FINANCIAL MANAGEMENT FOR
GEORGIA LOCAL UNITS
OF ADMINISTRATION

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INTRODUCTION

This chapter sets forth the principal requirements that a local unit of administration (LUA) must meet to account for and externally report its budget and financial operations relating to state and federally-funded programs administered by the Georgia Department of Education (GADOE). The GADOE manages over 40 federally-funded programs and over 25 state-funded programs including the QBE programs. Because the budgeting, accounting, and reporting rules are complex (in some instances arcane) and differ among programs, it is impossible to cover every detail of each program. Legislative changes, funding reductions, and policy and procedure changes prevent complete coverage; however, the information presented herein will provide the reader with a basic understanding of the myriad financial requirements that govern these programs. With this knowledge LUAs may avoid audit exceptions and other fiscal problems. GADOE's management procedure for administering state and federal education programs is to appoint a program manager who develops, in coordination with related GADOE staff and other state and federal agency personnel, the policies and rules governing the assigned program. A program manager must assure that recipients of state or federal funds comply with all applicable fiscal rules of a programmatic nature. Such matters as application process, budget development and submission, expenditure of funds for programmatic purposes, maintenance of effort, and matching requirements are programmatic responsibilities.
The responsibility for ensuring financial accountability of grant programs by the LUAs rests with the Financial Review section and Accounting Services Division of the GADOE. This responsibility includes developing in cooperation with the program manager the financial reporting requirements, requisitioning of funds, disbursing funds, resolving audit findings, calculating carryover funds for federal programs, and providing technical assistance on fiscal matters to GADOE program managers and LUAs.

The Financial Review section is staffed with auditors who assist LUAs with budgeting and financial reporting as well as operation of GENESIS, the statewide computer-based budgeting and accounting system that was implemented with the passage of the Quality Basic Education (QBE) act. This section also works with the Grants Accounting section to develop financial reporting requirements for new or revised programs and to resolve audit findings that require on-site visits. In addition, the Financial Review section conducts annual workshops in the Spring for LUA personnel to explain new or revised budgeting or financial reporting procedures that resulted from legislative action or GADOE rules. The Financial Review section also is responsible for updating this manual to ensure that it remains current. Another responsibility now assigned to Financial Review is the review and approval of indirect cost rate plans submitted by LUAs. (See chapter II-9.)

The Grants Accounting section, Accounting Services Division is responsible for processing budgets, requisitions for funds, project completion reports, developing financial reporting requirements in cooperation with Financial Review and the program manager, calculating carryover funds for federal programs, and providing technical assistance on fiscal matters to GADOE program managers. This section also calculates and authorizes the monthly QBE payment to LUAs. The Accounting Services Division is the disbursing agent for the GADOE and works with program managers to ensure that accountability of the grant programs is maintained.

Except for the QBE programs, which is covered in Chapter II-7, this chapter describes the financial management requirements of each state and federal program the GADOE administers; however, the reader should be aware that there are local education programs funded by other state and/or federal agencies which LUAs must budget, account for and report to the GADOE in the annual budget/financial report submitted electronically. This chapter first describes the state-funded programs (except the QBE program), followed by the jointly funded state and federal programs and then the fully federally funded programs are covered. In addition, this chapter includes a section on accounting for tangible personal property and supplies as well as the rules governing the earning of interest on federal funds. There are two exhibits: Exhibit V-41-1, Unallowable Costs of Federal Programs and Exhibit V-41-2, Federal Regulations Governing Education Programs.

The financial officer in each LUA can share these program narratives with the local program manager as a means of documenting rules and regulations governing each program. In doing so, however, each program manager also should be given the two exhibits listed above. To facilitate distribution of a section to interested parties, acronyms
frequently used in this chapter are spelled out the first time they appear in each program narrative; thereafter, the acronym is used.

The Quality Basic Education law, O.C.G.A. 20-2-242, defines local school systems and regional educational service agencies as "local units of administration", abbreviated as LUA. To be consistent, this term is used to designate local school systems and regional educational service agencies.
STUDENT TRANSPORTATION

1. Program Description. This state-funded program helps determine bus needs for LUAs, ascertains standard costs on which to base allotments, promotes school bus safety, improves transportation services to students, provides funds to replace busses and makes recommendations for improving the student transportation program.

2. How the program is funded. LUAs do not apply for student transportation funds. Instead, they provide information to GADOE through a student transportation survey, which is used to calculate allotments per SBOE Rules 160-5-3-.10 and 160-5-3-.11.

3. Use and Use Restrictions of Funds. State funds may be used to pay operational costs of the student transportation program including salaries and benefits and operating costs. Bus replacement funds are allotted separately and must be reserved in the fund equity section of the general fund on the balance sheet.

4. Financial Management

   a. Budgeting

      (1) The LUAs do not submit a budget in the same fashion that other programs require.

      (2) The allotments as noted above are calculated from the student transportation survey conducted annually.

      (3) LUAs budget student transportation funds in function 2700 in the information submitted to the Financial Review section in the GADOE.

   b. Accounting

      (1) Program code 132X is assigned to pupil transportation in the GADOE chart of accounts by GADOE.

      (2) LUAs account for these funds in function 2700 in the general fund according to the objects assigned in the GADOE chart of accounts.

      (3) The project period is July-June.

      (4) While the program has no requirement for local matching funds, LUAs must spend the entire state allotment on the transportation program or return any unobligated funds to GADOE at the end of the
Each year auditors verify that student transportation expenditures in function 2700 equal or exceed the state allotment.

c. Reporting

(1) LUAs are not required to file a separate annual expenditure report with GADOE. The expenditures are reported in function 2700 in the year-end financial information submitted Financial Review section of the GADOE and serves as an annual expenditure report.

(2) LUAs do not request cash from GADOE to operate the program; instead, funds are paid in twelve payments (including adjustments to the allotments resulting from changes in transportation routes) through the QBE payment system beginning in July.

SPARSITY GRANTS

1. Program description. State-funded sparsity grants are provided to eligible local units of administration (LUA) to ensure that comparable educational programs can be offered at a school if the student population is below the recommended minimum size and the student population at the school represents 100% of the LUA’s student population. LUAs may also be eligible if the school has been classified as an isolated school because of the distance the students would be required to travel, climatic conditions that create hazardous travel or other factors that are specified in the law and policies.

2. How the program is funded. These state grants, if appropriated, are allotted to LUAs under strict criteria contained in State Board of Education (SBOE) Rule 160-5-4-.14. The Facilities Services section under the Local Support Services Division in the GADOE can provide detailed information concerning the operation of the program.

3. Use and Use Restrictions of Funds. Funds may be spent for any legal education purpose, but must be spent only in the school(s) that have met the eligibility criteria and been awarded a grant.


a. Budgeting

(1) The Facilities Services section under the Local Support Services Division works with each eligible LUA to determine the amount of funds required to provide comparable educational programs and requests legislative appropriations to meet those needs.
(2) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. The LUA is not required to file a separate budget to obtain funds.

b. Accounting

(1) Program code 149X is assigned to this program in the GADOE chart of accounts in order for LUAs to identify revenues and expenditures.

(2) A separate special revenue fund is not required; eligible LUA's budget and account for these funds in the general fund.

(3) The project period is July-June.

(4) This program does not require a minimum of local fiscal effort nor does it require local matching funds.

(5) There are not any unobligated funds to be returned to the GADOE.

c. Reporting.

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. A separate annual financial report is not required.

(2) The funds are paid in twelve payments through the QBE payment system beginning in July.

STATE CAPITAL OUTLAY

1. Program description. The capital outlay program provides state funds to supplement local funds for the renovation of existing school buildings and the construction of new school buildings. The calculation of funds to eligible local units of administration (LUA) is a lengthy and complex process. It is beyond the scope of this chapter to describe in detail all the requirements to establish eligibility and receive funds. The Rules and Policies of the Georgia Board of Education set forth the requirements to participate the capital outlay program. (See O.C.G.A. 20-2-260 and 20-2-291, and Georgia Department of Education Rules and Policies 160-5-4.)

