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A. INTRODUCTION TO CODING STRUCTURE

A.01 CODING STRUCTURE

The purpose of this section is to provide the reader with an overview of the required coding structure; the graphic display and definitions which follow should be used for that purpose.

The coding structure is consistent with “Financial Accounting for Local and State School Systems” published by the National Center for Education Statistics, November, 2003. Recommendations made in this section are those necessary to satisfy state and federal reporting requirements. Each district should review local needs before additional elements of the coding structure are added. The accounting system designed should accommodate the planning, budgeting, evaluating, and analysis functions of the system and should be cross-referenced to other information files of that system.

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A.02 CODING DIMENSIONS - DEFINITIONS

DIMENSION - Block of related digits.

FUND - An independent fiscal and accounting entity, preferably with a self-balancing set of accounts, with its own assets. Liabilities, resources, and fund balances which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations (two positions).

MAJOR CLASS - The basic account identifier for recording transactions involving assets, liabilities, fund balance and revenues (three positions).

SUFFIX - Additional information which may be desired to further define balance sheet accounts and restricted revenue funds (four positions).

FUNCTION - The action a person takes or the purpose for which a thing exists or is used. Function includes the activities or actions which are performed to accomplish the objectives of an enterprise (three positions).

OBJECT - The service or commodity obtained as the result of a specific activity (four positions), object codes are comprised of:

- The kinds of work staff members perform.
- The kinds of services and commodities purchased that further define the object code.

PROGRAM - A plan of activities and procedures designed to accomplish a predetermined objective or set of allied objectives (three positions).

STATE CODE - Identifies the various categorical programs which are under special reporting requirements (four positions).

SCHOOL - For the purposes of the School Code Master, a **school** is a logical unit (not necessarily a physical building) (five positions) that is generally defined as having the following characteristics:

- 1) Administrators- A school has one or more administrators or directors, usually called a principal(s) who reports to a district level superintendent or assistant superintendent.
- 2) Teachers- A school has one or more persons certified to provide K - 12 instruction.
- 3) Students- A school has one or more students in grades K - 12. (See CEPI School Code Master for more information on school codes).

OTHER - A dimension available to further define a school district's activities; i.e., subject matter, special cost center, etc. (four positions).

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A.03 GENERAL APPLICATION TO ALL FUNDS

a) FIRST DIMENSION - (TWO POSITIONS) - FUND

(1) FIRST TWO POSITIONS -FUND

11	General Fund
21	Athletic Fund
22	*Special Education Fund
23	Community Service Fund
24	Bookstore Fund
25	School Lunch Fund
26	*Vocational Education Fund
27	*Cooperative Education Fund
28	Private Purpose Trust
31-39	Debt Retirement Fund
41-49	Capital Projects Fund
51-59	Trust Funds
61-69	Agency Fund
71-79	Enterprise Funds
81-89	Internal Service Funds
91	Capital Asset Accounts
92	Long Term Liability Accounts

*These funds are used only by intermediate school districts.

(2) THIRD POSITION – TRANSACTION CODE

0	Revenue Accounts
1	Expenditure Accounts
2	Balance Sheet Accounts

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BALANCE SHEET

FUND	TRANS. CODE	MAJOR CLASS		SUFFIX								
↔	↔	↔		↔	← NOT USED →							
XX	X	XXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX
1		2		3								

REVENUES

FUND	TRANS. CODE	MAJOR CLASS		SUFFIX								
↔	↔	↔		↔	← NOT USED →							
XX	X	XXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX
1		2		3								

EXPENDITURES

FUND	TRANS. CODE	FUNCTION		OBJECT		PROGRAM		STATE CODE		SCHOOL		OTHER
↔	↔	↔		↔		↔		↔		↔		↔
XX	X	XXX	-	XXXX		XXX	-	XXXX	-	XXXXX	-	XXXX
1		2		3		4		5		6		7

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B. EXAMPLES OF GENERAL ACCOUNTING ENTRIES

B.01 INTRODUCTION - ACCOUNTING ENTRIES

The diverse nature of school operations and the necessity of determining legal compliance require that accounts be organized on the basis of funds. Each fund must be accounted for as an independent entity. This is accomplished by providing a complete, self-balancing set of accounts for each fund which shows its assets, liabilities, fund balances, revenues and expenditures.

In addition to its own financial transactions of an internal nature (i.e., payrolls) and external nature (i.e., purchases), each fund may have financial transactions with other funds in the same school unit. Since each fund is a separate entity, the amounts due it from other funds as well as the amounts it owes to them must be reflected in the accounts and financial statements. Inter-fund receivables and payables may result from services rendered by one fund for another, from inter-fund loans, or out of transfers from the General Fund to another fund.

