical Services**
- 400 Purchased Property Services**
 - 410 Utility Services**
 - 411 Water/Sewerage
 - 419 Other Utility Services
 - 420 Cleaning Services**
 - 421 Disposal Services
 - 422 Snow Plowing Services
 - 423 Custodial Services
 - 424 Lawn Care

- 429 Other Cleaning Services
- 430 Repairs and Maintenance Services**
- 440 Rentals**
 - 441 Rental of Land and Buildings
 - 442 Rental of Equipment
 - 443 Rental of Vehicles
 - 444 Rental of Computers and Communications Equipment
 - 449 Rental of Other Equipment
- 450 Construction Services**
- 490 Other Purchased Property Services**
- 500 Other Purchased Services**
 - 510 Student Transportation Services**
 - 511 Student Transportation Purchased from Another LEA Within the State
 - 512 Student Transportation Purchased from Another LEA Outside the State
 - 519 Student Transportation Purchased From Other Sources
 - 520 Insurance (Other Than Employee Benefits)**
 - 530 Communications**
 - 531 Voice Communications
 - 532 Data Communications
 - 533 Video Communications
 - 534 Postage Fees
 - 535 Package Transport Services
 - 539 Other Communications
 - 540 Advertising**
 - 550 Printing and Binding**
 - 560 Tuition**
 - 561 Tuition to Other LEAs Within the State
 - 562 Tuition to Other LEAs Outside the State
 - 563 Tuition to Public Academies *(Revised August 2001)*
 - 564 Tuition to Private and Other Schools *(Revised August 2001)*
 - ~~565 Tuition to Intermediate Educational Agencies Outside the State~~ *(Deleted August 2001)*
 - 569 Residential Cost *(Revised August 2001)*
 - 570 Food Service Management**
 - 580 Travel**
 - 590 Miscellaneous Purchased Services**
 - 591 Services Purchased from Private Sources
 - 592 Services Purchased from Another LEA Within the State
 - 593 Services Purchased from Another LEA Outside the State
- 600 Supplies**
 - 610 General Supplies**
 - 620 Energy**
 - 621 Natural Gas
 - 622 Electricity
 - 623 Bottled Gas

- 624 Oil
- 625 Coal
- 626 Gasoline
- 629 Other Energy
- 630 Food**
- 640 Books and Information Resources**
 - 641 Books and Other Print Media
 - 642 Electronic Information
 - 643 Information Access Fees
 - 649 Other Information Resources
- 650 Software**
- 700 Property**
 - 710 Land and Improvements**
 - 720 Buildings**
 - 730 Equipment**
 - 731 New Machinery
 - 732 New Vehicles
 - 733 New Furniture and Fixtures
 - 734 New Computers and Communications Networking Equipment
 - 735 Replacement Machinery
 - 736 Replacement Vehicles
 - 737 Replacement Furniture and Fixtures
 - 738 Replacement Computers & Communications Networking Equipment
 - 739 Other Equipment
 - 740 Depreciation**
 - 750 Capital Software Purchases**
- 800 Other Objects**
 - 810 Dues and Fees**
 - 820 Judgments Against the LEA**
 - 830 Interest**
 - 840 Contingency**
 - 890 Miscellaneous Expenditures**
- 900 Other Uses of Funds**
 - 910 Redemption of Principal**
 - 920 Housing Authority Obligations**
 - 930 Fund Transfers**
 - 940 Payments to Escrow Agents**

Project/Reporting

010-190	Local Projects
200-390	State Projects
400-990	Federal Projects
000	Non-Categorical

Level of Instruction

10	Elementary
	11 <u>Pre-Kindergarten</u>
	12 <u>Kindergarten</u>
	19 <u>Other Elementary</u>
20	Middle
30	Secondary
	31 <u>Junior High</u>
	32 <u>Senior High</u>
	39 <u>Other Secondary</u>
40	Postsecondary
	41 <u>Adult/Continuing</u>
	42 <u>Community/Junior College</u>
00	District-Wide

Operational Unit

Subject Matter

01	Agriculture
02	Art
03	Business
04	Distributive Education
05	English Language Arts
06	Foreign Language
07	Health Occupations Education
08	Health and Safety in Daily Living, Physical Education , and Recreation
09	Home Economics
10	Industrial Arts
11	Mathematics
12	Music
13	Natural Sciences

14	Office Occupations
15	Social Sciences
16	Technical Education
17	Trades and Industrial Occupations
18	General Elementary/Secondary Education
19	Differentiated Curriculum for Handicapped Students
20	Cocurricular Activities
21	Safety and Driver Education
22	Junior ROTC

Job Classification

10	Official/Administrative
20	Professional-Educational
30	Professional-Other
40	Technical
50	Office/Clerical
60	Crafts and Trades
70	Operative
80	Laborer
90	Service Work

Special Cost Center

Balance Sheet Accounts

Assets and Other Debits

Current Assets

- 100 Cash**
 - 101 Cash in Bank
 - 102 Cash on Hand
 - 103 Petty Cash
 - 104 Change Cash
 - 105 Cash With Fiscal Agents
- 110 Investments**
 - 111 Investments
 - 112 Unamortized Premiums on Investments
 - 113 Unamortized Discounts on Investments (Credit)
 - 114 Interest Receivable on Investments
 - 115 Accrued Interest on Investments Purchased
- 120 Assessments Receivable**
 - 121 Assessments Receivable
 - 122 Estimated Uncollectible Assessments (Credit)
- 130 Interfund Receivables**
 - 131 Interfund Loans Receivable
 - 132 Interfund Accounts Receivable
- 140 Intergovernmental Receivables**
- 150 Other Receivables**
 - 151 Loans Receivable
 - 152 Estimated Uncollectible Loans (Credit)
 - 153 Accounts Receivable
 - 154 Estimated Uncollectible Accounts Receivable (Credit)
- 160 Bond Proceeds Receivable**
- 170 Inventories**
 - 171 Inventories for Consumption
 - 172 Inventories for Resale
- 180 Prepaid Expenses**
- 190 Other Current Assets**
 - 191 Deposits
 - 199 Other Current Assets

Fixed Assets

- 210 Sites**
 - 211 Sites
- 220 Site Improvements**

- 221 Site Improvements
- 222 Accumulated Depreciation on Site Improvements (Credit)
- 230 Buildings and Improvements**
 - 231 Buildings and Building Improvements
 - 232 Accumulated Depreciation on Buildings and Building Improvements (Credit)
- 240 Machinery and Equipment**
 - 241 Machinery and Equipment
 - 242 Accumulated Depreciation on Machinery and Equipment
- 250 Construction in Progress**

Budgeting Accounts and Other Debits

- 301 Estimated Revenues (Budget Account)
- 302 Revenues (Budget Account)
- 303 Amount Available in Debt Service Funds (Other Debit)
- 304 Amount To Be Provided for Retirement of General Long-Term Debt (Other Debit)

Liabilities, Equity and Other Credits

Current Liabilities

- 400 Interfund Payables**
 - 401 Interfund Loans Payable
 - 402 Interfund Accounts Payable
- 410 Intergovernmental Accounts Payable**
- 420 Other Payables**
 - 421 Accounts Payable
 - 422 Judgments Payable
 - 423 Warrants Payable
 - 429 Other General Payables
- 430 Contracts Payable**
 - 431 Contracts Payable
 - 432 Construction Contracts Payable-Retained Percentage
 - 433 Construction Contracts Payable
- 440 Bonds and Interest Payable**
 - 441 Matured Bonds Payable
 - 442 Bonds Payable
 - 443 Unamortized Premiums on Bonds Sold
 - 444 Bond Interest Payable
- 450 Loans and Interest Payable**
 - 451 Loans Payable
 - 455 Loan Interest Payable
- 460 Accrued Salaries and Benefits**

- 470 Payroll Deductions and Withholdings**
- 480 Deferred Revenues**
- 490 Other Current Liabilities**
 - 491 Deposits Payable
 - 492 Due to Fiscal Agent
 - 499 Other Current Liabilities

Long-Term Liabilities

- 510 Bonds Payable**
 - 511 Bonds Payable
- 520 Loans Payable**
 - 521 Loans Payable
- 530 Lease Obligations**
 - 531 Lease Obligations
- 540 Unfunded Pension Liabilities**
 - 541 Unfunded Pension Liabilities
- 590 Other Long-Term Liabilities**

Budgeting Accounts

- 601 Appropriations (Budget Account)
- 602 Expenditures/Expenses (Budget Account)
- 603 Encumbrances (Budget Account)

Fund Equity

- 710 Investment in General Fixed Assets**
- 720 Contributed Capital**
- 730 Reserved-Retained Earnings**
- 740 Unreserved-Retained Earnings**
- 750 Designated Reserved Fund Balances**
 - 751 Reserve for Inventories
 - 752 Reserve for Prepaid Expenses
 - 753 Reserve for Encumbrances
 - 754 Reserve for Continuing Appropriations
 - 755 Reserve for Amounts Voted From Surplus
 - 756 Reserve for Endowments
- 760 Reserved for Special Purposes Fund Balance**
- 770 Unreserved Fund Balance**

ACCOUNT CLASSIFICATION DESCRIPTIONS

This appendix details the categories for revenue, expenditure, and balance sheet accounts. Since the fund codes apply to all three types of accounts, they are described separately at the outset of this appendix.

Funds

10 General Fund. Accounts for all financial resources of the LEA except those required to be accounted for in another fund.

20 Special Revenue Fund. Accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

21 Food Service. Accounts for the proceeds of revenue sources that are legally restricted to expenditure for purpose of providing food service.

22 All Other. A separate fund may be used for each restricted source, or one fund may be used supplemented by the dimension Project/Reporting code.

30 Capital Projects Fund. Accounts for financial resources used to acquire or construct major capital facilities (other than those of proprietary funds and trust funds). The most common source of revenue in this fund would be the sale of bonds. A separate fund may be used for each capital project or one fund may be used, supplemented by the dimension Project/Reporting code.

40 Debt Service Fund. Accounts for the accumulation of resources for, and the payment of, general long term debt, principal and interest. *Not applicable in the State of New Hampshire.*

50 Enterprise Fund. Accounts for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation and indirect costs) of providing goods or services to the students or general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are also used to account for operations where the school board or State regulatory agency has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Some examples of enterprise funds might include funds used for the food service program, the bookstore operation, the athletic stadium and the community swimming pool.

60 Internal Service Fund. Accounts for the operation of LEA functions that provide goods or services to other LEA functions, other LEAs, or to other governmental units, on a cost-reimbursable basis. Some examples of internal service funds could include those used for central warehousing and purchasing, central data processing, and central printing and duplicating.

70 Trust and Agency Funds. Accounts for assets held by an LEA in a trustee capacity or as an agent for individuals, private organizations, other governmental units, student activity and/or other funds. Trust funds would include nonexpendable trust funds, expendable trust funds, and pension trust funds. Agency funds could include a central payroll account, and funds for a parent-teacher or a teacher organization.

80 General Fixed Assets Account Group. Records the historical cost of all property, plant and equipment other than those accounted for in the proprietary funds or non-expendable trust funds. General fixed assets could include sites, site improvements, buildings and building improvements, machinery and equipment.

90 General Long-Term Debt Account Group. Records the principal amount of all long term liabilities, excluding those of the proprietary funds or non-expendable trust funds. The long term liabilities could include general obligation bonds, capitalized lease obligations, legal judgments, special assessments payable to cities or other governmental units, unfunded pension liabilities, accrued vested compensated absences and notes and warrants which are not due within one year.

Revenue and Other Fund Sources

1000 Revenue From Local Sources

1100 Taxes Levied/Assessed by the LEA. Compulsory charges levied by the LEA to finance services performed for the common benefit.

1110 Ad Valorem Taxes. Taxes levied by an LEA on the assessed value of real property located within the LEA which, within legal limits, is the final authority in determining the amount to be raised for school purposes. Separate accounts may be maintained for real property and for personal property. Penalties and interest on ad valorem taxes should be included in account 1140.

1111 Current Appropriation

1112 Deficit Appropriation

1119 Other Appropriation

1200 Revenue From Local Governmental Units Other Than LEAs.

Revenue from the appropriations of another local governmental unit. The LEA is not the final authority, within legal limits, in determining the amount of money to be received, and the money is raised by taxes or other means which are not earmarked for school purposes. This classification could include revenue from townships, municipalities, counties, etc. *Not applicable in the State of New Hampshire.*

1300 Tuition. Revenue from individuals, welfare agencies, private sources and other LEA's for education programs provided by the LEA.

1310 Tuition From Individuals. Revenue received from individuals for educational programs provided by the LEA.

1311 Regular Day School

1314 Summer School

1315 Driver Education

1316 Adult Education

1320 Tuition From Other LEAs Within the State. Revenue received from other LEAs within the state to provide educational programs for students.

1321 Regular Day School

1322 Special Education

1323 Vocational

1330 Tuition From Other LEAs Outside the State. Revenues received from LEAs outside the state to provide educational programs to students.

1331 Regular Day School

1332 Special Education

1333 Vocational

1340 Tuition From Other Sources. Tuition paid by companies or other sources.

1341 Regular Day School

1342 Special Education

1349 Other

1400 Transportation Fees. Revenue from individuals, welfare agencies, private sources, or other LEA's for transporting students to and from school and school activities.

1410 Transportation Fees From Individuals

1411 Regular Day School

1414 Summer School

1420 Transportation Fees From Other LEAs Within the State

1421 Regular Day School

1422 Special Education

1423 Vocational

1430 Transportation Fees From Other LEAs Outside the State

1431 Regular Day School

1432 Special Education

1433 Vocational

1440 Transportation Fees From Other Sources

1500 Earnings on Investments. Revenue from holdings invested for earning purposes.

1510 Interest on Investments. Interest revenue on temporary or permanent investments in United States treasury bills, notes, checking accounts, savings accounts, time certificates of deposit, mortgages, or other interest-bearing investments.

1520 Dividends on Investments. Revenue from dividends on stocks held for investment.

1530 Gains or Losses on Sale of Investments. Gains or losses realized from the sale of bonds or stocks. Gains represent the excess of the sales proceeds over cost or any other basis as of the date of sale (cost less amortization of premium in the case of long term bonds purchased at a premium over par value, or cost plus amortization of discount on long term bonds purchased at a discount under par value). Gains realized from the sale of US treasury bills represent interest income and should be credited to account 1510. Losses represent the excess of the cost or any other basis at date of sale (as described above) over the sales proceeds.

1540 Earnings on Investment in Real Property. Revenue for rental, use charges and other income on real property held for investment purposes.

1600 Food Service. Revenue for dispensing food to students and adults.

1610 Daily Sales Reimbursable Programs. Revenue from students for the sale of breakfasts, lunches and milk which are considered reimbursable by the United States Department of Agriculture. Federal reimbursements are not entered here. They should be recorded under Revenue Source 4500.

1611 Daily Sales School Lunch Program. Revenue from students for the sale of reimbursable lunches as part of the National School Lunch Program.

1612 Daily Sales School Breakfast Program. Revenue from students for the sale of reimbursable breakfasts as part of the School Breakfast Program.

1613 Daily Sales Special Milk Program. Revenue from students for the sale of reimbursable milk as part of the Special Milk Program.

1620 Daily Sales Non-Reimbursable Programs. Revenue from students or adults for the sale of non-reimbursable breakfasts, lunches and milk. This category would include all sales to adults, the second type A lunch to students and a la carte sales.

1630 Special Functions. Revenue from students, adults or organizations for the sale of food products and services considered special functions. Some examples would include pot lucks, PTA-sponsored functions and athletic banquets.

1700 Student Activities. Revenue from school-sponsored activities.

1710 Admissions. Revenue from patrons of a school-sponsored activity such as a concert or football game.

1720 Bookstore Sales. Revenue from sales by students or student-sponsored bookstores.

1730 Student Organization Membership Dues & Fees. Revenue from students for memberships in school clubs or organizations.

1740 Fees. Revenue from students for fees such as locker fees, towel fees, and equipment fees. Transportation fees are recorded under the appropriate account in the 1400 series.

1790 Other Student Activity Income. Other revenue from student activities.

1800 Revenue From Community Services Activities. Revenue from community services activities operated by an LEA. For example, revenue received from operation of a skating facility by an LEA as a community service would be recorded here. Multiple accounts may be established within the 1800 series to differentiate various activities.

1900 Other Revenue From Local Sources. Other revenue from local sources not classified above.

1910 Rentals. Revenue from the rental of either real or personal property owned by the school. Rental of property held for income purposes is not included here, but is recorded under account 1540.

1920 Contributions and Donations From Private Sources. Revenue from a philanthropic foundation, private individuals, or private organizations for which no repayment or special service to the contributor is expected.

1930 Gains or Losses on Sale of Fixed Assets. The amount of revenue over the book value of the fixed assets sold. For example, the gain on the sale would be the portion of the selling price received in excess of the depreciated value (book value). This account is used in the Proprietary Funds only. Account 5300 is used for funds other than Proprietary.

1940 Textbook Sales and Rentals. Revenue from the rental or sale of textbooks.

1941 Textbook Sales. Revenue from the sale of textbooks.

1942 Textbook Rentals. Revenue from the rental of textbooks.

1950 Services Provided Other LEA's and Intermediate Educational Agencies. Revenue from services provided other LEA's other than for tuition and transportation services. These services could include data processing, purchasing, maintenance, cleaning, and consulting.

1951 Services Provided Other LEA's Within the State. Revenue from services to other LEA's within the State.

1952 Services Provided Other LEA's Outside the State. Revenue from services to LEA's outside the State.

1953 Services Provided Intermediate Agencies within the State.

1960 Services Provided Other Local Governmental Units. Revenue from services provided other local governmental units. These services could include transportation, data processing, purchasing, maintenance, cleaning, cash management and consulting.

1980 Refund of Prior Year's Expenditures. Refunds are reported as revenue only when the expenditure occurred in the previous year and the unanticipated refund occurred in the current year. If the expenditure and refund occur in the same year the expenditure is reduced and this account is not used.

1990 Other Local Revenue. Revenue from local sources not provided for elsewhere.

2000 Revenue From Intermediate Sources. *Not applicable in the State of New Hampshire.*

3000 Revenue From State Sources

3100 Unrestricted Grants-in-Aid. Revenue recorded as grants by the LEA from State funds which can be used for any legal purpose desired by the LEA without restriction. Separate accounts may be maintained for general grants-in-aid which are not related to specific revenue sources of the State, and for those assigned to specific sources of revenue as appropriate.

3111 Adequacy Aid (Grant) *(Added August 2001)*

3112 Adequacy Aid Retained from (State Tax) *(Added August 2001)*

3120 RSA 31 Shared Revenues

3190 Other Unrestricted State Aid

3200 Restricted Grants-in-Aid. Revenue recorded as grants by the LEA from State funds which must be used for a categorical or specific purpose. If such money is not completely used by the LEA it usually must be returned to the State. Separate accounts may be maintained for general source grants-in-aid which are not related to specific revenue sources of the State and for those assigned to specific sources of revenue, as appropriate.

- 3210 School Building Aid
- 3215 Kindergarten Building Aid
- 3220 Kindergarten Aid *(Added August 2001)*
- 3230 Catastrophic Aid

- 3240 Vocational Aid
 - 3241 Vocational Tuition Aid
 - 3242 Vocational Transportation Aid
 - 3243 Vocational Buildings Aid
 - 3249 Other Vocational Aid

- 3250 Adult Education Aid

- 3260 Child Nutrition Aid

- 3270 Driver Education Aid

- 3280 School Improvement *(Added August 2001)*
- 3281 Best Schools *(Added August 2001)*
- 3290 Other Restricted State Aid

3700 Grants-in-Aid Through Public Intermediate Agencies.

Revenue from the state through intermediate agencies.

3800 Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by a State to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to the taxation by the LEA on the same basis as privately owned property. It would include payment made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the State.

3900 Revenue for/on Behalf of the LEA. Commitments or payments made by a State for the benefit of the LEA, or contributions of equipment or supplies. Such revenue includes the payment of a pension fund by the State on behalf of an LEA employee for services rendered to the LEA, and a contribution of fixed assets by a State unit to the LEA. Separate accounts may be maintained to identify the specific nature of the revenue item. *Not applicable in the State of New Hampshire.*

4000 Revenue From Federal Sources

4100 Unrestricted Grants-in-Aid Direct From the Federal Government. Revenues direct from the Federal Government as grants to the LEA which can be used for any legal purpose desired by the LEA without restriction.

4200 Unrestricted Grants-in-Aid From the Federal Government Through the State. Revenues from the Federal Government through the State as grants which can be used for any legal purpose desired by the LEA without restriction.

4300 Restricted Grants-in-Aid Direct From the Federal Government. Revenue direct from the Federal Government as grants to the LEA which must be used for a categorical or specific purpose. If such money is not completely used by the LEA, it usually is returned to the governmental unit.

4310 Elementary/Secondary Programs

4330 Vocational Programs

4350 Disabilities Programs

4500 Restricted Grants-in-Aid From the Federal Government Through the State. Revenues from the Federal Government through the State as grants to the LEA which must be used for a categorical or specific purpose.

4520 Elementary/Secondary (ESEA) - Title 1

4530 Elementary/Secondary (ESEA) - All Other

4540 Vocational Education

4550 Adult Education

4560 Child Nutrition

4570 Disabilities Programs

4580 Medicaid Distribution

4590 Other Restricted Federal Aid Through State

4700 Grants-in-Aid From the Federal Government Through Other Intermediate Agencies. Revenues from the Federal Government through an intermediate agency.

4800 Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by the Federal Government to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the LEA on the same basis as privately owned property or other tax base. Such revenue would include payment made for privately owned property which

is not subject to taxation on the same basis as other privately owned property due to action by the Federal Governmental unit.

4810 Federal Forest Reserve

4890 Other Revenue in Lieu of Taxes

4900 Revenue for/on Behalf of the LEA. Commitments or payments made by the Federal Government for the benefit of the LEA, or contributions of equipment or supplies. Such revenue includes a contribution of fixed assets by a Federal governmental unit to the LEA and foods donated by the Federal Government to the LEA. Separate accounts should be maintained to identify the specific nature of the revenue item.

5000 Other Sources *(Revised August 2001)*

5100 Sale of Bonds and Note Proceeds. The proceeds from notes and the sale of bonds. Included are loans taken in anticipation of State Catastrophic Aid.

5110 Bond/Notes Principal. Proceeds of principal from notes and the sale of bonds.

5120 Premium. Proceeds from that portion of the sales price of bonds in excess of their par value. The premium represents an adjustment of the interest rate.

5130 Accrued Interest. Accrued interest realized from note proceeds and the sale of bonds.

5140 Reimbursement Anticipation Notes. Proceeds from notes taken in anticipation of State Catastrophic Aid or other aid.

5200 Fund Transfers (Other Sources). *(Revised August 2001)*

Transaction that deposit money in one fund that has been withdrawn from another fund. Each “transfer from” journal entry in one fund must have a complimentary “transfer to” entry in the fund that provided the money. The object code for a fund transfer is always 930.

Use a fund transfer to move a grant indirect cost assessment from the grant fund to the general fund within the same district. To make an indirect cost payment by a district to a multi-district SAU use an administrative expense function code (usually 2500 or 2300) and an object of 810 (fees).

5210 Transfers from General Fund

5221 Transfers from Food Service Special Revenue Fund

5222 Transfers from All Other Special Revenue Funds

5230 Transfers from Capital Project Funds

5250 Transfers from Trust and Agency Funds

5251 Transfers from Capital Reserve Funds

5252 Transfers from Other Expendable Trust Funds

5253 Transfers from Nonexpendable Trust Funds

5254 Transfers from Agency Funds

5300 Sale or Compensation for Loss of Fixed Assets. Amounts available from the sale of school property or compensation for the loss of fixed assets. Any gain on the sale of fixed assets for the proprietary funds would be recorded in account 1930.

5400 Loans. Proceeds from loans greater than 12 months. **Not applicable in the State of New Hampshire.**

5500 Capital Leases. Gross financial resources provided by the issuance of general long term liabilities.

5600 Lease Purchases. Gross financial resources provided by the issuance of general long term liabilities.

Expenditures and Other Financing Uses

Dimensions of Expenditure Classifications

Expenditures can be classified on ten different dimensions which are defined in Chapter 2. Classifications for the Fund dimension can be found at the beginning of this chapter, and the remainder follow. Reporting requirements for New Hampshire LEAs do not necessitate the use of all dimensions nor is reporting at all sub-levels required.

Programs

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. Nine broad program areas are identified in this guide:

- 100** Regular Programs (PreK-12)
- 200** Special Programs
- 300** Vocational Programs
- 400** Other Instructional Programs(PreK-12)
- 500** Non-Public School Programs
- 600** Adult/Continuing Education Programs
- 700** Community/Junior College Programs
- 800** Community Services Programs
- 900** Enterprise Programs

This dimension provides LEAs with a framework for the classification of expenditures by program. New Hampshire and many other SEAs have used a function/object matrix to develop subfunctions which meet state reporting requirements. For example, the subfunctions 1100 Regular Education (PreK-12) and 1200 Special Programs have been added as detail to the federal function 1000 Instruction. *The use of program classifications are not required in New Hampshire.*

When program classifications are used, only direct instructional costs are classified to the instructional function; those support costs which could be considered direct costs to an instructional program are classified to a support function. Special education transportation costs are classified to the transportation support service function even though they should be charged directly to the special education program. The program dimension allows agencies to charge instructional and support program costs directly to the benefiting program. Additionally, an agency using this dimension can classify support services both to programs and to functions.

100 Regular Programs (PreK-12). Activities that provide students in grades PreK-12 with learning experiences to prepare them for activities as citizens, family members, and non-vocational workers. These programs contrast with those designed to improve or overcome physical, mental, social and/or emotional handicaps.

200 Special Programs. Activities primarily for students having special needs. Special Programs include pre-kindergarten, kindergarten, elementary, and secondary services for the gifted and talented; mentally, physically, emotionally, and learning disabled; culturally different; bilingual and other special students. Federal subcategories can be found in the federal publication *Financial Accounting for Local and State School Systems*. While these codes were appropriate in 1990, they may not be reflective of current policies and practices. Note that Special Education Programs are for students with disabilities, Special Programs is a broader category which also includes non-special education programs. **While New Hampshire has not yet defined subcategories for programs for students with disabilities, numbers 210-249 have been reserved for this purpose. LEAs may develop subcategories within this range, or report all expenditures as 210.**

210 Special Education (for students with disabilities). Activities that provide services to students with mental, physical, emotional and learning disabilities.