2. How the program is funded. The General Assembly annually authorizes the entitlement level for capital outlay purposes. Each LUA's share of that entitlement is calculated by dividing the LUA's construction needs as identified in its facilities plan plus the LUA's eligible debt service needs for the period corresponding with its facilities plan by the total statewide needs. The ratio of each LUA's need to the
statewide needs derived from this calculation then is multiplied by the annual entitlement level authorized by the legislature to determine the LUA's earned entitlement annually. LUAs decide whether to submit an application to utilize their entitlement to accomplish the next project identified in their facilities plan or to allow their earned entitlement to accumulate until sufficient state and required local matching funds of 10 percent to 25 percent of the eligible project costs are available to complete the next project.

3. Use and use restrictions of funds. As set forth in Georgia law (O.C.G.A. 20-2-260), the term "capital outlay" refers to, but is not limited to, the acquisition of fixed assets, existing buildings, improvement to sites, construction of buildings, construction of additions to buildings, retrofitting of existing buildings for energy conservation, and initial and additional equipment and furnishings for educational facilities. The term "educational facilities" does not include swimming pools, tracks, stadiums, and other facilities or portions of facilities used primarily for athletic competition and the central and area administrative offices of LUAs. Under the Capital Outlay Program, state funds provided to an LUA are to be used for eligible construction needs.


   a. Budgeting

      (1) A project budget is required for each construction or renovation project. The project budget is one of the documents required to be submitted to the Georgia Department of Education (GADOE) with the application for funding.

      (2) The budget should conform to the GADOE chart of accounts as the project will be recorded in the capital projects fund, fund 300, in the accounting records.

   b. Accounting

      (1) There is not a separate program code assigned to capital outlay project; however, each LUA must assign and maintain separate identification of and accounting for each project in the capital projects fund. The identifier for state funded projects should be the one assigned to each project by the GADOE in the official application returned to the LUA after a project has been funded by the legislature.

      (2) Small locally funded construction or renovation projects may be accounted for in the general fund, but all state and locally funded
capital projects should be accounted for the capital projects fund (300). Each capital project should be identified separately so that all revenues, expenditures, assets, liabilities, and equity including transfers can be traced to the project.

(3) The GADOE recommends that LUAs adopt project budgets for capital outlay projects in which the entire cost of the project is budgeted in the first year; therefore, no budget adoption is necessary for subsequent years. (See chapter IV-2, "What Types of Budgets Should be Adopted").

(4) Expenditures would be recorded on a July-June fiscal year.

(5) Unobligated funds may be carried over from one year to the next.

(6) There is no limitation on the amount of funds that may be carried over from one fiscal year to the next.

(7) Carryover funds should be transferred immediately to the next capital outlay project. These funds must be expended within a three-year period from the time of the sale of the state bonds as required by federal law so as not to be subject to arbitrage. The capital outlay projects are funded by the sale of General Obligation Bonds as approved by the Legislature and sold by the Georgia State Finance and Investment Commission (GSFIC).

(8) Other than the local matching requirement described below, this program does not require a minimum maintenance of fiscal effort.

(9) LUAs must have on hand the required participation funds, which shall be no more than 20 percent of the eligible project cost as modified by the local ability ratio and annual debt service as set forth in O.C.G.A 20-2-260. The required matching funds must be transferred to the project before the end of the fiscal year or there will be an audit exception. An LUA may use up to 75 percent of its eligible principal and interest payments on school bonds to reduce its required local participation in capital outlay applications. In no event shall an LUA's required matching funds be less than 8 percent nor more than 20 percent of the eligible construction costs except in: (i) instances where an LUA qualifies for a 50 percent reduction in required local funds as the result of consolidating small schools within the LUA; or (ii) the LUA has agreed to merge some or all schools with an adjoining LUA; or (iii) the LUA has met all the construction needs identified in its plan, and funds are provided for recurring (current)
construction needs based on the LUA's eligible annual principal payment on bonded indebtedness.

(10) At the completion of a project, any unobligated funds may be transferred to the next project application. The GADOE Facility Services section must approve any transfer of funds from one project to another. In the event there are no active state or locally funded projects when an overrun occurs, the general fund must absorb the excess expenditures. However, if there is an underrun on a completed project and there are no active state or locally funded projects to transfer the funds to, the Facilities Services section should be consulted to determine the disposition of these excess funds.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. Once a project has been approved, an LUA may request periodic reimbursement by submitting a letter of request from the superintendent along with DE Form 0263, Reimbursement Request, to the GADOE Facilities Services section of the GADOE. Final payment is made when all the documents specified in Guidelines for Receiving State Capital Outlay Funds have been submitted to and approved by the Facilities Services section.

(2) DE Form 0263, Reimbursement Request, along with the Summary of Materials Stored and Schedule of Change Orders, must be completed by the construction contractor based on the work completed and approved by the LUA's architect. Once the LUA receives these documents, they should be submitted under a cover letter from the superintendent as soon as possible to the Facilities Services section for review. When all required documents have been received from the LUA, the Facilities Services section will review the data to determine that it is complete and accurate. The Facilities Services section will simultaneously submit a request to the GSFIC for issuance of a disbursement and send notification to the LUA that payment has been requested. When 90 percent of the total construction costs or 90 percent of the state funds appropriated for the project, whichever is less, have been reimbursed, no additional state funds can be disbursed until final inspection and acceptance by the local board and the architect have been made, and all expenditure data has been submitted which show the total project expenditures including the expenditure of the LUA's required matching funds and any additional local funds which may be required.
SCHOOL FOOD SERVICES MANAGERS' AND WORKERS' SALARY AND SICK LEAVE SUPPLEMENT

1. Program description. State funds are designated to maintain the lunch sale price to paying students as low as possible and to supplement federal funds in the school nutrition program but on a different basis. The federal reimbursement program pays all or a part of the cost of preparing and serving a breakfast or lunch. This program directly supplements managers' and workers' compensation and sick leave.

2. How the program is funded. The state legislature approved H.B. 782 in March 1982, which was codified as O.C.G.A. §20-2-187. This law provides that state funds be used to supplement the school food service manager's salary and the worker's salary. The base salary was calculated on the basis of not less than one-third of the federal minimum wage in effect as of January 1, 1981. The federal minimum wage at that time was $3.35. Therefore, 1/3 x $3.35 = $1.12. The base salary increased annually by the same percentage of increase that teachers and, later, state employees received.

State money for managers' supplements also was included under O.C.G.A. §20-2-187 and was approved for $250 per manager, payable over a 10-month period, beginning with FY 83. It was increased to $400 per manager in FY 87.

State money for sick leave was first appropriated under O.C.G.A. §20-2-1190 for FY 89 and funded one day's sick leave for full-time SFS workers. Beginning in FY 90, appropriations funded two days' sick leave for full-time SFS workers($58/manager/for 2 days/payable over a 10-month period and $37/non-manager/for 2 days/payable over a 10-month period.

3. Financial management. State salary supplements are paid in separate checks for the months of July-August and September-June. The July and August checks are for the base salary only. The September-June’s check includes base salary, managers' supplement and sick leave.

SUPERVISION AND ASSESSMENT OF STUDENT TEACHERS (MENTOR TEACHER STIPENDS)

1. Program description. This state-funded program provides a stipend to a mentor teacher who is defined as "a peer who provides skill development and guidance to a beginning teacher" and who has received training in accordance with the Teacher Support Specialist Certification endorsement.

2. Financial Management. Responsibility for management of this program is the
responsibility of Professional Standards Commission (PSC). LUAs should record the receipt of funds from the GADOE in revenue account 3995, Funds from Other State Agencies, in the general fund and as an expenditure under program code 139X in the appropriate function/object where these payments to supervising teachers are budgeted.