Specific examples of Recording of Transactions are illustrated in this chapter:

- Opening the General Ledger
- Recording the Budget
- Recording Encumbrances
- Closing the General Ledger
- Special Accounting Entries
- Long Term Debt Transactions
- Capital Assets

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B.02 OPENING THE GENERAL LEDGER

The General Ledger is opened by recording the assets and liabilities of the fund at the beginning of the accounting period. Excess of assets over liabilities results in a fund balance, and an excess of liabilities over assets results in a fund deficit.

The assets and liabilities used will conform to the classifications as found in the Appendix to this manual.

The following is an example of this transaction for various funds:

GENERAL FUND:

11-2-101-0000	Cash in Bank	\$ 20,021	
11-2-111-0000	Taxes Receivable	1,369,186	
11-2-121-0000	Accounts Receivable	98,290	
11-2-131-0000	Due from--Other Funds	76,185	
11-2-171-0000	Inventory	175,280	
11-2-181-0000	Investments	8,400,000	
11-2-192-0000	Prepaid Expenses	67,540	
11-2-402-0000	Accounts Payable	\$ 19,076	
11-2-404-0000	Contracts Payable	12,000	
11-2-411-0000	Due to--Other Funds	103,215	
11-2-451-0000	Payroll Deductions	480,951	
11-2-462-0000	Salaries Payable	1,145,210	
11-2-471-0000	Deferred Revenue	356,810	
11-2-741-0000	Fund Balance	8,089,240	

To record opening balances of the General Fund.

DEBT RETIREMENT FUND:

3x-2-101-0000	Cash	\$ 1,075	
3x-2-110-0000	Taxes Receivable	13,118	
3x-2-162-0000	Interest Receivable	2,334	
3x-2-180-0000	Investments	265,750	
3x-2-741-0000	Fund Balance		\$282,277

To record opening balances of the Debt Retirement Fund.

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B.03 RECORDING THE BUDGET

The initial step in accounting for the General Fund is to record the budget as adopted by the local Board of Education. Recording of the budget in this example is accomplished by debits to Estimated Revenues and Fund Balance and a credit to Appropriations in the general ledger. The following are examples of these transactions for the General Fund:

11-2-301-0000	Estimated Revenues	\$26,243,409	
11-2-706-0000	Fund Balance	135,311	
11-2-601-000	Appropriations		\$26,378,720

To record adoption of the budget in the general ledger control accounts. This assures the budget has been balanced by an appropriation from Fund Balance.

Postings to the subsidiary ledger accounts would be as follows:

Estimated Revenue from Local Sources	\$23,859,472	
Estimated Revenue from Intermediate Sources	328,315	
Estimated Revenue from State Sources	1,395,311	
Estimated Revenue from Federal Sources	100,000	
Estimated Incoming Transfers and Other Transactions	560,311	
Appropriations - Instruction		\$21,385,172
Appropriations - Supporting Services		3,417,166
Appropriations - Community Services		1,576,382

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B.04 RECORDING ENCUMBRANCES

Proper budgetary control of General Fund operations requires the use of an encumbrance system. Under such a system, a formal entry is made when purchase orders or other commitments are made to reserve a portion of the applicable appropriation and hereby lessen the chance of over expenditure of the appropriation.

For example, when purchase orders and other expenditure commitments are approved, necessary amounts of appropriations are reserved for eventual payment by use of encumbrance accounts. This is accomplished by a debit to Encumbrances and a credit to Reserve for Encumbrances for the amount of the purchase order or other commitment. When the invoices for goods or services are received at a later date, the encumbrance entry is reversed for the original amount and the actual amount of the expenditure is recorded in the expense accounts by a debit to Expenditures and a credit to Accounts payable or Cash.

11-2-603-0000	Encumbrances	\$25,112
11-2-711-0000	Reserve for Encumbrances	\$25,112

To record current period encumbrances for purchase orders and contracts.

11-2-701-0000	Reserve for Encumbrances	\$25,112
11-2-603-0000	Encumbrances	\$25,112

To record liquidation of encumbrances upon receipt of invoices.

11-1-111-5110	Instruction	\$18,720
11-2-402-0000	Accounts Payable	\$18,720

To record payables upon receipt of invoices.

