

Uniform Chart of Accounts Frequently Asked Questions

These questions and answers were compiled for instructional purposes only. The answers are based on our understanding of the Uniform Chart of Accounts, Generally Accepted Governmental Accounting Principles (GAGAP), and from discussions with accounting professionals from both the government and private sectors. While this publication is not authoritative, we believe the information provided in herein accurate, and consistent with the requirements of the Uniform Chart of Accounts, applicable accounting and reporting principles, and various legal requirements. However, if errors or omissions are brought to our attention we will post the corrections along with explanations of the changes. Also, this section will be updated periodically with additional questions and answers.

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Q. 1 What function code should be used for contributions to other agencies such as the County Extension Office, Lake Authority, Mental Health Agency, Department of Family and Children Services, among many others? Right now I have them all lumped into 1595 General Administration Fees.

A. The function/activity should be consistent with the nature of the services involved. For example, contributions to the Mental Health Agency would be charged to function/activity 5110 "Public health administration" and contributions to a regional library system should be charged to function/activity 6510 "Library administration."

Q. 2 For transfers out, should we indicate the specific function, such as Fire, Police, etc., or use the generic 9000, as it states in the Chart? It seems to me, for consistency, we would designate the function.

A. The Chart does not require operating transfers out to identify particular functions that will use the transferred funds (in some instances this might not be known at the time of transfer). Operating transfers out are reported under "Other Financing Uses" and are classified separately from expenditures in the financial statements. The generic 9000 "function" in the Chart (technically not a function) signifies that transactions recorded here are not expenditure transactions - they are "Other Financing Uses" transactions. The object classification (technically not an "expenditure" object) further defines the "Other Financing Uses" by identifying the particular types of "Other Financing Uses" (e.g., Operating transfers out, Payments to refunded bond escrow agent, etc.). The Chart does require, however, the identification of the receiving fund. This requirement is discussed in the Chart in the object classification section (see object classification number 61.1000

"Operating transfers out"). An effective means of identifying the fund would be to use sub-accounts under 61.1000. This could be accomplished in a number of ways, but the most straight-forward (since there are three extra digits to the right of the decimal) would be to identify the fund receiving the transfer by matching the last three digits with the corresponding fund number (e.g., 61.1205 for a transfer to the law library fund, 61.1210 for the Confiscated assets fund, etc.). This approach would facilitate the roll up into 61.1000, and would simplify the reconciliation of transfers in and out.

Q. 3 How should we account for revenues received from other counties as reimbursements for personal services of employees serving in the judicial circuit? How should the paying government account for this?

A. The paying county should charge the function/activity incurring the cost. In this example the appropriate function/activity would be function number 2000 "Judicial." The appropriate activity would depend on the judicial activity involved (state court, probate court, etc.). The expenditure object classification should be 57.1000 "Intergovernmental." The appropriate revenue classification for the government receiving the payment is somewhat different. One might expect that revenues from another government would be reported under "Intergovernmental Revenues," which is where it is reported on the Report of Local Government Finances (part II of the Report). However, the Chart reserves this revenue classification for grants, entitlements, shared revenues, and payments in lieu of taxes. Receipts from other governments (excluding grants, entitlements, shared services, and payments in lieu of taxes) would be accounted for in the same manner as those received from nongovernmental entities. Therefore it would simply depend on the nature of the receipt as to whether it would be recorded as charges for services, or some other revenue classification.

Q. 4 Where do I account the social security reimbursement we receive from the department of revenue for the tax commissioner's office?

A. This is more of a general accounting question than a chart-specific question. If the reimbursement relates to prior years and is material, it should be treated as an adjustment to prior year fund balance. However, if it is not material (and it probably wouldn't be) it should be treated as a reduction of current year employer's share of employee benefits contribution.

Q. 5 Where should we report grants from the Judicial Council of Georgia and the Indigent Defense Council?

A. These are state governmental entities. The revenue would be classified as grants. If the state is providing these grants from State resources, they would be classified as 33.4110 "State government grants - Operating - categorical - Direct." If the grants from the State are from federal sources they would be classified 33.1150 "Federal government

grants - Operating - categorical - Indirect."