EQUALIZATION GRANTS

This state grant is the amount needed to bring each LUA's relative property wealth per weighted FTE to that of the 75th percentile system. The annual allotment sheet includes the amount of the grant for each LUA and the allotment letter contains a schedule showing each LUA's rank and amount of funds. This grant is for general aid to the LUA and is recorded only as a revenue source. No specific expenditure requirements exist. There are no accounting or reporting requirements applicable to this grant.

LOW INCIDENCE GRANTS

1. Program Description. This state-funded program provides funds to local units of administration (LUA) where projected Quality Basic Education (QBE) earnings are less than 60 percent of the cost to provide direct instructional services in an area of exceptionality.

2. How the program is funded. The LUA must submit an application by June 1 which is reviewed by a panel of readers from outside the Georgia Department of Education (GADOE).

3. Use and use restrictions of funds. The application includes a budget section in which the LUA calculates the cost of providing direct instructional services. These costs are the same as those used in the QBE formula, i.e., consumable materials, textbooks, travel and equipment/maintenance. Only those costs chargeable to function 1000 are allowed in the program. No indirect or other operating expenditures are allowed.

4. Financial management.

   a. Budgeting

      (1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. The LUA also submits a budget summary and narrative with its application.

      (2) This program funds only salaries, benefits and direct instructional costs incurred by certified personnel. A detailed budget is prepared in accordance with the functions and objects in the GADOE chart of
accounts.

b. Accounting

(1) Program code 209X is assigned in the GADOE chart of accounts to enable LUAs to account for expenditures.

(2) A separate special revenue fund is not assigned in the GADOE chart of accounts. The program is accounted for in the general fund.

(3) The project period is July-June.

(4) Funds may not be carried over in this program. However, since the program only funds salaries, benefits and direct instructional costs, it is unlikely that an LUA would have any unobligated funds. If for some reason the program was not fully implemented so that all the funds were not obligated, then the excess funds should be returned to the GADOE by check to the Grants Accounting section with an explanation.

(5) While there is no maintenance of effort required for this program, the LUA must show on its application the FTE earnings for the students to be served by the teacher for whom it is requesting funds.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. There is no requirement to submit a completion report or any other financial report showing the expenditure of funds.

(2) The LUA obtains cash to fund this program on the QBE Payment Advice identified as Other Grants, Low Incidence Grants. Funds are paid monthly beginning in July.

TUITION GRANT FOR PRIVATE RESIDENTIAL SERVICES (MULTI-HANDICAPPED STUDENTS)

1. Program Description. The Tuition Grant for Private Residential Services is a state-funded grant program designed to assist a local unit of administration (LUA) in the funding of a needed alternative placement of a student with disabilities in a private residential program. This placement is in the event the LUA determines through the individualized education program (IEP) that it cannot appropriately provide special education and related services within the boundaries of the LUA, regional
program or within a setting operated by the state of Georgia and that a residential placement outside of the LUA is necessary in order to provide appropriate special education and related services.

2. How the program is funded. The LUA must submit an application by June 1 which is then reviewed by staff of the Georgia Department of Education, (GADOE), Division for Exceptional Students, with priority based on students with profound and severe disabilities needing residential services. LUAs which apply for assistance must assume full responsibility for the funding of the private program at the time the application is submitted. Grants are not automatically funded. If the grant is approved, the state's designated percentage will be funded by the tuition grant. The state's grant amount is reduced by the LUA's percentage of local revenue as calculated and published by the Statistical section of the GADOE and any third party amounts to which the student is entitled.

3. Use and use restrictions. The grant covers only special education costs, related services, and room and board. Any transportation costs must be covered by the LUA submitting the application.


a. Budgeting

(1) The amount of funds by category of special education, related services, and room and board is required on the application, but a line item budget is not required.

(2) Any funds budgeted for this program by the LUA would be budgeted by function and object as contained in the GADOE chart of accounts.

b. Accounting

(1) Program code 231X is assigned in the GADOE chart of accounts to enable LUAs to account for expenditures in this program.

(2) A separate special revenue fund is not required. LUAs account for this program in the general fund.

(3) The project period is July-June.

(4) This program does not permit carryover of the previous year's funds.

(5) While this program does not require an LUA to maintain a minimum amount of fiscal effort, an LUA's grant amount is reduced by the
percent of the LUA's local revenue as calculated and published by the Statistical Services section of GADOE in its publication, Local, State and Federal Revenues for Maintenance and Operation of Public Schools.

c. Reporting

(1) This program does not require that an annual financial report be submitted to the GADOE. Any expenditures incurred by the LUA for this program would be recorded by function and object and reported in the year-end financial transmission to Financial Review section of the GADOE.

(2) This is a reimbursement program. LUAs receive cash to operate this program by submitting monthly DE147 Request for Reimbursement, in the Grants Accounting On-line Reporting System (GAORS).

STATE-FUNDED AND FEDERALLY-FUNDED PROGRAMS

Career Technical Education State Grants

1. Program description. The Georgia Department of Education (GADOE) provides state and federal funds to support programs and leadership activities relating to vocational and applied technology instruction. Among the programs funded are professional development activities for teachers, inservice, and preservice training. Programs aimed at improving instruction include integration of vocational and academic curricula; instruction in technology education, development, dissemination, and field testing of curricula; assessment of programs, development of performance standards and measures. These programs also promote partnership among business education and other agencies and assist and encourage vocational student organizations.

2. How the programs are funded. Local Units of Administration (LUAs) and other contractors execute an agreement which is included in or becomes a part of the local plan/application. The local plan/application sets forth the activities the LUA seeks to have funded including the amount of local fiscal effort the LUA is contributing the its vocational program. Most of these programs are statewide activities. GADOE program managers negotiate with LUAs, RESAs, and other contractors to perform these functions.

3. Use and use restrictions of funds. Uses of funds include but are not limited to travel, materials, equipment, and salaries related to the program or activity as specified in the local plan/application. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is
codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

4. Financial management.

a. Budgeting

(1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. LUAs also are required to prepare an annual budget submitted in the Consolidated Application, with its local plan/application in order to obtain funds.

(2) Budgets are prepared according to the objects contained in the GADOE chart of accounts.

b. Accounting

(1) The only program code assigned is in the QBE series for the vocational laboratory program (301X). LUAs may assign program codes in the 30XX series for other vocational projects as needed.

(2) A separate fund in the GADOE chart of accounts is not assigned to vocational programs; therefore, accounting for revenues and expenditures is in the general fund.

(3) The project period is July-June.

(4) The amount of state and local funds provided for in the local plan/application must equal or exceed the amount provided for in the previous year.

(5) Any unobligated funds remaining at the end of the funding period revert to the GADOE. Carryover is permitted for federal funds.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. There is no requirement to submit a separate annual financial report or project completion report. LUAs must make a self evaluation relative to performance
standards and measures that have been developed. The LUA must submit enrollment and equipment inventory data required by the vocational management information system (MIS). This is a report submitted to program management and is not a fiscal report.

(2) LUAs should submit claims for reimbursement through GAORS. Some LUAs do not submit claims monthly which impairs their cash flow and puts a burden on the general fund to support the vocational program until reimbursement has been received.

TECH-PREP EDUCATION

1. Program description. The purpose of the Tech Prep program is to increase articulation efforts between secondary schools and technical institutes/community colleges/apprenticeship programs. Tech prep helps more students participate in a coordinated academic and technical program of study which starts at the high school level and continues at the postsecondary level. This grant is consolidated with the Career Technical Education State Grant, Basic.

2. How the program is funded. LUAs in consortium with postsecondary institution(s) submit a proposal for a competitive grant.

3. Use and restrictions of funds. Same as the Career Technical Education State Grant. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

4. Financial management.

a. Budgeting

(1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. A budget is included with the project proposal in order to obtain funds.

