

# **FINANCIAL ACCOUNTING HANDBOOK**

**Update To  
Account Code  
Definitions**

**Effective Date  
July 1, 2009**

Account means the service or commodity obtained as the result of a specific expenditure. Seven major Object categories are identified and described in this manual: (1) Salaries, (2) Employee Benefits, (3) Purchased Services, (4) Supplies and Materials, (5) Capital Outlay, (6) Other Objects, and (7) Transfers. These broad categories are subdivided to obtain more detailed information about objects of expenditures. A three-digit code is used which makes it possible to identify detailed expenditure information. Following are definitions of the major object and sub-object categories.

**SALARIES.** Amounts paid to employees of the school district in permanent or temporary positions, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the school district.

Regular Salaries. Full-time, part-time, and prorated portions of the cost of work performed by permanent employees of the school district.

Principal/Assistant Principal Salaries. Full-time, part-time, and prorated portions of the cost of work performed by principals and assistant principals.

Paraprofessional/Teacher Assistant/Clerical Salaries. Full-time, part-time, and prorated portions of the cost of work performed by paraprofessionals/teacher assistants and clerical employees.

Substitute/Temporary Salaries. Full-time, part-time, and prorated portions of the cost of work performed by temporary or substitute employees of the school district.

Overtime Salaries. Money paid to employees of the school district in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated. The terms of such payment for overtime is a matter of State and local regulations and interpretation. Included in this object dimension would be stipends and bonus pay.

Terminal Leave. Compensation paid to employees for accumulated leave on termination of employment.

TERI-Second Annual Leave Payout. The second annual leave payment to eligible TERI employees at retirement.

**EMPLOYEE BENEFITS.** Amounts paid by the school district on behalf of employees. These amounts are not included in the gross salary but are over and above that amount. Such payments are fringe benefit payments and, while not paid directly to employees, are part of the cost of salaries and benefits.

Group Health and Life Insurance. Employer's share of any insurance plan.

Employee Retirement. Employer's share of State or local retirement systems paid by the school district, including the amount paid for employees assigned to Federal programs.

Social Security. Employer's share of social security paid by the school district.

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

Deferred Compensation. Amounts paid by the school district as matching contributions to deferred compensation plans for eligible employees.

Unemployment Compensation Tax. Amounts paid by the school district to provide unemployment compensation for its employees.

Worker's Compensation Tax. Amounts paid by the school district to provide worker's compensation for its employees.

Other Employee Benefits. Employee benefits other than those classified above.

**PURCHASED SERVICES.** Amounts paid for personal services rendered by personnel who are not on the payroll of the school district and other specialized services which the school district may purchase. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

**PROFESSIONAL AND TECHNICAL SERVICES.** Services which by their nature can be performed only by persons or firms with specialized skills and knowledge. Included are doctors, lawyers, auditors, consultants, teachers, and accountants. Also included are services which are not regarded as professional but require basic scientific knowledge, manual skills, or both. Such services include data processing services, statistical services, purchasing and warehousing services, graphic arts, etc.

Instructional Services. Non-payroll services performed by qualified persons directly engaged in providing learning experiences for students. Included are the services of teachers, teacher assistants, teacher aides, and performance contract activities.

Instructional Programs Improvement Services. Services performed by persons qualified to help teachers and supervisors enhance the quality of the teaching process. This category includes curriculum

consultants, in-service training specialists, etc. who are not on the payroll of the school district.

Student Services. Non-payroll services of qualified personnel to assist students and their parents in solving mental and physical problems to supplement the teaching process.

Staff Services. Services performed by qualified personnel to assist in employing and assigning staff. This category includes specialists in personnel counseling and guidance. Non-Instructional staff training is charged here.

Management Services. Services in support of the various policy-making and managerial activities of the school district including the Board of Education. Included would be management consulting activities oriented to general governance, business and financial management, counseling related to the employment of a superintendent, counseling services for school management support activities, election and tax assessing, and collecting services. This category includes consultants, individually or as a team, to assist the superintendent in conference or through systematic studies.

Data Processing Services. Services performed by persons, organizations, or agencies qualified to process data. This category includes data processing services purchased from another agency or concern or specialists who are contracted to perform a specific task on a short-term basis.

Statistical Services. Non-payroll services performed by persons or organizations qualified to assist in handling statistics. This category includes special services for analysis, tabulation, or similar work. An example would be the cost of tabulating testing results.

Audit Services. Professional services provided by independent certified public accountants in preparing the annual school district, county board, or AVC/Technology Center audit report.

Legal Services. Specialized services provided to the school district for legal counsel. (Use this object to record only legal service expenditures.)

**PROPERTY SERVICES.** Services purchased to operate, repair, maintain, insure, and rent property owned and/or used by the school district. These services are performed by persons other than school district employees.

Public Utility Services. Expenditures for utility services supplied by public or private organizations. Water and sewerage are included here.

**Energy services (natural gas, electricity, oil, coal, gasoline, and other heating fuels) are classified as supplies and SHOULD NOT BE INCLUDED here.**

Cleaning Services. Services purchased to clean buildings apart from services provided by school district employees.