250 Culturally Deprived. Activities for students whose background is so different from that of most other students that they need additional opportunities beyond those provided in the regular educational program.

260 Bilingual. Activities for students from homes where English is not the primary language spoken.

270 Gifted and Talented. Activities for students identified as being mentally gifted or talented.

290 Other Special Programs. Other special programs which are for students other than the disabled, culturally deprived, bilingual or gifted.

300 Vocational Programs. Activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area.. *The use of program subclassifications are not required in New Hampshire.*

310 Agriculture. Activities that enable students to acquire the background, knowledge, and skills necessary to enter a wide range of agriculturally-related occupations.

320 Distributive Education. Activities that prepare students to perform activities that direct the flow of goods and services, including their appropriate utilization, from the producer to the consumer.

330 Health Occupations. Activities that provide students with the knowledge, skills, and understanding required by occupations that support the health professions.

340 Home Economics. Activities that enable students to acquire knowledge and develop understanding, attitudes, and skills relevant to personal, home, and family life, and to home economics occupations.

341 Occupational. Activities that prepare students with knowledge, understanding and skills necessary to enter home economics occupations.

342 Consumer and Homemaking. Activities that prepare students to acquire knowledge and develop understanding, attitudes and skills relevant to personal, home and family life.

350 Industrial Arts. Activities that develop a student's understanding about all aspects of industry and technology. These include experimenting, designing, constructing, and evaluating; using tools, machines, materials; and using processes which may help individuals make informed and meaningful occupational choices, or may prepare them to enter advanced trade and industrial or technical education programs.

360 Office Occupations. Activities that prepare, upgrade, or retrain students for selected office occupations.

370 Technical Education. Activities that prepare students for job opportunities in a specialized field of technology.

380 Trades and Industrial. Activities that prepare students for initial employment in a wide range of trade and industrial occupations.

390 Other Vocational Programs. Other activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area.

400 Other Instructional Programs (PreK-12). Activities that provide students in grades prekindergarten-12 with learning experiences not included in the Program codes 100-300, 500 and 600.

410 School-Sponsored Cocurricular Activities. School-sponsored activities under the guidance and supervision of LEA staff, designed to provide students such experiences as motivation, enjoyment, and improvement of skills. Cocurricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech and debate. Also included are student-financed and -managed activities, such as: Class of 19XX, Chess Club, Senior Prom, and Future Farmers of America. Athletics are coded to Program 420.

420 School-Sponsored Athletics. School-sponsored activities, under the guidance and supervision of LEA staff, that provide opportunities for students to pursue

various aspects of physical education. Athletics normally involve competition between schools and frequently involve offsetting gate receipts or fees.

430 Summer School. Instructional activities operated during the summer. Activities are not part of the regular school program.

490 Other. Activities that provide students with learning experiences not included in the other program 400 codes.

500 Non-Public School Programs. Activities for students attending a school established by an agency other than the State, a subdivision of the State, or the Federal Government, which usually is supported primarily by other than public funds. The services consist of such activities as those involved in providing instructional services, attendance and social work services, health services, and transportation services for nonpublic school students.

600 Adult/Continuing Education Programs. Activities that develop knowledge and skills to meet immediate and long range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; or to enrich the aesthetic qualities of life. Adult basic education programs are included in this category.

700 Community/Junior College Programs. Activities for students attending an institution of higher education which usually offers the first two years of college instruction. If the LEA has the responsibility of providing this program, all costs of the program should be coded here.

800 Community Services Programs. Activities which are not directly related to the provision of educational services in an LEA. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities provided by the LEA for the community as a whole or some segment of the community.

810 Community Recreation. Activities concerned with providing recreation for the community as a whole, or for some segment of the community. Included are such staff activities as organizing and supervising playgrounds, swimming pools, and similar programs.

820 Civic Services. Activities concerned with providing services to civic affairs or organizations. This program area includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.

830 Public Library Services. Activities pertaining to the operation of public libraries by an LEA, or the provision of library services to the general public through the school library. Included are such activities as budgeting, planning and augmenting the

library's collection in relation to the community, and informing the community of public library resources and services.

840 Custody and Child Care Services. Activities pertaining to the provision of programs for the custodial care of children in day schools, child-care centers, preschool or kindergarten which are not part of, or directly related to, the LEA's instructional program. The attendance of the children is not included in the attendance figures for the LEA.

850 Welfare Activities. Activities pertaining to the provision of personal needs of individuals who have been designated as needy by an appropriate governmental entity. These needs include stipends for school attendance, salaries paid to students for work performed (whether for the LEA or for an outside concern), and for clothing, food, or other personal needs.

890 Other Community Services. Activities provided the community which cannot be classified under the other program 800 codes.

900 Enterprise Programs. Programs which are intended to be self-supporting. This program category would normally be used with the proprietary funds.

910 Food Services. Activities concerned with providing food service to students and staff. Most of the direct costs of this program will also be coded to function 3100. *It is not the general practice in New Hampshire to operate Food Services as an enterprise fund because fixed assets and related depreciation expenses are not recorded. In order to eliminate a qualifying auditor's opinion, the Food Services fund is reported as a Special Revenue fund.*

990 Other Enterprise Programs. Activities related to all other enterprise programs.

Functions

The function describes the activity for which a service or material object is acquired. The functions of an LEA are classified into five broad areas:

- 1000** Instruction
- 2000** Support Services
- 3000** Operation of Non-Instructional Services
- 4000** Facilities Acquisition and Construction Services
- 5000** Other Outlays

Functions are further broken down into subfunctions and areas of responsibility. Each of these levels consists of activities which have somewhat the same general operational objectives. Furthermore, categories of activities comprising each of these divisions and subdivisions are grouped according to the principle that the activities can be combined, compared, related and mutually exclusive.

For example:

Function - support services		2000
Sub-function - school services, general administration	2300	
Service area - board of education services		2310
Area of responsibility - board treasurer services	2313	

The function structure in these guidelines is not intended to dictate an organizational structure, i.e. how the administrative functions are organized. Rather, an effort has been made to group together functions in relation to the magnitude of expenditures typically found in the LEA. This grouping corresponds to the categories most frequently requested in reporting to external agencies. LEAs wishing to utilize an organizational structure within their account code should consider using the dimensions “instructional organization” and “operational unit.”

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, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium such as television, radio, telephone, and correspondence. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. If proration of expenditures is not possible for department chairpersons who also teach, include such expenditures in instruction. Full-time department chairpersons expenditures should be included only in 2490.

1100 Regular Education Programs (PreK-12). Activities that provide students with learning experiences to prepare them for activities as citizens, family members, and nonvocational workers. These programs contrast with those designed to improve or overcome physical, mental, social and/or emotional handicaps.

1200 Special Programs. Activities primarily for students having special needs. Special Programs include pre-kindergarten, kindergarten, elementary, and secondary services for the gifted and talented; mentally, physically, emotionally, and learning disabled; culturally different; bilingual and other special students. Federal subcategories can be found in the federal publication *Financial Accounting for Local and State School Systems*, while these codes were appropriate in 1980, they are reflective of current policies and practices. Note that Special Education Programs are for students with disabilities, Special Programs is a broader category which also includes non-special education programs. **While New Hampshire has not yet defined subfunctions for students with disabilities, numbers 1210-1249 have been reserved for this purpose. LEAs may develop subfunctions within this range, or report all expenditures as 1210.**

1210 Special Education (for students with disabilities). Activities that provide services to students with mental, physical, emotional and learning disabilities.

1250 Culturally Deprived. Activities for students whose background is so different from that of most other students that they need additional opportunities beyond those provided in the regular educational program.

1260 Bilingual. Activities for students from homes where the English language is not the primary language spoken.

1270 Gifted and Talented. Activities for students identified as being mentally gifted or talented.

1290 Other Special Programs.

1300 Vocational Programs. Activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area. *Use of the below subclassifications is optional in New Hampshire.*

1310 Agriculture. Activities that enable students to acquire the background, knowledge, and skills necessary to enter a wide range of agriculturally-related occupations.

1320 Distributive Education. Activities that prepare students to perform activities that direct the flow of goods and services, including their appropriate utilization, from the producer to the consumer.

1330 Health Occupations. Activities that provide students with the knowledge, skills, and understanding required by occupations that support the health professions.

1340 Home Economics. Activities that enable students to acquire knowledge and develop understanding, attitudes, and skills relevant to personal, home, and family life, and to home economics occupations.

1341 Occupational. Activities that prepare students with knowledge, understanding and skills necessary to enter home economics occupations.

1342 Consumer and Homemaking. Activities that prepare students to acquire knowledge and develop understanding, attitudes and skills relevant to personal, home and family life.

1350 Industrial Arts. Activities that develop a student's understanding about all aspects of industry and technology. These include experimenting, designing, constructing, and evaluating; using tools, machines, and materials; and using processes which may help individuals make informed and meaningful occupational choices, or may prepare them to enter advanced trade and industrial or technical education programs.

1360 Office Occupations. Activities that prepare, upgrade, or retrain students for selected office occupations.

1370 Technical Education. Activities that prepare students for job opportunities in a specialized field of technology.

1380 Trades and Industrial. Activities that prepare students for initial employment in a wide range of trade and industrial occupations.

1390 Other Vocational Programs. Other activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area.

1400 Other Instructional Programs (PreK-12). Activities that provide students in grades prekindergarten-12 with learning experiences not included in the Function codes 1000-1390, 1500 and 1600.

1410 School-Sponsored Cocurricular Activities. School-sponsored activities under the guidance and supervision of LEA staff, designed to provide students such experiences as motivation, enjoyment, and improvement of skills. Cocurricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech and debate. Also included are student-financed and -managed activities, such as: Class of 19XX, Chess Club, Senior Prom, and Future Farmers of America. Athletics are coded to Function 420.

1420 School-Sponsored Athletics. School-sponsored activities, under the guidance and supervision of LEA staff, that provide opportunities for students to pursue various aspects of physical education. Athletics normally involve competition between schools and frequently involve offsetting gate receipts or fees.

1430 Summer School. Instructional activities operated during the summer outside the regular school program.

1490 Other. Activities that provide students with learning experiences not included in the other 1400 codes.

1500 Private Programs. Activities for students attending a school established by an agency other than the State, a subdivision of the State, or the Federal Government, which usually is supported primarily by other than public funds. The services consist of such activities as those involved in providing instructional services, attendance and social work services, health services, and transportation services for nonpublic school students.

(Revised August 2001)

1600 Adult/Continuing Education Programs. Activities that develop knowledge and skills to meet immediate and long range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence; prepare students

for a new or different career; develop skills and appreciation for special interests; or to enrich the aesthetic qualities of life. Adult basic education programs are included in this category.

1700 Community/Junior College Education Programs. Activities for students attending an institution of higher education which usually offers the first two years of college instruction. If the LEA has the responsibility of providing this program, all costs of the program should be coded here.

1800 Community Services Programs. Activities which are not directly related to the provision of educational services in an LEA. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities provided by the LEA for the community as a whole or some segment of the community.

1810 Community Recreation. Activities concerned with providing recreation for the community as a whole, or for some segment of the community. Included are such staff activities as organizing and supervising playgrounds, swimming pools, and similar programs.

1820 Civic Services. Activities concerned with providing services to civic affairs or organizations. This program area includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.

1830 Public Library Services. Activities pertaining to the operation of public libraries by an LEA, or the provision of library services to the general public through the school library. Included are such activities as budgeting, planning and augmenting the library's collection in relation to the community, and informing the community of public library resources and services.

1840 Custody and Child Care Services. Activities pertaining to the provision of programs for the custodial care of children in residential day schools, child-care centers, preschool or kindergarten which are not part of, or directly related to, the instructional program, and where the attendance of the children is not included in the attendance figures for the LEA. If the district does not provide preschool and/or kindergarten to all residents at no cost, than any preschool and/or kindergarten report expenditures. Services provided to students with disabilities should be reported under 1200.

1850 Welfare Activities. Activities pertaining to the provision of personal needs of individuals who have been designated as needy by an appropriate governmental entity. These needs include stipends for school attendance, salaries paid to students for work performed (whether for the LEA or for an outside concern), and for clothing, food, or other personal needs.

1890 Other Community Services. Activities provided the community which cannot be classified under the other function 1800 codes.

2000 Support Services. Support services provide administrative, technical (such as guidance and health), 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 Support Services-Students. Activities designed to assess and improve the well-being of students and to supplement the teaching process.

2110 Attendance and Social Work Services. Activities designed to improve student attendance at school and which attempt to prevent or solve student problems involving the home, the school, and the community. Registration activities for adult education programs are included here.

2111 Supervision of Attendance and Social Work Services. The activities associated with directing, managing and supervising attendance and social work.

2112 Attendance Services. Activities such as promptly identifying nonattendance patterns, promoting improved attitudes toward attendance, analyzing causes of nonattendance, acting early on nonattendance problems, and enforcing compulsory attendance laws.

2113 Social Work Services. Activities such as investigating and diagnosing student problems arising out of the home, school, or community; casework and group work services for the child, parent, or both; interpreting the problems of students for other staff members; and promoting modification of the circumstances surrounding the individual student which are related to his or her problem.

2114 Student Accounting Services. Activities of acquiring and maintaining records of school attendance, location of home, family characteristics, and census data. Portions of these records become a part of the cumulative record which is sorted and stored for teacher and guidance information. Pertinent statistical reports are prepared under this function as well.

2119 Other Attendance and Social Work Services. Attendance and social work services other than those described above.

2120 Guidance 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 working with other staff members in planning and conducting guidance programs for students.

2121 Supervision of Guidance Services. Activities associated with directing, managing and supervising guidance services.

2122 Counseling Services. Activities concerned with the provision of support services by professional counselors to students or staff, or the provision of peer counseling by students. These activities promote understanding of educational, personal, and occupational strengths and limitations and career opportunities; management of personal abilities and emotions; and achievement of satisfying personal and social development.

2123 Appraisal Services. Activities that assess student characteristics, are used in administration, instruction, and guidance, and assist the student in assessing his or her purposes and progress in career and personality development.

2124 Information Services. Activities for disseminating educational, occupational, and personal social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information might be provided directly to students through activities such as group or individual guidance, or it might be provided indirectly to students through staff members or parents.

2125 Record Maintenance Services. Activities for compiling, maintaining, and interpreting cumulative records of individual students, including systematic consideration of such factors as family background, physical and medical status, standardized test results, and school performance.

2126 Placement Services. Activities that help place students in appropriate educational or occupational situations while they are in school or after they leave school. These activities also help ease the students' transition from one educational experience to another. The transition may require, for example, admissions counseling, referral services, assistance with records, job placement and follow-up communications with employers.

2129 Other Guidance Services. Guidance services which cannot be classified above.

2130 Health Services. Physical and mental health services which are not direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services.

2131 Supervision of Health Services. Activities associated with directing and managing health services.

2132 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 officials.

2133 Dental Services. Activities associated with dental screening, dental care, and orthodontic activities.

2134 Nursing Services. Activities associated with nursing, such as health inspection, treatment of minor injuries, and referrals for other health services.

2139 Other Health Services. Health services not classified above.

2140 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 evaluation; and planning and managing a program of psychological services, including psychological counseling for students, staff, and parents.

2141 Supervision of Psychological Services. Directing, managing and supervising the activities associated with psychological services.

2142 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.

2143 Psychological Counseling Services. Activities that take place between a school psychologist or other qualified person as counselor and one or more students in which the students are helped to perceive, clarify, and solve problems of adjustment and interpersonal relationships.

2144 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.

2149 Other Psychological Services. Other activities associated with psychological services not classified above.

2150 Speech Pathology and Audiology Services. Activities which identify, assess, and treat children with speech, hearing, and language impairments.

2151 Supervision of Speech Pathology and Audiology Services. Activities associated with directing, managing and supervising speech pathology and audiology services.

2152 Speech Pathology Services. Activities that identify children with speech and language disorders; diagnose and appraise specific speech and language disorders; refer problems for medical or other professional attention necessary

to treat speech and language disorders; provide required speech treatment services; and counsel and guide children, parents, and teachers, as appropriate.

2153 Audiology Services. 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 (lip-reading), and speech conversation; create and administer programs of hearing conservation; and counsel guidance of children, parents, and teachers as appropriate.

2159 Other Speech Pathology and Audiology Services. Other activities associated with speech pathology and audiology services not classified above.

2160 Physical and Occupational Therapy Services. Activities which assess the need for and provide treatment to increase the physical, communication and occupational skills of students.

2161 Supervision of Physical and Occupational Therapy Services. Activities associated with directing, managing and supervising physical and occupational therapy services.

2162 Physical Therapy Services. Activities that diagnose and appraise conditions which may benefit from physical therapy techniques; and provide therapy to help a student relieve pain or improve motor and communication skills.

2163 Occupational Therapy Services. Activities that diagnose and appraise conditions which may benefit from occupational therapy; and provide therapy to increase a students ability to live independently or develop work skills.

2169 Other Physical and Occupational Therapy Services. Other physical or occupational therapy services not classified above.

2190 Other Support Services—Student. Other support services to students not classified elsewhere in the 2100 series.

2200 Support Services-Instructional Staff. Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

2210 Improvement of Instruction Services. Activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students. These activities include curriculum development, techniques of instruction, child development and understanding, staff training, etc.

2211 Supervision of Improvement of Instruction Services. Activities associated with directing, managing and supervising the improvement of instruction services.

2212 Instruction and Curriculum Development Services.

Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques which stimulate and motivate students.

2213 Instructional Staff Training Services.

Activities that contribute to the professional or occupational growth and competence of members of the instructional staff during the time of their service to the school system or school. Among these activities are workshops, demonstrations, school visits, courses for college credit, sabbatical leaves, and travel leaves.

2219 Other Improvement of Instruction Services.

Activities for improving instruction other than those classified above.

2220 Educational Media Services.

Activities concerned with the use of all teaching and learning resources, including hardware and content materials. Educational media are defined as any devices, content materials, methods, or experiences used for teaching and learning purposes. These include printed and nonprinted sensory materials.

2221 Supervision of Educational Media Services.

Activities concerned with directing, managing and supervising educational media services.

2222 School Library Services.

Activities such as selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning the use of the library by students, teachers and other members of the instructional staff; and guiding individuals in their use of library books and materials, whether maintained separately or as a part of an instructional materials center. Textbooks will not be charged to this function but rather to the instruction function.

2223 Audiovisual Services.

Activities such as selecting, preparing, caring for, and making available to members of the instructional staff the equipment, films, filmstrips, transparencies, tapes, TV programs, and similar materials, whether maintained separately or as part of an instructional materials center. Included are activities in the audiovisual center, TV studio, and related work-study areas, and the services provided by audiovisual personnel.

2224 Educational Television Services.

Activities concerned with planning, programming, writing, and presenting educational programs or segments of programs by closed circuit or broadcast television.

2225 Computer-Assisted Instruction Services.

Activities concerned with planning, programming, writing, and presenting educational projects which have been especially programmed for a computer to be used as the principal medium of instruction.

2229 Other Educational Media Services. Educational media services other than those classified above.

2290 Other Support Services—Instructional Staff. Services supporting the instructional staff not properly classified elsewhere in the 2200 series.

2300 Support Services-General Administration. Activities concerned with establishing and administering policy for operating the LEA.

The Chief Business Official should be classified as Support Services-Business, function 2500.

2310 School Board Services. Activities of the elected body which has been created according to State law and vested with responsibilities for educational activities in a given administrative unit.

2311 Supervision of School Board Services. Activities concerned with directing and managing the general operation of the Board. These include the activities of the members of the Board, but do not include any special activities defined in the other areas of responsibility described below. They also include any activities of the district performed in support of the school district meeting. Legal activities in interpretation of the laws and statutes and general liability situations are charged here, as are the activities of external auditors.

2312 District Secretary/Clerk Services. The activities required to perform the duties of the Secretary or Clerk of the District.

2313 District Treasurer Services. The activities required to perform the duties of Treasurer of the District.

2314 Election Services. Services rendered in connection with any school system election, including elections of officers and bond authorizations.

2315 Tax Collection and Assessment Services. ***Not applicable in New Hampshire.***

2316 Staff Relations and Negotiations Services. Activities concerned with staff relations system-wide and the responsibilities for contractual negotiations with both instructional and non-instructional personnel.

2317 Audit. Activities connected with providing auditing services, normally rendered by an independent auditor, a town auditor or auditors from the Department of Revenue Administration.

2318 Legal. Activities connected with providing counseling services to the School Board in regard to law and statutes. These include all general and special service. (For delineation utilize the object code 330 series.)

2319 Other School Board Services. School Board services which cannot be classified under the preceding areas of responsibility.

2320 Executive Administration Services. Activities associated with the overall general administration of or executive responsibility for the entire LEA.

2321 Office of the Superintendent Services. Activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in generally directing and managing all affairs of the LEA. These include all personnel and materials in the office of the chief executive officer. Activities of the offices of the deputy superintendents should be charged here, unless the activities can be placed properly into a service area such as fiscal or operations.

2322 Community Relations Services. Activities and programs developed and operated system-wide for bettering school/community relations.

2323 State and Federal Relations Services. Activities associated with developing and maintaining good relationships with State and Federal officials. The activities associated with grant procurement are included.

2329 Other Executive Administration Services. Other general administrative services which cannot be recorded under the preceding functions.

2330 Specific Area Administrations Services. Activities associated with the administration of specific areas.

2331 Regular Programs Services provided by curriculum coordinator / director and similar administrative activities.

2332 Special Programs. Services provided by special education coordination / director and similar administrative activities.

2333 Vocational Programs. Services provided by vocational coordinator / director and similar administrative services.

2334 Other Programs. Other Specific Area Administrations Services which cannot be recorded under the preceding functions.

2390 Other Support Services - General Administration Activities concerned with administering policy not properly classified elsewhere in the 2300 series.

2400 Support Services-School Administration. Activities concerned with overall administrative responsibility for a school.

2410 Office of the Principal Services. Activities concerned with directing and managing the operation of a particular school. They include the activities performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate the staff members of the school, assign duties to

staff members, supervise and maintain the records of the school, 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.

2490 Other Support Service-School Administration. Other school administration services. This function includes graduation expenses and full-time department chairpersons.

2500 Support Services-Business. Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the LEA. Included are the fiscal and internal services necessary for operating the LEA.

Include the Chief Business Official and the activities of the Chief Business Official here.

2510 Fiscal Services. 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.

2511 Supervising Fiscal Services. The activities of directing, managing and supervising the fiscal services area. These include the activities of the assistant superintendent, director, or school business official who directs and manages fiscal activities.

2512 Budgeting Services. Activities concerned with supervising budget planning, formulation, control and analysis.

2513 Receiving and Disbursing Funds Services. Activities concerned with taking in money and paying it out. They include the current audit of receipts; the preaudit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine that such disbursements are lawful expenditures of the school or LEA; and the management of school funds.

2514 Payroll Services. Activities concerned with periodically paying individuals entitled to remuneration for services rendered. Payments are also made for such payroll-associated costs as Federal income tax withholding, retirement, and social security.

2515 Financial Accounting Services. 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.

2516 Internal Auditing Services. Activities concerned with verifying the account records, which includes 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.

2517 Property Accounting Services. Activities concerned with preparing and maintaining current inventory records of land, buildings, and equipment. These records are used in equipment control and facilities planning.

2519 Other Fiscal Services. Fiscal services which cannot be classified under the preceding functions.

2520 Purchasing Services. Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations.

2530 Warehousing and Distributing Services. The activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail. They include picking up and transporting cash from school facilities to the central administration office or bank for control, deposit, or both.

2535 Warehouse Inventory Adjustment. Include adjustments to inventories reported on a consumption basis, in object 610 (general supplies), in object 630 (food), or in object 730 (equipment), or for lost or stolen equipment.

2540 Printing, Publishing, and Duplicating Services. The activities of printing and publishing administrative publications 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.

2590 Other Support Services Business. Other support services to business not classified elsewhere in the 2500 series.

2600 Operation and Maintenance of Plant Services. Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

2610 Supervision of Operation and Maintenance of Plant Services. The activities involved in directing, managing and supervising the operation and maintenance of plant facilities.

2620 Operating Buildings Services. Activities concerned with keeping the physical plant clean and ready for daily use. They include operating the heating, lighting, and ventilating systems, and repairing and replacing fixtures and equipment. Also included are the costs of building rental and property insurance.

2630 Care and Upkeep of Grounds Services. Activities involved in maintaining and improving the land (but not the buildings). These include snow removal, landscaping, grounds maintenance and the like.

2640 Care and Upkeep of Equipment Services. Activities involved in maintaining equipment owned or used by the LEA. They include such activities as servicing and repairing furniture, machines, and movable equipment.

2650 Vehicle Operation and Maintenance Services (Other Than Student Transportation Vehicles). Activities involved in maintaining general purpose vehicles such as trucks, tractors, graders, and staff vehicles. These include such activities as repairing vehicles, replacing vehicle parts, cleaning, painting, greasing, fueling, and inspecting vehicles for safety, i.e., preventive maintenance.

2660 Security Services. Activities concerned with maintaining order and safety in school buildings, on the 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.

2690 Other Operation and Maintenance of Plant Services. Operations and maintenance of plant services which cannot be classified elsewhere in the 2600 series.

2700 Student Transportation Services. Activities concerned with conveying students to and from school, as provided by State and Federal law. This includes trips between home and school, and trips to school activities.

2710 Supervision of Student Transportation Services. Activities pertaining to directing and managing student transportation services.

2720 Vehicle Operation Services. Activities involved in operating vehicles for student transportation, from the time the vehicles leave the point of storage until they return to the point of storage. These include driving buses or other student transportation vehicles.

2721 Regular Programs. Activities involved in operating vehicles which provide regular transportation service to students.

2722 Special Education. Activities involved in operating vehicles specifically for the transportation of students with special transportation needs, or for the transportation of special education students to programs away from the regular school.

2723 Vocational Programs. Activities involved in operating vehicles specifically for the transportation of students to vocational programs away from their regular school.

2724 Athletic Programs. Activities involved in operating vehicles specifically for the transportation of students to athletic events.

2725 Field Trip/Cocurricular. Activities involved in operating vehicles specifically for the transportation of students to museums and other educational venues for the purpose of enhancing academic programs.