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B.05 CLOSING THE GENERAL LEDGER

- At the end of each fiscal period, the budgetary and operating accounts of the General Fund are closed. The entry to record closing of revenues and expenditures is as follows:

11-0-000-0000	Revenues	\$26,264,302	
11-2-741-0000	Fund Balance	46,470	
11-1-000-0000	Expenditures		\$26,310,772
To close actual revenues and expenditures to fund balance.			

- To close the budget, the following entry is required:

12-2-601-0000	Appropriations	\$26,378,720	
12-2-741-0000	Fund Balance		\$ 135,311
12-2-301-0000	Estimated Revenues		26,243,409
To close budget to fund balance.			

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C. SPECIAL ACCOUNTING ENTRIES - EXAMPLES

C.01 REVENUES AND TAX LEVIES

Transactions are recorded in the books of original entry as follows:

- Revenues will generally be recorded as receivables when taxes are levied, billings are made, or claims filed with outside parties. When no receivable has been recorded, revenue will be recorded when the cash is received. Recording of tax revenues will be made at the time of levy when a debit will be made to the account Taxes Receivable and a credit to Property Tax Levy.

11-2-111-0000	Taxes Receivable	\$23,959,422	
11-0-111-0000	Property Tax Levy		\$23,959,422

To record tax levy.

- Recording of revenues which arise from billings made to, or claims filed with, outside parties should be recorded as accounts receivable when billed with the credit to a revenue account.

11-2-121-0000	Accounts Receivable	\$48,000	
11-0-312-0000	Grants in Aid - Restricted		\$48,000

To record claim filed for Driver Education.

- Revenues not previously recorded as receivable should be recorded as the cash is collected.

11-2-101-0000	Cash	\$48,000	
11-0-312-0000	Grants in Aid - Restricted		\$48,000

To record collection of Driver Education funds.

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In this example, the collection of property taxes, and cash from other sources during the course of a fiscal year are recorded as follows:

11-2-101-0000	Cash	\$180,040	
11-0-111-0000	Local Property Tax		\$ 14,873
11-2-111-0000	Taxes Receivable		155,000
11-2-121-0000	Accounts Receivable		10,167
To record cash received.			

- Expenditures are recorded on a modified accrual basis as follows:

- 1) Recording of transactions in the General Fund for goods and services which have not been previously recorded as a payable or encumbrance.

11-1-111-5110	Classroom Instruction	\$12,187	
11-2-171-0000	Inventory	3,120	
11-2-192-0000	Prepaid Expenses	6,710	
11-2-101-0000	Cash		\$22,017
To record cash disbursed.			

- 2) Non-cash entries would be made in the General Fund to set up accounts payable:

11-1-111-5110	Classroom Instruction	\$17,846	
11-2-171-0000	Inventory	2,860	
11-2-192-0000	Prepaid Expenses	7,644	
11-2-402-0000	Accounts Payable		\$28,350
To record payables.			

- 3) Recording of expenditure transactions in the General Fund where the liability was previously recorded.

11-2-402-0000	Accounts Payable	\$ 21,165	
11-2-462-0000	Salaries Payable	761,175	
11-2-411-0000	Due to Other Funds	13,216	
11-2-101-0000	Cash		\$795,556
To record disbursements for the period.			

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C.02 SCHOOL BUS PURCHASES

The following entries illustrate the proper transactions for the purchase, financing and disposal of school buses.

a) PURCHASE OF A NEW (OR REMANUFACTURED) SCHOOL BUS - CASH:

(1) General Fund

11-1-271-6610	School Bus Purchases	\$30,000	
11-2-101-0000	Cash		\$30,000
To record the cash purchase of a bus.			

(2) Capital Asset Accounts

91-2-261-0000	School Buses	\$30,000	
91-2-761-0000	Investment in General Fixed Assets		\$30,000
To add a new bus to the asset inventory.			

b) PURCHASE OF A NEW (OR REMANUFACTURED) SCHOOL BUS FINANCED BY CONDITIONAL SALES AGREEMENT:

(1) General Fund

11-1-271-6610	School Bus Purchases	\$30,000	
11-0-592-0000	Proceeds from Sale of L/T Note		\$30,000
To record purchase of bus on credit.			

(2) Long Term Debt Accounts

92-2-304-0000	Amounts to be Provided for Payment of Loans	\$30,000	
92-2-561-0000	Bus Loans Payable		\$30,000
To set up long term liability.			

(3) Capital Asset Accounts

91-2-261-0000	School Buses	\$30,000	
91-2-761-0000	Investments in General Fixed Assets		\$30,000
To add a new bus to the fixed asset inventory.			

