

ACCOUNTING UPDATES

This section provides SACS accounting changes for the current year, as well as for subsequent years.

Additional Resources

1. California School Accounting Manual (CSAM) 2019 Edition
<http://www.cde.ca.gov/fg/ac/sa/>
2. California Department of Education (CDE) Correspondence Website at <http://www.cde.ca.gov/fg/ac/co/>
3. School Services of California (SSC) Fiscal Report Articles at <http://www.sscal.com/>
4. SACS Matrix Updates included with CDE's SACS Validation Tables Update Notification <http://www.cde.ca.gov/fg/ac/ac/validcodes.asp>
5. SACS Forum Meetings <https://www.cde.ca.gov/fg/ac/ac/sacsforumrecap.asp>
6. SACS Frequently Asked Questions. Enclosed <https://www.cde.ca.gov/fg/ac/ac/sacsfaq.asp>

Frequently Asked Questions - SACS

Frequently asked questions regarding standardized account code structure (SACS) financial reporting.

Education Protection Account

1. Have unique account codes been established for the Education Protection Account (EPA) entitlement?
 2. How should the adjustment of the EPA entitlement from P-2 to Annual be recorded?
 3. How should Local Educational Agencies (LEAs) record EPA expenditures? Since the EPA entitlement merely replaces state aid funds that have always been reported in Resource 0000, is it appropriate to accumulate the costs in Resource 0000 and then make a direct cost transfer from Resource 0000 to Resource 1400?
 4. Must expenditures of EPA funds be charged directly to the EPA resource at the time of expenditure, or may periodic or annual adjusting entries be made between another resource and Resource 1400?
 5. Can EPA funds be transferred to other resources?
 6. Can contributions from other resources (funding sources) be made to Resource 1400?
 7. Can EPA funds be carried over into the following year?
 8. Must the EPA entitlement be allocated proportionately to the programs that generate Average Daily Attendance (ADA)?
 9. The law specifies that LEAs may not use EPA funds for salaries or benefits of administrators or any other administrative costs. What is the definition of administrative costs?
 10. Specifically, for what types of activities may EPA funds be used?
 11. May EPA funds be used for indirect costs?
 12. Will the California Department of Education (CDE) provide a template that LEAs can use for reporting EPA revenues and expenditures?
 13. The law requires that the use of EPA funds be determined by the governing board at an open public meeting. Does this meeting need to be a separate meeting only for the discussion of EPA funding?
 14. When should the open public meeting for discussing the use of EPA funding be held?
 15. Will the CDE provide guidance or sample language for a governing board's approval of the use of EPA funds at an open public meeting?
 16. What are some example journal entries?
 17. Can the charter school 1% supervisorial oversight fee be charged on EPA funds?
 18. Has the CDE provided any additional EPA information?
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1. Have unique account codes been established for the Education Protection Account (EPA) entitlement? (Updated 06-Jun-2017)

Yes, standardized account code structure (SACS) Resource 1400, Education Protection Account, and revenue Object 8012, Education Protection Account Entitlement, have been established. These codes are required to be used by all local educational agencies (LEA), including charter schools, receiving EPA funds.

Charter schools reporting financial data via the Alternative Form, which does not contain resource codes, should use Object 8012 to record the EPA entitlement.

2. How should the adjustment of the EPA entitlement from P-2 to Annual be recorded? (Updated 06-Jun-2017)

Any amount received in the current year that was not accrued in the prior year should be recorded to Resource 1400 using Object 8019, LCFF/Revenue Limit State Aid – Prior Years.

Charter schools reporting financial data via the Alternative Form should use Object 8019.

3. How should LEAs record EPA expenditures? Since the EPA entitlement merely replaces state aid funds that have always been reported in Resource 0000, is it appropriate to accumulate the costs in Resource 0000 and then make a direct cost transfer from Resource 0000 to Resource 1400?

EPA expenditures should be reported in Resource 1400 using the actual expenditure account lines where feasible, and not lump-sum transferred using Object 5710, Transfers of Direct Costs. The intention of the EPA reporting requirement is transparency. Reporting actual expenditure items achieves this better than a lump-sum transfer. The use of a unique resource code facilitates this transparency in the LEA's accounting records.

4. Must expenditures of EPA funds be charged directly to the EPA resource at the time of expenditure, or may periodic or annual adjusting entries be made between another resource and Resource 1400?