Repairs and Maintenance Services. Expenditures for repairs and maintenance services not provided directly by school district personnel. This includes contracts and agreements for the upkeep of grounds, buildings, and equipment.

Property Insurance. Expenditures for insurance on any type property owned or leased by the school district.

Rentals. Expenditures for leasing or renting land, buildings, and equipment for both temporary and long-range use of the school district. This includes lease of data processing equipment, lease purchase arrangements, and similar rental agreements.

Other Property Services. Property services which are not classified above. This includes the cost of garbage pick up.

**TRANSPORTATION SERVICES.** Expenditures for transporting children to and from school and official travel of school district employees.

Student Transportation. Expenditures for transporting children to and from school as provided by state law. These include payments to individuals who transport themselves or to parents who transport their own children for reimbursement of school transportation expenses.

Travel. Costs for transportation, meals, hotel, registration fees and other expenses associated with traveling on business for the school district. Payments for Per Diem in lieu of reimbursements for subsistence (room and board) also are charged here.

Other Transportation Services. Transportation services other than for students or those in the above classifications. Travel reimbursements for non-district personnel are charged here.

**MISCELLANEOUS PURCHASED SERVICES.** Expenditures for communication, advertising, and printing and binding services provided to school districts.

Communication. Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone and telegraph services. Phone lines used specifically to support classroom instruction may be charged to the appropriate instructional function.

Technology. Expenditures for technology hardware and software services provided by persons or businesses, not provided directly by school district personnel. Maintenance contracts and repair services for technology should be charged here. Costs for Instructional Television Program user licenses are included in this object.

Advertising. Expenditures for printed announcements in professional periodicals and newspapers or announcements broadcast by radio and television networks. These expenditures include advertising for such purposes as personnel recruitment, bond sales, used equipment sales, etc.

Printing and Binding. Expenditures for printing and binding, usually according to specifications of the school district. This includes the designing and printing of forms and posters as well as printing and binding of school district publications.

TUITION. Expenditures to reimburse educational agencies within the state for services rendered to students residing in the legal boundaries of the paying school district.

Tuition to AVC/Technology Center. Expenditures to reimburse an *Independent Area Vocational/Technology Center* for services rendered to students residing in the legal boundaries of the paying school district.

Tuition to LEA. Expenditures to reimburse a local school district or County Board of Education in South Carolina for services rendered to students residing in the legal boundaries of the paying school district.

Tuition to Other Entity. Expenditures to reimburse other public or private educational agencies for services rendered to students residing in the legal boundaries of the paying school district.

**OTHER PURCHASED SERVICES.** Expenditures for purchased services not included in the above classifications and for contracted salaries and fringe benefits in the Food Service Program.

Other Purchased Services. Expenditures for all other purchased services not included in the above classifications. Health and Accident insurance for student athletes should be charged here.

Food Service Contracted Salaries. Expenditures to reimburse food service management contractors for salaries of on-site (school) personnel employed by the contractor.

Food Service Contracted Fringe Benefits. Expenditures to reimburse food service management contractors for fringe benefits for on-site (school) personnel employed by the contractor.

Other Professional and Technical Services. Services which are professional and/or technical in nature and are not included in the preceding Purchased Services classifications. Includes services of architects and engineers.

Miscellaneous Purchased Services. Expenditures for other purchase services that are not included in the preceding purchased services classifications.

**SUPPLIES AND MATERIALS.** Amounts paid for material items of an expendable nature, including energy supplies, that are consumed, worn out, or deteriorated by use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances. In 2004–05, the state capitalization rate was increased from \$1000 to \$5,000 for single item purchases. Use of the increased amount is at the discretion of the LEAs, which may choose an amount below \$5,000. If a school district chooses to implement the increased rate, single item purchases less than \$5,000 should be accounted for as supplies in this series.

Supplies. Expenditures for all supplies for the operation of a school district, including freight and cartage. Postage and shipping charges are included in this category. If supplies are handled for resale to pupils, only the net cost of supplies is recorded here. Exclude Technology and Software Supplies.

Textbooks. Expenditures for prescribed books which are purchased for pupils or groups of pupils, and resold or furnished free to them. This category includes the costs of workbooks, textbook binding or repairs, as well as the net amount of textbooks which are purchased to be resold or rented.

Library Books and Materials. Expenditures for regular or incidental purchases of library books, globes, and maps available for general use by students, including any reference books, even though such reference books may be used solely in the classroom. Also recorded are costs of binding or other repairs to school library books. Books on audio tape, diskette or CD-ROM are charged here. The initial purchase of books or materials for a new school library or an expansion of the library are recorded under Capital Outlay.

Periodicals. Expenditures for periodicals and newspapers for general use in the school library. A periodical is any publication appearing at regular intervals of less than a year and continuing for an indefinite period.

Technology and Software Supplies. Expenditures for technology items and supplies used to support technology equipment. Included are expenditures for software (not purchased as part of an initial computer purchase), noncapitalized technology items, video tapes, surge protectors, printer cartridges and ribbons, etc.