(2) Budgets are prepared according to the functions and objects in the GADOE chart of accounts.
b. Accounting

(1) LUAs may assign a program code from the 3XXX series in the GADOE chart of accounts to account for revenues and expenditures.

(2) A special revenue fund is not required. The program is accounted for in the general fund.

(3) The project period is July-June. The project is usually approved for funding for three consecutive years.

(4) The program does permit carryover of the previous year's funds because it is consolidated with the Basic grant.

(5) The program will be able to be continued with adequate local support beyond the three years of special state/federal grant support.

(6) At the end of the funding period any unused funds will be awarded by grants to LUAs on a competitive basis.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. LUAs are not required to submit a project completion report as this is a reimbursement program.

(2) LUAs should submit claims for reimbursement in GAORS each month to the vocational program manager in the GADOE. Some LUAs do not submit claims monthly which impairs their cash flow and puts a burden on the general fund to support the vocational program until reimbursement has been received.

FEDERALLY-FUNDED PROGRAMS

Throughout this section frequent reference is made to federal OMB Circular A-87, Cost Principles for State and Local Governments, as the authority for determining allowable costs of federally-funded education programs, except where noted. The importance of this document in managing the expenditures of federal programs cannot be minimized. LUA personnel who have responsibility for approving federal program expenditures should be knowledgeable of the contents of this document. A-87 is too lengthy to include in this manual, but the section listing unallowable costs is reproduced as Exhibit V-41-1 and will serve as a reference source to ensure that specific unallowable costs are not charged to federal programs. In some instances costs listed as unallowable in A-87 may be approved.
by the federal grantor agency. LUAs should inquire of the GADOE program manager if any such costs have been approved before incurring the expenditure. Circular A-87 was last revised in June 2004, and can be obtained at the following link:


SCHOOL AND COMMUNITY NUTRITION PROGRAMS

The GADOE currently manages the following nutrition-related programs funded by the U. S. Department of Agriculture (USDA).

1. School Breakfast (CFDA 10.553)
2. National School Lunch (CFDA 10.555)
3. Special Milk for Children (CFDA 10.556)
4. Child and Adult Care Food (CFDA 10.558)
5. Nutrition Education and Training (CFDA 10.564)
6. Food Distribution (CFDA 10.550)
7. Temporary Emergency Food Assistance (CFDA 10.569)

BREAKFAST, LUNCH AND MILK PROGRAMS

1. Program description. The USDA gives cash grants and food donations to assist states in providing low-cost nutritious nonprofit breakfasts and lunches available to and accepted by students; to encourage domestic consumption of nutritious agricultural commodities; and to provide subsidies to schools and institutions that do not participate in the National School Lunch Program or School Breakfast Program to encourage consumption of fluid milk by children of high school grade and under.

2. How the programs are funded. LUAs, referred to as School Food Authorities (SFAs), execute an agreement with the GADOE to participate in these programs.

The GADOE draws federal funds from USDA based upon the number of reimbursable meals served by schools throughout the state. Reimbursable meals are defined as lunches which meet the requirements as set forth in 7 CFR 210.10 and breakfasts which meet the requirements set forth in 7 CFR 220.8. Breakfasts and lunches are counted by category, i.e., paid, free and reduced price and
multiplied by the assigned reimbursement rates published in the Federal Register.

Meal counts are reported on the GADOE School Nutrition On-line Reporting System where the meal counts are accumulated and reported to Food Nutrition Services (FNS), USDA by GADOE. After the USDA receives the report, funds for these meals are placed in the GADOE's letter-of-credit. Funds are drawn down as needed to issue reimbursement checks to the SFAs.

Reimbursement rates, or the national average payment (NAP) factors, are established each year by USDA, giving consideration to the May Consumer Price Index, Food Away From Home category. The NAP factors are published in the Federal Register, usually around the middle of July. Upon publication of these rates, the SFAs are notified of their reimbursement rates. SFAs who serve 60% or more of their lunches free or at a reduced price receive an additional two cents for each meal. The reimbursement rates assigned for July through June. The federal fiscal year still has one quarter remaining after the end of the state fiscal year, and these funds must be paid out in full for these three months to avoid a second close-out and/or lapsing of funds.

3. Use and use restrictions of funds. Once an SFA has been reimbursed for eligible meals, the funds may be spent for any purpose related to the operation of the programs except that such revenues shall not be used to purchase land or buildings or to construct buildings. Refer to GADOE Criteria and Procedures for allowable program-related purposes, which should be available from the School Food Service Director.

4. Financial management.
   
a. Budgeting

   (1) The preparation of the annual budget requires the SFAs to estimate the amount of federal revenue (meal reimbursement) that it expects to receive in the fiscal year along with other state and local revenues.

   (2) Anticipated revenues and expenditures are budgeted as function 3100 on both the budget/financial report as special revenue fund 600; however, there is no requirement to submit a separate budget to obtain funds.

b. Accounting

   (1) There is no program code assigned to the school food service accounts in the GADOE chart of accounts as these funds are accounted for in a separate fund.
These funds are accounted for on a modified accrual basis; therefore, they are accounted for as a special revenue fund rather than as an enterprise fund. Fund number 600 is assigned in the GADOE chart of accounts. This fund is further sub-divided in the chart of accounts to permit school accounting, but is rolled up into fund 600 for state reporting. Special accounting instructions are published in the School Nutrition Record Keeping Guide, supplemented by numbered memoranda jointly published by the Accounting Services Division and the School and Community Nutrition Division.

These funds are available for obligation for the period July-June.

There is no requirement for SFAs to maintain a local maintenance of effort expenditure to support the programs.

There is no requirement for SFAs to match these funds with local funds.

Funds are earned in these programs by serving eligible meals. Revenues and expenditures are closed to the fund balance account. Unreserved fund balances are used to fund future operations. There is no requirement to return unobligated funds to the GADOE; however, if through audits previously served meals are ruled ineligible for reimbursement, such funds must be returned to the GADOE by the audit resolution process.

c. Reporting

SFAs submit claims for reimbursement to the Accounting Services Division for each serving month of the fiscal year (July-June).

At the end of the fiscal year, the Accounting Services Division makes a "settlement" based on the final count of eligible meals served and remaining federal funds.

SFAs are required to submit an annual report on DE Form 0804, Report of Total Depreciable School Food Service Equipment Value, to enable the Accounting Services Division to calculate the amount of depreciation to be included in meal costs.
CHILD AND ADULT CARE FOOD PROGRAM

1. Program description. The USDA through cash and other means assists states to maintain nonprofit food service programs for children and adults in public and private nonprofit nonresidential institutions.

   Only a small number of SFAs participate in this program as sponsors of child care programs. The principal constituencies are public and private nonresidential institutions providing day care services.

2. How the program is funded. This program is administered by Department of Early Care and Learning/Bright from the Start.

FOOD DISTRIBUTION

1. Program description. The USDA makes surplus food available to state agencies for distribution to a variety of qualifying outlets, including schools. The GADOE is designated the distributing agency (DA) for Georgia. LUAs are eligible to participate in this program as a result of their participation in the National School Lunch program. In Georgia the surplus food is used to supplement the food needs of the school food service program.

2. Use and use restrictions of funds. There is no actual cash involved in this program. It is the value of the food that must be accounted for.

3. How the program is funded. This program uses surplus food authorized by the USDA. There are no cash funds disbursed.

4. Financial management.
   a. Budgeting
      (1) There are no budgets required in this program.
      (2) Foods are allocated to LUAs on an equitable basis, using their average daily participation in the school food service program.
   b. Accounting
      (1) This is a difficult program to account for, because it is the value of food expressed in dollars that must be carefully tracked by the local school system.
      (2) The GADOE program manager maintains records of how much food
in quantity and dollars is sent to recipients over the course of the fiscal year.

(3) The GADOE program manager furnishes each local school system at the beginning of the fiscal year a complete list of food to be distributed and instructs them to use these amounts throughout the year for accounting purposes.