It is appropriate to record periodic adjusting entries between another resource and Resource 1400. However, as mentioned previously, the entries should be made using the actual expenditure account lines and not as a lump-sum direct cost transfer.

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5. Can EPA funds be transferred to other resources? (Updated 06-Jun-2017)

Allowable expenditures should be recorded directly to EPA Resource 1400 to the extent possible. The CDE expects that school districts and charter schools incur sufficient

unrestricted educational expenditures that should allow for easily identifying amounts to be reported in Resource 1400.

However, due to a unique characteristic of county offices of education (COEs) in that they may operate many programs on a fee for service model, it may be necessary for COEs to transfer EPA funds to other resources in order to keep program accounting intact.

An example is an excess tax COE that historically has operated a program on behalf of school districts on a fee for service basis. This COE may decide to use its new minimum \$200 per ADA EPA entitlement towards the cost of running the program, thus enabling them to charge less to participating school districts. Although the program is partially funded with unrestricted revenues, the COE may want to keep expenditures together in order to determine the charges for services.

6. Can contributions from other resources (funding sources) be made to Resource 1400?

No. Because LEAs have a legal requirement to report the receipt and use of EPA funds, contributions to Resource 1400 from other resources would distort EPA expenditures and not result in the intended reporting transparency. Also note that the EPA is not a “program,” in the sense that it is not “a group of related activities that operate together to accomplish specific purposes or objectives.” The normal reason for recording a contribution to a program is to keep program expenditures together, which does not apply in this context. Therefore, contributions from other funding sources should not be made to Resource 1400.

7. Can EPA funds be carried over into the following year? (Updated 06-Jun-2017)

The law does not restrict the amount of EPA funds that may be carried over. As a practical matter, though, most EPA funds probably will be expended each year.

8. Must the EPA entitlement be allocated proportionately to the programs that generate ADA? (Updated 06-Jun-2017)

There are no statutory requirements on how EPA funds should be allocated and each LEA decides locally how to best allocate funds.

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9. The law specifies that LEAs may not use EPA funds for salaries or benefits of administrators or any other administrative costs. What is the definition of administrative costs? (Updated 06-Jun-2017)

The CDE has interpreted that administrative costs, as used within Section 36 of Article XIII of

the California Constitution, means anything defined as administration in the *California School Accounting Manual*. Administrative costs include general administration, school administration, and instructional administration:

- General administration refers to agency-wide administrative activities including governing board, superintendent, and district-level fiscal, personnel, and central support services.
- School administration refers to activities concerned with directing and managing the operation of a particular school.
- Instructional administration refers to activities for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students.

The CDE has determined that expenditures by county offices of education for certain administrative activities they are required to perform on behalf of the school districts within the county are not administrative costs for purposes of the law. These expenditures are separately identifiable within the county office's financial reports.

The CDE believes that defining administration at the functional level, rather than by specific items of expenditure, will make it easier for LEAs to identify costs that may be charged to EPA. Furthermore, the CDE is confident that LEAs incur a sufficient level of non-administrative costs, e.g., instruction and pupil services, to easily meet the intent of the law to not use EPA funding for administrative costs.

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10. Specifically, for what types of activities may EPA funds be used?

Except as provided below for COEs, the following tables of SACS functions show the activities for which EPA funds may and may not be used:

1000–1999 INSTRUCTION

SACS Function	Chargeable to EPA?
1000 Instruction	Yes
1110 Special Education: Separate Classes	Yes
1120 Special Education: Resource Specialist Instruction	Yes
1130 Special Education: Supplemental Aids and Services in Regular Classrooms	Yes
1180 Special Education: Nonpublic Agencies/Schools	Yes
1190 Special Education: Other Specialized Instructional Services	Yes

2000–2999 INSTRUCTION-RELATED SERVICES

SACS Function	Chargeable to EPA?
2100 Instructional Supervision and Administration	No
2110 Instructional Supervision (optional)	No
2120 Instructional Research (optional)	No
2130 Curriculum Development (optional)	No
2140 In-house Instructional Staff Development (optional)	No
2150 Instructional Administration of Special Projects (optional)	No
2200 Administrative Unit (AU) of a Multidistrict SELPA	No
2420 Instructional Library, Media, and Technology	Yes
2490 Other Instructional Resources	Yes
2495 Parent Participation (optional)	Yes
2700 School Administration	No

3000–3999 PUPIL SERVICES

SACS Function	Chargeable to EPA?
3110 Guidance and Counseling Services	Yes
3120 Psychological Services	Yes
3130 Attendance and Social Work Services	Yes
3140 Health Services	Yes
3150 Speech Pathology and Audiology Services	Yes