2726 Intra-District Transportation. Activities involved in operating vehicles specifically for the transportation of students between buildings within the district.
(Added August 2001)

2729 Other Vehicle Operation.

2730 Monitoring Services. Activities concerned with supervising students in the process of being transported between home and school, and between school and school activities. Such supervision can occur while students are in transit, while they are being loaded and unloaded, and in directing traffic at the loading stations.

2740 Vehicle Servicing and Maintenance Services. Activities involved in maintaining student transportation vehicles. It includes repairing vehicle parts, replacing vehicle parts, cleaning, painting, fueling, and inspecting vehicles for safety.

2741 Regular Programs. Activities involved with the maintenance of vehicles which provide regular transportation service to students.

2742 Special Education. Activities involved in the maintenance of vehicles used specifically for the transportation of students with special transportation needs, or for the transportation of special education students to programs away from the regular school.

2743 Vocational Programs. Activities involved with the maintenance of vehicles specifically for the transportation of students to vocational programs away from the regular school.

2744 Athletic Programs. Activities involved with the maintenance of vehicles specifically for the transportation of students to athletic events.

2745 Field Trip/Cocurricular. Activities involved with the maintenance of vehicles specifically for the transportation of students to museums and other educational venues for the purpose of enhancing academic programs.

2749 Other Vehicle Servicing and Maintenance.

2750 Non-Student Transportation. Activities involved in providing transportation services to private organizations. The service may be for a fee, or free of charge as a community service.

(Added August 2001)

2790 Other Student Transportation Services. Student transportation services which cannot be classified elsewhere in the 2700 series.

2800 Support Services-Central. Activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information, staff, and data processing services.

2810 Planning, Research, Development, and Evaluation Services.

Activities associated with conducting and managing programs of planning, research, development, and evaluation for a school system on a system-wide basis.

2811 Planning Services. Activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization or program. 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.

2812 Research Services. Activities concerned with the systematic study and investigation of the various aspects of education, undertaken to establish facts and principles.

2813 Development Services. Activities concerned with the improvement of educational programs. Such activities often use products of research.

2814 Evaluation Services. Activities concerned with ascertaining or judging the value or amount of an action or an outcome. This is done through careful appraisal of previously specified data in light of the particular situation and the goals previously established.

2820 Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to students, staff, managers, and the general public through direct mailing, the various news media, or personal contact.

2821 Supervision of Information Services. Activities concerned with directing, managing and supervising information services.

2822 Internal Information Services. Activities concerned with writing, editing, and providing administrative information to students and staff.

2823 Public Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to the public through various news media or personal contact.

2824 Management Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate to management (1) the information needed about the operation of the LEA and (2) information about the community, state, and nation to make logical decisions.

2829 Other Information Services. Activities concerned with information services not classified above.

2830 Staff Services. Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruiting and placement, staff transfers, inservice training, health services, and staff accounting.

2831 Supervision of Staff Services. The activities of directing, managing and supervising staff services.

2832 Recruitment and Placement Services. Activities concerned with employing and assigning personnel for the LEA.

2833 Staff Accounting Services. Services rendered in connection with the systematic recording and summarizing of information relating to staff members employed by the LEA.

2834 Inservice Training Services (for Non-Instructional Staff). The activities developed by the LEA for training of non-instructional personnel in all classifications.

2835 Health Services. Activities concerned with medical, dental, and nursing services provided for school district employees. Included are physical examinations, referrals, and emergency care.

2839 Other Staff Services. Staff services which cannot be classified under the preceding functions.

2840 Information Management Services. Activities concerned with preparing data for storage, storing data, and retrieving it for reproduction as information for management and reporting.

2841 Supervising Information Management Services. Activities concerned with directing, managing and supervising data processing services.

2842 Systems Analysis Services. Activities concerned with searching for and evaluating alternatives for achieving defined objectives, based on judgment and, wherever possible, on quantitative methods. Where applicable, these activities pertain to the design of information management procedures or systems.

2843 Systems Engineering Services. Activities concerned with the preparation of a logical sequence of operations to be performed, either manually or electronically, to manage data and information. These activities include the installation of hardware, the installation, customization and development of software, and the training associated with implementation.

2844 Operation of Information Systems. Activities concerned with the maintenance of information systems. These activities include data preparation, entry, and reporting, and the maintenance of data, hardware and software.

2849 Other Information Management Services. Activities concerned with data processing not described above.

~~**2850 Retired Employee Expenses.**~~ *(Deleted August 2001)*

2900 Support Services-Other. All other support services not classified elsewhere in the 2000 series. If employee fixed charges and benefits are classified in this function, expenses must be distributed for reporting purposes.

3000 Operation of Non-Instructional Services. Activities concerned with providing non-instructional services to students, staff or the community.

3100 Food Services Operations. 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 or snacks in connection with school activities and food delivery.

3110 Food Service Supervision. Activities associated with directing, managing and supervising of Food Services.

3120 Food Service Operations. Activities associated with the preparation and serving of regular and incidental meals or snacks to students and staff in a school or LEA. Included are cooking, operating kitchen equipment, preparing food, serving food, cleaning dishes, and storing dishes and kitchen equipment.

3130 Food Service Delivery. Activities associated with the delivery of food to schools from a central distribution point or kitchen.

3190 Food Service Other. Activities which include food service activities which cannot be otherwise classified.

3200 Enterprise Operations. 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 should not be charged here but rather to function 3100. One example could be the LEA bookstore.

~~**3300 Community Services Operations.** Activities concerned with providing community services to students, staff or other community participants. Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, a child care center for working parents, etc.~~ *(Deleted August 2001)*

4000 Facilities Acquisition and Construction Services. Activities concerned with acquiring land and buildings; remodeling buildings; constructing buildings and additions to buildings; initially installing or extending service systems and other built-in equipment; and improving sites.

4100 Site Acquisition Services. Activities concerned with initially acquiring and initially improving new sites.

4200 Site Improvement Services. Activities concerned with improving sites and with maintaining existing site improvements.

4300 Architecture and Engineering Services. The activities of architects and engineers related to acquiring and improving sites and improving buildings. Charges are made to this function only for those preliminary activities which may or may not result in additions to the LEA's property. Otherwise, charge these services to 4100, 4200, 4500 or 4600, as appropriate.

4400 Educational Specifications Development Services. Activities concerned with preparing and interpreting descriptions of specific space requirements for the various learning experiences of students to be accommodated in a building. These specifications are interpreted to the architects and engineers in the early stages of blueprint development.

4500 Building Acquisition and Construction Services. Activities concerned with buying or constructing buildings.

4600 Building Improvements Services. Activities concerned with building additions and with installing or extending service systems and other built-in equipment.

4900 Other Facilities Acquisition and Construction Services. Facilities acquisition and construction activities which cannot be classified above.

5000 Other Outlays. A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified under *Other Uses*. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another. These accounts are not used with the proprietary funds.

5100 Debt Service. Servicing the debt of the LEA, including payments of both principal and interest. Normally, only long term debt service (obligations exceeding one year) is recorded here. Interest on current loans (repayable within one year of receiving the obligation) is charged to function 2513 . The receipt and payment of principal on those loans is handled as an adjustment to the balance sheet account 451 .

5110 Principal. The principal portion of loan payments.

5120 Interest. The interest portion of loan payments.

5200 Fund Transfers (Other Outlays). Transactions that withdraw money from one fund to be deposited in another fund. Each "transfer to" journal entry in one fund must have a complimentary "transfer from" entry in the fund that received the money. The object code for a fund transfer is always 930.

Use a fund transfer to move a grant indirect cost assessment from the grant fund to the general fund within the same district. To make an indirect cost payment by a district to a

multi-district SAU use an administrative expense function code (usually 2500 or 2300) and an object of 810 (fees).

(Revised August 2001)

5210 Transfers to the General Fund. Transfers appropriated or duly authorized.

5220 Transfers to Special Revenue Funds. Transfers appropriated or duly authorized.

5221 Transfers to Food Service Fund. Transfers appropriated or duly authorized.

5222 Transfer to All Other Special Revenue Funds. Transfers appropriated or duly authorized. This includes transfers to revolving funds.

5230 Transfers to Capital Projects Funds. Transfers appropriated or duly authorized.

5250 Transfers to Trust and Agency Funds. Transfers appropriated or duly authorized.

5251 Transfers to Capital Reserve Fund. Transfers appropriated or duly authorized.

5252 Transfers to Other Expendable Trust Funds. Transfers appropriated or duly authorized.

5253 Transfers to Non-expendable Trust Funds. Transfers appropriated or duly authorized.

5254 Transfers to Agency Funds. Transfers appropriated or duly authorized.

5300 Intergovernmental Agency Allocations.

5310 Allocations to Charter Schools. Funds paid to an approved charter school not operated by the LEA. Students attending the charter school are not part of the district's membership in attendance.

5390 Allocation to Other Governmental Agencies.

Objects

This dimension is used to describe the services or commodity obtained as the result of a specific expenditure. There are nine major categories, each of which is further subdivided. Following are definitions of the object classes and selected subobject categories.

100 Personal Services—Salaries. Amounts paid to both permanent and temporary LEA employees, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the LEA's. The third position in this group of objects has been left unused (i.e. "O") so that a job classification code can be inserted by the LEA if desired. Used with all functions except 5000.

110 Salaries of Regular Employees. Full-time, part-time, and prorated portions of the costs for work performed by permanent employees of the LEA.

120 Salaries of Temporary Employees. Full-time, part-time, and prorated portions of the costs for work performed by employees of the LEA who are hired on a temporary or substitute basis.

130 Salaries for Overtime. Amounts paid to employees of the LEA in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated under regular salaries and temporary salaries above. The terms of such payment for overtime is a matter of State and local regulations and interpretation.

140 Salaries for Sabbatical Leave. Amounts paid by the LEA to employees on sabbatical leave.

200 Personal Services-Employee Benefits. Amounts paid by the LEA on behalf of employees; these amounts are not included in the gross salary, but are in addition to that amount. Such payments are fringe benefit payments and, while not paid directly to employees, nevertheless are part of the cost of personal services. The third position in this group of objects has been left unused (i.e., "O") so that a job classification code can be inserted by the LEA if desired. Used with all functions except 5000.

210 Group Insurance. Employer's share of any insurance plan .

211 Health Insurance. LEA's share of any local group health insurance.

212 Dental Insurance. LEA's share of any local group dental insurance.

213 Life Insurance. LEA's share of any local group life insurance.

214 Disability Insurance. LEA's share of any local disability insurance plan.

219 Other Group Insurance. LEA's share of any local group insurance plan not classified above.

220 Social Security Contributions. Employer's share of social security paid by the LEA.

230 Retirement Contributions. Employer's share of any State or local employee retirement system paid by the LEA, including the amount paid for employees assigned to Federal programs.

231 State Retirement for Non-Teachers. LEA's share of state retirement for non-teachers.

232 State Retirement for Teachers. LEA's share of state retirement for teachers.

239 Other Retirement. LEA's share of other local retirement plan.

240 Tuition Reimbursement. Amounts reimbursed by the LEA to any employee qualifying for tuition reimbursement based upon LEA policy.

250 Unemployment Compensation. Amounts paid by the LEA to provide unemployment compensation for its employees. These charges may be distributed to functions in accordance with the salary budget.

260 Workers' Compensation. Amounts paid by the LEA to provide workers' compensation insurance for its employees. These charges may be distributed to functions in accordance with the salary budget.

270 Health Benefits. Amounts paid by the LEA to provide health benefits for its current employees or retired employees for whom benefits are paid.

290 Other Employee Benefits. Employee benefits other than those classified above. LEA's may establish sub-codes locally for various accrued amounts, such as "unused sick leave." Such amounts may be distributed to the functions according to the employee's assignment.

300 Purchased Professional and Technical Services. Services which by their nature can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc. It is recommended that a separate account be established for each type of service provided to the LEA.

310 Official/Administrative Services. Services in support of the various policy-making and managerial activities of the LEA. Included would be management consulting activities oriented to general governance or business and financial management of the LEA; school management support activities; election and tax assessing; and collecting services. Usually used with functions 2300, 2400.

311 Intermediate Educational Agency Services. The assessment for management services charged to the member LEA's.

312 Management Services. Services provided to assist management either in the broad policy area or in the general operation of the LEA.

313 Staff Management Services. Services which provide assistance in the employing and assignment of staff. This category includes specialists in personnel counseling and guidance.

319 Other Official/Administrative Services. Services not classified above.

320 Professional Educational Services. Services supporting the instructional program and its administration. Included would be curriculum improvement services, counseling and guidance services, library and media support and contracted instructional services. Usually used with functions 1000, 2100, 2200.

321 Professional Services for Instruction. Services provided by persons directly engaged in providing learning experiences for pupils. Included are the services of teachers and paraprofessionals and "performance contract" activities.

322 Professional Services for Instructional Program Improvement. Services provided to assist teachers and supervisors with the improvement of quality of the teaching process. This category includes curriculum consultants and inservice training specialists not on the regular payroll.

323 Professional Services for Pupils. Services provided to assist pupils and their parents in solving mental and physical problems. This activity does not include instruction, but is a supplement to the teaching process. Health care services are included in this category which is usually used with function 2100.

329 Other Professional Educational Services. Services not classified above.

330 Other Professional Services. Professional services other than educational supporting the operation of the LEA. Included are medical doctors, lawyers, architects, auditors, accountants, therapists, audiologists, dietitians, editors, negotiations specialists, systems analysts, planners, and the like. Usually used with function 2000.

340 Technical Services. Services to the LEA which are not regarded as professional, but require basic scientific knowledge, manual skills, or both. Included are data processing services, purchasing and warehousing services, graphic arts and the like.

400 Purchased Property Services. Services purchased to operate, repair, maintain, and rent property owned or used by the LEA. These services are performed by persons other than LEA employees. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

410 Utility Services. Expenditures for utility services other than energy services supplied by public or private organizations. Water and sewerage are included here. Telephone and telegraph are not included here but are classified under object 530. Used only with function 2600.

411 Water/Sewerage. Expenditures for water/sewage utility services from a private or public utility company.

419 Other Utility Services. Utility services not classified above.

420 Cleaning Services. Services purchased to clean buildings and grounds (apart from services provided by LEA employees). Used only with function 2600.

421 Disposal Services. Expenditures for garbage pickup and handling not provided by LEA personnel.

422 Snow Plowing Services. Expenditures for snow removal not provided by LEA personnel.

423 Custodial Services. Expenditures to an outside contractor for custodial services.

424 Lawn Care. Expenditures for lawn and grounds upkeep, minor landscaping, nursery services and the like not provided by LEA personnel.

429 Other Cleaning Services. Cleaning services not classified above.

430 Repairs and Maintenance Services. Expenditures for routine repairs and maintenance services not provided directly by LEA personnel. This includes contracts and agreements covering the upkeep of buildings and equipment. **Costs for renovating and remodeling are not included here but are classified under object 450.**

440 Rentals. Costs for renting or leasing land, buildings, equipment and vehicles.

441 Rental Land and Buildings. Expenditures for leasing or renting land and buildings for both temporary and long-range use by the LEA. Used with function 2620 and appropriate program code.

442 Rental of Equipment. Expenditures for leasing or renting equipment for both temporary and long-range use by the LEA. This includes lease-purchase arrangements and similar rental agreements for copy machines, lathes, drill presses and other complex equipment.

443 Rental of Vehicles. Expenditures for leasing or renting vehicles for both temporary and long-range use by the LEA. This includes bus and other vehicle rental when operated by a local LEA, lease-purchase arrangements, and similar rental agreements. Usually used with function 2630 or 2700.

444 Rental of Computers and Communications Equipment. Expenditures for leasing or renting equipment for both temporary and long-range use by the LEA. This includes lease-purchase arrangements and similar rental agreements for computers, networking equipment, PBX and other voice networks, satellite and similar equipment.

449 Rental of Other Equipment. Expenditures for leasing or renting equipment not classified above.

450 Construction Services. Includes amounts for constructing, renovating and remodeling as part of major capital projects. Used only with functions 4500, 4600. Small and routine projects are classified as 430.

490 Other Purchased Property Services. Purchased property services which are not classified above. Costs for telephone and telegraph are not included here but are included in object 530. Usually used with function 2600.

500 Other Purchased Services. Amounts paid for services rendered by organizations or personnel not on the payroll of the LEA (separate from Professional and Technical Services or Property Services). While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

510 Student Transportation Services. Expenditures for transporting children to and from school and other activities. Used only with function 2700.

511 Student Transportation Purchased from Another LEA Within the State. Amounts paid to other LEA's within the State for transporting children to and from school and school-related events. These include payments to individuals who transport themselves or their own children or for reimbursement of transportation expenses on public carriers. Expenditures for the rental of buses which are operated by personnel on the LEA payroll are not recorded here but under object 442. Used only with function 2700.

512 Student Transportation Purchased from Another LEA Outside the State. Payments to other LEA's outside the State for transporting children to and from school and school-related events. Used only with function 2700.

519 Student Transportation Purchased From Other Sources. Payments to persons or agencies other than LEA's or Intermediate Educational Agencies for transporting children to and from school and school-related events. Used only with function 2700.

520 Insurance (Other Than Employee Benefits). Expenditures for all types of insurance coverage, including property, liability, and fidelity. Insurance for group health is not charged here but is recorded under object 200. Used with function 2310 or 2620.

530 Communications. Services provided by persons or businesses to assist in transmitting and receiving messages or information. Costs associated with the purchase or rental of related equipment are recorded as either 443, 734 or 738.

531 Voice Communications. Expenditures related to the operation and maintenance of voice communication through private or public networks.

532 Data Communications. Expenditures related to the operation and maintenance of data communication through private or public networks, including Internet access provider fees and line service charges. Costs associated with access to specific content should be classified as 642.

533 Video Communications. Expenditures related to the operation and maintenance of two-way video communication through public or private networks. Charges are not restricted to distance learning activities. Costs associated with access to specific content should be classified as 642.

534 Postage Fees. Postage and associated costs for mail carried by the US Postal Service.

535 Package Transport Services. Fees paid to private carriers of mail and packages. Freight charges should be classified with the equipment or supplies purchased and not this classification.

539 Other Communications. Costs related to communication not classified above.

540 Advertising. Expenditures for announcements in professional publications, newspapers or broadcasts over radio and television. These expenditures include advertising for such purposes as personnel recruitment, legal ads, new and used equipment, and sale of property. Costs for professional advertising or public relations services are not recorded here but are charged to object 330. Usually used with functions 2300, 2500 or 2800.

550 Printing and Binding. Expenditures for job printing and binding, usually according to specifications of the LEA. This includes designing and printing forms and posters as well as printing and binding LEA publications. Preprinted standard forms are not charged here but are recorded under object 610.

560 Tuition. Expenditures to reimburse other educational agencies for instructional services to students residing within the legal boundaries of the paying LEA.

561 Tuition to Other LEA's Within the State. Tuition paid to other LEA's within the State.

562 Tuition to Other LEA's Outside the State. Tuition paid to other LEA's outside the State.

563 Tuition to Public Academies. Tuition paid to Coe-Brown and Pinkerton Academies. *(Revised August 2001)*

564 Tuition to Private and Other Schools. Tuition paid to private schools located either in NH or outside of NH and tuition to state or SAU operated programs. Include the cost of related services, but do NOT include room and board charges. *(Revised August 2001)*

~~565 Tuition to Intermediate Educational Agencies Outside the State. Tuition paid to Intermediate Educational Agencies or intermediate agencies of other states. *(Deleted August 2001)*~~

569 Residential Cost. Room and board for special education students, but do NOT include tuition. Cost reported using object 569 must have an associated cost reported in object 564.

(Revised August 2001)

570 Food Service Management. Expenditures for the operation of a local food service facility by other than employees of the LEA. Included are contracted services, such as food preparation, associated with the food service operation. Direct expenditures by the LEA for food, supplies, labor and equipment would be charged to the appropriate object codes. Used only with function 3100.

580 Travel. Expenditures for transportation, meals, hotel, and other expenses associated with staff travel for the LEA. Payments for per diem in lieu of reimbursements for subsistence (room and board) also are charged here. Used with all functions except 5000.

590 Miscellaneous Purchased Services. Purchased services other than those described above. Any inter-district payments other than tuition should be classified here.

591 Services Purchased from Private Sources. Services purchased from any source other than an LEA and not otherwise classified in the 300, 400 or 500 series of objects. Used with all functions except 5000.

592 Services Purchased from Another LEA Within the State. Payments to another LEA within the State for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing and guidance. Where a question arises as to whether to code such payments to the 300 series of objects or to this code, 592 should be used so that all inter-district payments can be eliminated when consolidating reports from multiple LEA's at State and Federal levels.

593 Services Purchased from Another LEA Outside the State. Payments to another LEA outside the State for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing and guidance. Where a question arises as to whether to code such payments to the 300 series of objects or to this code, 593 should be used so that all inter-district payments can be eliminated when consolidating reports at the Federal level.

600 Supplies. Amounts paid for items that are consumed, worn out, or deteriorated through use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances. Refer to the appendix for the criteria for distinguishing between a supply and an equipment item.

610 General Supplies. Expenditures for all supplies (other than those listed below) for the operation of an LEA, including freight and cartage. A more thorough classification of supply expenditures is achieved by identifying the object with the function—for example, audiovisual supplies or classroom teaching supplies. Used with all functions except 5000.

620 Energy. Expenditures for energy, including gas, oil, coal, gasoline, and services received from public or private utility companies.

621 Natural Gas. Expenditures for gas utility services from a private or public utility company.

622 Electricity. Expenditures for electric utility services from a private or public utility company.

623 Bottled Gas. Expenditures for bottled gas, such as propane gas received in tanks.

624 Oil. Expenditures for bulk oil normally used for heating.

625 Coal. Expenditures for raw coal normally used for heating.

626 Gasoline. Expenditures for gasoline purchased in bulk or periodically from a gasoline service station.

629 Other Energy. Expenditures for energy that cannot be classified in one of the foregoing categories.

630 Food. Expenditures for food used in the school food service program. Used only with function 3100. Food used in instructional programs is charged under object 610.

640 Books and Information Resources. Expenditures for the acquisition of information.

641 Books and Other Printed Media. Expenditures for printed media such as books, textbooks and periodicals prescribed and available for general use, including reference books. This category includes the cost of workbooks, textbook binding or repairs, as well as textbooks which are purchased to be resold or rented. Also recorded here are costs of binding or other repairs to school library books. Used with all functions except 5000.

642 Electronic Information. Expenditures for information supplied on electronic media and available for general use. This category includes subscription services that deliver media periodically, but does not include access to on-line information services.

643 Information Access Fees. Expenditures related to the access of information available on-line. Fees for general access to the Internet or similar services as well as fees related to specific information resources are included.

649 Other Information Resources. Expenditures for information resources not classified above.

650 Software. Expenditures for acquisition of computer software: instructional programming office software of non capital nature. For capital items see object code 750.

700 Property. Expenditures for acquiring fixed assets, including land or existing buildings; improvements of grounds; initial equipment; additional equipment; and replacement of equipment.

710 Land and Improvements. Expenditures for the purchase of land and the improvements thereon. Purchases of air rights, mineral rights and the like are included here. Also included are special assessments against the LEA for capital improvements such as streets, curbs and drains. Not included here, but generally charged to objects 450 or 340 as appropriate, are expenditures for improving sites and adjacent ways after acquisition by the LEA. Used with governmental funds only. Used only with functions 4100, 4200.

720 Buildings. Expenditures for acquiring existing buildings. Included are expenditures for installment or lease payments (except interest) which have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. Expenditures for the contracted construction of buildings, for major permanent structural alterations, and for the initial or additional installation of heating and ventilating systems, fire protection systems, and other service systems in existing buildings are recorded under object 450. Buildings built and alterations performed by the LEA's own staff are charged to objects 100, 200, 610, and 730, as appropriate. Used with governmental funds only. Used only with function 4500.

730 Equipment. Expenditures for the initial, additional, and replacement items of equipment such as machinery, furniture and fixtures and vehicles. Used with governmental funds only.

731 New Machinery. Expenditures for new equipment usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill presses, printing presses, etc. Usually used with functions 1000, 2600.

732 New Vehicles. Expenditures for new equipment used to transport persons or objects. Examples are automobiles, trucks, buses, station wagons, and vans. Usually used with functions 2630, 2700.

733 New Furniture and Fixtures. Expenditures for new equipment used for sitting; as a support for writing and work activities; and as storage space for material items. Used with all functions except 5000.

734 New Computers and Communications Networking Equipment. Expenditures for new equipment used for processing and storing data and components of voice, video and data networks used to manage the transport of information. This classification includes computers, video recording and editing equipment, PBX systems, and components of video and computer networks.

735 Replacement Machinery. Expenditures for replacing equipment usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill presses, printing presses, etc. Usually used with functions 1000, 2600.

736 Replacement Vehicles. Expenditures for replacing equipment used to transport persons or objects. Examples are automobiles, trucks, buses, station wagons, and vans. Usually used with functions 2630, 2700.

737 Replacement Furniture and Fixtures. Expenditures for replacing equipment used for sitting; as a support for writing and work activities; and as storage space for material items. Used with all functions except 5000.

738 Replacement Computers and Communications Networking Equipment. Expenditures for replacing equipment used for processing and storing data and components of voice, video and data networks used to manage the transport of information. This classification includes computers, video recording and editing equipment, PBX systems, and components of video and computer networks.

739 Other Equipment. Expenditures for all other equipment not classified elsewhere in the 730 object series.

740 Depreciation. The portion of the cost of a fixed asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is apportioned over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.

In accordance with GAAP, using depreciation is required in proprietary funds only. Computing depreciation is optional in the general fixed assets account groups, but it would not be recorded there as an expense.

750 Capital Software Purchases. Expenditures of a capital nature for the acquisition of information management software or networking software.

800 Other Objects. Amounts paid for goods and services not otherwise classified above.

810 Dues and Fees. Expenditures or assessments for membership in professional or other organizations or payments to a paying agent for services rendered.

820 Judgments Against the LEA. Expenditures from current funds for all judgments (except as indicated below) against the LEA that are not covered by liability insurance, but are of a type that might have been covered by insurance. Only amounts paid as the result of court decisions are recorded here. Judgments against the LEA resulting from failure to pay bills or debt service are recorded under the appropriate expenditure accounts as though the bills or debt service had been paid when due. Used only with function 2310.

