



SCHOOL ACCOUNTING 101

A comprehensive guide to understanding California's Standard Account Code Structure (SACS) and essential school district financial management principles.

WHAT IS SACS?

The Standard Account Code Structure (SACS) is a uniform, statewide financial reporting format that all California K-12 local educational agencies (LEAs), including school districts and county offices of education, must use to report their financial data to the California Department of Education (CDE).

PURPOSE

Improves comparability, accuracy, and transparency of financial data across all California school districts, allowing better analysis of district revenues and expenditures.

USE

Prepares and submits required financial reports including budget reports, interim reports, and unaudited actuals reports.

STRUCTURE

Uses detailed account code strings to categorize revenues and expenditures across multiple fields.

SACS STRUCTURE OVERVIEW

SEVEN FIELDS, 22 DIGITS TOTAL

The Standardized Account Code Structure (SACS) consists of seven fields with a total of 22 digits. Currently, 7 fields and 19 digits must be coded for compliance.

In addition to the seven fields, budgeting may require one or two discretionary fields for useful local management, such as Management Code.

Standardized Account Code Structure						
Fund	Resource	Project Year	Goal	Function	Object	School
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

SACS CODE COMPONENTS

SACS uses a detailed account code string made up of several fields to categorize revenues and expenditures. Each component serves a specific purpose in tracking and reporting financial data.

01	02	03
FUND	RESOURCE	PROJECT YEAR
Identifies the fiscal accounting entity (e.g., General Fund, Building Fund)	Tracks the source of funding (e.g., unrestricted, federal, state categorical programs)	Separate tracking based on the year the revenue or expense incurred
04	05	06
GOAL (PROGRAM)	FUNCTION	OBJECT
Defines the objective or target population (e.g., regular education, special education)	Describes the activity or service being performed (e.g., instruction, pupil services, general administration)	Describes the type of item or service purchased (e.g., certificated salaries, books and supplies)
07	08	
LOCATION	MANAGEMENT CODE	
Site or physical location identifier	Locally defined for separate tracking purposes	

In essence, SACS is the essential accounting and financial language used by all California public schools for financial compliance and reporting.

MANAGING OVERALL BUDGET

The General Fund is the primary operating fund of a district but is not the only fund. Effective management requires an analysis of all funds, all revenues, and all expenses.



PRIMARY FUNDS

- DNUSD – Fund 01
- DNCOE – Fund 02
- Castle Rock – Fund 09
- Uncharted Shores Academy – Fund 78 (Pass thru)



SPECIAL REVENUE FUNDS

- Adult Education Fund 11
- Child Development – Fund 12
- Cafeteria Fund 13
- Forest Reserve – Fund 16
- Deferred Maintenance – Fund 14
- Student Enterprise – Fund 63
- Warehouse Revolving Fund – Fund 66
- Scholarship Fund – Fund 75
- Student Activity Revenue Fund (ASB) – Fund 08



CAPITAL & DEBT SERVICE

Capital Projects Funds:

- Capital Fees Dev Fees – Fund 25
- State School Building Modernization Fund 35
- Reserve for Capital Outlay Fund 40

Debt Service Funds:

- Bond Interest & Redemption – Fund 51

RESOURCES , PROJECT YEAR, GOAL

RESOURCES (4 DIGITS)

Resource tracks those activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.

- **Local Control Funding Formula (LCFF):** Most in 0000 Resource
- **Federal Revenues:** 3xxx to 5xxx
- **State Revenues:** 2xxx, 6xxx, 7xxx
- **Unrestricted Local Revenues:** 0000 – 1999
- **Restricted Local Resources:** 6500, 9xxx

Standardized Account Code Structure						
Fund	Resource	Project Year	Goal	Function	Object	School
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

PROJECT YEAR & GOAL

Project Year (1 digit) identifies the reporting year for a project that has more than one reporting year during the local educational agency's (LEA) fiscal year.

Goal (4 digits) identifies the instructional goals and objectives. It groups costs by population, setting, and/or educational mode. (Examples - General Regular Education, Music, CTE/ROP General, Foster Youth, etc.)

Standardized Account Code Structure						
Fund	Resource	Project Year	Goal	Function	Object	School
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

Standardized Account Code Structure

Fund	Resource	Project Year	Goal	Function	Object	School
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

FUNCTION & OBJECT CODES

FUNCTION (4 DIGITS)

Identifies activities or services performed to support or accomplish one or more goals or objectives.

- Instruction
- School administration
- General administration – Department

OBJECT (4 DIGITS)

Classifies revenues by source and type (e.g., funding sources, federal revenue, other state revenue, fees, and contracts). Classifies expenditures by type of commodity or service.

- 1xxx – Certificated
- 2xxx – Classified
- 3xxx – Benefits
- 4xxx – Materials and Supplies
- 5xxx – Contracts & Services
- 6xxx – Capital Outlay
- 7xxx – Other Outgo & Transfers
- 8xxx – Revenues
- 9xxx – Assets & Liabilities

SITE (LOCATION) & MANAGEMENT CODES

SCHOOL SITE (3 DIGITS)

The school field is required to be built into the accounting system of all LEAs that utilize SACS. However, its use is not required at this time for state reporting purposes.