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c) PAYMENT ON SCHOOL BUS LOAN

(1) General Fund

11-1-511-7260	Interest Expense	\$2,000	
11-1-511-7160	Payment on Bus Loan	\$5,000	
11-2-101-0000	Cash		\$7,000
	To record payment on bus loan.		

(2) Long Term Debt Accounts

92-2-531-0000	Bus Loans Payable	\$5,000	
92-2-304-0000	Amounts to be Provided		
	For Payment of Loans		\$5,000
	To reduce long term liability account as a result of bus payment.		

d) SALE OF USED SCHOOL BUS:

(1) General Fund

11-2-101-0000	Cash	\$5,000	
11-0-593-0000	Proceeds from the Sale		
	of Capital Assets		\$5,000
	To record sale of a school bus.		

(2) Capital Asset Accounts

91-2-761-0000	Investments in General		
	Fixed Assets	\$28,000	
91-2-261-0000	School Buses		\$28,000
	To remove original cost of school bus sold.		

NOTE: The trade-in of a used school bus for a new bus would simply be recorded in School Bus Purchases as the net cost of the new bus.

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C.03 CLAIMS AND JUDGMENTS

The following entries illustrate the proper transactions for recording claims and judgments.

a) GENERAL FUND

Example A

11-1-231-7510	Claims and Judgments	\$150,000
11-2-491-0000	Other Liabilities	\$150,000

To accrue discrimination judgment not covered by insurance and payable currently.

Example B

11-1-231-7510	Claims and Judgments	\$30,000
11-2-491-0000	Other Liabilities	\$30,000

To accrue loss resulting from discrimination suit payable over five years as follows:

Total payable	\$150,000
Long term portion	<u>120,000</u>
Currently payable	\$ 30,000

b) LONG TERM DEBT ACCOUNTS

Example A (above) No entry required

Example B (above)

92-2-304-0000	Amount to be Provided for Other Obligations	\$120,000
92-2-591-0000	Other Obligations Payable	\$120,000

To accrue long term portion of discrimination judgment.

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C.04 COMPENSATED ABSENCES

The following entries illustrate the proper transactions for recording compensated absences.

a) GENERAL FUND

Entry One - Year One

11-0-491-8910	Prior Year Adjustment	\$30,000
11-1-XXX-1XXX	Various Salary Expend	\$30,000

To record prior period adj. for compensated absences not accrued in prior periods.

Entry Two - To Be Made At Year End Closing - Year One

11-1-XXX-1XXX	Various Salary Expenditures	\$25,000
11-2-461-0000	Accrued Expenditures	\$25,000

To record current portion of compensated absences and computed as follows:

Total due at year end	\$ 280,000
Less: non-current portion	<u>(255,000)</u>
Amount payable currently	\$ 25,000

Entry assumes amounts paid in current year for prior year liability were charged against liabilities.

Entry Three - To Be Made At Year End Closing - Year Two

11-1-1XX-1XXX	Various Salary Expenditures	\$28,000
11-2-461-0000	Accrued Expenditure	\$28,000

To record current portion of compensated absences and computed as follows:

Total due at year end	\$ 295,000
Less: non-current portion	<u>(267,000)</u>
Amount payable currently	\$ 28,000

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b) LONG TERM DEBT ACCOUNTS

Entry One - Year One

92-2-304-0000	Amount to Be Provided for L/T Debt	\$255,000	
92-2-581-0000	Other Liabilities Payable		\$255,000

To accrue liability for long term portion of compensated absences.

Entry Two - Year Two

92-2-304-0000	Amount to Be Provided for L/T Debt	\$12,000	
92-2-581-0000	Other Liabilities Payable		\$12,000

To accrue liability for long term portion of compensated absences as follows:

Total long term amount due	\$ 267,000
Amount previously recorded	<u>(255,000)</u>
Balance to accrue	\$ 12,000

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C.05 ENERGY TRANSACTIONS

Section II - E.10 of this manual provides a narrative of proper accounting for school district energy related transactions. The examples listed below provide guidance to school district accountants in making energy transactions entries.

a) CAPITAL PROJECTS FUND

41-2-101-0000	Cash	\$165,000
41-0-592-0000	Sale of Bonds	\$165,000

To record the collection of the energy conservation project note proceeds.