830 Interest. Expenditures for interest on bonds or notes. Used with functions 2513, 5100.

840 Contingency. This account is provided for budgeting appropriations. Expenditures to be paid from the contingency should be charged to the appropriate function and object classification.

890 Miscellaneous Expenditures. Amounts paid for goods or services not properly classified in one of the objects included above. Refunds of prior years' revenue are *charged* to this account.

900 Other Uses of Funds. This series of codes is used to classify transactions which are not properly recorded as expenditures to the LEA, but require budgetary or accounting control. These include redemption of principal on long term debt, housing authority obligations, and fund transfers. Used with governmental funds only.

910 Redemption of Principal. Outlays from current funds to retire serial bonds and long term loans. Used only with function 5100.

920 Housing Authority Obligations. Outlays from current funds to satisfy housing authority obligations of the LEA.

A public school housing authority is a public or quasi-public corporation having power to issue authority bonds for public school purposes, construct public school buildings, lease public school buildings to local public school administrative units, or transfer title to such units. All expenditures of this nature are classified in this category. Used only with function 5100.

930 Fund Transfers. Includes all transactions conveying money from one fund to another without recourse. Generally, this takes the form of a transfer from the General Fund to some other fund. Used with all functions.

940 Payments to Escrow Agents.

Project/Reporting

010-190 Local Projects. Expenditures that require specialized reporting and are funded from local sources. One example might be a project funded by the local service club to provide intramural activities for students in the community.

200-390 State Projects. Expenditures that require specialized reporting for categorically funded State programs.

400-990 Federal Projects. Expenditures that require specialized reporting to the Federal Government directly or through the State such as IASA Title I.

000 Non-Categorical. Expenditures that do not require specialized reporting.

Level of Instruction

10 Elementary. A school organization classified as elementary by State and local practice and composed of any span of grades from preprimary through eighth grade.

11 Pre-Kindergarten. A school organization composed entirely of any span of ages below kindergarten. This category is normally used for students identified as needing special services.

12 Kindergarten. A school organization for children for the year immediately preceding the first grade.

19 Other Elementary. A school organization composed of any span of grades not above grade eight except pre-kindergarten and kindergarten .

20 Middle. A school organization composed of at least three grades, usually beginning with grades five or six or their equivalent. Most middle school organizations presume a four-year high school will follow the middle school.

30 Secondary. A school organization comprising any span of grades beginning with the next grade following an elementary or middle school and ending with or below grade 12.

31 Junior High. A secondary school organization intermediate between the elementary and senior high school, usually including grades 7, 8, and 9 (in a 6-3-3 plan) or grades 7 and 8 (in a 6-2-4 plan).

32 Senior High. A school organization offering the final years of high school work necessary for graduation.

39 Other Secondary. For example, a grade 7-12 high school.

40 Postsecondary. A school organization for adults and out-of-school youth (16 years of age or older who are not regularly enrolled in school) who have either completed, interrupted or have not begun their formal education, or for students attending an institution of higher education.

41 Adult/Continuing. A school organization for adults and out-of-school youth (16 years of age and older who are not regularly enrolled in school) who have either completed, interrupted, or have not begun their formal education and are pursuing skills or knowledge in other than regularly prescribed courses. These include adult basic schools, advanced adult schools, occupational schools and those schools which have as their purpose the upgrading of occupational skills, retraining existing skills, pursuit of special interests, or enrichment.

42 Community/Junior College. An institution of higher education that usually offers the first two years of college instruction and frequently grants an associate's degree, but does not grant a bachelor's degree. It is either an independently organized institution (public or nonpublic), an institution which is part of an LEA, or an independently organized system of junior colleges. Junior colleges offer college transfer courses and programs; vocational, technical, and semiprofessional occupational programs; or general education programs.

00 District-Wide. Assigned to any expenditure transaction that applies to the entire LEA rather than a specific instructional level.

Operational Unit

This dimension is commonly used in LEA's: (1) as a way to identify attendance centers; (2) as a budgetary unit or cost center designator; (3) as a means of segregating costs by building structure; and (4) as a location code for payroll check distribution.

Subject Matter

01 Agriculture. Activities concerned with preparing for or upgrading in occupations requiring knowledge and skills in agricultural subjects. The instruction emphasizes the functions of agricultural production, agricultural supplies, agricultural mechanization, agricultural products (processing), ornamental horticulture, forestry, agricultural resources, and the services related thereto. The instruction is designed to provide opportunities for students to prepare for or improve their competency in agricultural occupations. An agricultural occupation may include one or any combination of the functions mentioned.

02 Art. Activities involving primarily visual, tactile and kinesthetic expression. Included in art instruction are the two-dimensional forms such as drawing, painting, or printmaking; the three-dimensional forms such as sculpture or pottery; other spatial concepts such as architecture and design for the performing arts; and the history and theory of art. Emphasis is placed upon the esthetic and creative factors of visual forms.

03 Business. Activities designed to develop in students the attitudes, knowledge, skills, and understanding concerned with business principles and practices. These could be used in personal life, in the business world, or both. Business also includes a wide variety of aspects of general education, e.g., subject matter from other areas such as English (language arts), social sciences/social studies, and mathematics.

04 Distributive Education. Activities concerned with directing the flow of goods and services, including their appropriate utilization, from the producer to the consumer. These activities include selling and such sales-supporting functions as buying, transporting, storing, promoting, financing, marketing research and management.

05 English Language Arts. Activities concerned with developing (1) an understanding of the language system; (2) proficiency and control in the use of the English language; (3) appreciation of a variety of literary forms; (4) understanding and appreciation of various aspects of past and present cultures as expressed in literature; and (5) skills which will promote lifelong learning.

06 Foreign Language. Includes the body of subject matter that is comprised of a variety of foreign languages, including English as a foreign language. Classified under this heading are the various classical and modern foreign languages.

07 Health Occupations Education. Activities designed to impart knowledge and develop understanding and skills required to support the health professions. Instruction is organized to prepare students for occupational objectives concerned with assisting qualified personnel in providing diagnostic, therapeutic, preventive, restorative, and rehabilitative services to people. Instruction also includes understanding and skills essential to provide care and health services to patients.

08 Health and Safety in Daily Living, Physical Education, and Recreation. Includes the body of related subject matter and activities in health and safety in daily living, physical education, and recreation. These areas are organized for carrying on learning experiences concerned with developing (1) knowledge, attitudes, appreciation, and conduct essential to individual and group health; (2) awareness of, concern for, and knowledge, skills, and judgment necessary for practicing and promoting personal and public safety in the home, at school, on the job, and in traffic; and (3) physical and mental growth and fitness through activities designed to improve the muscles, motor skills, attitudes and habits of conduct of individuals and groups.

09 Home Economics. Activities organized to enable students to acquire knowledge and develop understanding, attitudes, and skills relevant to (a) personal, home, and family life, and (b) occupational preparation using the knowledge and skills of home economics. The subject matter of home economics includes, in addition to that which is unique to the area, concepts drawn from the natural and social sciences and the humanities.

10 Industrial Arts. Activities organized to develop understanding about the technical, consumer, occupational, recreational, organizational, managerial, social, historical, and cultural aspects of industry and technology. Learning experiences involve activities such as experimenting, designing, constructing, evaluating, and using tools, machines, materials, and processes that provide opportunities for creativity and problem solving.

11 Mathematics. Activities concerned with the science of relations existing between quantities (magnitude) and operations, and with the science of methods used for deducing from other quantities, known or supposed, the quantities sought.

12 Music. Includes the fine art that utilizes sounds in time in a meaningful and organized manner. Subject matter and activities in music are designed to impart the skills and knowledge necessary for understanding, appreciating, creating, performing, and enjoying music.

13 Natural Sciences. Activities concerned with knowledge of the physical and biological world, and of the processes of discovering and validating this knowledge.

14 Office Occupations. Activities organized into programs of instruction to provide opportunities for students to prepare for and achieve career objectives in selected office occupations. In the instructional process, various aspects of subject matter frequently are drawn from other subject-matter areas. Learning experiences are designed to lead to individual employment, advancement, or both, in occupations in public or

private enterprises or organizations related to the facilitating function of the office. "Facilitating function," as used here refers to the expediting role played by office occupations as the connecting link between the production and distribution activities of an organization. Included is a variety of activities, such as recording and retrieving data, supervising and coordinating office activities, communicating internally and externally, and reporting information.

15 Social Sciences. Comprised of interrelated subject matter organized to impart knowledge, develop skills, and identify goals concerning elements and institutions of human society. This learning occurs through the disciplines of history, economics, political science, sociology, anthropology, psychology, geography and philosophy.

16 Technical Education. Concerned with that body of knowledge organized in a planned sequence of classroom and laboratory experiences to prepare students for a cluster of job opportunities in a specialized field of technology. The program of instruction normally includes the study of the underlying sciences and supporting mathematics inherent in a technology, as well as methods, skills, materials, and processes commonly used and services performed in the technology. A planned sequence of study and extensive knowledge in a field of specialization is required in technical education, including competency in the basic communication skills and related general education. Technical education prepares for the occupational area between the skilled craftsperson and the professional person.

17 Trades and Industrial Occupations. Comprises the branch of vocational education which is concerned with preparing persons for initial employment, or for upgrading or retraining workers in a wide range of trade and industrial occupations. Such occupations are skilled or semiskilled and are concerned with layout designing, producing, processing, assembling, testing, maintaining, servicing, or repairing any product or commodity. Instruction is provided (1) in basic manipulative skills, safety judgment, and related occupational information in mathematics, drafting, and science required to perform successfully in the occupation; and (2) through a combination of shop or laboratory experiences simulating those found in industry and classroom learning. Included is instruction for occupational apprenticeships or for journeymen already engaged in a trade or industrial occupation. Also included is training for service and certain semiprofessional occupations considered to be trade and industrial in nature.

18 General Elementary/Secondary Education. Refers to instruction which takes place in a self-contained class. Learning experiences are concerned with the knowledge, skills, appreciation, attitudes, and behavioral characteristics considered to be needed by all students for the broad educational outcomes they should achieve to the limits of their capacities during the elementary and secondary school years.

19 Differentiated Curriculum for Handicapped Students. For students whose handicaps are of such a nature and degree as to interfere with intellectual development and learning under regular class methods. These students, therefore, require differentiated curriculum for some part—and, frequently, for all of their education.

20 Cocurricular Activities. Comprised of the group of school-sponsored activities under the guidance of qualified adults. These activities are designed to provide opportunities for students to participate in such experiences on an individual basis, in small groups, or in large groups at school events, public events, or a combination of these for purposes such as motivation, enjoyment, and improvement of skills. In practice, participation usually is not required and credit usually is not given. When participation is required or credit is given, the activity generally is considered to be a course.

21 Safety and Driver Education. Activities in safety and driver education are organized to develop the ability to operate a motor vehicle and to respond appropriately when driving or walking in traffic. Subject matter and activities in safety education are primarily concerned with enhancing personal characteristics and values involved in preventing accidents and saving lives.

22 Junior ROTC. Activities organized into programs of instruction to provide opportunities for students to prepare for and achieve career objectives in selected branches of the military service. In the instructional process, various aspects of subject matter frequently are drawn from other subject matter areas.

Job Classification

10 Official/Administrative. A grouping of assignments comprising the various skill levels required to perform management activities. These activities include developing broad policies for the LEA and executing these policies by directing staff members at all levels of the LEA. Activities performed directly for policymakers are also included here. The Official/Administrative classification does not preclude Professional-Educational or Professional-Other status. This classification normally includes the district-wide administrators and Board of Education members and Board of Education appointed officials.

20 Professional—Educational. A grouping of assignments requiring a high degree of knowledge and skills acquired through at least a baccalaureate degree (or its equivalent obtained through special study, experience, or both). This learning includes skills in education or educational psychology. Included are curriculum specialists, counselors, library/media specialists, remedial specialists and teachers. Teachers' aides are classified under *40Technical*.

30 Professional—Other. A grouping of assignments requiring a high degree of knowledge and skills acquired through at least a baccalaureate degree (or its equivalent obtained through special study, experience, or both), but not requiring skills in education. This classification normally includes nurses, social workers and psychologists, architects, lawyers, accountants, physicians and therapists; among others.

40 Technical. A grouping of assignments requiring a combination of basic scientific knowledge and manual skills which can be obtained through approximately 2 years of post-high school education. Such education is offered, for example, in

junior/community colleges and technical institutes, or through equivalent special study, on-the-job training, or both. This classification normally includes interns, aides, computer operators, practical nurses and the like.

50 Office/Clerical. A grouping of assignments to perform the activities of preparing, transferring, transcribing, systematizing, or preserving communications, records, and transactions, regardless of the level of skills required, where the activities are predominantly not manual.

60 Crafts and Trades. A grouping of manual assignments requiring a relatively high skill level (usually acquired through an extensive period of training). This requires considerable judgment and a thorough and comprehensive knowledge of the processes involved in the work. This classification normally includes carpenters, electricians, painters, plumbers and mechanics.

70 Operative. A grouping of manual assignments requiring an intermediate skill level (which can be mastered in a few weeks through limited training) necessary to operate machines. This classification normally includes any bus or truck drivers.

80 Laborer. A grouping of manual assignments which generally require no special training. All laborers who lift, dig, mix, load and pull would be classified in this general job classification. Under the Laborer classification, the one fairly common specific activity assignment associated with an LEA is groundskeeping. Other activity assignments may be added by the local administrator if needed by a particular LEA.

90 Service Work. A grouping of assignments, regardless of level of difficulty, that relate to both protective and non-protective support services. Under the Service Work classification, the following activity assignments are the most common in the LEA: custodians, warehouse workers and food service employees. The list may be expanded as necessary at the discretion of the local administrator.

Special Cost Center

Finally, it is recognized that LEA's utilize many other methods of classifying expenditures for particular purposes. None of these methods is used with enough regularity for inclusion here, but when used, they are important.

Balance Sheet Accounts

Balance sheet accounts include Assets and Other Debits which are balanced against Liabilities, Equity and Other Credits.

Assets and Other Debits

Assets and other debits include what is owned and what is not owned (as of the date of the balance sheet) but is expected to become fully owned at some future date. Also included are other budgeting and offsetting accounts which normally appear only on interim financial statements.

Current Assets. Those assets which are cash or anything which can be readily converted into cash.

100 Cash. Cash found in all locations.

101 Cash in Bank. All funds on deposit with a bank, savings and loan institution or other depository.

102 Cash on Hand. Currency, coins, checks, postal and express money orders, and bankers' drafts on hand.

103 Petty Cash. A sum of money set aside for the purpose of paying small obligations.

104 Change Cash. A sum of money set aside to provide change.

105 Cash With Fiscal Agents. Deposits with fiscal agents, such as commercial banks, for paying matured bonds and interest.

110 Investments. All investments, investment earning and associated contra accounts.

111 Investments. Securities with a maturity of 90 days or more and real estate held for producing income in the form of interest, dividends, rentals or lease payments. The account does not include fixed assets used in LEA operations.

112 Unamortized Premiums on Investments. The excess of the amount paid for securities over the face value which has not yet been amortized. Use of this account is normally restricted to long term investments.

113 Unamortized Discounts on Investments (Credit). The excess of the face value of securities over the amount paid for them which has not yet been amortized. Use of this account is normally restricted to long term investments.

114 Interest Receivable on Investments. The amount of interest receivable on investments, excluding interest purchased. Interest purchased should be shown in a separate account.

115 Accrued Interest on Investments Purchased. Interest accrued on investments between the last interest payment date and date of purchase. The account is carried as an asset until the first interest payment date after date of purchase. Upon receipt and deposit of the cash, an entry is made debiting the account Cash in Bank, and crediting the Accrued Interest on Investments Purchased account for the amount of interest purchased and an Interest Earned revenue account (1510) for the balance.

120 Assessments Receivable. Anticipated revenue from taxes.

121 Assessments Receivable. The unpaid portion of a school district assessment which is due an LEA.

122 Estimated Uncollectible Assessments (Credit). That portion of assessments receivable which is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Assessments Receivable account in order to arrive at the net assessments receivable.

130 Interfund Receivables.

131 Interfund Loans Receivable. An asset account used to record a loan by one fund to another fund in the same governmental unit. It is recommended that separate accounts be maintained for each interfund receivable loan.

132 Interfund Accounts Receivable. An asset account used to indicate amounts owed to a particular fund by another fund in the same LEA for goods sold or services rendered. It is recommended that separate accounts be maintained for each interfund loan receivable.

140 Intergovernmental Receivables. Amounts due to the reporting governmental unit from another governmental unit. These amounts may represent assessments receivable grants-in-aid, loans, and charges for services rendered by the reporting unit for another government. It is recommended that separate accounts be maintained for each interagency receivable.

150 Other Receivables.

151 Loans Receivable. Amounts which have been loaned to persons or organizations, including notes taken as security for such loans, where permitted by statutory authority.

152 Estimated Uncollectible Loans (Credit). That portion of loans receivable which is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Loans Receivable account.

153 Accounts Receivable. Amounts owing on open account from private persons, firms, or corporations for goods and services furnished by an LEA (but not including amounts due from other funds or from other governmental units) .

154 Estimated Uncollectible Accounts Receivable (Credit). A provision for that portion of accounts receivable which is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Other Accounts Receivable account.

160 Bond Proceeds Receivable. An account used to designate the amount receivable upon sale of bonds.

170 Inventories.

171 Inventories for Consumption. The cost of supplies and equipment on hand not yet distributed to requisitioning units.

172 Inventories for Resale. The value of goods held by an LEA for resale rather than for use in its own operations.

180 Prepaid Expenses. Expenses paid for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Examples of prepaid expenses are prepaid rent, prepaid interest, and unexpired insurance premiums. An example of a deferred charge is unamortized discounts on bonds sold.

190 Other Current Assets.

191 Deposits. Funds deposited by the LEA as a prerequisite to receiving services, goods, or both.

199 Other Current Assets. Current assets not provided for elsewhere.

Fixed Assets. Those nonProprietary Fund assets which represent past expenditures and are not resources available to finance current governmental activities. The LEA intends to hold or continue in use over a long period of time. These assets are reported in the General Fixed Assets Account Group.

210 Sites.

211 Sites. A fixed asset account which reflects the acquisition value of land owned by an LEA. If land is purchased, this account includes the purchase price and costs such as legal fees, filling and excavation costs, and other associated improvement costs incurred to put the land in condition for its intended use. If land is acquired by gift, the account reflects its estimated fair value at the time of acquisition.

220 Site Improvements.

221 Site Improvements. A fixed asset account which reflects the acquisition value of permanent improvements, other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels and bridges. If the improvements are purchased or constructed, this account contains the purchase or contract price. If improvements are obtained by gift, it reflects the estimated fair value at the time of acquisition .

222 Accumulated Depreciation on Site Improvements (Credit). Accumulated amounts for depreciation of land improvements. The recording of depreciation is optional in the General Fixed Assets Account Group, and is required in Proprietary Funds.

230 Buildings and Improvements.

231 Buildings and Building Improvements. A fixed asset account which reflects the acquisition cost of permanent structures used to house persons and property owned by the LEA. If buildings are purchased or constructed, this account includes the purchase or contract price of all permanent buildings and the fixtures attached to and forming a permanent part of such buildings. This account includes all building improvements. If buildings are acquired by gift, the account reflects their estimated fair value at the time of acquisition.

232 Accumulated Depreciation on Buildings and Building Improvements (Credit). Accumulated amounts for depreciation of buildings and building improvements. The recording of depreciation is optional in the General Fixed Assets Account Group, and is required in Proprietary Funds.

240 Machinery and Equipment.

241 Machinery and Equipment. Tangible property of a more or less permanent nature, other than land, buildings, or improvements thereto, which is used in carrying on operations. Examples are machinery, tools, trucks, cars, buses, furniture and furnishings. The appendix provides criteria to distinguish whether a purchase is a supply or a piece of machinery or equipment.

242 Accumulated Depreciation on Machinery and Equipment. Accumulated amounts for depreciation of machinery and equipment. The recording of depreciation is optional in the General Fixed Assets Account Group, and is required in the Proprietary Funds.

250 Construction in Progress. The cost of construction work undertaken, but not yet completed.

Budgeting Accounts and Other Debits. Budgeted and actual amounts for revenues as well as offsetting accounts which normally have debit balances. The budgeting accounts normally appear only in interim financial reports.

301 Estimated Revenues (Budget Account). The amount of revenues estimated to be received or to become receivable during the fiscal period. At the end of the fiscal period, the account is closed out and does not appear in the balance sheet. This account would appear in interim financial statements.

302 Revenues (Budget Account). The total of all revenues realized during a period. The account appears only in a balance sheet prepared during the fiscal period. At the end of the fiscal period, the account is closed out and does not appear in the balance sheet.

303 Amount Available in Debt Service Funds (Other Debit). An account in the General Long-Term Debt Account Group which designates the amount of fund balance available in the Debt Service Fund for the retirement of long term debt. ***Not applicable in the State of New Hampshire.***

304 Amount To Be Provided for Retirement of General Long-Term Debt (Other Debit). An account in the General Long-Term Debt Account Group which designates the amount to be provided from taxes or other revenue to retire long term debt.

Liabilities, Equity and Other Credits

Liabilities, equity and other credits include debts, investment in fixed assets and fund equity of the LEA. Also included are other budgeting and off-setting accounts which normally appear only on the interim financial statements.

Current Liabilities. Those debts that the LEA expects to liquidate using available financial resources.

400 Interfund Payables.

401 Interfund Loans Payable. A liability account used to record a debt owed by one fund to another fund in the same governmental unit. It is recommended that separate accounts be maintained for each interfund loan.

402 Interfund Accounts Payable. A liability account used to indicate amounts owned by a particular fund to another fund in the same LEA for goods and services rendered. It is recommended that separate accounts be maintained for each interfund payable.

410 Intergovernmental Accounts Payable. Amounts owed by the reporting LEA to another governmental unit. It is recommended that separate accounts be maintained for each interagency payable.

420 Other Payables.

421 Accounts Payable. Liabilities on open account owing to private persons, firms, or corporations for goods and services received by an LEA (but not including amounts due to other funds of the same LEA or to other governmental units).

422 Judgments Payable. Amounts due to be paid by an LEA as the result of court decisions, including condemnation awards paid for private property taken for public use.

423 Warrants Payable. Amounts due to designated payees in the form of a written order drawn by the LEA directing the LEA treasurer to pay a specific amount.

429 Other General Payables.

430 Contracts Payable.

431 Contracts Payable. Amounts due on contracts for assets, goods and services received by an LEA.

432 Construction Contracts Payable-Retained Percentage. Liabilities on account of construction contracts for that portion of the work which has been completed but on which part of the liability has not been paid pending final inspection, or the lapse

of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.

433 Construction Contracts Payable. Amounts due by an LEA on contracts for constructing buildings, structures, and other improvements.

440 Bonds and Interest Payable.

441 Matured Bonds Payable. Bonds which have reached or passed their maturity date but which remain unpaid.

442 Bonds Payable. Bonds with original maturity of one year or less from the date of issuance which have not reached their maturity date, or the portion of proprietary fund bonds due within one year of the balance sheet date.

443 Unamortized Premiums on Bonds Sold. An account which represents that portion of the excess of bond proceeds over par value and which remains to be amortized over the remaining life of such bonds.

444 Bond Interest Payable. Interest due within one year.

450 Loans and Interest Payable.

451 Loans Payable. Short-term obligations representing amounts borrowed for short periods of time, usually evidenced by notes payable or warrants payable.

455 Loan Interest Payable. Interest due within one year.

460 Accrued Salaries and Benefits. Salary and fringe benefit costs incurred during the current accounting period which are not payable until a subsequent accounting period.

470 Payroll Deductions and Withholdings. Amounts deducted from employees salaries for withholding taxes and other purposes. District-paid benefits amounts payable also are included. A separate liability account may be used for each type of benefit.

480 Deferred Revenues. A liability account which represents revenues collected before they become due.

490 Other Current Liabilities.

491 Deposits Payable. Liability for deposits received as a prerequisite to providing or receiving services, goods, or both.

492 Due to Fiscal Agent. Amounts due to fiscal agents, such as commercial banks, for serving an LEA's matured indebtedness.

499 Other Current Liabilities. Other current liabilities not provided for elsewhere.

Long-Term Liabilities. Debt which is not expected to be liquidated through the use of current assets.

511 Bonds Payable. The matured portion of bonds with original maturity of over one year from date of issuance, or the noncurrent portion of proprietary fund bonds.

521 Loans Payable. An unconditional written promise signed by the maker to pay a certain sum of money one year or more after the issuance date.

531 Lease Obligations. Amounts remaining to be paid on lease purchase agreements.

541 Unfunded Pension Liabilities. The amount of the actuarial deficiency on a locally-operated pension plan to be contributed by the LEA on behalf of present employees.

590 Other Long-Term Liabilities. Other long term liabilities not provided for elsewhere.

Budgeting Accounts. These categories, which normally have credit balances, represent accounts which reflect budgeted and actual amounts related to expenditures and encumbrances. These accounts normally appear only in interim financial statements.

601 Appropriations (Budget Account). This account records authorizations granted by the school board or legislative body to make expenditures for specific purposes. This account appears in a balance sheet prepared during the fiscal period. It is closed out and does not appear in the balance sheet prepared at the close of the fiscal period.

602 Expenditures/Expenses (Budget Account). This account appears in balance sheets prepared during the fiscal period and designates the total of expenditures (or operating expenses in proprietary funds) charged against appropriations during this period. The expenditure account is shown in each governmental fund balance sheet as a deduction from the Appropriations account to arrive at the unexpended balance of total appropriations.

603 Encumbrances (Budget Account). This account designates obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. In an interim balance sheet, encumbrances are deducted, along with the expenditures from the Appropriations account, to arrive at the unencumbered balance.

Fund Equity These are accounts showing the excess of a fund's assets over its liabilities. Portions of that balance may be reserved for future use.

710 Investment in General Fixed Assets. An account in the General Fixed Assets Account Group which represents the LEA's equity in general fixed assets. The balance of this account is normally subdivided according to the source of funds that financed the asset acquisition, such as General Fund revenues, bond issues and contributions. These assets are reported in the General Fixed Assets Accounts Groups.