(4) The value of food received during the fiscal year must be recorded as revenue.

(5) The usage of food must be recorded as an expenditure and the amount of unused food at year-end and should be reserved as an asset (inventory).

c. Reporting

(1) There are no reports of a financial nature submitted to Accounting Services for this program, except that the value of donated foods received is reported on the DE 0106 submitted to Accounting Services each month.

(2) LUAs are required to submit an annual report of donated foods in inventory. DE Form 0116, USDA Donated Food Inventory is required to be submitted to the program manager as of June 30 of each year.

(3) The GADOE chart of accounts does not provide a program code nor a special fund code as this program is accounted for through revenues and assets which are in the chart of accounts.

THE EMERGENCY FOOD ASSISTANCE (FOOD COMMODITIES)

1. Program description. This program provides food to needy persons who are unemployed, at the poverty level, or receiving welfare. LUAs do not participate in this program as the distribution of food to needy persons is managed through local agencies which apply to the GADOE. Since LUAs do not participate in this program, there are no financial management requirements to describe.

MIGRANT EDUCATION PROGRAM (CFDA 84.011)

1. Program description. This 100 percent federally-funded program provides educational opportunities to migrant children, 3-21 residing within the state. Also, funding ensure that migratory children receive full and appropriate opportunities to
meet the same challenging state academic content and student academic achievement standards that all children are expected to meet. This program is unique in that the federal regulations designate this program as a state-operated program. Also, this program operates on a fourteen-month program year (July-August).

2. How the program is funded. The program is funded on the state's per pupil expenditure and full-time equivalents (FTEs) of migrant children in residence, which the federal grantor calculates based on student data in the national Migrant Student Record Transfer System (MSRTS).

The Migrant Education Agency (MEA) submits an application including a budget through GADOE Consolidated Application System. The program manager and Grants Accounting section approve budgets within the available funding.

3. Use and use restrictions of funds. The LUAs reporting through the MEA to GADOE may incur expenditures in any of the functions in the GADOE chart of accounts, except that capital outlay is limited to approved equipment purchases. Migrant funds may be used only to benefit migratory children; they may not be used to support projects of general aid to populations that include non-migratory children. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

4. Financial Management

a. Budgeting

(1) LUAs budget migrant funds in special revenue fund number 534 to which they assign an account number while the MEAs budget these funds as 695, Migrant Education Agencies, an internal service fund assigned by GADOE.

(2) The budget is prepared according to the functions and objects contained in the GADOE chart of accounts. The program manager notifies the MEAs of their tentative budget amounts in the Spring, but budgets are not approved until the grant award is received by the GADOE, usually in July.
b. Accounting

(1) This program is accounted for on a modified accrual basis as a special revenue fund by the LUA and reported as fund 534 on the budget/financial data submission. The MEAs which act as fiscal agents report this program as an internal service fund 695.

(2) The obligation period for funds received by this grant is July of one fiscal year until August 31 of the next fiscal year, a fourteen-month obligation period, which may be unique among federal programs.

(3) This program allows carryover of previous year's unobligated funds. The program manager works with the MEAs to re-budget the carryover funds. Carryover funds are not automatically given to the MEA that generated them.

(4) The 15 percent limitation on carryover funds applicable to Title I funds does not apply to the Migrant program.

(5) A determination of the amount of carryover funds available for the next period is made from the balances in the Grants On-line Reporting System (GAORS) after the completion report is submitted to close-out the program grant. The completion report filed with the Grants Accounting section, provides the program manager with expenditure information. The program manager re-allocates carryover funds to the MEAs on a formula basis, using financial information provided by Grants Accounting section.

(6) Before the program manager approves an LUA grant, the LUA's maintenance of effort requirement must be verified. An LUA's combined fiscal effort per student or its aggregate expenditures for State and local funds must be at least 90 percent of the LUA's combined fiscal effort per student or the aggregate expenditures of State and local funds for the second preceding fiscal year.

(7) Encumbrances are not allowed as expenditures and unobligated funds must be returned to the GADOE.

(8) The uniqueness of MEA operations requires some special accounting procedures to ensure proper financial reporting.

(a) Travel expense for a migrant staff member employed by a school system which is a member of the MEA is paid directly to the staff member by the MEA and not the employing school
(b) An MEA paying travel to a migrant staff member in another school system must submit a report to the State Department of Audits as of June 30 of each year. The report lists each school system, the migrant staff member's name and the amount paid, identified as per diem and fees. Because there is not a direct salary payment to the migrant staff member from another school system, and the staff member is employed by another entity, the MEA must list the payment as per diem and fees.

c. Reporting

(1) At the close of each project year (August 31) a preliminary project completion report (PCR), DE Form 0375, for the current year is due to Grants Accounting section by October 15 and a final report due by November 30. Since it is possible that two preceding carryover years are active, a final PCR is due October 31 for the second preceding carryover year. A preliminary PCR for the first preceding carryover year is due October 15 and a final PCR is due October 31. DE Form 0375 contains instructions for reporting revenues and expenditures.

(2) Funds to operate the program are obtained on DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, which is sent to the Grants Accounting section each quarter. This form establishes a cash flow needed to ensure the program pays its obligations when due. DE Form 0147 contains instructions for requisitioning cash. Encumbrances are not allowable and unobligated funds must be returned to GADOE.

HEALTH EDUCATION (AIDS) (CFDA 93.938)

1. Program description. To provide federal funds to develop and implement HIV prevention programs of public information and education. Also, called the Comprehensive School Health Program.

2. How the program is funded. The program is funded by the Center for Disease Control through a cooperative agreement with the Georgia Department of Education (GADOE), which makes funds available to the sixteen regional education service agencies (RESAs) to conduct teacher training and provide technical assistance to local units of administration (LUAs).

3. Uses and use restrictions of funds. This program is governed by the U.S.
Department of Health and Human Services. The U.S. Department's of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR) does not apply to this program. Title 45 of the Code of Federal Regulations, Parts 74 and 92, govern this program.


a. Budgeting

(1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. The RESAs enter into a contract with the GADOE to conduct the program. RESAs also submit a budget on DE Form 0209, which must be approved prior to expenditure of funds.

(2) The budget is prepared according to the functions and objects assigned in the GADOE chart of accounts.

b. Accounting

(1) Program code 1808 has specifically been assigned to this program in the GADOE chart of accounts.

(2) LUAs should account for this program in the special revenue fund 436.

(3) There is no carryover provision as there is with the education programs, but the period of availability of the use of the funds may be extended if approved by the grantor as indicated above.

(4) This program is fully funded with federal funds. There is no requirement for LUAs to maintain a minimum maintenance of fiscal effort as a condition of participation.

(5) LUAs are not required to match this program with local funds, either in cash or in-kind.

(6) Ordinarily, LUAs must return unexpended funds to the GADOE at the end of the project period, but since this project period is extendable, LUAs would return funds only when the project is closed out.

c. Reporting
(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. This program does not require the submission of a project completion report to Grants Accounting section.

(2) This is a cost reimbursement program. The LUAs obtain cash by submitting monthly DE147 in the Grants Accounting On-line Reporting System.

DRUG-FREE SCHOOLS AND COMMUNITIES (CFDA 84.186)

1. Program description. This program provides federal funds to LEAs to establish or expand elementary and secondary school counseling programs, with special consideration to applicants that can demonstrate the greatest need for counseling services, propose the most innovative and promising approach, and show the greatest potential for replication and dissemination.

2. How the program is funded. Funds for this program are allotted based on school enrollment and Title 1 enrollment. LUAs must submit an application and a budget to the GADOE program manager, which must be approved before funds can be obligated.

3. Use and use restrictions of funds. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)


   a. Budgeting

      (1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. LUAs must submit a budget in the Consolidated Application System, the budget is approved by the GADOE program manager and the budget is electronically submitted and added to the Grants Accounting On-line Reporting system where funds are made available for system draws.