41-1-456-6220	Building Improvement Services	\$165,000
41-2-101-0000	Cash, Energy Project	\$165,000

To record the expenditure of funds on the 20XX Energy Conservation Project.

b) GENERAL FUND

11-1-511-7210	Interest	\$16,500
11-1-511-7110	Principal	\$16,500
11-2-101-0000	Cash	\$33,000

To record principal and interest payment on energy note.

c) LONG TERM DEBT ACCOUNTS

92-2-304-0000	Amount to be provided for Payment of Loan	\$165,000
92-2-591-0000	Other Loans Payable	\$165,000

To record ten year 10% energy note. Amount to be paid annually \$16,500

92-2-591-0000	Other Loans Payable	\$16,500
92-2-304-0000	Amount to be provided for Payment of Loan	\$16,500

To record annual payment on the ten year 20xx energy note

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C.06 EQUIPMENT PURCHASE AND SALE TRANSACTIONS

The following entries illustrate the proper transactions for the purchase, financing and disposal of equipment or furniture.

a) PURCHASE OF EQUIPMENT WITH CASH FOR A HIGH SCHOOL CLASSROOM

(1) General Fund

11-1-113-6410	Equipment-Instruction	\$20,000	
11-2-101-0000	Cash		\$20,000

To record equipment purchase.

(2) Capital Assets Accounts

91-2-241-0000	Equipment Instruction	\$20,000	
91-761-0000	Investment in General Fixed Assets		\$20,000

To record addition of equipment to the capital asset inventory.

b) PURCHASE OF HIGH SCHOOL CLASSROOM EQUIPMENT FINANCED BY A LONG TERM NOTE

(1) General Fund

11-1-113-6410	Equipment Instruction	\$20,000	
11-0-592-0000	Proceeds from the Sale of Long Term Note		\$20,000

To record purchase of equipment.

(2) Long Term Debt Accounts

92-2-304-0000	Amount to Be Provided for Payment of Loans	\$20,000	
92-2-571-0000	Furniture & Equipment Loans Payable		\$20,000

To record long term debt created for purchase of equipment.

(3) Capital Asset Accounts

91-2-241-0000	Equipment Instruction	\$20,000	
91-2-761-0000	Investment in Capital Assets		\$20,000

To record addition of equipment to the fixed asset inventory.

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c) PAYMENT ON EQUIPMENT LOANS

(1) General Fund

11-1-511-7210	Interest Expense	\$2,000	
11-1-511-7130	Payments on Equipment Loans	\$3,000	
11-2-101-0000	Cash		\$5,000

To record periodic payment on equipment loan.

(2) Long Term Debt Accounts

92-2-571-0000	Furniture and Equipment Loans Payable	\$3,000	
92-2-304-0000	Amount to Be Provided for Payment of Loans	\$3,000	

To adjust long term loan payment for equipment loan payment.

d) SALE OF USED EQUIPMENT

(1) General Fund

11-2-101-0000	Cash	\$1,000	
11-0-593-0000	Sale of Fixed Assets		\$1,000

To record sale of equipment.

(2) Capital Asset Accounts

91-2-761-0000	Investment in Fixed Assets	\$20,000	
91-2-241-0000	Equipment		\$20,000

To remove cost of equipment sold.

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D. LONG TERM DEBT TRANSACTIONS

Accounting for the amount of unmatured long term indebtedness should be recorded in the Long Term Debt Accounts. The purpose of this is to report a school district's liability for long term debt at any time from date of issuance until the debt is retired. Whenever general obligation debt is incurred, the liability is usually recorded in the Long Term Debt Accounts as illustrated below:

92-2-304-0000	Amount to be Provided for Payment of L/T Debt	\$500,000
92-511-0000	Bonds Payable Long Term Portion	\$500,000
	To record new bond issue	

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E. CAPITAL ASSETS

Accounting for the Capital Assets requires that proper classification of individual assets be made to asset classes. In addition, sub-accounts may be used to establish and accumulate the cost of each class of assets.

The recommended classes for accounting and statement presentation purpose are as follow:

- 21x - Land
- 22x - Buildings and Additions
- 23x - Site Improvements
- 24x - Equipment and Furniture
- 25x - Vehicles Other than Buses
- 26x - School Buses
- 27x - Educational Media and Textbooks
- 28x - Construction in Process
- 29x - Other Capital Assets

Since the Capital Asset Accounts are Self-balancing, a credit in the form of a fund balance account, Investments in Fixed Assets (761) is established to offset the asset categories listed above. An example of the accounting entry to record the purchase of a building is shown below:

91-2-221-0000	Buildings and Additions	\$5,000,000
92-2-761-0000	Investment in Fixed Assets	\$5,000,000
To Record the Purchase of a Building		

Additional Sub-Accounts have been added to the chart of accounts to allow district wide reporting of depreciation on each of the capital asset classes. This is in compliance with GASB #34 reporting requirements.

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