720 Contributed Capital. An equity account in the proprietary funds showing the amount of fund capital contributed by the governmental unit from general government revenue and resources, or by other governments, developers or users. Annual subsidies to cover operating deficits are not recorded here. These amounts are recorded as other sources (interfund transfers) and closed to the unreserved retained earnings account (740).

730 Reserved-Retained Earnings. The accumulated earnings of the proprietary funds which have been retained in the fund and which are reserved for a specific purpose. One example would be funds reserved for the future purchase of equipment.

740 Unreserved-Retained Earnings. The accumulated earnings of the proprietary funds that have been retained in the fund and that are not reserved for any specific purpose.

750 Reserved Fund Balances. A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up and are, therefore, not available for appropriation.

751 Reserve for Inventories. A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up in inventories and are, therefore, not available for appropriation.

752 Reserve for Prepaid Expenses. A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up in prepaid expenses and are, therefore, not available for appropriation.

753 Reserve for Encumbrances. A reserve representing that portion of a fund balance segregated to provide for unliquidated encumbrances. Separate accounts may be maintained for current encumbrances and prior-year encumbrances.

754 Reserve for Continuing Appropriations. A reserve representing that portion of a fund balance which is the unexpended portion of a non-lapsing appropriation.

755 Reserve for Amounts Voted From Surplus. A reserve representing that portion of a fund balance which, by vote, has been set aside for a particular purpose for the following year.

756 Reserve for Endowments. A reserve representing the principal portion of a non-expendable trust fund.

760 Reserved for Special Purposes Fund Balance. A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up and are, therefore, not available for appropriation. It is recommended that a separate reserve be established for each special purpose. One example of a special purpose would be restricted Federal programs.

770 Unreserved Fund Balance. The excess of the assets of a fund over its liabilities and reserved fund balance accounts.

APPENDIX B

**REVENUE AND BALANCE SHEET
ACCOUNTS BY FUND**

TO BE DEVELOPED

APPENDIX C

GASB JURISDICTION AND THE GAAP HIERARCHY

Appendix C - GASB JURISDICTION AND THE GAAP HIERARCHY

Chapters 1 of the Government Finance Officers Association's (GFOA) 1994 *Governmental Accounting, Auditing and Financial Reporting (GAAFR)* describes the Governmental Accounting Standards Board's (GASB) jurisdiction, as well as the hierarchy of generally accepted accounting principles (GAAP) applicable to state and local governments. Two important developments have occurred that relate to the GASB's jurisdiction and the "GAAP hierarchy." The first was the "five-year review" of the GASB's structure and operations, which was completed in 1989. The second development was the American Institute of Certified Public Accountants' (AICPA) release of Statement on Auditing Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*. This section will discuss both of these developments.

Jurisdiction

The agreement that led to the establishment of the GASB in 1984 gave it jurisdiction over external financial reporting by any type of governmental entity. Accordingly, a variety of governmental entities with private-sector counterparts (i.e., hospitals, utilities, and colleges and universities) fell within the scope of the GASB's jurisdiction. Moreover, the GASB's jurisdiction was in no way limited exclusively to situations where data from such entities were incorporated within the financial statements of general-purpose governments. Rather, the GASB's authority extended equally to the separately issued financial reports of governmental hospitals, utilities and colleges and universities.

Being subject to GASB jurisdiction by no means meant that governmental hospitals, utilities, and colleges and universities were to use the same financial reporting used by general-purpose state and local governments. In fact, the GASB made no changes to the basic accounting and financial reporting traditionally used by such entities. The GASB did retain the right, however, to make any changes it believed necessary.

During the period from 1984 to 1989 (the year the GASB's five-year review was completed), GASB changes related to governmental hospitals, utilities, and colleges and universities were limited to certain additional note disclosures (e.g., information on custodial credit risk for deposits and investments). During this same period, however the Financial Accounting Standards Board (FASB) began to modify the accounting and financial reporting traditionally used by hospitals, utilities, and colleges and universities in the private sector.

The first such change was the adoption of FASB Statement No. 87, *Employer's Accounting for Pensions*, which changed the traditional financial reporting used by employers to account for pension benefits provided to employees. The GASB did not believe it would be appropriate to allow a major change in employer's accounting for pensions for any governmental entity until the GASB had time to complete its own

project on pension accounting, which would take into account the unique circumstances of the public sector. Accordingly, the GASB issued Statement No. 4, *Applicability of FASB Statement No. 87, "Employer's Accounting for Pensions," to State and Local Governmental Employers*, which prohibited governmental employers including hospitals, utilities, and colleges and universities from changing their accounting and financial reporting to comply with the new FASB guidance on pensions. A second change occurred when the FASB issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*. Historically, colleges and universities have not been required to report depreciation expense in their financial statements. FASB Statement No. 93 required all not-for-profits, including colleges and universities, to change their traditional accounting and financial reporting to include depreciation. Once again, the GASB did not believe it would be appropriate to require a major change in fixed asset accounting for governmental colleges and universities without having thoroughly examined the issue from a public-sector perspective. Accordingly, the GASB issued Statement No. 8, *Applicability of FASB Statement No. 93, Recognition of Depreciation by Not-for-Profit Organizations," to Certain State and Local Governmental Entities*, which abrogated the FASB requirement to report depreciation in the financial statements of governmental colleges and universities.

As a result of these FASB actions, some finance professionals involved with governmental hospitals, utilities, and colleges and universities began to express concern that accounting and financial reporting for governmental institutions in these fields could begin to differ materially from that used by similar institutions in the private sector. They proposed that the FASB alone be allowed to set standards affecting the separately issued basic financial statements of institutions in these fields, both governmental and private. They advocated that the GASB's role regarding separately issued financial statements of these entities be limited to promulgating any special disclosure requirements the board might believe necessary.

The Financial Accounting Foundation (FAF), which oversees both the GASB and the FASB, eventually rejected this proposal. The FAF chose instead to maintain the GASB's absolute jurisdiction over all external financial reporting by governmental hospitals, utilities and colleges and universities. At the same time, the GASB in its new mission statement has formally committed itself to considering the potential adverse effects of any contemplated GASB action that could result in accounting and financial reporting differences between governmental entities and similar entities in the private-sector. The underlying question of what makes a given entity "governmental" will be addressed by the FAF, with the assistance of both the GASB and the FASB.

Since 1989, developments have had the effect of increasing, rather than decreasing, financial reporting differences between governmental and similar private-sector entities. GASB Statement No. 9, for example (which is discussed elsewhere in this publication), establishes a statement of cash flows (affecting both utilities and hospitals) that differs materially in certain respects from the statement of cash flows used in the private sector.

Similarly, GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, allows governmental entities not to report on an accrual basis in their operating statements the cost of providing postemployment benefits to employees, even though such reporting is now required in the private sector by FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. GASB Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models*, provides two financial reporting options for public-sector institutions of higher education. They may report using the same model as general-purpose local governments, or they may follow the reporting model outlined in the AICPA's audit guide, *Audits of Colleges and Universities*.¹

GAAP Hierarchy

As of March 15, 1992, a new hierarchy of authoritative GAAP for state and local governments took effect.² The details of this hierarchy are set forth in SAS No. 69, as illustrated in Exhibit 1-A. The various levels of this hierarchy can be briefly described as follows:

Level 1. This level comprises the statements and interpretations of the GASB, as well as those statements and interpretations of the National Council on Governmental Accounting (NCGA) that are still in force per the provisions of GASB Statement No. 1, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*. Certain FASB pronouncements also enjoy "level 1" status because they have been adopted, in whole in part, by GASB or NCGA pronouncements (e.g., FASB Statement No. 5, *Accounting for Contingencies*, which was formally adopted by NCGA Statement No 4, *Claims and Judgements and Compensated Absences*). Similarly, FASB guidance is generally applicable to proprietary funds because "the generally accepted accounting principles here are those applicable to similar businesses in the private sector" (1992 *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1300.102b).³

¹ The reference here is to the audit guide as modified by 1) the AICPA's Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, 2) FASB pronouncements issued through November 30, 1989, and 3) GASB pronouncements applicable to colleges and universities.

² The term "hierarchy" is used to denote the fact that guidance provided on a higher level would supersede any conflicting guidance that may be found at a lower levels.

³ In April 1993, the GASB issued an exposure draft on *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. If approved, this guidance would provide governmental proprietary funds the option of not following FASB pronouncements issued subsequent to November 30, 1989.

*Supplements to NH Financial Accounting Handbook
for Local Education Agencies - Appendix C*

Level 2. GASB technical bulletins (TBs), unlike the GASB statements and interpretations, are staff documents rather than formal board pronouncements; therefore, they enjoy "level 2" rather than "level 1" status. This level also includes AICPA industry audit and accounting guides and statements of position (SOPs) that (1) specifically apply to government and (2) are cleared by the GASB.

Level 3. Practice bulletins of the AICPA's Auditing Standards Executive Committee (AcSEC) enjoy "level 3" status provided that they both specifically apply to government and have been cleared by the GASB. Likewise, should the GASB eventually establish an emerging issues task force similar to the FASB's, the consensus positions of that group also would be ranked at this level.

Level 4. Periodically, the GASB issues implementation guides to help financial statement preparers put in practice new accounting and financial reporting guidance. Such guides, which are staff documents rather than formal GASB pronouncements, enjoy "level 4" status on the GAAP hierarchy.⁴ Similarly, widely recognized and prevalent practices such as those described in the GFOA's 1994 *GAAFR* and this publication), also are considered to exercise "level 4" authority. Finally, this level also would include any AICPA documents that specifically applied to government, but were not cleared by the GASB.

In the absence of guidance at one of these four "established" levels, auditors may have recourse to a wide variety of other accounting literature for guidance, including the following:

- GASB Concepts Statements
- GFOA'S monthly newsletter
- *GAAFR Review*
- Textbooks and articles
- FASB pronouncements

Normally, GASB Concepts Statements would be more authoritative than other literature at this level.⁵

Three important differences should be noted between this new hierarchy and that which was applicable prior to March 15, 1992:

- There is no longer a presumption that FASB statements and interpretations are authoritative in the absence of GASB guidance to the contrary;
- AICPA audit and accounting guides and SOPs must be specifically applicable to government and cleared by the GASB if they are to enjoy "level 2" status; and

⁴ To date, the GASB has issued two such implementation guides: *Guide to Implementation of GASB Statement 3 on Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and *Guide to Implementation of GASB Statement 9 on Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Two other implementation guides, *Guide to Implementation of GASB Statement 14 on The Financial Reporting Entity*, and *Guide to Implementation of GASB Statement No. 10 on Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, are scheduled to be released in the near future.

⁵ See U.S. Auditing Standards (AU), Section 411.13.

- AICPA audit and accounting guides and SOPs (if applicable to government and cleared by GASB) will take precedence, regardless of circumstances, over widely recognized and prevalent practice.

It is also important to note that SAS No. 69 does not require that any current accounting and financial reporting practice be changed as a result of the new GAAP hierarchy, provided that the practice was acceptable under the previous hierarchy. Practices adopted subsequent to March 15, 1992, however, will need to conform to the new hierarchy.

Ethical Considerations

The AICPA's Ethics Rule 203 applies only to GASB pronouncements. That rule makes it an ethical violation for an auditor to assert that financial statements are fairly presented in conformity with GAAP if they materially depart from GASB guidance. That is not to say, however, that auditors need not be concerned by guidance contained on other levels of the GAAP hierarchy. Under the AICPA's Ethics Rule 202, auditors may be required to justify their departure from guidance contained at other levels of the GAAP hierarchy.

Exhibit 1-A

GAAP Hierarchy (Per SAS No. 69)			
	<u>GASB</u>	<u>AICPA</u>	<u>Other</u>
Level 1	Statements and Interpretations		
Level 2	Technical Bulletins	Audit and Accounting Guides/SOPs (Specific to Government and Cleared)	
Level 3	Emerging Issues Task Force Consensus Positions	AcSEC Practice Bulletins (Specific to Government and Cleared)	
Level 4	Implementation Guides	Audit and Accounting Guides/SOPs/AcSEC Practice Bulletins (Specific to Government but <i>Not</i> Cleared)	Widely Recognized and Prevalent Practice
Other Sources	Concepts Statements		88 <i>GAAFR/GAAFR Review/Textbooks/Articles</i>
	*The GASB has not yet established an Emerging Issues Task Force.		

APPENDIX D

**BUSINESS/FINANCE
RELATED TO STATE
STATUTES**

***Appendix D - A COMPENDIUM OF BUSINESS/FINANCE RELATED
STATE STATUTES RELATING TO SCHOOL DISTRICTS AND
ADMINISTRATIVE UNITS***

<u>Description</u>	<u>R.S.A.</u>
Accounting, uniform system	21-J:17
Acting Treasurer	197:24
Administrative Procedures (DRA)	21-J
Agreements between Governmental Units	53-A
Annual Meeting	197:1
Apportionment of school moneys	194:9
Appropriations	
▪Bodily injury, satisfaction of judgment	507-B:8
▪Building trades fund	198:4-a
▪Capital reserve funds	35:1-8
▪Disabled persons, special education	186-C:10
▪Health services	200:41
▪Report	198:4-d
▪Special meetings, requirement for	197:3
▪Trust funds for specific purposes	198:20-c
▪Unanticipated funds made available	198:20-b
Articles for warrant	197:6
Auditors	197:25
Audits	
▪Expenses	21-J:22
▪Filing	198:4-d
▪Petitions for	21-J:19
▪Private audits, expenses	21-J:23
▪Reports, publication of	21-J:21
▪Time for	21-J:20
Bonds and notes	33:8,194:4
Bonds, sureties, treasurer posting	197:22
Borrowing money	194:3
Budget report	198:4-d
Budget Committee see MUNICIPAL BUDGET LAW	
Building Aid	198:15
Capital reserve funds	35
Catastrophic Aid	186-C:18
Charter Commission	49-B:4
Charter Schools	194-B
Compensation/salaries, payment, time for	31:9-b

*Supplements to NH Financial Accounting Handbook
for Local Education Agencies - Appendix D*

Collateralization securities (defined)	386:57
Collective bargaining	273-A
Conflict of interest re: public officials	95:1&:1-a
Contingency fund	198:4-b
Contractual agreements	194:2
Cooperative school districts	195
Debt limit	33:4-a
Debt limit-Area schools	195-A:7
Debt limit Cooperative school districts	195:6
Deputy treasurer	197:24-a
Disposition of municipal records	33-A
Dissolution of district	194
District board/officers, salaries of	194:1
Emergency borrowing	33:6,31:1
Emergency expenditures	32:11
Employees-Incompatible offices	669:7
Equalized Valuation	21J:13
Executions of levy	530:1
Expendable trust funds	198:20-C
Facsimile signatures, use of	93-A:1
Federal aid	124
Financial reports	198:4-d
Forest Reserve Funds	227-H:20
Foundation aid	198
Gasoline tax refunds	260:38
Governing body, defined	21:48
Handicapped, reserve fund	35:1-b
Incompatible positions	671:18
Investments	197:23-a
Judgements-borrowing to meet	33:3
Kindergarten Aid	198:15
Liability-limit of governmental unit	507-B:4
Medicaid reimbursement program	186-C:25
Meetings-warrant for	197:6
Municipal bond bank	35-A
Municipal budget law	32
Municipal finance act	33
Official Ballot	40:13
Open Enrollment	194-B
Pooled risk management programs	5-B:3
Records, keeping of	197:20
Records disposal/retention	189:29-a
Reimbursement anticipation notes, spec. ed. Costs	198:20-d
Reports	
▪Financial	198:4-d
▪Town report, annual	198:4-e

*Supplements to NH Financial Accounting Handbook
for Local Education Agencies - Appendix D*

▪Treasurer	197:23-a
▪School board, financial report	198:4-a
Residence, defined	21:6-a
	193:12
Right-to-know-law	91-A
Salaries/compensation, fixing of	194:10,11
School Administrative Units-Organization and Duties	194-C
School building aid	198:15
School lunches, matching funds	186:13
School money	198
Special education, State aid	186-C:18
Special school meetings	197:2
Teachers' retirement system	192
Treasurer, duties of	197:23-a
Trust funds for specific purposes, authority	198:20-c
Unanticipated Revenue	198:20-b
Vocational Education	
Tuition and Transportation	188-E
Warrant, annual meeting, posting, articles	197:6

APPENDIX E

FIXED ASSET ACCOUNTING

Appendix E - FIXED ASSET ACCOUNTING

This Financial Accounting Handbook does not contain instructions covering the accounting and recordkeeping for the General Fixed Asset Account Group.

Instead, you may wish to refer to the "Guide for Development of LEA General Fixed Asset Accounting System" copyright 1992 by the New Hampshire School Boards Insurance Trust, Inc.

Each LEA within the State has been provided with a copy of this Guide and administrators are encouraged to develop this aspect of fund accounting.

The 73-page manual, developed with the assistance of the New Hampshire Association of School Business Officials, a representative of the Independent Auditors and the Executive Director of the New Hampshire School Boards Insurance Trust, contains a detail guide for school administrators in developing and maintaining a general fixed asset accounting system.

There are numerous reasons why every LEA should implement an effective fixed asset management system. The major reasons include:

- Stewardship and Accountability
- Risk Management
- Unqualified Auditor's Opinion
- Security Offerings
- Capital Budgeting and Maintenance
- Grant Requirements
- Disposal of Surplus Property

APPENDIX F

COMPENSATED ABSENCES

Appendix F - COMPENSATED ABSENCES

Governmental entities are required to report a liability on their balance sheet for vested leave earned by employees and not paid as of the balance sheet date. In November 1992, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 16, *Accounting for Compensated Absences*, which provides specific guidance on how this leave liability should be calculated. The provisions of GASB Statement No. 16 apply, not only to general-purpose state and local governments, but to all governmental entities, including colleges and universities, hospitals, and utilities. The effective date of GASB Statement No. 16 is fiscal years beginning after June 15, 1993.

This chapter will review the guidance contained in GASB Statement No. 16. It also will examine how liabilities for compensated absences, once calculated, should be reported on the balance sheet of governmental colleges and universities.

Vacation Leave

GASB Statement No. 16 requires employers to report a liability for vacation leave earned by employees whenever the following two criteria have been met:

- The vacation leave relates to *past* employee service; and
- Eventual payment to the employee is considered probable.

The amount of the vacation leave liability should be valued using current salary costs (i.e., pay rates in effect as of the end of the fiscal year).¹ Moreover, the liability should also reflect any salary-related payments that are *directly and incrementally* connected with leave payments to employees.

Examples of salary-related payments that would ordinarily need to be reflected in the calculation of the vacation leave liability include

- the employer's share of social security
- Medicare taxes
- contributions to defined contribution pension plans
- contributions to cost-sharing multiple-employer public employee retirement systems (PERS).

¹ This rule does not apply if employees are compensated for leave at some other rate (e.g., the salary rate in effect at the time the leave was earned by the employee), as is sometimes (but rarely) the case.

Life-insurance premiums, health care premiums, and payments to single-employer or agent multiple-employer defined benefit pension plans ordinarily would *not* meet the test for classification as salary-related payments (i.e., they are not ordinarily *directly* and *incrementally* connected with the amount of leave paid to employees). The leave liability should reflect any nonvested leave earned by employees that the employer considers likely to vest. For example, new employees may only be entitled to vacation leave earned during their first few months on the job after they have completed one full year of service. In such a situation, the leave earned by new employees would still be accrued as part of the vacation leave liability, even though the new employees had not yet completed their first year of service, provided that the employer believes they are likely to do so.

Of course, the liability for vacation leave should *not* include vacation leave balances that are expected to lapse. Employees, for instance, often face limits on the amount of vacation leave they may carry forward from one year to the next. If it is considered probable that vacation leave will lapse rather than be carried forward, this fact should be reflected in the calculation of the vacation leave liability.

It may be necessary for employers to make use of a "flow assumption" (i.e., first-in-first-out {FIFO}, last-in-first-out {LIFO}) in determining the effect of lapsing vacation leave on the amount of the vacation leave liability reported at fiscal year end. Assume, for example, that employees earn leave on a calendar-year basis, and that the employer has a September 30 fiscal year end. Further assume that a given employee loses two days of leave at December 31 because the employee's leave balance at that date exceeds the maximum allowed for carryforward into the following calendar year. Should the lost vacation days be associated with leave accrued as of September 30 (i.e., decreasing the liability reported as of that date)? Or should they be associated with leave earned subsequent to September 30, but prior to December 31 (i.e., no effect on the liability reported as of September 30)? The answer depends upon whether employees are considered to use their most recently earned vacation days first or last (i.e., LIFO vs. FIFO).

Sabbaticals

Governments sometimes offer sabbatical leave to selected employees. In some cases, employees on sabbatical are expected to perform service to the government (e.g., pursue research). In other cases, sabbatical leave is simply a reward for past service.

When sabbaticals are a reward for past service, they should be treated in the same manner as vacation leave (i.e., accrued as the right to a sabbatical is earned by employees). On the other hand, sabbaticals used to perform research or other service on behalf of the employer should not be accrued in advance, but should be treated instead as compensation during the term of the sabbatical.

Sick Leave (Not Including Unused Amounts Qualifying for Termination Payments)

GASB Statement No.16 prohibits the accrual of sick leave. For this purpose, the term "sick leave" refers exclusively to payments made to employees for time taken off on account of illness or for other medical-related reasons (e.g., doctor's appointments).

Termination Payments for Unused Sick Leave

Many governments compensate employees upon retirement or termination for unused sick leave balances. Under GASB Statement No. 16, employers must include such termination payments for unused sick leave in the calculation of their total liability for compensated absences.

There are two basic methods that can be used to calculate the liability for termination payments related to unused sick leave. One method is to calculate future termination payments for unused sick leave based on a government's past experience (i.e., "termination payments" method). The other method is to calculate the liability based on the amount of sick leave that is *expected to become eligible* for payout upon termination (i.e., "vesting" method). Using either method, the liability would need to include salary related payments connected with termination payouts for unused sick leave. Also, both methods would require the use of current salary rates.²

Vesting Method. The vesting method can be briefly summarized as follows:

² See footnote 1.

- Typically, employees only obtain the right to be compensated for unused sick leave upon completing a certain number of years of service (e.g., 15 years). In that case, the employer must decide at what point it becomes probable that an employee will, in fact, complete the period of required service. Turnover is often different for different classes of employees. Therefore the milestone selected may be different for different classes of employees (e.g., public safety employees 8 years, administrative employees 10 years).
- The sick leave balance for each current employee who has met the appropriate milestone (e.g., public safety employees with more than 8 years of service) should then be reduced to reflect any caps on sick leave payouts (e.g., 30 day maximum).³
- Often employees are paid at only a fraction of their regular pay rate for sick leave payouts (e.g., 30 percent). Accordingly, the sick leave balance for an employee (e.g., 30 days) is first multiplied by the employee's daily pay rate (e.g., \$75/day), and then reduced to the pay rate in effect for termination payments (i.e., 30 days x \$75/day x 30% = \$675).
- The employer would then calculate the sum of these amounts for all employees (e.g., \$5,438) and adjust it to reflect salary-related payments (e.g., 8.5% of payroll) to determine the total liability for unused sick leave payouts (i.e., \$5,438 x 1.085 = \$5,900).⁴

The vesting method may be particularly suitable for smaller governments that may not have sufficient employees to establish meaningful trend data, which are needed to apply the termination method. Also, larger governments may choose to use samples to avoid the need to collect and manipulate data for numerous employees.

³ The fact that some vesting sick leave may eventually be used for medical purposes is ignored under the vesting method on the basis of cost/benefit considerations.

⁴ Other approaches may also be taken to applying the vesting method. For example, vesting sick leave could be calculated as a percentage of total sick leave balances upon termination using past historical trends.

Termination method. There are at least three different ways the termination payments method can be applied in practice: the "days paid" approach, the "amount paid" approach and the "ratio" approach.

Days paid approach. The "days paid" approach can be briefly summarized as follows:

- The employer prepares a list of employees who have terminated during the past several years (e.g., preceding five-year period).
- For each employee terminated during that period, the employer lists both a) the total years of service and b) the number of unused sick leave days paid off at termination. These amounts are then totaled (e.g., 70 days of paid unused sick leave and 60 years of service for terminated employees).
- Often employees are paid at only a fraction of their regular pay rate for unused sick leave (e.g., 30 percent). Accordingly, the total number of paid unused sick days (i.e., 70 days) is first multiplied by the average daily pay rate for *current* employees (e.g., \$95/day), and then reduced to the pay rate in effect for termination payments (i.e., 70 days x \$95/day x 30% = \$1,995).
- This amount is then divided by the total number of years of service of *terminated* employees to calculate the sick leave payout rate per year of service (i.e., \$1,995/60 years of service = \$33.25/year of service).
- Once the sick leave payout rate per year of service has been calculated, it can then be applied to the years of service of *current* employees (e.g., 38 years) and adjusted to reflect salary-related payments (e.g., 8.5 percent of payroll). The result is the liability for unused sick leave payouts at termination (i.e., 38 years of current employee service x 33.25/year of service x 1.085 = \$1,370).

Of course, larger governments may wish to consider using samples to eliminate the need to provide detailed information for numerous employees.

Amount paid approach. The "amount paid" approach can be briefly summarized as follows:

- The employer prepares a list of employees who have terminated during the past several years (e.g., preceding five-year period).
- For each employee terminated during that period, the employer lists both a) the total years of service and b) the amount of unused sick leave paid off at

termination. The number of years of service for terminated employees is then added up (e.g., 60 years).

- The amount of sick leave paid in each of the preceding years must then be converted into current year's dollars. The rate used should reflect the average rate of pay increases during the period. The government should then calculate the sum of sick leave payouts in current year dollars (e.g., \$2,494).
- Because of their seniority, terminating employees are often paid at a higher daily pay rate than other employees. For example, the average daily pay rate for current employees may be only 80 percent of the average daily pay rate of terminating employees. Therefore, the sum of sick leave payouts must be adjusted accordingly (i.e., $\$2,494 \times 80\% = \$1,995$).
- This amount is then divided by the total number of years of service of *terminated* employees to calculate the sick leave payout rate per year of service (i.e., $\$1,995/60$ years of service = $\$33.25/\text{year of service}$).
- Once the sick leave payout rate per year of service has been calculated, it can then be applied to the years of service of *current* employees (e.g., 38 years) and adjusted to reflect salary-related payments (e.g., 8.5 percent of payroll). The result is the liability for unused sick leave payouts upon termination (i.e., 38 years of current employee service \times $\$33.25/\text{year of service} \times 1.085 = \$1,370$).