3160 Pupil Testing Services	Yes
3600 Pupil Transportation	Yes
3700 Food Services	Yes
3900 Other Pupil Services	Yes

4000–4999 ANCILLARY SERVICES

SACS Function	Chargeable to EPA?
4000 Ancillary Services	Yes
4100 School-Sponsored Co-curricular (optional)	Yes
4200 School-Sponsored Athletics (optional)	Yes
4900 Other Ancillary Services (optional)	Yes

5000–5999 COMMUNITY SERVICES

SACS Function	Chargeable to EPA?
5000 Community Services	Yes
5100 Community Recreation (optional)	Yes
5400 Civic Services (optional)	Yes
5900 Other Community Services (optional)	Yes

6000–6999 ENTERPRISE

SACS Function	Chargeable to EPA?
6000 Enterprise	No

7000–7999 GENERAL ADMINISTRATION

SACS Function	Chargeable to EPA?
7100 Board and Superintendent	No
7110 Board	No
7120 Staff Relations and Negotiations (optional)	No
7150 Superintendent (optional)	No
7180 Public Information (optional)	No
7190 External Financial Audit—Single Audit	No
7191 External Financial Audit—Other	No
7200 Other General Administration	No
7210 Indirect Cost Transfers	No
7300 Fiscal Services (optional)	No
7310 Budgeting (optional)	No
7320 Accounts Receivable (optional)	No
7330 Accounts Payable (optional)	No

7340 Payroll (optional)	No
7350 Financial Accounting (optional)	No
7360 Project-Specific Accounting (optional)	No
7370 Internal Auditing (optional)	No
7380 Property Accounting (optional)	No
7390 Other Fiscal Services (optional)	No
7400 Personnel/Human Resources Services (optional)	No
7410 Staff Development (optional)	No
7430 Credentials (optional)	No
7490 Other Personnel/Human Resources Services (optional)	No
7500 Central Support (optional)	No
7510 Planning, Research, Development, and Evaluation (optional)	No
7530 Purchasing (optional)	No
7540 Warehousing and Distribution (optional)	No
7550 Printing, Publishing, and Duplicating (optional)	No

7600 All Other General Administration (optional)	No
7700 Centralized Data Processing	No

8000–8999 PLANT SERVICES

SACS Function	Chargeable to EPA?
8100 Plant Maintenance and Operations	Yes
8110 Maintenance (optional)	Yes
8200 Operations (optional)	Yes
8300 Security (optional)	Yes
8400 Other Plant Maintenance and Operations (optional)	Yes
8500 Facilities Acquisition and Construction	Yes
8700 Facilities Rents and Leases	Yes

9000–9999 OTHER OUTGO

SACS Function	Chargeable to EPA?
9100 Debt Service	Yes
9200 Transfers Between Agencies	Yes

County Office of Education only

SACS Goal	Chargeable to EPA?
8600 County Services to Districts (without regard to function)	Yes

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11. May EPA funds be used for indirect costs?

Indirect costs are not an allowable use of EPA funds because they are primarily administrative costs.

12. Will the CDE provide a template that LEAs can use for reporting EPA revenues and expenditures? (Updated 06-Jun-2017)

The law did not prescribe a format for LEAs to report their receipt and expenditure of EPA funds, nor did it require the CDE to develop a format. Therefore, the CDE will not be providing a template. It will be at an LEA's discretion to determine the format for reporting its EPA revenue and expenditures on its Web site.

13. The law requires that the use of EPA funds be determined by the governing board at an open public meeting. Does this meeting need to be a separate meeting only for the discussion of EPA funding? (Updated 06-Jun-2017)

The language within the law does not specify that the open public meeting has to be a separately held meeting. Therefore, this requirement may be satisfied at a regularly scheduled meeting, which the CDE believes could be the annual budget adoption meeting.

14. When should the open public meeting for discussing the use of EPA funding be held? (Updated 06-Jun-2017)

The CDE believes that this could be at the annual budget adoption meeting, although it could be at any open public meeting before expenditures are recorded for each applicable fiscal year.

15. Will the CDE provide guidance or sample language for a governing board's approval of the use of EPA funds at an open public meeting? (Updated 06-Jun-2017)

No. Section 36 of Article XIII of the California Constitution did not prescribe the format that the governing board's approval of the use of EPA funding must take, and did not require the CDE to develop a format. Therefore, it will be at an LEA's discretion to determine the appropriate approval format, based on local governing board policies.