Warehouse Inventory Adjustment. Expenditures which are the result of a deficit usually found in an audit or count of items held in store or warehouse inventory. Expenditures for the purchase of these items are generally debited to the Asset account, Inventory of Supplies, and are charged to the proper appropriation as they are requisitioned. Only a loss should be charged to this account. If the physical inventory reflects an overage in items, the excess is debited to the Asset account, Inventory and Supplies.

FOOD. Expenditures for food purchases used in the school food service program.

USDA Commodities. Cash value of USDA Commodities used during the period.

Commodity Distribution Charge. Expenditures for distributor charges for handling USDA donated commodities.

Energy. Expenditures for energy, including gas, oil, coal, gasoline, and services received from public or private utility companies. The cost of electricity is charged here.

Other Supplies and Materials. Expenditures for all other supplies and materials not included in the above classifications.

**CAPITAL OUTLAY.** Expenditures for the acquisition of fixed assets or additions to fixed assets. Included are expenditures for land or existing buildings, improvements of grounds, construction of buildings; additions to buildings, remodeling of buildings, initial equipment, additional equipment, and replacement of equipment. In 2004–05, the state capitalization rate was increased from \$1,000 to \$5,000 for single item purchases. Use of the increased amount is at the discretion of the LEAs. If a school district chooses to implement the increased rate, single item purchases less than \$5,000 should be accounted for as supplies..

Land. Expenditures for the purchase of land and the purchase of air rights, mineral rights etc. are included here.

Construction Services. Expenditures for constructing, renovating and remodeling services paid to contractors. Also include expenditures for major permanent structural alterations, and for the initial or additional installation of heating and ventilating systems, fire protections systems, and other service systems in existing buildings.

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.

Improvements Other Than Buildings. Expenditures for the initial and major additional improvement of sites and adjacent right-of-way, after acquisition by the school district, consisting of such work as grading, landscaping, seeding, and planting of shrubs and trees; constructing new sidewalks, roadways, retaining walls, sewers and storm drains; installing hydrants, initial surfacing and soil treatment of athletic fields and tennis courts; furnishing and installing for the first time, fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks which are not part of building service systems; and demolition work. Special assessments against the school district for capital improvements such as streets, curbs, and drains are also recorded here.

Equipment. Expenditures for initial, additional, and replacement items of equipment, such as furniture and machinery, excluding technology and software equipment items.

Technology Equipment and Software. Expenditures for the initial, additional, and replacement costs for technology items such as computers, LANs, WANs, CD ROMs, computer software (when included as part of system purchases), satellites, modems, FAX machines and other similar equipment items used for the development and implementation of technology.

Vehicles. Expenditures for the purchase of conveyances to transport persons or objects.

Library Books and Materials. Expenditures for books, maps, globes, etc. which constitute the initial furnishing of a newly constructed building. These include books outside the library if they are capitalized and any appreciable accession involving an expansion of the library.

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.

Mobile Classrooms. Expenditures for the acquisition and improvements of mobile classrooms.

Other Capital Outlay. Expenditures for all other Capital Outlay excluded from the above classifications.

**OTHER OBJECTS.** Amounts paid for goods and services not included in the above classifications.

Redemption of Principal. Amounts paid from current funds to retire serial bonds and long-term notes.

Interest. Expenditures from current funds for interest on serial bonds, lease with option to buy, and notes.

Discount on Bonds Sold. That portion of the sales price of bonds which is under the par value of the bond. The discount represents an adjustment of the interest rate.

Organization Membership Dues and Fees. Expenditures or assessments for membership in professional or other organizations and associations.

Liability/Tort Insurance. Insurance to protect school board members and their employees against loss due to accident or neglect.

Litigation and Settlements. Expenditures for legal settlements and judgments related to general liability situations under supervision of the Board of Education.

Pupil Activity. Used to record financial transactions related to school-sponsored and interscholastic student activities. Travel, registration, and entrance fees for field trips and extra curricular activities are recorded here.

Sales Tax on Adult Meals. Expenditures for sales tax on the sale of meals to adults paid to the State Department of Revenue.

Other Objects. Amounts paid for all other expenses not classified above. (Includes Fees for Servicing Bonds reported in the Debt Service Fund.)

**TRANSFERS.** This object category does not represent a purchase. It is used as an accounting transaction to show that funds have been handled without goods and services rendered in return. Included here are transactions for transferring money from one fund to another and for transmitting flow-through fund to a recipient (person or agency).

Fund Modifications. This category represents transactions conveying money from one fund to another. Generally, this takes the form of payments from the General Fund to some other fund. These transactions are not recorded as expenditures.

Transits. This category represents transactions which are transit or flow-through in nature. The object is used in conjunction with payments to the State Department of Education, to Other Governmental Units, and to Refunded Debt Escrow Agents. These transactions are recorded as Intergovernmental Expenditures.

Indirect Costs. To record the transfer of allowable expenditures for indirect costs. Use of this object is restricted to the Special Revenue and Food Service Funds.