Once again, larger governments may wish to consider using samples to eliminate the need to provide detailed information on numerous employees.⁵

⁵ In this example, the result using the "days paid" approach is identical to the result achieved using the "amount paid" approach. In practice, the numbers would probably differ.

Ratio approach. The "ratio" approach can be briefly summarized as follows:

- The employer prepares a list of sick leave payouts for the past several years (e.g., previous five-year period), as well as a list of year-end sick leave balances for those same years (including both vesting and nonvesting sick leave).
- The employer then calculates the sum of sick leave payouts (e.g., \$8,026) and the sum of year-end sick leave balances (e.g., \$167,840) for the period.
- The employer then calculates the ratio of sick leave payouts to year-end sick leave balances (e.g., $\$8,026/\$167,840 = 4.8\%$).
- This rate can then be applied to the current sick leave balance (e.g., \$42,710) and adjusted for salary-related payments (e.g., 8.5% of payroll) to calculate the liability for payouts of unused sick leave at termination (i.e., $4.8\% \times \$42,710 \times 1.085 = \$2,224.37$).

Conversions of Unused Sick Leave into Pension Service Time

Sometimes employees are not paid directly for unused sick leave at termination. Instead, the employer may elect to credit employees with pension service time for unused sick leave. For example, an employee with one year of unused sick leave and 32 years of service could be credited with 33 years of service for purposes of calculating the employee's pension benefits. Such convertible sick leave is *not* reflected in the accrued liability for compensated absences. Instead, it is reflected over time in the employer's pension expense/expenditure.

APPENDIX G

**SUGGESTED WARRANT
ARTICLES FOR SCHOOL
DISTRICTS**

APPENDIX G: SUGGESTED WARRANT ARTICLES FOR SCHOOL DISTRICTS

<u>TOPIC</u>	<u>EXAMPLE #</u>	<u>PAGE #</u>
Budget Article	EXAMPLE 11	8
Collective Bargaining	EXAMPLES 19 and 20	14
CRF, Appropriate to	EXAMPLE 3	4
CRF, Establish	EXAMPLE 2	3
CRF, Withdraw from	EXAMPLE 4	4
CRF, Changing the Purpose of	EXAMPLE 5	4
CRF, Discontinue	EXAMPLE 6	5
CRF, Appointment of Agent	EXAMPLE 7	5
*Deficit Reduction	EXAMPLE 18	13
Fund Balance, Use of	EXAMPLE 16	12
Fund Balance, Use of	EXAMPLE 17	13
Grants, General Acceptance	EXAMPLE 10	8
Individual Articles	EXAMPLE 12	9
Interest - Bond Proceeds	EXAMPLE 21	15
Lease Agreement	EXAMPLE 13	11
Lease Agreement(No Clause)	EXAMPLE 14	11
Long-Term Borrowing	EXAMPLE 9	7
Revolving Fund	EXAMPLE 22	16
Special Purpose Non-Lapsing	EXAMPLE 1	2
Supplemental Appropriation	EXAMPLE 15	12
Trust Fund, Establish	EXAMPLE 8	6

SUGGESTED WARRANT ARTICLES FOR SCHOOL DISTRICTS

Unless otherwise stated, you are not required to use this exact wording, but we strongly recommend that you consider using the suggested wording in order to state clearly the purpose of the article and to ensure legal appropriations.

All warrant articles must be on the posted budget form. The forms are designed to provide a separate area for you to isolate individual or special warrant articles, if so desire.

SPECIAL WARRANT ARTICLES (RSA 32:3, VI)

If you have a project that may not be completed within the budget year, you could address that purpose in a "special" warrant article (see RSA 32:3, VI and 32:7, VI). This account would be "non-lapsing" and you could then set up a capital project fund which would allow for forwarding the entire dollar amount or the unexpended balance to the next budget year.

For example, if a special project item is included in the Facilities Acquisitions & Const. budget and construction is not started (or started but not completed), the monies raised would normally lapse to the general fund balance (surplus) at year-end if not encumbered. A "special" warrant article for that special purpose and a capital project fund separate from the general fund would allow those funds to be brought forward the following year. You must indicate in the warrant article that it is "special" or "non-lapsing".

Per RSA 32:10, I(d), "Any amount appropriated at the meeting under a special warrant article, may be used only for the purpose specified in that article and shall not be transferred." Examples of special warrant articles per RSA 32:3, VI are petitioned warrant articles with appropriations; warrant articles with bonds or notes; appropriations to a separate fund such as a trust or capital reserve fund; or, a warrant article designated by the governing body as "special" or "non-lapsing" or "nontransferable". If the governing body or budget committee do not recommend a "special" warrant article, they must indicate accordingly.

Per RSA 32:5, V, this "special" warrant article must indicate whether recommended by the governing body (and also the recommendation of the budget committee if there is one). If they do not recommend the "special" article, they must indicate accordingly.

EXAMPLE 1: Special Purpose Non-Lapsing Article

To see if the School District will vote to raise and appropriate the sum of twenty-five thousand dollars (\$25,000) to resurface the playground. This will be a non-lapsing account per RSA 32:3, VI and will not lapse until the playground is resurfaced or in two years, whichever is less. The school board and the budget committee recommend this appropriation. (Majority vote required).

If the project is completed in this budget year, no further action is required. However, if the project is not be completed the balance would be carried forward into the next budget year.

CAPITAL RESERVE FUNDS

When a school district identifies the need for the future purchase of a major capital item, or a specific type of capital item, or to meet the expenses of educating educationally handicapped children, it may create a fund in advance to ease the financial burden on the taxpayers.

RSA 35:1-c allows a capital reserve to be established for items of a non-capital nature also or for the maintenance and operation of a specific public facility or type of facility.

The trustees of trust funds must have custody of any capital reserve funds (CRF) of a governmental entity.

The procedure required to establish a new capital reserve fund, to discontinue an existing fund or to authorize withdrawal from an established fund must be presented by a warrant article at the annual or special school district meeting. A majority vote of the legal voters present and voting is necessary. The warrant article must distinctly address the purpose for which the reserve is to be established, or was established, as appropriate.

Below are sample warrant articles to establish, to appropriate to, and to withdraw from CRFs . **Per RSA 32:5, V, this "special" warrant article must indicate whether recommended by the governing body (and also the recommendation of the budget committee if there is one). If they do not recommend the article, they must indicate accordingly also.**

EXAMPLE 2: Establish a Capital Reserve Fund

To see if the school district will vote to establish a Capital Reserve Fund under the provisions of RSA 35:1 for the purpose of a school bus and to raise and appropriate the sum of ten thousand dollars (\$10,000) to be placed in this fund. The school board and the budget committee recommend this appropriation. (Majority vote required).

The Charitable Trusts Division of the State Attorney General's Office has ruled that CRFs must specify the purpose. To identify a fund as simply the School District Capital Reserve Fund does not meet the AG's interpretation of specificity. Such a Capital Reserve Fund should be discontinued and replaced by one or more new Capital Reserve Funds, specifically for buildings, buses, etc.

EXAMPLE 3: Appropriate to a Capital Reserve Fund

To see if the school district will vote to raise and appropriate the sum of ten thousand dollars (\$10,000) to be added to the school district bus Capital Reserve Fund previously established. The school board and the budget committee recommend this appropriation. (Majority vote required).

If the CRF is to be funded from surplus (RSA 35:11), the money must be turned over to the trustee(s) within 10 days of the determination of surplus following the close of the fiscal year.

EXAMPLE 4: Use of Capital Reserve Fund and Taxation

To see if the school district will vote to raise and appropriate the sum of thirty-five thousand dollars (\$35,000) to purchase a new school bus and authorize the withdrawal of twenty thousand dollars (\$20,000) from the Capital Reserve Fund created for that purpose. The balance of fifteen thousand dollars (\$15,000) is to come from general taxation. The school board recommends this appropriation. The budget committee does not recommend this appropriation. (Majority vote required).

If you have created CRFs for purposes that no longer exist, you may wish to discontinue or change the purpose(s) of those CRFs.

To change the purpose of a CRF, a warrant article must be acted on at the ANNUAL meeting by a two-thirds vote (2/3) of all voters present and voting (RSA 35:16). The vote does not require a paper ballot.

EXAMPLE 5: Changing the Purpose of a Capital Reserve Fund

To see if the school district will vote to change the purpose of an existing school bus Capital Reserve Fund to the school building Capital Reserve Fund. (2/3 vote required).

Discontinuing a CRF may also be done at an annual or special meeting, but only requires a majority vote. The termination of a CRF authorizes the trustees of trust funds to transfer the money to the school district treasurer (RSA 35:16-a).

EXAMPLE 6: Discontinue a Capital Reserve Fund

To see if the school district will vote to discontinue the school heating system Capital Reserve Fund created in 1947. Said funds, with accumulated interest to date of withdrawal, are to be transferred to the school district's general fund. (Majority vote required).

A warrant article may be presented at an annual or special meeting to authorize the governing body (school board) or other person(s) to act as agent(s) to carry out the objectives designated by said meeting. This authorizes the trustees of the trust funds to disburse the funds on order of the agent without further approval (RSA 35:15).

EXAMPLE 7: Appointment of Capital Reserve Fund Agent

To see if the school district will vote to establish a Capital Reserve Fund under the provisions of RSA 35:1 for the purpose of a school bus and to raise and appropriate the sum of twenty thousand dollars (\$20,000) to be placed in this fund and to designate the school board as agents to expend. The school board and the budget committee recommend this appropriation. (Majority vote required).

EXPENDABLE TRUST FUNDS

RSA 198:20-c allows for the creation, at the annual or a special school district meeting, of school district trust funds for maintenance and operation of schools and for any other public purpose that is not foreign to the school district's institution or incompatible with the objects of their organization. The school board may be named agents to expend. In order to expend such funds, the school board shall hold a public hearing prior to expenditure. Expenditures from such trust funds shall be made for only the purpose for which that trust fund was established.

The warrant article to create a school district trust fund must specify that this fund will be an EXPENDABLE TRUST in which the principal and interest may be appropriated and expended. It is incumbent upon the school district to ensure that the

annual meeting action creating these funds is specific and proper. If the warrant article does not specify "expendable", the school district may inadvertently end up with a restricted, non-expendable trust fund, allowing the school district to appropriate and expend the interest only.

Per RSA 32:5, V, this "special" warrant article must indicate whether recommended by the governing body (and also the recommendation of the budget committee if there is one). If they do not recommend the article, they must indicate accordingly.

EXAMPLE 8: Establish a School District Trust Fund and Name Agents

To see if the school district will vote to create an expendable trust fund under the provisions of RSA 198:20-c, to be known as the school buildings maintenance fund, for the purpose of repairing and maintaining the school buildings. Furthermore, to name the school board as agents to expend and to raise and appropriate the sum of ten thousand dollars (\$10,000) toward this purpose. The school board and the budget committee recommend this appropriation. (Majority vote required).

Per RSA 198:20-c, V, trust funds are subject to the same provisions of the law as capital reserve funds. See the capital reserve fund section for additional warrant articles.

LONG-TERM BORROWING

When a school district has to borrow for a major purchase or capital project, the school district will need to issue long-term general obligation bonds or notes. It is extremely important that the requirements of the Municipal Finance Act, RSA Chapter 33, be recognized. Be aware that all long-term funding requires a two-thirds (2/3) ballot vote of those in attendance and voting at the annual or special meeting called for that purpose (RSA 33:8). If the school district does not have a paper ballot vote, with certification by the school district clerk/moderator of the 2/3 vote, the appropriation will be disallowed for tax rate setting purposes. Additionally, the major lending institutions, through their bond counsels, may not lend the funds if the article is faulty.

Per RSA 32:5, V, this "special" warrant article must indicate whether recommended by the governing body (and also the recommendation of the budget committee if there is one). If they do not recommend the article, they must indicate accordingly.

SUGGESTED WORDING - DO NOT TAKE ANY SHORT-CUTS

EXAMPLE 9: Long-Term Borrowing

To see if the school district will vote to raise and appropriate the sum of \$4,500,000* (Gross Budget) for the construction and original equipping of a new school building, and to authorize the issuance of not more than \$3,500,000 of bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA Chapter 33) and to authorize the school board to issue and negotiate such bonds or notes and to determine the rate of interest thereon; furthermore, to authorize the withdrawal of \$500,000 from the School Building Capital Reserve Fund created for this purpose; with the balance of \$500,000 to be raised by general taxation. The school board and the budget committee recommend this appropriation. (2/3 ballot vote required).

*Remember, by law, money appropriated must reflect the total dollar value required for the purpose (the gross budget, RSA 32:5, III), off-set by the sources of funding.

**APPROPRIATION FOR UNANTICIPATED FUNDS MADE AVAILABLE
DURING THE YEAR (RSA 198:20-b)**

RSA 198:20-b allows for the inclusion of a warrant article, at the annual meeting, authorizing until specific rescision of such authority, the school board to apply for, accept and expend money from various sources, without further action by the school district meeting. There are, however, several restrictions on the use of such funds:

- I. Used only for legal purposes for which a school district may appropriate money;
- II. School board shall hold a public hearing and notice of the time, place and subject of such hearing shall be published in a newspaper of general circulation in the relevant school district at least seven days prior to the meeting;
- III. Not require the expenditure of other school district funds except those lawfully appropriated for that purpose;
- IV. Be exempt from all provisions of RSA 32 relative to limitation and expenditure of school district monies.

The law states that the warrant article must be worded in this way:

EXAMPLE 10: General Acceptance of Grants

Shall the school district accept the provisions of RSA 198:20-b providing that any school district at an annual meeting may adopt an article authorizing indefinitely, until specific rescission of such authority, the school board to apply for, accept and expend, without further action by the school district, money from a state, federal or other governmental unit or a private source which becomes available during the fiscal year?

BUDGET FOR NORMAL OPERATIONS (RSA 40:13 Districts See Special Handout)

ALL warrant articles must be on the posted budget, even petitioned warrant articles. We have redesigned the MS26 and MS27 posted budget forms to make it easier to isolate special, individual, and collective bargaining warrant articles if so desired.

The annual presentation of the budget for normal operations in warrant article(s) varies among school districts in New Hampshire. To reduce the number of warrant articles, we suggest the following:

Combine all school district operational items of a non-controversial nature into one article using the following format:

EXAMPLE 11: Budget

**To see what sum of money the district will vote to raise and appropriate for the support of schools, for the payment of salaries for the school district officials and agents, and for the payment for the statutory obligations of the district.
(Majority vote required)**

Regular programs	\$ 500,000
Special programs	150,000
Vocational programs	55,000
Other instructional programs	90,000
Adult/continuing education	20,000
Guidance	35,000

Health	15,000
Educational media	25,000
SAU management services	75,000
School administration services	60,000
Operation/maintenance of plant	112,000
Other support services	115,000
Facilities acquisitions & const.	40,000
Principal & interest	42,000
To Federal Projects Fund	30,000
To Food Service Fund	25,000
Total Appropriations	1,389,000

Some districts separate Federal Project and Food Service funds from the regular budget. Do not include capital reserve or trust funds as part of the warrant article for general operations. These should be treated as "SPECIAL" warrant articles.

If the school district plans to add any new positions or activities to a traditional line item that will generate lively discussion, we suggest treating this function separately rather than jeopardizing the entire budget article.

Individual articles to be addressed separately from the "normal" budget, can now be listed on the MS26 and the MS27 forms.

EXAMPLE 12: Individual Articles

To see if the school district will vote to purchase a computer and to raise and appropriate the sum of \$6,500 for this purpose. (Majority vote required)

WE DO NOT RECOMMEND A "SWEEP ARTICLE" AS THE FINAL ARTICLE!!

Many school districts will recapitulate the district meeting action with an additional warrant article which includes all appropriations already voted. We strongly recommend avoiding this additional vote.

The danger of the additional vote is the appropriation voted in this final article could be in error and result in an inappropriate tax commitment. Errors have occurred from appropriations being included twice, being left out, or amendments not being recognized. There is also a possibility of an addition error being made.

The vote in that final additional warrant article is the legally appropriated amount for the meeting. Instead, you may want to verbally disclose the bottom line of the already voted warrant articles to those in attendance.

BE SURE TO HAVE AN ADDING MACHINE AT THE SCHOOL DISTRICT MEETING TO UPDATE THE TOTALS OF AMENDED ARTICLES.

LEASE ARRANGEMENTS

With the escalation of major equipment costs, governments are exploring the lease and lease/purchase markets. We offer the following guidelines before entering into such alternative financing practices:

I. State laws allow for school districts to make contractual agreements necessary and convenient for the transaction of the public business of the school district (RSA 194:2);

II. Operating Lease - Lease agreements may contain a "fiscal funding clause" (otherwise known as "escape" clause) which permits the termination of the lease, on an annual basis, should the funds necessary to make the required payments not be appropriated by a future school district meeting. Leases with such fiscal funding clauses only require a majority vote when voted on. **(Capital Reserve Funds {CRF} cannot be used for this type of lease agreement except for final payment if voted);**

III. Capital Lease - Lease agreements without fiscal funding clauses are essentially long-term purchasing agreements and, as such, constitute long-term debt. Because such agreements "bind future school district meetings", the provisions of the Municipal Finance Act (RSA Chapter 33) pertain to such action, specifically the requirement of a 2/3 ballot vote. Since this is essentially a purchasing agreement, a CRF may be used for the first payment of this purchase. Use of a capital reserve fund as a sinking fund for subsequent payments is contrary to RSA 33:2.

The following example combines into one warrant article both the authorization to enter into a lease agreement and the annual appropriation necessary for that agreement. Such a combined article eliminates the possibility of receiving the authorization but no appropriation, or visa versa. A fiscal funding clause is presumed to be included in the lease agreement.

EXAMPLE 13: Lease Agreement Authorization/Appropriation)

To see if the school district will vote to authorize the school board to enter into a lease agreement for the purpose of leasing a school bus, and to raise and appropriate the sum of \$7,500 for the first year's payment for that purpose. This lease agreement contains an "escape" clause. (Majority vote required).

In subsequent years, the annual appropriation of \$7,500 may be either included in the pupil transportation portion of the budget or stated as an individual warrant article. The authorization to enter into the lease agreement does not need to be addressed again, until the lease expires.

The following example presumes that the agreement is a lease/purchase agreement in which no fiscal funding clause has been provided, therefore, the school district cannot terminate the lease on an annual basis. Such an agreement would require a 2/3 ballot vote. If the amount is greater than \$100,000 a hearing is required per RSA 33:8-a, II.

EXAMPLE 14: Lease Agreement (No Fiscal Funding Clause)

To see if the school district will vote to authorize the school board to enter into a long-term lease/purchase agreement (insert length of contract) with the XYZ Bus Corp. for the purpose of leasing a new bus and to raise and appropriate the sum of \$10,000 for the current lease payment. The school board believes that the best interests of the school district will be served through the lease/purchase agreement rather than the outright purchase of such a vehicle at the cost of \$35,000. The school board and the budget committee recommend this appropriation. (2/3 ballot vote required).

SUPPLEMENTAL APPROPRIATION

A supplemental appropriation at the annual meeting increases the appropriation for the current fiscal year. It is funded from excess revenues received during the current fiscal year. No additional taxes are raised as a revenue source for a supplemental appropriation.

EXAMPLE 15: SUPPLEMENTAL APPROPRIATION

To see if the school district will vote to raise and appropriate a supplemental appropriation of \$20,000 for additional heating costs for the current school year. This amount will be funded from existing revenues.

FUND BALANCE (SURPLUS)

Fund balance (surplus) is generated in only two ways: 1) unexpended balances of appropriations; and/or 2) revenues received in excess of estimates. An appropriation funded from surplus affects the next property tax rate indirectly because it uses funds that would otherwise be used to reduce the tax commitment.

For budgetary purposes, an appropriation funded from surplus is an appropriation for the ensuing fiscal year. The following example is a "special" warrant article because it is appropriating to a capital reserve fund

EXAMPLE 16: Use of a Specific Amount of Fund Balance

To see if the school district will vote to raise and appropriate the sum of \$5,000 to be added to the Gymnasium Capital Reserve Fund and authorize the transfer of that amount from the June 30, 1997 undesignated fund balance (surplus). The school board does not recommend this appropriation. The budget committee recommends this appropriation. (Majority vote required).

NOTE: Since this is an appropriation for the ensuing fiscal year (FY99), the revenue (from surplus) will also be recognized in the ensuing fiscal year (FY99). The transfer of this money will not occur until after June 30, 1998 (i.e., FY99). If there is insufficient or no undesignated fund balance at June 30, 1998, this warrant article would be disallowed in part or on the whole amount when the tax rate is established.

USE OF UP TO A SPECIFIC AMOUNT OF FUND BALANCE

If the anticipated amount of undesignated fund balance is unknown at the time of the district meeting, a warrant article may still be written to appropriate up to a specified amount of the undesignated fund balance as follows:

EXAMPLE 17: Use of "Up to" a Specific Amount of Fund Balance

To see if the district will vote to raise and appropriate up to \$25,000 to be placed in the gymnasium capital reserve fund, with such amount to be funded from the June 30, 1997 undesignated fund balance.

NOTE: In this case, a maximum amount of \$25,000 will be appropriated to the capital reserve fund for the ensuing year. If the undesignated fund balance is less than \$25,000, then only the amount available will be recognized as an appropriation.

The DRA has received several inquiries requesting that an open-ended warrant article be written to place "any and all" fund balance into a separate fund like a capital reserve fund or health insurance fund.

RSA 32 defines an appropriation as a "**certain sum** for a specified purpose" (RSA 32:3, I). Therefore, it is DRA's position that all appropriations, including those appropriating from surplus funds, must be for a specific amount of money. Both Example 16 and Example 17 meet this specificity requirement, however, an open-ended appropriation without a specific dollar amount would not meet this requirement.

DEFICIT REDUCTION

RSA 189:28-a requires school boards to publish the general fund balance sheet in the annual report or post it at the annual meeting. If your fund balance is in a deficit, this law requires you to insert an article in the warrant recommending action as you deem appropriate. One such action could be to have a professional audit conducted to determine the exact amount of the deficit. Another action might be to insert an article to raise money to reduce the deficit.

EXAMPLE 18: DEFICIT REDUCTION

To see if the district will vote to raise \$ to reduce the general fund deficit pursuant to RSA 189:28-a.

COLLECTIVE BARGAINING AGREEMENTS

When a multi-year agreement has been reached, the governing board has a legal responsibility to do all that it can to have the agreement approved by the legislative body.

RSA 32:5-a states "...cost items must be finalized by the date prescribed in ...RSA 197:6" (30 days prior to meeting or the second Tuesday in March, whichever is sooner). [If you are a ballot bill district (adopted RSA 40:13) you have until the second Tuesday in January. See RSA 40:13, II-a(b).] Those cost items not negotiated by the date in the law, may be submitted to the voters through a special meeting.

RSA 197:3 allows one authorized special meeting without petitioning superior court if cost items are amended or rejected. This authorization is received by vote of the following warrant article on the warrant or official ballot. The wording is prescribed by the law:

EXAMPLE 19: AUTHORIZATION FOR SPECIAL MEETING ON COST ITEMS

"Shall (*local political subdivision*), if article is defeated, authorize the governing body to call one special meeting, at its option, to address article cost items only?"

As the "Sanborn Decision" has stated, ratification (approval) requires full knowledge of the financial terms of the collective bargaining agreement. In order to comply with the dictates of "Sanborn", the Department of Revenue Administration recommends a separate warrant article such as the one below.

EXAMPLE 20: Multi-Year Agreement

To see if the (school district) will vote to approve the cost item included in the collective bargaining agreement reached between the (governing body) and the (union) which calls for the following increases in salaries and benefits:

Year	Estimated Increase
1998 - 99	\$
1999 - 00	\$

and further to raise and appropriate the sum of \$ for the 1998-99 fiscal year, such sum representing the additional costs attributable to the increase in salaries and benefits over those of the appropriation at current staffing levels paid in the prior fiscal year. The school board and the budget committee recommend this appropriation.

INTEREST EARNED ON INVESTMENT OF BOND PROCEEDS

Interest earned on the investment of bond proceeds should be recognized as general fund revenue. Interest income which accumulates in the Capital Project Fund cannot be used to increase the specific amount appropriated for a capital project without further action by the legislative body.

When the money is transferred from the capital project fund to the general fund, it will usually create a surplus. Therefore, the legislative body at an annual or special meeting may vote to appropriate money from surplus for a specific purpose (capital reserve or increase in capital project, etc.).

The alternative is to allow the surplus to relieve the following year's tax commitment. A warrant article for the transfer/use of the interest income transferred to the general fund follows:

EXAMPLE 21: Use of Interest Earned on Bond Proceeds

To see if the school district will vote to raise and appropriate the sum of [insert \$] for the purpose of [insert purpose] and authorize the transfer/use of that amount from the June 30, 1998 fund balance for this purpose. (This amount will represent the interest earned on bond proceeds transferred to the general fund on or before 6/30/98).

NATIONAL FOREST RESERVE FUNDS

RSA 219 designates that National Forest Reserve Funds be used for school purposes. If this applies to your district, you should know the amount for the fiscal year 1998-99 by December 1997.

If you are not using the funds to reduce your tax rate you can insert an article in the warrant. Please remember to budget "gross" showing not only the appropriation but also the offsetting revenue.

REVOLVING FUND

RSA 194:3-c allows school districts to establish a revolving fund for self-supporting school programs. The purpose must be specified and may also be non-lapsing if so specified. The funds may only be expended, if appropriated, for the specified purpose and the fund is subject to an annual audit.

EXAMPLE 22: REVOLVING FUND

To see if the district will vote to establish a non-lapsing revolving fund, pursuant to RSA 194:3-c, for the purpose of adult education. Funds will be disbursed at least monthly, as needed.

APPENDIX H

EXPENDABLE TRUST FUNDS

Appendix H - EXPENDABLE TRUST FUNDS

STATE STATUTE

RSA 198:20-c Trust Funds Created for Specific Purposes; Expenditures; Administration.