      (2) The budget is prepared according to the functions and objects assigned in the GADOE chart of accounts.
b. Accounting

(1) Program code 1782 has been specifically assigned to this program.

(2) A separate special revenue fund, Fund 412, has been assigned in the GADOE chart of accounts.

(3) The project period is July-June.

(4) If an LUA does not obligate all of its grant funds by the end of the fiscal year in which the funds were granted, it may obligate the funds during a carryover period of one additional year until June 30; however, funds may be obligated until September 30 of the second carryover year.

(5) An LUA may carry over up to 25 percent of its annual budget for obligation in the next fiscal year. Any amount above 25 percent must be justified in writing and approved by the GADOE program manager.

(6) LUAs have until June 30 of the next fiscal year in which to obligate the prior fiscal year's funds, i.e., carryover funds; however, funds may be obligated until September 30 of the second carryover year.

(7) This program does not require a local minimum maintenance of fiscal effort.

(8) LUAs are not required to match this program with local funds.

(9) At the end of each funding period (June 30) LUAs must return any unobligated funds when the final project completion report (PCR) is due.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. The PCR is due October 31.

(2) The LUAs obtain cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, in the Grants Accounting On-line Reporting System. LUAs must return all unobligated funds to the Grants Accounting section with its final PCR. If the LUA has not
drawn all the cash it is entitled to at the time the final PCR is filed, it should request the funds through the Completion Report in the Grants Accounting On-line Reporting System.

EVEN START (CFDA 84.213)

1. Program description. This program provides federal funds on a declining matching basis to establish family-centered education projects to help parents become full partners in the education of their children, to assist children in reaching their full potential as learners, and to provide literacy training for their parents.

2. How the program is funded. The GADOE awards grants to LUAs on the basis of selection criteria mandated by the federal grantor. The awards are based on applicant (LUAs) scores and geographic location. The federal share begins at 90 percent the first year and declines 10 percent each year until it reaches 60 percent. Each LUA must match the program, beginning at 10 percent the first year and increasing 10 percent each year until it reaches 40 percent. Each LUA may meet its matching requirement with either cash contributions, i.e., actual funding of the program, or with LUA or third party in-kind contributions (use of currently available resources such as equipment and facilities). Since these funds are available for a 27-month period, the LUA could have three different matching requirements, i.e., 10, 20 and 30 percent over the 27-month period.

3. Use and use restrictions of funds. Funds are used primarily for recruitment and screening of children and parents, design of programs, instruction of children and parents and staff training. There are no state rules which impose spending restrictions.

This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

4. Financial management.

a. Budgeting

   (1) These funds are included in the annual budget to the Financial Review section of the GADOE. The LUAs also must prepare a budget
and submit through GADOEs Consolidated Application System which is comprised of a budget summary, a detail, and cash or in-kind matching funds. The budget is approved by the Program Manager in the Consolidated Application and electronically submitted to the Grants Accounting On-line Reporting System where funds are made available to draw.

(2) The budget is organized according the functions and objects in the GADOE chart of accounts.

b. **Accounting**

(1) Program code number 1790 has specifically been assigned to this program in the GADOE chart of accounts.

(2) A separate special revenue fund, number 422, has been assigned in the GADOE chart of accounts for the Even Start grant.

(3) The project period is July-September.

(4) This is a reimbursement program in which LUAs expend the funds and then are reimbursed by the GADOE. The only unobligated funds the LUA should have would be its entitlement in excess of expenditures. These funds may be carried forward and included in the next year's budget.

(5) There is no limitation on the amount of funds that the LUA may have unobligated at the end of the project period.

(6) Funds are available for 27 months.

(7) This program does not require a minimum maintenance of fiscal effort.

(8) This program does require matching by the LUA as described above; however, it should be understood that the matching requirement percentage is applied to the total project amount—not just the federal share.

c. **Reporting**

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. The LUAs must submit a Completion Report in the Grants Accounting On-line Reporting
System by October 31st. Carryover funding is calculated based on the expenditures reported. Also, if expenditures reported are greater than the draws, the additional funds will be requested automatically through the completion report.

(2) The LUA submits an Even Start reimbursement requisition (no DE Form #) monthly in the Grants Accounting On-line Reporting System.

EDUCATION FOR HOMELESS CHILDREN AND YOUTH - GRANTS FOR STATE AND LOCAL ACTIVITIES (CFDA 84.196)

1. Program description. To provide federal funds to carry out activities for and services to homeless children and youth to enroll in, attend, and achieve in school; to provide programs for school personnel to heighten awareness of specific problems of homeless children.

2. How the program is funded. The local unit of administration (LUA) submits an application which is reviewed by a panel based on criteria set forth in the application. Awards are based upon need of LUAs as determined by (a) the number of homeless children and youth enrolled in schools; (b) the extent to which proposed funds would facilitate enrollment, attendance and success; (c) the extent to which the application reflects coordination with local and state agencies that serve homeless children and youth, and (d) the extent to which the applicant exhibits in the application and current practice a commitment to the education of homeless children and youth.

3. Use and use restrictions of funds. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

P.L. 100-77 lists fourteen specific purposes for which funds may be expended. These purposes are spelled out in the application. An LUA applying for these funds will identify its expenditures in accordance with these purposes.

a. Budgeting

(1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. The LUA also must prepare a budget to participate in this program.

(2) The budget must be prepared in accordance with the GADOE chart of accounts.

b. Accounting

(1) Program code number 1800 has specifically been assigned to this grant.

(2) A separate special revenue fund, number 432, has been assigned in the GADOE chart of accounts.

(3) The project period is July-June. The project period for the carryover funds is July-September.

(4) LUAs may carryover unobligated funds from the previous year to use in the current year.

(5) There is no limitation on the amount of funds that may be carried over.

(6) LUAs have until June 30 of the next fiscal year in which to obligate the prior fiscal year's funds, i.e., carryover funds, but obligation must be liquidated by September 30.

(7) This program is 100 per cent federally funded. There is no minimum fiscal effort required of the LUAs.

(8) There is no matching requirement.

(9) At the end of each funding period (September 30 of the next fiscal year) LUAs must return any unobligated funds when the final project completion report (PCR) is due.

c. Reporting

(1) These funds are included in the annual financial report submitted to
the Financial Review section of the GADOE. At the end of each project the LUA submits a preliminary project completion report (PCR), DE Form 1210, to the Grants Accounting section by July 31 for current year funds. A final PCR is due by September 30 for current year funds. If the LUA has first year carryover funds in its project, a final PCR is due July 31. If the LUA has second year carryover funds in a July-September project, a final PCR is due October 31.

(2) The LUAs obtain cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, to the Grants Accounting section.

HEAD START (CFDA 93.600)

1. Program description. This federally-funded program provides comprehensive health, educational, nutritional, social and other services to economically disadvantaged preschool children, including Indian children on federally-recognized reservations, and children of migratory workers and their families; and to involve parents in activities with their children so that the children will attain overall social competence.

2. How the program is funded. This program is administered by the U.S. Department of Health and Human Services. The Georgia Department of Education (GADOE) does not receive funds to provide grants to LUAs. GADOE has some administrative staff with which to carry out its responsibilities to coordinate education-related activities with other state and local agencies.

3. Financial Management. LUAs have no budgeting, accounting, or financial reporting responsibilities to the GADOE for this program since no funds are sent to them by the GADOE; however, these funds must be accounted for and reported on the annual financial statements and are audited by external auditors.


a. Accounting

(1) Program code number 6030 has specifically been assigned to the Basic Grant, and program code number 6040 has been assigned to the Training and Technical Assistance grant.

(2) A separate special revenue fund, number 514, has been assigned in the GADOE chart of accounts.
(3) LUAs may carryover unobligated funds from the previous year to use in the current year.

(4) There is no limitation on the amount of funds that may be carried over.

(5) This program is 100 per cent federally funded. There is no minimum fiscal effort required of the LUAs.