Local codes may be established for internal reporting purposes, including site and cost center tracking.

Standardized Account Code Structure						
Fund	Resource	Project Year	Goal	Function	Object	School
XX	XXXX	X	XXXX	XXXX	XXXX	XXX

MANAGEMENT CODE

Management codes are locally defined parameters for separate tracking. Districts can customize these codes to meet their specific internal reporting and management needs.



UNDERSTANDING FUND BALANCE

The purpose of Fund Balance in school accounting is to represent the difference between assets and liabilities in a governmental fund. It shows the resources available to the district after its immediate financial obligations are met.



FINANCIAL HEALTH INDICATOR

Serves as a key indicator of a school district's financial health, stability, and liquidity. A healthy, positive Fund Balance means the district has resources available to sustain operations and address unexpected needs.



PLANNING AND BUDGETING

Crucial for developing the subsequent year's budget. It represents the "carryover" of unspent funds from the prior year that can be used to balance the next year's spending plan.




COMPLIANCE AND TRANSPARENCY

Reporting the Fund Balance is a mandatory part of financial statements, ensuring compliance with governmental accounting standards and providing transparency to the public, the state, and oversight agencies.

FUND BALANCE CLASSIFICATIONS

Fund Balance is broken down into five main classifications, which indicate the degree of spending restriction placed on the resources. These classifications communicate which portions of the balance are available for discretionary use.

-  **RESTRICTED FUND BALANCE**
Resources limited for a specific purpose by external parties or enabling legislation. Example: Funds received for Special Education that can only be used for that program.
-  **COMMITTED FUND BALANCE**
Resources designated for a specific purpose by the district's Governing Board through formal action. Example: Funds formally set aside by the Board for a future curriculum adoption or technology upgrade.
-  **ASSIGNED FUND BALANCE**
Resources the district intends to use for a specific purpose but the designation is not as formal or legally binding as a commitment. Example: Funds management plans to use to cover an estimated deficit in a specific future year.
-  **RESERVE FOR ECONOMIC UNCERTAINTIES**
The district's primary "rainy day fund" set aside to ensure financial stability against unexpected events like revenue shortfalls or unpredicted expenditures.
-  **UNASSIGNED FUND BALANCE**
The most flexible category representing the portion of Fund Balance available for any legal purpose. This is the money most often used to meet reserve requirements or unexpected shortfalls.

RESERVE FOR ECONOMIC UNCERTAINTIES

The Reserve for Economic Uncertainties (REU) is a critical component of school district accounting in California. It is essentially the district's primary "rainy day fund" for the General Fund, representing the portion of available Fund Balance intentionally set aside to ensure financial stability.



UNEXPECTED REVENUE SHORTFALLS

A sudden drop in state funding or local property tax revenue due to an economic downturn.



UNPREDICTED EXPENDITURES

Significant unexpected costs, such as higher-than-anticipated utility expenses, emergency facility repairs, or a sudden rise in insurance premiums.



CASH FLOW MANAGEMENT

Providing sufficient cash flow throughout the year, especially since state funding is often received in large, irregular installments.



MAINTAINING FISCAL SOLVENCY

The primary reserve reviewed by county offices of education and the state to assess the district's ability to meet its financial obligations for the current and subsequent two fiscal years.

- ❏ **Minimum Required Reserve:** California Education Code and the Criteria and Standards for Fiscal Solvency set minimum reserve levels that school districts are required to maintain. This minimum amount is based on the district's average daily attendance (ADA) and is calculated as a percentage of total expenditures and other financing uses.

MULTI-YEAR PROJECTION (MYP)

The Multi-Year Projection (MYP) is a legally required, critical financial document that forecasts a school district's revenues, expenditures, and ending fund balance for the current fiscal year and at least the two subsequent fiscal years (a total of three years).

PURPOSE OF THE MYP

- **FISCAL SOLVENCY REVIEW**

State law (Assembly Bill 1200) mandates the MYP to demonstrate that the district can meet its financial obligations and maintain the minimum required reserve.

- **DECISION-MAKING**

Helps the governing board and administration evaluate the long-term impact of current decisions, such as multi-year labor contracts, new program spending, or facility plans.

- **BUDGET DEVELOPMENT**

Provides the financial framework for building the current year's adopted budget and setting realistic goals for future budgets.

- **OVERSIGHT AND ACCOUNTABILITY**

Submitted to the CDE during required reporting periods for review and approval of the district's financial health.

CRITICAL COMPONENTS

The accuracy and integrity of the MYP rely entirely on the assumptions used to build the projections:

- **Revenue Projections (LCFF):** Average Daily Attendance (ADA)/Enrollment, Cost of Living Adjustment (COLA)
- **Expenditure Projections:** Personnel costs (step and column, statutory benefits, contractual increases), non-personnel costs (inflation for utilities, supplies, insurance, maintenance)
- **Ending Fund Balance:** Must show sufficient balance to cover the required Reserve for Economic Uncertainties

REPORTING SCHEDULE

The MYP is updated and reported three times during the fiscal cycle:

1. Budget Adoption (Due July 1)
2. First Interim Report (Due December 15)
3. Second Interim Report (Due March 15)