- I. The school district may at any annual meeting appropriate such sums of money as it deems necessary to create expendable trust funds for specific purposes for the maintenance and operation of schools and for any other public purpose that is not foreign to the school district's institution or incompatible with the objects of their organization.
- II. School district trust funds created pursuant to this section shall be held in custody by the trustee named pursuant to RSA 31:22 of trust funds of the town wherein the school district lies, or in the case of school districts embracing two or more towns, by the trustees of trust funds of that town which the voters of the school district may elect at the annual school district meeting. In order to expend such funds, the school board shall hold a public hearing prior to the expenditure to be made. Notice of the time, place, and subject of such hearing shall be published in a newspaper of general circulation in the relevant municipality at least 7 days before the meeting is held.
- III. A trust fund created under the provisions of this section that is established for the purpose of maintaining health insurance funds for the benefit of employees and retired employees of any school district shall be exempt from the provisions of paragraph II, and when so established, the school district may name its own trustees who may expend funds in the trust for the payment of health claims or health insurance premiums for the benefit of any employees or retired employees of the school district. An annual accounting and report of the activities of the trust shall be presented to the school board of the district and published in the annual report.

ACCOUNTING REQUIREMENTS

The Governmental Accounting, Auditing and Financial Reporting (GAAFR) guide, suggests that the use of expendable trust fund types should be limited to formal legal trusts. Trust fund spending is controlled primarily through legal trust agreements and applicable state laws. Governments often classify activities as expendable trust funds when they could be accounted for either in the general fund or in a special revenue fund. If a formal trust agreement is not established, the trust fund classification generally should not be used.

The Handbook Advisory Committee is recommending that all expendable trust funds, including Capital Reserve funds, be accounted for as separate expendable trust funds. The legal

requirements relative to the custody and reporting of the funds, and the sometimes formal budgetary integration considered necessary, influenced this decision.

Like the governmental fund types, expendable trust funds are accounted for on a flow of current financial resources measurement focus, using the modified accrual basis of accounting.

APPENDIX I

**FORM DOE-25 ANNUAL
FINANCIAL REPORT**

For Office Use Only

Dist.	Loc.
-------	------

Form DOE-25

School Administrative Unit # _____

NEW HAMPSHIRE STATE DEPARTMENT OF EDUCATION

Annual Financial Report

for the Year Ending June 30, 2003

for the _____ School District

Due to the State Department of Education not later than September 1, 2003

This document has been prepared in accordance with the
New Hampshire Financial Accounting Handbook For Local Education Agencies

"I certify under the pains and penalties of perjury, to the best of my knowledge and belief, that all of the information contained in this document is true, accurate and complete." Per RSA 198:4-d

School Board Chairperson

Date

Superintendent of Schools

Date

School Board

School Board

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
CURRENT ASSETS							
1. Cash	100						
2. Investments	110						
3. Assessments Receivable	120						
4. Interfund Receivables	130						
5. Intergovernmental Receivables	140						
6. Other Receivables	150						
7. Bond Proceeds Receivable	160						
8. Inventories	170						
9. Prepaid Expenses	180						
10. Other Current Assets	190						
11. Total Current Assets (Lines 1 thru 10)							
CURRENT LIABILITIES							
12. Interfund Payables	400						
13. Intergovernmental Payables	410						
14. Other Payables	420						
15. Contracts Payable	430						
16. Bonds and Interest Payable	440						
17. Loans and Interest Payable	450						
18. Accrued Salaries and Benefits	460						
19. Payroll Deductions and Withholdings	470						
20. Deferred Revenues	480						
21. Other Current Liabilities	490						
22. Total Current Liabilities (Lines 12 thru 21)							
FUND EQUITY							
23. Reserve for Inventories	751						
24. Reserve for Prepaid Expenses	752						
25. Reserve for Encumbrances	753						
26. Reserve for Continuing Appropriations	754						
27. Reserve for Amounts Voted From Surplus	755						
28. Reserve for Endowments	756						
29. Reserved for Special Purposes	760						
30. Unreserved Fund Balance	770						
31. Total Fund Equity (Lines 23 thru 30)*							
32. Total Liabilities and Fund Equity (Lines 22 plus 31)							

* Line 31 must agree with Page 19 Line 8

COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
REVENUES							
Revenue from Local Sources							
<i>Assessments</i>							
1. Current Appropriation	1111						
2. Deficit Appropriation	1112						
3. Other	1119						
4. Total Assessments (Lines 1 thru 3)	1100						
<i>Tuition</i>							
<i>Tuition from Individuals</i>	1310						
5. Regular Day School	1311						
6. Summer School	1314						
7. Driver Education	1315						
8. Adult Education	1316						
<i>Tuition from Other LEAs Within NH</i>	1320						
9. Regular Day School	1321						
10. Special Education	1322						
11. Vocational	1323						
<i>Tuition from Other LEAs Outside NH</i>	1330						
12. Regular Day School	1331						
13. Special Education	1332						
14. Vocational	1333						
<i>Tuition from Other Sources</i>	1340						
15. Regular Day School	1341						
16. Special Education	1342						
17. Other	1349						
18. Total Tuition (Lines 5 thru 17)	1300						

Line 1, Column 5 must agree with Page 16, Line 20, Column 1

COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES (continued)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
REVENUES							
<i>Transportation Fees</i>							
<i>Transportation Fees from Individuals</i>	1410						
1. Regular Day School	1411						
2. Summer School	1414						
<i>Transportation Fees from Other LEAs Within NH</i>	1420						
3. Regular Day School	1421						
4. Special Education	1422						
5. Vocational	1423						
<i>Transportation Fees from Other LEAs Outside NH</i>	1430						
6. Regular Day School	1431						
7. Special Education	1432						
8. Vocational	1433						
9. <i>Transportation Fees for Non-Student Transportation</i>	1440						
10. Total Transportation Fees (Lines 1 thru 9)	1400						
<i>Additional Revenues</i>							
11. Earnings on Investments	1500						
12. Food Service Sales	1600						
13. Student Activities	1700						
14. Community Service Activities	1800						
<i>Other Revenue from Local Sources</i>	1900						
15. Rentals	1910						
16. Contributions/Donations	1920						
17. Sale of Fixed Assets	1930						
18. Sale of Textbooks & Materials	1940						
19. Services Provided Other LEAs Within NH	1951						
20. Services Provided Other LEAs Outside NH	1952						
21. Services Provided SAUs	1953						
22. Services Provided Other Local Gov't Units	1960						
23. Refund of Prior Year Expenditures	1980						
24. Other	1990						
25. Total Additional/Other Revenues (Lines 11 thru 24)							
26. Total Revenue from Local Sources (Page 2 Lines 4 & 18, and Page 3 Lines 10 & 25)	1000						

Line 11 , Column 5 must agree with Page 16, Line 20, Column 3

COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES (continued)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
REVENUES							
Revenue from State Sources							
<i>Unrestricted Grants-In-Aid</i>							
1. Adequacy Aid (Grant)	3111						
2. Adequacy Aid (State Tax)	3112						
3. Shared Revenue	3120						
4. Other Unrestricted State Aid	3190						
5. Total Unrestricted Grants-In-Aid (Lines 1 thru 4)	3100						
<i>Restricted Grants-In-Aid</i>							
6. School Building	3210						
7. Kindergarten Building	3215						
8. Kindergarten	3220						
9. Catastrophic	3230						
10. Vocational Education (Tuition)	3241						
11. Vocational Education (Transportation)	3242						
12. Vocational Education (Building)	3243						
13. Vocational Education (Other)	3249						
14. Adult Education	3250						
15. Child Nutrition	3260						
16. Driver Education	3270						
17. School Improvement Aid	3280						
18. Other Restricted State Aid	3290						
19. Total Restricted Grants-In-Aid (Lines 6 thru 18)	3200						
20. Grants-In-Aid Through Public Intermediate Agencies	3700						
21. Revenue in Lieu of Taxes	3800						
22. Revenue For/On Behalf of LEA	3900						
23. Total Revenue from State Sources (Lines 5, 19 and 20 thru 22)	3000						

COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES (continued)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
REVENUES							
Revenue from Federal Sources							
<i>Unrestricted Grants-In-Aid</i>							
1. From the Federal Government Direct	4100						
2. From the Federal Government through the State	4200						
3. Total Unrestricted Grants-In-Aid (Lines 1 and 2)							
<i>Restricted Grants-In-Aid</i>							
From the Federal Government Direct	4300						
4. Elementary/Secondary Programs	4310						
5. Vocational Programs	4330						
6. Disabilities Programs	4350						
From the Federal Government through the State	4500						
7. Elementary/Secondary (ESEA) - Title 1	4520						
8. Elementary/Secondary (ESEA) - (All Other Programs)	4530						
9. Vocational Education (All Programs)	4540						
10. Adult Education	4550						
11. Child Nutrition	4560						
12. Disabilities Programs	4570						
13. Medicaid Distributions	4580						
14. Other Restricted Federal Aid through State	4590						
15. Total Restricted Grants-In-Aid (Lines 4 thru 14)							
16. Grants-In-Aid Through Other Public Intermediate Agencies	4700						
<i>Revenue in Lieu of Taxes</i>							
17. Federal Forest Reserve Distributions	4810						
18. Other Revenue in Lieu of Taxes	4890						
<i>Revenue For/On Behalf of LEA</i>							
19. Revenue For/On Behalf of LEA	4900						
20. Total Revenue from Federal Sources (Lines 3, 15, and 16 thru 19)	4000						

COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES (continued)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Fund 10 General	(2) Fund 21 Food Service	Special Revenue	(3) Fund 22 All Other	(4) Fund 30 Capital Projects	(5) Fund 70 Trust/Agency
OTHER FINANCING SOURCES							
<i>Sale of Bonds and Note Proceeds</i>							
1. Principal	5110						
2. Premium	5120						
3. Accrued Interest	5130						
4. Reimbursement Anticipation Notes	5140						
5. Total Sale of Bonds and Note Proceeds (Lines 1 thru 4)	5100						
<i>Non-Trust Interfund Transfers</i>							
6. Transfer from General Fund	5210						
7. Transfer from Food Service Special Revenue Fund	5221						
8. Transfer from All Other Special Revenue Funds	5222						
9. Transfer from Capital Projects Funds	5230						
10. Total Non-Trust Interfund Transfers * (Lines 6 thru 9)							
<i>Transfer from Trust Funds</i>							
11. From Capital Reserve Funds	5250						
12. From Other Expendable Trust Funds	5251						
13. From Nonexpendable Trust Funds	5252						
14. Total Transfer from Trust Funds (Lines 11 thru 13)	5253						
15. Compensation for Loss of Fixed Assets	5300						
16. Capital Leases	5500						
17. Lease Purchases	5600						
18. Total Other Financing Sources (Lines 5, 10, 14, and 15 thru 17)							
19. Total Revenues and Other Financing Sources (Page 3 Line 26, Page 4 Line 23, Page 5 Line 20, and Page 6 Line 18) **							

* Line 10, Column 5 must agree with Page 16, Line 20, Column 2

** Line 19 must agree with Page 19 Line 2, and Column 5 must agree with Page 16, Line 20, Column 7

GENERAL FUND: STATEMENT OF EXPENDITURES AND OTHER FINANCING USES (continued)

DISTRICT WIDE

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
EXPENDITURES								
1. Private Programs	1500							
2. Adult/Continuing Education Programs	1600							
3. Community/Jr. College Ed. Programs	1700							
4. Community Service Programs	1800							
5. Non-Student Transportation	2750							
6. Facilities Acquisition & Construction	4000							
7. Total District Wide Expenditures (Lines 1 thru 6)								
8. Total Expenditures: General Fund (Page 7,8,9 Line 14 Page 10 Line 7)								
OTHER FINANCING USES								
<i>Debt Service</i>	5100							
9. Principal	5110							
10. Interest	5120							
<i>Fund Transfers</i>	5200							
11. To Food Service Special Rev. Fund	5221							
12. To All Other Special Rev. Funds	5222							
13. To Capital Projects Funds	5230							
14. To Trust/Agency Funds	5250							
<i>Intergovernmental Agency Allocations</i>	5300							
15. To Charter Schools	5310							
16. To Other Agencies	5390							
17. Total Other Financing Uses (Lines 9 thru 16)								
18. Total Expenditures and Other Financing Uses: General Fund (Lines 8 and 17) *								

* Line 18, Column 7 must agree with Page 19, Line 5, Column 1

ALL OTHER SPECIAL REVENUE FUNDS: STATEMENT OF EXPENDITURES AND OTHER FINANCING USES (continued)

DISTRICT WIDE

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
EXPENDITURES								
1. Private Programs	1500							
2. Adult/Continuing Education Programs	1600							
3. Community/Jr. College Ed. Programs	1700							
4. Community Service Programs	1800							
5. Facilities Acquisition & Construction	4000							
6. Total District Wide Expenditures (Lines 1 thru 6)								
7. Total Expenditures: Other Special Revenue Funds (Pages 11,12,13, Line 14 and Page 14 Line 6)								
OTHER FINANCING USES								
<i>Debt Service</i>	5100							
8. Principal	5110							
9. Interest	5120							
<i>Fund Transfers</i>	5200							
10. To General Fund	5210							
11. To Food Service Special Rev. Fund	5221							
12. To Capital Projects Funds	5230							
13. To Trust/Agency Funds	5250							
<i>Intergovernmental Agency Allocations</i>	5300							
14. To Charter Schools	5310							
15. To Other Agencies	5390							
16. Total Other Financing Uses (Lines 8 thru 15)								
17. Total Expenditures and Other Financing Uses: Other Special Revenue Funds (Lines 7 and 16) *								

* Line 17, Column 7 must agree with Page 19, Line 5, Column 3

FOOD SERVICE SPECIAL REVENUE FUND: STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

FUNCTION	Acct. No.	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
<i>Operation of Non-Instructional Services</i>	3000							
<i>Food Service Operations</i>	3100							
1. Elementary								
2. Middle/Junior High								
3. High								
4. Transfer to Other Funds	5200							
5. Total Expenditures and Other Financing Uses: Food Service Fund (Lines 1 thru 4) *								

* Line 5, Column 7 must agree with Page 19, Line 5, Column 2

SUMMARY OF OBJECT 600 SUPPLIES (Column 4)	(1) Elementary	(2) Middle/Junior High	(3) High	(4) Total
6. Food				
7. Other Supplies				
8. Total (Lines 6 and 7)				

CAPITAL PROJECTS FUNDS: STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Fiscal Year Ending June 30, 2003

FUNCTION	Acct. No.	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
<i>Facilities Acquisition & Construction Services</i>	4000							
9. Site Acquisition	4100							
10. Site Improvement	4200							
11. Architectural/Engineering	4300							
12. Education Specification Development	4400							
13. Building Acquisition/Construction	4500							
14. Building Improvement	4600							
15. Other	4900							
16. Transfer to Other Funds	5200							
17. Total Expenditures and Other Financing Uses: Capital Projects Funds (Lines 9 thru 16) *								

* Line 17, Column 7 must agree with Page 19, Line 5, Column 4

TRUST FUNDS: COMBINING STATEMENT OF REVENUES
 For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

LIST FUNDS INDIVIDUALLY AND IDENTIFY PURPOSE	Acct. No.	(1) Appropriation	(2) Interfund Transfers	(3) Interest Earned	(4) Other Income	(5)	(6)	(7) Total
Capital Reserve Funds								
1. Land Acquisition								
2. Building Construction								
3. Building Renovation								
4. School Bus								
5. Athletic Fields								
6. Other								
7. Subtotal (Lines 1 thru 6)	5251							
Other Expendable Funds								
8. Health Maintenance Fund								
9. Facilities Maintenance/Repair								
10. Special Education								
11. Tuition								
12. Technology								
13. Other								
14. Subtotal (Lines 8 thru 13)	5252							
Non-Expendable Funds								
15.								
16.								
17.								
18.								
19. Subtotal (Lines 15 thru 18)	5253							
20. Total Revenue (Lines 7, 14, 19) *								

* Line 20, Column 7 must agree with Page 19, Line 2, Column 5 and Page 6 Line 19, Column 5
 Line 20, Column 2 must agree with Page 6, Line 10, Column 5

TRUST FUNDS: COMBINING STATEMENT OF EXPENDITURES

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

LIST FUNDS INDIVIDUALLY AND IDENTIFY PURPOSE	Acct. No.	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 930 Fund Transfers	(7) Total
Capital Reserve Funds								
1. Land Acquisition								
2. Building Construction								
3. Building Renovation								
4. School Bus								
5. Athletic Fields								
6. Other								
7. Subtotal (Lines 1 thru 6)	5251							
Other Expendable Funds								
8. Health Maintenance Fund								
9. Facilities Maintenance/Repair								
10. Special Education								
11. Tuition								
12. Technology								
13. Other								
14. Subtotal (Lines 8 thru 13)	5252							
Non-Expendable Funds								
15.								
16.								
17.								
18.								
19. Subtotal (Lines 15 thru 19)	5253							
20. Total Expenditures (Lines 7, 14, 19)*								

* Line 20, Column 7 must agree with Page 19, Line 5, Column 5

TRUST FUNDS: COMBINING BALANCE SHEET
 For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	Acct. No.	(1) Capital Reserve Funds	(2) Other Expendable Trust Funds	(3) Non-Expendable Trust Funds	(4) Total **
CURRENT ASSETS					
1. Cash	100				
2. Investments	110				
3. Interfund Receivables	130				
4. Intergovernmental Receivables	140				
5. Other Receivables	150				
6. Prepaid Expense	180				
7. Other Assets	190				
8. Total Current Assets (Lines 1 thru 7) *					
CURRENT LIABILITIES					
9. Interfund Payables	400				
10. Intergovernmental Payables	410				
11. Other Payables	420				
12. Other Liabilities	490				
13. Total Current Liabilities (Lines 9 thru 12)					
FUND EQUITY					
14. Reserved for Encumbrances	753				
15. Reserved for Continuing Appropriation	754				
16. Reserved for Endowments	756				
17. Reserved for Special Purposes	760				
18. Total Fund Equity (Lines 14 thru 17)					
19. Total Current Liabilities and Fund Equity (Lines 13 and 18) *					

* Lines 8 and 19 of all columns on this page must agree

** The information in this column must agree with the Combined Balance Sheet (Page 1, Column 5)

STATEMENT OF ANALYSIS OF CHANGES IN FUND EQUITY
 For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

Description	(1)	(2)	(3)		(4)	(5)
	Fund 10 General	Fund 21 Food Service	Special Revenue	Fund 22 All Other	Fund 30 Capital Projects	Fund 70 Trust
1. Total Fund Equity, July 1, 2002						
Additions						
2. Revenue*						
3. Other Additions**						
4. Total Additions (Lines 2 and 3)						
Deletions						
5. Expenditures***						
6. Other Deletions**						
7. Total Deletions (Lines 5 and 6)						
8. Total Fund Equity June 30, 2003 **** (Lines 1 plus 4 minus 7)						

* Must agree with totals on Page 6, Line 19

** Other Additions _____

** Other Deletions _____

*** Must agree with total for:

General Fund on..... Page 10, Line 18, Col. 7

Food Service Special Revenue Fund on..... Page 15, Line 5, Col. 7

All Other Special Revenue Funds on.....Page 14, Line 17, Col. 7

Capital Projects Funds on.....Page 15, Line 17, Col. 7

Trust Funds on.....Page 17, Line 20, Col. 7

**** Must agree with.....Page 1, Line 31

AMORTIZATION SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	(1) Debt 1	(2) Debt 2	(3) Debt 3	(4) Debt 4	(5) Debt 5	(6) Total
REPORT IN WHOLE DOLLARS						
1. Length of Debt (yrs)						
2. Date of Issue (mm/yy)						
3. Date of Final Payment (mm/yy)						
4. Original Debt Amount						
5. Interest Rate						
6. Principal at Beginning of Year						
7. New Issues This Year						
8. Retired Issues This Year						
9. Remaining Principal Balance Due						
10. Remaining Interest Balance Due						
11. Remaining Debt (P&I) (Line 9 plus 10)						
12. Amount of Principal to be Paid Next Fiscal Year						
13. Amount of Interest to be Paid Next Fiscal Year						
14. Total Debt Next Fiscal Year (Line 12 plus 13)						

COMPENSATED ABSENCES PAYABLE (OPTIONAL)

15. Balance Beginning Year	Additions (Optional)	Deductions (Optional)	Balance End of Year

FIXED ASSET GROUP OF ACCOUNTS (OPTIONAL)

For the Fiscal Year Ending June 30, 2003

	Account No.	BEGINNING OF YEAR		END OF YEAR	
		(1) Debit	(2) Credit	(3) Debit	(4) Credit
16. Sites	210				
17. Site Improvements	220				
18. Buildings and Improvements	230				
19. Machinery and Equipment	240				
20. Construction in Progress	250				
21. Investment in General Fixed Assets	710				
22. Total (Lines 16 thru 21)					

DETAILED EXPENDITURE DATA FOR SPECIAL EDUCATION (Data for Handicapped/Disabled Only) (All Funds)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
ACTIVITY							
INSTRUCTION							
1. Elementary							
2. Middle/Junior High							
3. High							
4. Subtotal (Lines 1 thru 3)							
RELATED SERVICES							
5. Elementary							
6. Middle/Junior High							
7. High							
8. Subtotal (Lines 5 thru 7)							
ADMINISTRATION							
9. Elementary							
10. Middle/Junior High							
11. High							
12. Subtotal (Lines 9 thru 11)							
LEGAL							
13. Elementary							
14. Middle/Junior High							
15. High							
16. Subtotal (Lines 13 thru 15)							
TRANSPORTATION							
17. Elementary							
18. Middle/Junior High							
19. High							
20. Subtotal (Lines 17 thru 19)							
21. TOTAL (Lines 4, 8, 12, 16 and 20)							

Use amounts from Column 7 from chart above to complete Lines 22 thru 24

Totals by Instructional Level	(1) INSTRUCTION Lines 1, 2, 3	(2) RELATED SERVICES Lines 5, 6, 7	(3) ADMINISTRATION Lines 9, 10, 11	(4) LEGAL Lines 13, 14, 15	(5) TRANSPORTATION Lines 17, 18, 19	(6) Total
22. Elementary						
23. Middle/Junior High						
24. High						
25. TOTAL						

DETAILED EXPENDITURE DATA FOR SPECIAL PROGRAMS (Data for Culturally Deprived, Bilingual and Gifted/Talented Only) (All Funds)

For the Fiscal Year Ending June 30, 2003

School District _____ SAU _____

ACTIVITY	(1) 100 Salaries	(2) 200 Employee Benefits	(3) 300, 400, 500 Purchased Services	(4) 600 Supplies	(5) 700 Property	(6) 800/900 Other	(7) Total
CULTURALLY DEPRIVED							
1. Elementary							
2. Middle/Junior High							
3. High							
4. Subtotal (Lines 1 thru 3)							
BILINGUAL							
5. Elementary							
6. Middle/Junior High							
7. High							
8. Subtotal (Lines 5 thru 7)							
GIFTED AND TALENTED							
9. Elementary							
10. Middle/Junior High							
11. High							
12. Subtotal (Lines 9 thru 11)							
13. TOTAL (Lines 4, 8 and 12)							

DETAILED EXPENDITURE DATA REGARDING TUITION (All Funds)

Description	Function	Object	(1) Elementary	(2) Middle/Jr. High	(3) High	(4) Total
14. Regular Program Tuition to LEAs within New Hampshire	1100	561				
15. Regular Program Tuition to LEAs outside New Hampshire	1100	562				
16. Regular Program Tuition to Public Academies *	1100	563				
17. Regular Program Tuition to Private and Other Schools	1200	564				
18. Special Program Tuition to LEAs within New Hampshire	1200	561				
19. Special Program Tuition to LEAs outside New Hampshire	1200	562				
20. Special Program Tuition to Public Academies *	1200	563				
21. Special Program Tuition to Private and Other Schools	1200	564				
22. Special Program Residential Costs	1200	569				
23. Vocational Program Tuition to LEAs within New Hampshire	1300	561				
24. Vocational Program Tuition to LEAs outside New Hampshire	1300	562				
25. Vocational Program Tuition to Public Academies *	1300	563				
26. Vocational Program Tuition to Private and Other Schools	1300	564				

* Coe-Brown and Pinkerton Academies only

School District _____ SAU _____

INDIRECT COST RATE

SUPPLEMENTARY GENERAL FUND EXPENDITURE INFORMATION
FOR CALCULATION OF INDIRECT COST RATE BASED ON EXPENDITURES
For the Fiscal Year Ending June 30, 2002
(This table must be completed by any district desiring an indirect cost rate)

Description	Function	(1) Total					
1. School Board Costs	2310						
2. Cost of Audit included above	2317						
3. Cost for Superintendent & Secretary	2320						

APPENDIX J

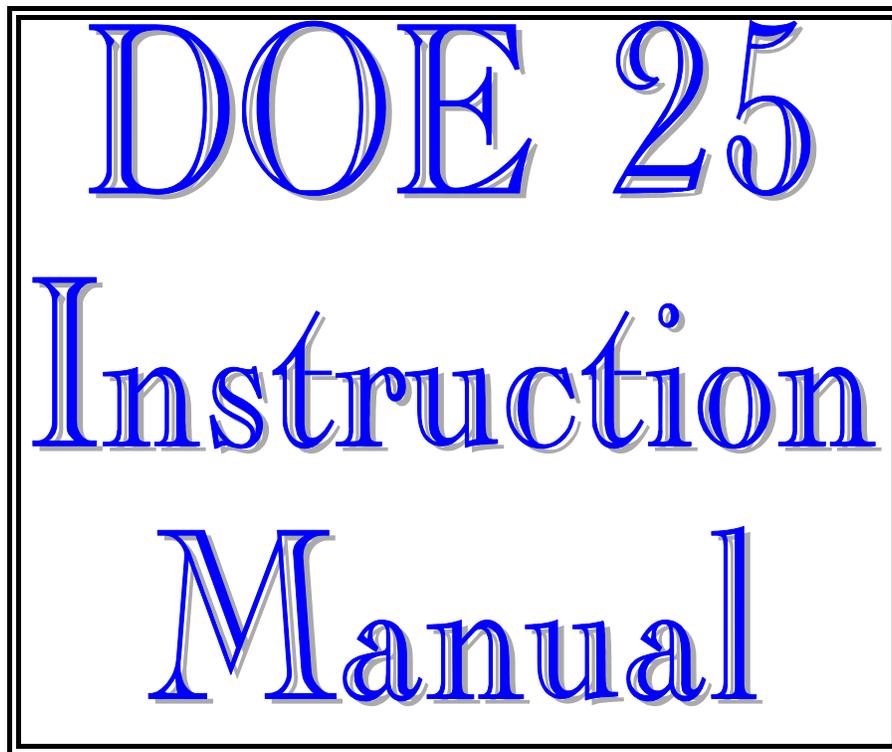
FORM DOE-25
Instructional Manual

The Department of Education

Annual Financial Report

Revised: May 2002

Introduction



The financial reporting process has been designed in accordance with Generally Accepted Accounting Procedures (GAAP). This process is generally consistent with the Federal Financial Handbook guidelines of 1990 with annual amendments as modified. This instruction manual has

been prepared to assist School Districts in completing the Annual Financial Report (DOE-25) for the period from July 1st to June 30th.