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16. What are some example journal entries? (Updated 06-Jun-2017)

a. The LEA records receipt of its 2012–13 EPA entitlement in June 2013.

Debit (Dr)/ Credit (Cr)	Fund	Resource	Project Year	Goal	Function	Object	Amount
Cr	01	1400	0	0000	0000	8012	\$10,000

b. For 2012–13, the school district reclassifies \$10,000 of instructional expenditures (teacher salaries and benefits) originally accumulated in Resource 0000 to Resource 1400, according to the spending determination made by the governing board.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	Amount
Dr	01	1400	0	1110	1000	1100	\$7,000
Dr	01	1400	0	1110	1000	3101	\$1,000
Dr	01	1400	0	1110	1000	3401	\$ 700
Dr	01	1400	0	1110	1000	3501	\$ 600
Dr	01	1400	0	1110	1000	3601	\$ 400
Dr	01	1400	0	1110	1000	3801	\$ 300
Cr	01	0000	0	1110	1000	1100	\$7,000
Cr	01	0000	0	1110	1000	3101	\$1,000
Cr	01	0000	0	1110	1000	3401	\$ 700
Cr	01	0000	0	1110	1000	3501	\$ 600
Cr	01	0000	0	1110	1000	3601	\$ 400
Cr	01	0000	0	1110	1000	3801	\$ 300

c. The LEA records receipt of its 2013–14 EPA entitlement.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	Amount
Cr	01	1400	0	0000	0000	8012	\$9,000

d. The LEA records receipt of its 2012–13 EPA entitlement adjustment, based on 2012–13 Annual apportionment (assumes the amount was not accrued in 2012–13).

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	Amount
Cr	01	1400	0	0000	0000	8019	\$2,000

e. For 2013–14, the school district reclassifies \$11,000 of instructional expenditures (teacher salaries and benefits) originally accumulated in Resource 0000 to Resource 1400, according to the spending determination made by the governing board. (Note that an LEA could instead charge expenditures directly to EPA from the beginning.)

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	Amount
Dr	01	1400	0	1110	1000	1100	\$7,000
Dr	01	1400	0	1110	1000	3101	\$1,000
Dr	01	1400	0	1110	1000	3401	\$ 700
Dr	01	1400	0	1110	1000	3501	\$ 600
Dr	01	1400	0	1110	1000	3601	\$ 400

Dr	01	1400	0	1110	1000	3801	\$ 300
Cr	01	0000	0	1110	1000	1100	\$7,000
Cr	01	0000	0	1110	1000	3101	\$1,000
Cr	01	0000	0	1110	1000	3401	\$ 700
Cr	01	0000	0	1110	1000	3501	\$ 600
Cr	01	0000	0	1110	1000	3601	\$ 400
Cr	01	0000	0	1110	1000	3801	\$ 300

Example specific to county offices of education (COEs)

f. An excess tax COE determines that it will use its EPA entitlement to fund some of the costs of a program that it operates on a fee-for-service basis on behalf of school districts. The program incurs costs that are allowed to be charged to EPA. In this case, the program is funded with unrestricted revenues. Therefore, EPA funds are transferred to the unrestricted resource.

Dr/Cr	Fund	Resource	Project Year	Goal	Function	Object	Amount
Dr	01	1400	0	0000	0000	8091	\$15,000
Cr	01	0000	0	0000	0000	8091	\$15,000

NOTE: If EPA funds are transferred out of Resource 1400 then the LEA should keep local accounting records to document that the EPA funds have been spent for non-administrative costs for purposes of the reporting requirement and the annual audit.

17. Can the charter school 1% supervisorial oversight fee be charged on EPA funds?
(Updated 06-Jun-2017)

Yes. Pursuant to *Education Code (EC)* sections 47613 and 47632, the amount that can be charged for the charter supervisorial oversight fee is based on revenues which, for purposes of calculating the oversight fee, is defined as the general-purpose entitlement. Section 36 of Article XIII of the California Constitution did not change the definition of those revenues or the calculation for the general purpose entitlement; rather, it changed where the funds for general purpose entitlement will come from.

18. Has the CDE provided any additional EPA information?

Yes, [additional EPA information](http://www.cde.ca.gov/fg/aa/pa/epa.asp) [<http://www.cde.ca.gov/fg/aa/pa/epa.asp>] is available on the CDE Web site.

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