Q. 6 A big question that we are having is of materiality. For instance, the function 1100 "Legislative" is where we should charge expenditures for committees of the governing body. What we have is a Board of Elections and a Board of Equalization, where we pay the members. We may have for the year expenditures totaling \$2,000.00 at the most. Currently we don't have the 1100 function. Do we still have to create this function and break it out for such a small amount?

A. In the example presented in your question, to appropriately comply with the Chart, function 1100 "Legislative" should be used. This function should include all costs incurred by the county commissioners in the performance of their duties. This would include compensation, travel reimbursements, and other costs incurred by or directly for the commissioners in the performance of their duties. Note that the Chart of Accounts does not specifically address materiality. However, practicality dictates that materiality cannot be ignored. Local government administrators must consider the intent of the law that resulted in the Chart's development and make objective decisions regarding the appropriate reporting where truly gray areas exist. Simply choosing not to use prescribed funds, functions/activities, etc. as a matter of conveniences would not be compliant with the requirements of Chart of Accounts.

Q. 7 Our county currently uses functions/activities as our "department" numbers. This is causing some problems. One of the problems is that function 1516 "Licensing" is actually administered by the Public Services and Engineering department, which is set up as department 4100 ("Public Works" function in the Chart) and the Department of Finance is set up as 1510 ("Financial Administration" function in the Chart). According to the Chart, licensing is supposed to be reported in function 1510. And, if materiality is not a consideration (see question 6), does this mean we cannot include expenditures (and revenues) for business license issuance (salaries, etc.) in department 4100 ("Public Works" function in the Chart)? It seems that, given the way we operate, to comply with the Chart of accounts, we would have to include the expenditures (salaries, etc.) for licensing in the Department of Finance. Would using the optional department classifications solve this problem?

A. Before answering the specific question, the primary issue regarding functions/activities and local government organizational structure should be addressed. During the development of the Chart of Accounts a major concern expressed by some local governments was that the Chart would require them to change their organizational structure to accommodate the Chart's accounting and reporting requirements ("tail wagging the dog"). However, this was never the intent and it was not the result.

The Chart of Accounts is designed to account for the costs of local government services and operations by focusing on expenditures relating to the specific functions and activities rather than departments (this is why the department classifications are provided

but are optional). It is not uncommon for local governments to have more than one department involved in a particular function/activity. Also, it is not uncommon for a single department to be involved in multiple functions/activities. By using the department classifications, a government can budget and track costs related to a particular function/activity in more than one department and/or budget costs related to multiple functions/activities within a single department.

Regarding your specific question of whether or not you could include expenditures (and revenues) for business license issuance in 4100, first, function classifications do not apply to revenues. The required revenue account classification is 32 "Licenses and permits" and revenue source classification is dependent on the type of business licenses (e.g., liquor license would be 32.1130). It is important to note that the department classification option provides the mechanism to account for both the revenue and related expenditures in the Public Works department for budgetary and accounting purposes. (Some governments simply budget and account for revenue at the fund level, while others need greater detail.) However, the business licensing expenditures should be charged to function 1510 "Financial administration" (or 1516 if a greater level of detail is desired). If a local government wishes to have its public works personnel carry out this function, the Chart does not prevent the government from doing so, as long the related costs are charged to the appropriate function. Obviously, to accomplish this, it is necessary to implement the department classifications option.

Q. 8 I have a question about the object classification of 52.3400 "Printing and binding." We have items printed like:

- * Business cards
- * Letterhead
- * Decals for Sanitation
- * Flyers

I question whether it is appropriate to charge these to printing and binding. I look at printing and binding as the printing of publications and bound materials. Can you clarify?

A. The items you have listed would generally be considered standard forms that are "consumed" in the normal course of business. Account 52.3400 is reserved for large print/binding jobs for large/special publications, generally (but not necessarily) done by outside vendors. The distinction here is that the types of materials that are routinely printed for day-to-day administration of the government (consumption) are more appropriately classified as supplies and materials (53.1100).

Q. 9 Should a city use the SPLOST Capital Projects Fund to account for SPLOST funds received indirectly from the County for capital construction purposes? What revenue classification should a city use since the city does not collect the tax?

A. The Chart of accounts states that the SPLOST Capital Projects fund should be used to "account for capital projects financed from SPLOST funds." This requirement would apply to both a county collecting the tax as well as to a city using SPLOST funds received from the county for capital projects purposes. However, since the city is not collecting the tax they cannot appropriately report it as tax revenues. The Chart provides a special account in intergovernmental revenues for municipal SPLOST funds received from county governments. The account is a sub-account under 33.700 "Local government unit (specify unit) shared revenues." The sub-account is 33.7100 "Special purpose local option sales and use taxes." Note that this account applies only to municipalities.