Annual reports consist of two documents, a comprehensive report (DOE-25) for the Department of Education and a condensed report (MS-25) containing only information the Department of Revenue Administration needs:

- to set the tax rates
- to ensure inclusion of required bonded indebtedness
- to determine that statutory requirements have been met
- to review the allocation of unreserved fund balances

Note: All the information required by the MS-25 is included on the DOE-25. Therefore, it is

recommended that the DOE-25 be completed first, so that the relevant information from the MS-25 can be transferred from the DOE-25.

This manual provides instructions for reporting the following:

- Combined Statement of Revenues & Other Financial Sources
- Statement of Expenditures and Other Financing Uses
- Statement of Analysis of Changes in Fund Equity
- Combined Balance Sheet
- Supplementary Information

The DOE-25 requires reporting by the following fund types:

- General Fund
- Special Revenue Fund
 - a) Food Services
 - b) All other Special Revenue Funds including Federal Projects
- Capital Projects Fund
- Trust / Agency Fund

Refer to the chart of accounts provided in the New Hampshire Financial Accounting Handbook for Local Education Agencies. Districts always have the option of using their current numbering system, but must report according to the established chart of accounts. The accuracy of all information provided to the State depends directly on the quality of record-keeping at the local District level. No matter what system you use, it is the District's responsibility to report accurately and properly.

Instructions for Completing the DOE-25

The DOE-25 is a multi-fund report of the School District's financial activities for the fiscal year ending June 30th. The basis of accounting used to produce the DOE-25 is modified accrual for governmental funds (General, Special Revenue, and Capital Projects) and accrual for proprietary, trust, and agency funds.

BASIC PREMISE GOVERNING MODIFIED ACCRUAL ACCOUNTING

1. Districts that operate on a cash basis during the year must exercise care so that at year's end the previous year's receivables and payables and the current year's accruals are accounted for appropriately. For Example: The receipt of cash for a previous year's receivable is not, on the accrual basis, revenue for the current accounting period. An adjusting entry may be required at year's end to correctly state revenues for the current year.
2. The payment of cash for a previous year's payable is not, on the accrual basis, an expenditure for the current accounting period. An adjusting entry may be required at year's end to correctly state expenditures for the current year.
3. Current year's invoices which have not been paid at year's end and for which an expenditure has not been recognized must be accounted for by an adjusting entry.
4. Amounts owed to the district which are measurable and available must be accounted for as revenue for the current accounting period through an adjusting entry.
5. Year-end encumbrances for which a reserve has not been created must be recognized so that part of total fund equity can be reserved to meet these potential expenditures. Please note that encumbrances are not expenditures during this accounting period and should not be accounted for as accounts payable. Reserves are available for use with encumbrances, such as reserved for continuing appropriations, reserved for amounts voted from surplus, and reserved for special purposes.
6. Inter-fund loans are accounted for in the books of the district and they are not reported on the DOE-25 as revenue and expenditures. Failure to properly account for inter-fund loans could result in the overstatement of unreserved fund balance.
7. Refunds of revenue and refunds of expenditures must be accounted for properly. Cash basis accounting of refunds could overstate revenues and expenditures. For example, if a refund of revenue was originally recorded as a decrease to cash and an increase to expenditures, revenue and expenditures would be overstated for the current accounting period and should be corrected with an adjusting entry. This adjusting entry should decrease both revenue and expenditure which were originally overstated by the cash method used to account for the refund.

General Instructions

The Department of Education encourages Districts to report on the spreadsheet template (Excel or Lotus) provided or other approved electronic format.

Before submission verify that:

- all sub-totals have been entered.
- all totals cross check.
- whenever it is indicated that a number on one page must equal a number on another page, the two numbers actually match.
- all totals on check page sum to zero (electronic submission only).

Return the original completed DOE-25 to the Department of Education by September 1. Each report including electronic transmission must contain the original signature of at least a majority of the members of the School Board and the Superintendent.

NOTE: Instructions are provided only for those lines which may require explanation.

Combined Balance Sheet (Page 1)

The Combined Balance Sheet for this Financial Report is the District's summary of the assets and other debits, liabilities, and equities of all the funds of said District. The totals are reported by Fund as established by this report. Student Activity Funds are considered agency funds and may be reported in the Trust/Agency Fund section (**Column 5**).

Notes on Balance Sheet Accounts appear below:

CURRENT ASSETS

NOTE: Fixed Assets for the Food Service Fund, formerly included as part of the Balance Sheet, are now part of Fixed Asset Accounts (**Page 19**).

Page 1 Line 3 Taxes Receivable is now referred to as Assessments Receivable.

CURRENT LIABILITIES

Page 1 Line 16 Bond and Interest Payable has been combined into this single account.

Line 17 Loans and Interest Payable has been added.

Line 18 Accrued Expenses is referred to as Accrued Salaries and Benefits.

FUND EQUITY

Page 1 **Lines 23-28** Accounts provided for reserves. Also include:

- Reserve for Inventories (**Line 23**)
- Reserve for Prepaid Expenses (**Line 24**)
- Reserve for Continuing Appropriations (**Line 26**)
- Reserve for Amounts Voted from Surplus (**Line 27**)
- Reserve for Endowments (**Line 28**)

Line 29 The Unreserved Retained Earnings account used only for the Food Service Fund is eliminated and amounts normally accounted for here will now be shown in Reserved for Special Purposes which is also used for any other Reserve not specifically designated and/or for authorized transfers of year-end surpluses to Capital Reserve or Expendable Trust Funds.

GENERAL GUIDELINES FOR THE COMBINED BALANCE SHEET

- Listings of Receivables, Payables, and Reserves will be kept locally and are not required to be submitted with the Report.
- Negative cash balances should not be reported for any fund. If there is insufficient cash to pay invoices at the end of the fiscal year, record the invoices as accounts payable. For example, cash may be insufficient because the balance of the assessment due from a town had not been received by June 30th. This would be recorded as a receivable. Similar situations may occur regarding inter-fund transfers. Deposits made at the end of the fiscal year but not credited by the bank may be carried as deposits-in-transit and considered cash.
- Total Fund Equity (**Line 31**) must agree with the amounts on (**Page 19, Line 8**). Fund Equity is a calculated amount; it is not a known figure entered into the equation.

Combined Statement of Revenues and Other Financial Sources (Pages 2 - 6)

Cash received from the prior year's appropriation and advances on the subsequent year's appropriation are not revenues for the current year.

REVENUE FROM LOCAL SOURCES (Pages 2 & 3)

Page 2 **Lines 1 & 2** Report Current and Deficit Appropriations. These are amounts which are voted to be raised by cities and towns for the support of education.
Lines 5-17 Report tuition revenues based on the source and type of tuition.

Page 3 **Lines 1-9** Report transportation revenues based on the source and type of revenue. **Line 23** Refunds of prior year expenditures which were unanticipated at the close of the previous year, are considered current year revenue and separated from Other Revenue (**Line 24**).

REVENUE FROM STATE SOURCES (Page 4)

Page 4 **Line 1** Function 3111 is used to record the grant portion of the Adequacy Aid.
Line 2 Function 3112 is used to record the state tax portion of the Adequacy Aid.
Line 3 Function 3120 is used to keep Shared Revenues directly.
Line 15 Function 3260 is used to report the State's share of the Nutrition Revenue.
Line 17 Function 3280 is used to report the Best Schools Grant.
Line 20 Function 3700 should contain revenues received from District/County programs.
Line 22 Function 3900 should include any State Fuel Tax refunds or similar types of receipts.

REVENUE FROM FEDERAL SOURCES (Page 5)

Page 5 **Line 7 & Line 8** See Guidelines for Reporting Federal Revenues on the DOE-25.
Line 11 Function 4560 is used to report the Federal share of the Nutrition Revenue.
Line 12 Function 4570 includes IDEA.
Line 13 Function 4580 is used to report Medicaid distributions. These are considered revenues, not refunds, to expenditures.
Line 14 Function 4590 includes funds for Gifted & Talented, Right to Read, and Alcohol and Drug Abuse Programs(other than Title IV).
Line 17 Function 4810 report any Federal Forest Reserve Distributions received.
Line 19 Function 4900 report any Federal Fuel Tax Refund received.

OTHER FINANCING SOURCES (Page 6)

Page 6 **Lines 1-3** The category of Sale of Bonds and Notes Proceeds is divided between the principal received, any premium earned and accrued interest for a given issue.

Line 4 Enter proceeds of reimbursement anticipation notes.

Lines 6-9 Inter-fund loans are not revenues to the receiving fund or expenditures to the fund making the loan and should not appear in this section of the DOE-25.

Lines 11-13 The category of Transfer from Trust Funds is divided between Capital Reserve Funds, Other Expendable Trust Funds, and Non-expendable Trust Funds.

If fund transfers are properly entered using the appropriate function codes, these transfers will sum to "zero" so that revenues and expenditures will not be overstated.

Page 6 Lines 102-104 Other sources include accounts for compensation received for the Loss of a Fixed Asset (5300). For example, the sale of land or a building or the insurance proceeds from the loss of a building, would be recorded here. Proceeds for Capital leases (5500) are revenues from the leasing of land or a building; and any proceeds for lease purchases are recorded as 5600.

General Fund: Statement of Expenditures and Other Financing Uses (Pages 7-10)

Expenditures for the General and All Other Special Revenue Funds are reported by major function categories only. Most local budgets are kept in more detail and may contain many sub accounts. Detailed breakdowns of certain expenditures are part of the supplementary data information at the end of this report.

GENERAL FUND (Pages 7-9)

Expenditures must be reported by educational level - Elementary (**Page 7**), Middle/Junior High (**Page 8**), and High School (**Page 9**). Prorating of expenditures among the 3 levels must be based on the best available estimate of actual cost. Districts need to pay special attention to the proration of expenditures within their organization. The proration of expenditures impacts cost per pupil, tuition calculation and aid distribution. See Chapter IV of the New Hampshire Financial Accounting Handbook for Local Education Agencies for acceptable methods of proration.

NOTE: Only those lines requiring special attention are listed.

SPECIAL PROGRAMS

(Pages 7, 8, and 9 Line 2)

Function 1200 - Include expenditures for direct instructional services for:

- Special Education
- Other Special Programs (Culturally Deprived, Bilingual (ESL), and Gifted & Talented)

Do not include expenditures for psychological services, speech and audiology, occupational therapy, and transportation services. These are reported as student support services, and transportation services. Vision services are reported as special education.

STUDENT SERVICES

(Pages 7, 8, and 9 Line 5)

Function 2100 - Include in these categories expenditures for Student Support Services (health, guidance, psychological, speech, audiology, and occupational therapy).

STUDENT TRANSPORTATION SERVICES

(Pages 7, 8, and 9 Line 11)

Function 2700 Include expenditures for General Fund student related transportation expenditures for:

- Regular Programs
- Special Programs
- Vocational Programs
- Athletics Trips
- Co-curricular Trips/Field Trips
- Other Vehicle

OTHER SERVICES (Pages 7-9)

(Pages 7, 8, and 9 Line 13)

Districts that use Function 2900 to record expenditures for employee fixed charges and benefits internally **must** distribute and report the employee benefits in the appropriate function codes (1100, 1200, etc.) and level (elementary, middle, and high) in column 2.

DISTRICT WIDE (Page 10)

Districts now are provided expanded options for reporting community type programs (Functions 1500 - 1800). Provide separation for adult programs from high school/college programs and activities, as well as community service programs now operating more broadly.

Page 10 Line 5 Function 2750 is used to report expenditures related to private organizations that use district buses for non-student related transportation.

Line 6 Function 4000 is used to report significant renovations to a facility, additions to a facility, or acquisition of land and/or facilities that were approved as part of the annual operating budget, not as a bond issue. Expenditures resulting from authorization received for a bond issue are reported under the Capital Projects Fund **(Page 15)**. Expenditures for repairs and minor renovations normally are budgeted and expended from Function 2600, Operations and Maintenance of Plant.

Page 10 Lines 9 & 10 Debt Service, Function 5000, Principal and Interest payments are reported separately using function codes 5110 and 5120.

Lines 11- 14 are amounts transferred from the general fund to another fund are legitimate expenditures of the general fund. Inter-fund loans are not general fund expenditures and are reported in the balance sheet section of the DOE-25 rather than in the expenditure section.

Lines 15 & 16 Intergovernmental Agency Allocations, Function 5300, is a unique State of New Hampshire account. Here, under Function 5310, report allocations for Charter Schools.

All Other Special Revenue Funds: Statement of Expenditures and Other Financing Uses (Pages 11 - 14)

Report all Federal/State Programs and Other Local Programs not included elsewhere. Food Services expenditures are excluded from this grouping.

Expenditures must be reported by educational level - Elementary (**Page 11**), Middle/Junior High (**Page 12**), and High School (**Page 13**). All expenditures are reported on the same basis as the General Fund (**Pages 7 - 10**).

Food Service Special Revenue Fund: Statement of Expenditures and Other Financing Uses (Page 15)

Report here all expenditures from the Food Service Program. Expenses must be broken down by Elementary (**Line 1**), Middle/Junior High (**Line 2**), and High School (**Line 3**) and reported by object (Salaries, Benefits, etc.).

The State Department of Education uses the cost of food in other statistical calculations. Therefore, Column 4 must be further broken down in the Summary Section (**Page 15 lines 6&7**). The total (**Line 8, Column 4**) of this section must equal Line 5, Column 4 of the previous section.

Capital Projects Funds: Statement of Expenditures and Other Financing Uses (Page 15)

This is generally used to report expenditures funded by long term debt. Expenditures are categorized as listed here.

Lines 9-15 Expenditures are categorized and further broken down by objects Salaries, Benefits, Contracted Services, Supplies, Property (equipment), and Other. **Line 16** has been added to record the transfer of residual money to another fund.

Trust Funds: Combining Statement of Revenues (Page 16)

Combining Statement of Revenues requires the reporting entity to report all revenues by individually identified fund, utilizing four major categories of revenue.

CAPITAL RESERVE FUNDS (Page 16)

Lines 1-6 are Capital Reserve funds established under R.A. Chapter 35 and are segregated from all other expendable trust funds due to statutory limitations covering appropriations and the need of the entity to report on each fund separately.

OTHER EXPENDABLE TRUST FUNDS (Page 16)

Lines 8-13 are all other expendable trusts established under RSA 198:20-C which require separate reporting, similar to capital reserve funds above.

NON-EXPENDABLE TRUST FUNDS (Page 16)

Lines 15-18 are used to account for trusts that stipulate that only earnings, and not principal may be expended.

Trust Funds: Combining Statement of Expenditures (Page 17)

Combining Statement of Expenditures require the reporting entity to report all expenditures by individually identified fund, utilizing the standard object codes. **Lines 1-6** are used to report expenditures from Capital Reserve Funds; **Lines 8-13** are used to report expenditures from Expendable Trust Funds; and **Lines 15-18** are used to report expenditures from non-expendable trust funds (from earnings only).

Trust Funds: Combining Balance Sheet (Pages 18)

Combining Balance Sheet covers the three major trust fund types listed above, which upon completion will enable the preparer to complete the combined Balance Sheet (**Page 1**).

Statement of Analysis of Change in Fund Equity (Page 19)

The statement of Analysis of Change in Fund Equity is used to establish the fund equity at the close of each fiscal year for each fund type.

Page 19 Line 1 Enter in the appropriate fund column, the total fund equity as reported on the previous year's balance sheet.

Line 2 Enter in the appropriate fund column, the revenues reported on **Page 6, Line 105**.

Line 3 Enter in the appropriate fund column any other additions to beginning equity which are not recorded on **Line 2** (i.e., audit adjustments).

Line 4 Subtotal all columns.

Line 5 Enter in the appropriate fund column, the expenditures reported on **Pages 10, Line 18** (General Fund); **Page 14, Line 17** (Special Revenue Fund); **Page 15, Line 5** (Food Service Fund); and **Page 15, Line 17** (Capital Projects Fund); **Page 17, Line 20**. All of the above amounts are taken from Column 7 on the respective pages.

Line 6 Enter in the appropriate fund column any other deletions from beginning equity which are not recorded on **Line 5** (i.e., audit adjustments).

Line 7 Subtotal all columns, **Lines 5 & 6**.

Line 8 The total fund equity calculated in this section of the DOE-25 must agree with the Total Fund Equity reported in the Balance Sheet (**Page 1, Line 31**).

Supplemental Information (Pages 20 - 24)

The Supplemental Information required (**Pages 20-24**) is critical in providing the State Department of Education with the data necessary to determine Indirect Cost Rates, Cost per Student, and a full accounting of all special education costs. The amortization schedule provides the Department of Revenue Administration and the Bond Counsel with complete

information relating to the cumulative debt of the District. Unless otherwise specified, all data should be provided using all funds.

AMORTIZATION SCHEDULE OF LONG TERM DEBT (Page 20)

This section provides space for a complete picture of up to five (5) issues of Bonds and/or Notes. If a District has more than 5 separate issues, please attach a listing on a separate page. Those listed on a separate page should be included in the total column 6. If a portion of a Bond Issue is State Guaranteed and has a different interest rate, report it as two separate issues, but note that it was the same Bond Issue.

COMPENSATED ABSENCES PAYABLE (OPTIONAL) (Page 20)

This section provides information to track changes in the long term liability of the district for compensated absences. Col 1. - Enter the beginning Balance. Col 2. - At year end enter additional amount earned during the year, Col 3. - Enter amount paid or retired during year, and Col 4. - calculate balance.

FIXED ASSET GROUP OF ACCOUNTS (OPTIONAL) (Page 20)

The Fixed Asset Group of Accounts is an optional reporting for those Districts accounting for fixed assets. The categories outlined are the basic federal categories by which assets are inventoried. Eventually, all Districts will account for fixed assets and, thus, space has been provided for this report. Food Service Fixed Assets are also accounted for here provided they are recorded as special revenue funds, and not as enterprise funds.

DETAILED EXPENDITURE DATA ON SPECIAL EDUCATION (Page 21)

This data is reported on students who have been identified under IDEA and who have been reported in SPEDIS. Include expenditures from General Fund and Special Revenue Funds. The following description of learning activities is to be used to classify costs reported as supplementary expenditure data:

Page 21 **Lines 1-3** INSTRUCTION For activities dealing directly with the interaction between special education teachers and students who have been identified as requiring special education instructional services. Instruction may range from added support in a student's regular classroom to highly specialized instruction in a residential setting and is for any age/grade from pre-school through secondary level. Instructional services may be provided by certified or licensed professionals, para-professionals, instructional aides or other appropriate instructional personnel. These programs are especially designed to enable a student to benefit from education, or to improve or overcome physical, mental, social, sensory, and/or emotional handicaps.

Lines 5-7 RELATED SERVICES Costs for activities which support, facilitate, enhance or promote the instruction of special education students. These services exist as adjuncts to the provision of instruction and would not be provided were it not necessary to special education students for meeting their instructional goals. These services may include guidance, counseling, assessment, health, speech and/or language, or other services including para-professional support.

Lines 9-11 ADMINISTRATION Costs concerned with directing and managing the provision of special education instruction and related services. These activities are accomplished by an assistant superintendent, coordinator, director, or other administrator or manager whose principal function (50% or more) is in the supervision or operation of special education programs. These activities include clerical, secretarial, or other administrative support. This does not include a superintendent, assistant superintendent, principal or other administrator who supervises the provision of special education instruction as a part (less than 50%) of the operation of a school or school district. **If these services are provided by the SAU be sure to include the District's prorated share of such supervision.**

Lines 13-15 LEGAL Costs relating to court actions, hearings, lawsuits and counsel by attorneys or other legal professionals concerning special education instruction or students.

Lines 17-19 TRANSPORTATION Costs for conveying special education students to and from school in accordance with Federal and State laws and regulations. These services exist as adjuncts to the regular provision of transportation and would not be provided were it not necessary to special education students for meeting their instructional goals.

Transfer all data in Column 7 of the chart in the upper section of Page 21 to the chart at the bottom of the page in the appropriation column and line. This is a compilation of costs. The data here may not tie back to other figures elsewhere in the DOE25 because they may include prorated costs for services provided by a SAU.

DETAILED EXPENDITURES FOR OTHER SPECIAL PROGRAMS (Page 22)
(Culturally Deprived, Bilingual, Gifted/Talented)

This information is provided for other special programs not related to handicapped or disabled students. Include expenditures from all funds.

Page 22 Lines 1-3 Costs related to Culturally Deprived Programs
Lines 5-7 Report costs of ESL and other Bilingual programs
Lines 9-11 Report costs specific to Gifted and Talented programs.

DETAILED EXPENDITURE DATA REGARDING TUITION (Page 22)

The Department of Education uses tuition data in several of its statistical calculations. Report amounts expended from all funds. Report tuition by function, i.e. regular programs, special

programs and vocational programs. Use object codes to distinguish tuition payment type, i.e. to other New Hampshire school districts (LEAs), to out-of-state LEAs, to public academies, or to private or other schools.

Pay particular attention to the accurate reporting of tuition to other New Hampshire school districts (LEAs). In reporting state total expenditures the State Department of Education will deduct this inter-district transfer. This prevents expenditures for tuition students from being included twice, as both sending and receiving district expenditures.

Use object 561 to report tuition to other New Hampshire school districts. Tuition to single district SAUs should be included. Such payments actually represent payments to another school district, as all expenditures for single district SAUs are included within the district's DOE-25. Do NOT include tuition to multi-district SAUs. Do NOT include tuition to public academies, private schools or state operated schools.

Use object 562 to report tuition to public school districts that are outside of New Hampshire.

Use object 563 to report tuition to public academies.

Use object 564 to report tuition to private schools located either in NH or outside of NH and tuition to state-operated programs or SAU operated programs. Include the cost of related services, but do NOT include room and board charges.

Use object 569 to report residential expenditures including room and board and other subsistence or security costs, but do NOT include tuition. Cost reported using object 569 must have an associated cost reported in object 564.

TRANSPORTATION DATA , CAPITAL EXPENDITURES, SUMMER SCHOOL

Page 23 GENERAL FUND TRANSPORTATION DATA: The total reported on line 8 in this section must agree with the total transportation expenditures reported on Pages 7, 8 and 9. Provide costs for all transportation reported for Fund 10 – General Revenue. Use Intra-District Transportation to report such costs as the transportation of students between buildings within the district. Do not include non-student related expenditures reported on page 10.

CAPITAL EXPENDITURES: The total reported in this section must match Page 10 Line 60 plus Page 14 Line 59, less the Facility & Acquisition amounts (Lines 47) reported on these 2 pages. Do not include expenditures from the Food Services Fund or the Capital Projects Fund (4000). Include purchase of land, buildings and new and replacement equipment, vehicles, and furnishings. This is a change from the way you reported in the past.

SUMMER SCHOOL: Include expenditures from all funds. Separate costs based on Elementary, Middle/Jr. High, and High School according to object code.

INDIRECT COST RATE (Page 24)

The table on page 24 provides the additional data required to calculate any District's Indirect Cost Rate. It is required if a SAU or any of its member districts desires to have an Indirect Cost Rate set. Prior to the publication of the rate, the district will be given an opportunity to verify the calculation. Most of the information needed to calculate an indirect cost rate is taken from pages 7 through 10. More detailed information is needed for General Administration Function Code 2300.

Page 24 Line 1 Enter the total expenditures for District School Board Operations.

Line 2 Enter the amount in Line 1 above which is the cost of the audit.

Line 3 Enter the cost included in function 2321 which reflects the Salary, Benefits, Fixed Charges, supplies, and other costs for the Superintendent and the Superintendent's Secretary.

All other charges in the administrative area are allowable charges which can be used in the calculation of Indirect Costs.

Table of Contents

Introduction	page 1
Instructions for Completing the DOE-25	page 2
BASIC PREMISE GOVERNING MODIFIED ACCRUAL ACCOUNTING	
General Instructions	page 3
Combined Balance Sheet	page 3
CURRENT ASSETS	
CURRENT LIABILITIES	
FUND EQUITY	
GENERAL GUIDELINES FOR THE COMBINED BALANCE SHEET	
Combined Statement of Revenues and Other Financial Sources	page 4
REVENUE FROM LOCAL SOURCES	
REVENUE FROM STATE SOURCES	
REVENUE FROM FEDERAL SOURCES	
OTHER FINANCING SOURCES	
General Fund: Statement of Expenditures and Other Financing Uses	page 6
GENERAL FUND	
SPECIAL PROGRAMS	
STUDENT SERVICES	
STUDENT TRANSPORTATION SERVICES	
OTHER SERVICES	
DISTRICT WIDE	
All Other Special Revenue Funds: Statement of Expenditures and Other Financing Uses.....	page 8
Food Service Special Revenue Fund:Statement of Expenditures and Other Financing Uses	page 8
Capital Projects Funds: Statement of Expenditures and Other Financing Uses.....	page 9
Trust Funds: Combining Statement of Revenues	page 9
CAPITAL RESERVE FUNDS	
OTHER EXPENDABLE TRUST FUNDS	
NON-EXPENDABLE TRUST FUNDS	
Trust Funds: Combining Statement of Expenditures	page 9
Trust Funds: Combining Balance Sheet	page 10
Statement of Analysis of Changes in Fund Equity	page 10
Supplemental Information	page 11
AMORTIZATION SCHEDULE OF LONG TERM DEBT	
COMPENSATED ABSENCES PAYABLE	
FIXED ASSET GROUP OF ACCOUNTS (OPTIONAL)	
DETAILED EXPENDITURE DATA ON SPECIAL EDUCATION	
DETAILED EXPENDITURES FOR OTHER SPECIAL PROGRAMS	

DETAILED EXPENDITURE DATA REGARDING TUITION
TRANSPORTATION DATA
INDIRECT COST RATE