(8) There is no matching requirement.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE.

SPECIAL EDUCATION - STATE GRANTS PART B (CFDA 84.027)

1. Program description. To provide federal grants to states to assist them in providing a free appropriate public education (FAPE) to all children with disabilities, ages 3-21.

2. How the program is funded. This is an entitlement program with funds awarded by formula grant as a per-child amount. Local units of administration (LUAs) must report the number of students by age and area of disability served on December 1 of each year.

The LUA submits an application for funds (the comprehensive plan) annually. LUAs earning an entitlement of less than $7,500 must submit a consolidated application with another LUA. The comprehensive plan includes assurances regarding the provision of a FAPE for students with disabilities, LUA financial information and budgets which describe proposed expenditures. FAPE includes procedural safeguards and the development of an individualized education program for each disabled student.

3. Use and use restrictions of funds. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.) Additionally, funds may be withheld from systems which do not demonstrate compliance with the Individuals with Disabilities Education Act. Compliance is verified by periodic comprehensive
program reviews conducted by the Evaluation and Assessment Unit in the Division for Exceptional Students. The LUA must be able to show that it will not use these funds to provide services to students with disabilities unless it uses state and local funds to provide services to students which are at least comparable to services provided to other students with disabilities.

4. **Financial management.**

   a. **Budgeting**

      (1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. LUAs also must include an annual budget in the application.

      (2) The budget is prepared according the functions and objects in the GADOE chart of accounts. The budget must be amended if there are changes in the amount of funds available; items are added to the budget after approval; expenditures in a budget category exceed 120 percent of the approved amount.

   b. **Accounting**

      (1) Program code 2824 has been assigned to this program in the GADOE chart of accounts.

      (2) This program is accounted for in special revenue fund number 404, Special Education.

      (3) The project period is July 1-June 30.

      (4) LUAs may carryover unobligated funds from the previous year to use in the current year.

      (5) There is no limitation on the amount of funds that may be carried over.

      (6) LUAs have until June 30 of the next fiscal year in which to obligate the prior fiscal year's funds, i.e., carryover funds.

      (7) Generally, this program requires that funds that the Georgia Department of Education (GADOE) uses for direct and support services (discretionary) must be matched on a program basis from funds other than federal funds. Additionally, LUAs must assure that expenditures for special education in the current year are at least
equal to expenditures in the most recent preceding fiscal year for which information is available.

(8) While this program does not require a dollar for dollar match, there is an excess cost requirement that must be met. The calculation of excess costs is made by the LUA in the preparation of its Annual Special Education Comprehensive Plan. The GADOE issues instructions to LUAs to enable them to calculate excess costs. Briefly, the fiscal personnel in the LUA must use the annual financial report for the previous fiscal year submitted to the GADOE to complete the form included in the comprehensive plan. By following the steps in the plan, the LUA can calculate the minimum target amount which is the minimum amount that must be spent for disabled students. The LUA fiscal personnel then must use its annual financial report submitted to the GADOE to calculate the total amount actually spent for disabled students. The calculation is included in the comprehensive plan submitted to the GADOE. The excess-cost requirement must be met in order for the GADOE to approve the application for funds. Part B funds may be spent only on the excess costs above the minimum target amount.

(9) LUAs must return unobligated funds at the end of the next fiscal year, June 30.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. The LUA is required to submit a completion report (CR), in the Grants Accounting On-line Reporting System (GAORS) no later than 90 days after the end of the project period. Current Year Budgets are approved in the Consolidation Application prior to carryover being recorded or input into GAORS.

(2) The LUAs obtain cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, in the Grants Accounting On-line Reporting System (GAORS).

LUAs must return all unobligated funds to the Grants Accounting section with the final CR. If the LUA has not drawn all the cash it is entitled to at the time the final CR is filed, GAORS’ automated process will request the funds when CR is submitted.
SPECIAL EDUCATION - PRESCHOOL GRANTS (84.173)

1. Program description. To provide federal funds to assist states in providing a free appropriate public education (FAPE) to preschool children aged three through five years.

2. How the program is funded. This is an entitlement program with funds awarded by formula grant as a per-child amount. Local units of administration (LUAs) must report the number of students by age and area of disability served on December 1 of each year. The LUA submits an application for funds (the comprehensive plan) annually. LUAs earning an entitlement of less than $7,500 must submit a consolidated application with another LUA. The comprehensive plan includes assurances regarding the provision of a FAPE for students with disabilities, LUA financial information and budgets which describe proposed expenditures. FAPE includes procedural safeguards and the development of an individualized education program for each disabled student.

3. Use and use restrictions of funds. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.) Additionally, funds may be withheld from systems which do not demonstrate compliance with the Individuals with Disabilities Education Act. Compliance is verified by periodic comprehensive program reviews conducted by the Evaluation and Assessment Unit in the Division for Exceptional Students. The comparability requirement in Part B also applies to this program.

4. Financial management.
   a. Budgeting
      (1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. LUAs also must include an annual budget in the application.
      (2) The budget is prepared according the functions and objects in the GADOE chart of accounts.

      The budget amendments requirements of Part B apply to this program as well.
b. Accounting

(1) Program code 2620 is assigned to this program in the GADOE chart of accounts to enable LUAs to account for expenditures.

(2) A separate special revenue fund is not assigned in the GADOE chart of accounts. This program is accounted for in the general fund.

(3) The project period is July 1-June 30.

(4) LUAs may carryover unobligated funds from the previous year to use in the current year.

(5) There is no limitation on the amount of funds that may be carried over.

(6) LUAs have until June 30 of the next fiscal year in which to obligate the prior fiscal year's funds, i.e., carryover funds.

(7) Generally, this program requires that funds that the Georgia Department of Education (GADOE) uses for direct and support services (discretionary) must be matched on a program basis from funds other than federal funds. Additionally, LUAs must assure that expenditures for special education in the current year are at least equal to expenditures in the most recent preceding fiscal year for which information is available.

(8) While this program does not require a dollar for dollar match by LUAs, there is an excess cost requirement that must be met. The determination of excess costs is a very complex and difficult analytical process. The GADOE issues guidance to LUAs to assist them in the calculation of excess costs. The excess-cost requirement must be met in order for the GADOE to approve the application for funds.

(9) LUAs must return unobligated funds at the end of the next fiscal year, June 30.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. The LUA is required to submit a completion report (CR), in the Grants Accounting On-line Reporting System (GAORS) by September 30 for current year funds.
(2) The LUAs obtain cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, in GAORS.

LUAs must return all unobligated funds to the Grants Accounting section with its final CR. If the LUA has not drawn all the cash it is entitled to at the time the final CR is filed, GAORS’ automated process will request the funds when CR is submitted.

GEORGIA LEARNING RESOURCES SYSTEM (GLRS)

1. Program description. The Georgia Learning Resources System (GLRS) is a special education support network, consisting of 17 regional centers which serve as fiscal agents for the local units of administration (LUAs) in the region. The purpose of the GLRS is to provide staff development, specialized instructional resources, information dissemination and other services for parents and educators of students with disabilities.

2. How the program is funded. The program is funded through discretionary funds from Title VI-B (CFDA 84.027) of the Individuals with Disabilities Education Act (IDEA) and a QBE categorical grant appropriated annually by the General Assembly. Additionally, the program receives funding to carry out training activities from a federally-funded personnel preparation grant.

3. Use and use restrictions of funds. Funds allocated to GLRS programs are restricted to use for pre-approved project activities. All funds from the three designated sources are subject to annual approval via project applications submitted to the Division of Exceptional Children in the Georgia Department of Education (GADOE) and reviewed by the Grants Accounting section. Funds may be expended for all approved activities, including indirect costs at the restricted rate charged to federal programs. A maximum indirect cost rate is established annually for QBE expenditures.


a. Budgeting

(1) These funds are included in the annual budget submitted to the Financial Review section of the GADOE. Each fiscal agent submits an annual application to the Division of Exceptional Students which includes a budget for both the state and federal funds. In addition, each fiscal agent enters into a contract with the State Board of Education for the use of the QBE funds in the GLRS.
(2) The budgets are prepared according to the functions and objects in the GADOE chart of accounts.

b. Accounting

(1) Program code 271X is assigned to this program to enable LUAs to account for revenues and expenditures.