Q. 10 Where would a County Marshall fit in (function)? This position is a law enforcement position, that enforces business licensing laws, but he carries a gun!

A. The Chief Magistrate generally appoints County Marshals. The Magistrate court is responsible for ordinance violations. In most, if not all jurisdictions, this would include enforcing business licensing laws. Assuming this is true, Function 2400 "Magistrate court" would be appropriate.

Q. 11 Where would an Internal Service Fleet fund be classified? What would the function be?

A. If you are accounting for the Internal Service Fleet in an internal service fund, the implication is that the costs are being allocated to the benefiting functions/activities. If the internal fleet is accounted for in the General Fund, and no allocations are being made to various functions receiving the benefits, the costs should be accounted for in the functional area that benefits most from the fleet. Depending on the government's activities, this could be General Government, Public Safety, Public Works, etc. However, the best answer (not necessarily required by the Chart) is that such costs should be allocated to the functions/activities receiving the benefit (whether maintained in the general fund or in an internal service fund). Note that beginning with fiscal years ending in 2004, local governments with expenditures in excess of \$10 million will be required to implement an indirect cost allocation plan.

Q. 12 What is the function and object code for prisoner boarding fees?

A. Function 3440 "Corrections-Delinquents in other institutions" should be used. The Chart states that "If both adult and youth offenders are cared for in this manner, this account should be divided into two separate accounts, one for youth and one for adults." Assuming the entity boarding the prisoners is another government jurisdiction or a component unit of another government jurisdiction, account 57.1000 "Other Costs-Intergovernmental" should be used.

Q. 13 What function and object classifications should I use to account for insurance premiums (non-employee benefits) within an internal service fund?

A. Insurance premiums (other than employee benefits) should be charged to object classification 52.3100 "Other purchased services-Insurance, other than employee benefits." See question 14 for a discussion of function classifications in Internal Service Funds.

Q. 14 What function and object classifications in the Chart should be used for "Cost of Goods Sold" in an Internal Service Fund?

A. The function classifications provided in the chart do not specifically apply to internal service funds. "Functions" under GASB is a term generally associated with governmental fund classifications (see NCGAS 1 paragraphs 109-117).

The Miller Governmental GAAP guide avoids the use of function/activity classifications in its proprietary funds presentations. Instead, it simply presents the major object-class line items such as personal services, supplies and materials, depreciation, etc. While the internal service fund revenue/expense presentation in the BlueBook includes classifications that look like functions (Cost of Sales and Services), that doesn't mean there should be a function classifications for them in the Chart. There are other considerations. For example, "Cost of Goods Sold" is not an account to which expenses are posted in internal service funds. For reporting purposes it is determined by calculation (COGS = purchases plus/minus change-in-inventory). "Cost of Services," as presented in the Blue Book, is similar to Cost of Goods Sold, but simply would be the sum of the dollar amounts charged to the applicable expense (object) classifications.

Internal Service funds generally are used to accumulate costs for specific (non-homogeneous) activities, and these costs ultimately are allocated to the various government functions/activities benefiting from the services provided by the Internal Service fund. Therefore, consolidating internal service fund expenses into categories such as "Cost of Services" does not appear to provide particularly useful information, but is certainly an option.

Q. 15 For budgeting purposes, we have used a revenue account "Use of Reserve" that we use to designate a "spend down" of fund balance. Is there an account in the Chart specified for this purpose? The closest thing I could find would be 38.9000 "Miscellaneous-Other?"

A. The use of a revenue account classification is not necessary. However, State law [OCGA 36-81-3(b)(3)] does require local governments to approve a balanced budget, but the law states that a local government budget "... is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations." One might assume

that it would be necessary to specifically indicate the amount of the current fund balance that is "appropriated" for expenditures in the upcoming budget year if budgeted expenditures, otherwise, exceed budgeted revenues. However, on the face of the budget, if properly formatted (see the Blue Book), it will be readily apparent that fund balance will be reduced, and by virtue of this reduction and approval of the budget, this portion of fund balance is effectively "appropriated" for expenditures.