(2) Special revenue fund 530 is assigned in the GADOE chart of accounts to enable the fiscal agents to account for revenues and expenditures.

(3) There are two project periods applicable to this program. The state QBE Title VI-B funds are accounted for on a July-June project year. The personnel preparation funds are accounted for on a September-August project year.

(4) The QBE funds may not be carried over from one fiscal year to another. The Title VI-B funds may be carried over.

(5) There is no limitation on the amount of federal funds that may be carried over.

(6) The federal carryover funds are available for obligation until June 30 of the next fiscal year.

(7) Generally, this program requires that funds that the Georgia Department of Education (GADOE) uses for direct and support services (discretionary) must be matched on a program basis from funds other than federal funds. Additionally, fiscal agents must assure that expenditures for special education in the current year are at least equal to expenditures in the most recent preceding fiscal year for which information is available.

(8) There are no local matching requirements for this program.

(9) At the end of the funding period, unobligated funds must be returned to the GADOE.

c. Reporting

(1) These funds are included in the annual financial report submitted to the Financial Review section of the GADOE. The fiscal agent is required to submit a completion report (CR), in the Grants
Accounting On-line Reporting System (GAORS) by July 31.

(2) The fiscal agents obtain cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, in GAORS. Fiscal agents must return all unobligated funds to the Grants Accounting section with the final PCR. If the fiscal agent has not drawn all the cash it is entitled to at the time the final CR is filed, GAORS’ automated process will request the funds when CR is submitted.

SPECIAL EDUCATION - EDUCATION OF STUDENTS WITH DISABILITIES IN STATE-OPERATED OR STATE-SUPPORTED SCHOOLS (P.L. 89-313) (CFDA 84.009)

1. Program description. The program is funded through discretionary funds from Title VI-B (CFDA 84.027) of the Individuals with Disabilities Education Act (IDEA).

2. How the program is funded. This is an entitlement program with funds awarded by formula grant (a per-child amount). State schools, institutions and LUAs must report the number of students by age and area of disability served on December 1 of each year to the Georgia Department of Education (GADOE).

The state school, institution or its state agency submits a project application for funds annually. The project application includes assurances regarding the provision of a FAPE for students with disabilities, project information and budgets which describe proposed expenditures. FAPE includes procedural safeguards and the development of an individualized education program for each disabled student.

3. Use and use restrictions of funds. Allowable costs are described in Office of Management and Budget (OMB) Circular A-87. Educational Department General Administrative Regulations (EDGAR) applies. Expenditures must provide direct special education or related services to students with disabilities or be necessary for the administration and/or operation of the special education program. Additionally, funds may be withheld from state schools and institutions which do not demonstrate compliance with the Individuals With Disabilities Education Act. Compliance is verified by periodic comprehensive program reviews conducted by the Program Review Unit in the Division for Exceptional Students (DES).

4. Financial management.

a. Budgeting

(1) The project application includes a required annual budget for approval of expenditure of funds.
(2) Unlike grants to LUAs in which the budgets are organized according to the chart of accounts adopted by the GADOE, this grant budget is organized according to the chart of accounts used by the State of Georgia in the Financial Accounting and Control System (FACS) because the expenditures must be recorded on the GADOE's accounting records by objects different from those used for grants to LUAs.

b. Accounting

(1) There is no program code assigned to this program in the GADOE chart of accounts.

(2) This program is not accounted for in a separate special revenue fund.

(3) The project period is July 1 - June 30.

(4) Unobligated funds from the previous year may be used in the current year as carry-over funds.

(5) No more than 15 percent of the funds allocated may be carried over. This does not apply to projects having less than $50,000 for any fiscal year.

(6) Projects have until June 30 of the next fiscal year in which to obligate and expend the prior fiscal year's funds; i.e., carry-over funds.

(7) Generally, this program requires that funds the GADOE uses for direct and support services (discretionary) must be matched on a program basis from funds other than federal funds. Additionally, state schools and institutions must assure that expenditures of non-federal funds for special education in the current year are at least equal to expenditures in the most recent preceding fiscal year for which information is available.

(8) This program does not require a dollar-for-dollar match (other than the requirement stated above) by state schools and institutions.

(9) State schools, institutions and LUAs must return unobligated funds at the end of the fiscal year, June 30. Funds are re-budgeted in the next fiscal year.
c. Reporting

(1) The completion report (CR) is required to be submitted in the Grants Accounting On-line Reporting System September 30 for current-year funds.

(2) The institution's state agency obtains cash to operate the program by submitting DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, in GAORS.

PSYCHOEDUCATIONAL NETWORK

1. Program Description. The psychoeducational network provides comprehensive special educational services for students with severe emotional and behavioral disorders and students with autism, ages birth through 21 years. The network, as part of the local public school continuum of services for students with emotional and behavioral disorders, is comprised of 24 regional, multi-district, day programs. Services are provided with the belief that these students can be maintained in their communities with a specialized educational program focusing on treatment.

2. How the Program is Funded. The Georgia Legislature appropriates funds for the operation of the 24 psychoeducational programs. The funds, a combination of state and federal, allocated for each program, are determined based on a percentage of the population of the most recent census figures for the counties serviced and the geographic area covered. Each of the 24 regional centers submits a proposal, including DE Form 0885, Budget Summary and Detail, outlining the delivery of services and the proposed expenditure of state and federal funds. The State Board of Education authorizes the Georgia Department of Education (GADOE) to enter into a contract with the fiscal agent, which may be either an LUA or RESA.

3. Use and Use Restrictions of Funds. Indirect cost is only allowable on the 0-14 grant less the director's salary and is calculated using the state-approved restricted percentage of the fiscal agent or three percent, whichever is smaller. State funds may not be utilized to buy snacks or rewards for students. Installation of equipment or renovation of a facility on property not legally the property of the fiscal agent is prohibited. Expenditures for purchases or lease of vehicles or reimbursement for pupil transportation is not an allowable budget item. Insurance coverage may be contracted for program contents. Insurance coverage may be contracted for professional liability and/or accident and health when provided to all staff by the fiscal agent.

The 15-21 grant funds may not be used for facility rental.

a. Budgeting

(1) The fiscal agent for each of the 24 programs submits a budget usually by mid-May for the use of funds which is reviewed and approved by the GADOE prior to the release of the funds.

(2) The budget is prepared in accordance with the functions and objects in the GADOE chart of accounts.

b. Accounting

(1) Program code 261X is assigned to this program to identify revenues and expenditures.

(2) Special revenue fund 532, Psycho-educational Center, is assigned in the GADOE chart of accounts to enable fiscal agents to maintain separate budgeting and accounting for this fund.

(3) The project period is July-June.

(4) Carryover is not permitted on state funds but is permitted on federal funds.

(5) There is no limitation on the amount of federal carryover funds.

(6) Federal carryover funds are available for obligation by the program until June 30 of the next fiscal year.

(7) Fiscal effort must be maintained with state funds at a level equal to or higher than the preceding year in order to be eligible for federal funds.

(8) There is no requirement that local funds be used to match state or federal funds received from the GADOE.

(9) At the end of the first grant period, any unobligated state or federal funds are returned to the GADOE. Federal funds are then reallocated to LUAs as carryover for the second fiscal year. Federal funds unobligated at the end of the second fiscal year are returned to the GADOE.

c. Reporting

(1) Completion Report, (CR), is prepared by each fiscal agent and filed in
the Grants Accounting On-line Reporting System (GAORS). The final CR for federal funds is due September 30. These funds are included in the annual financial report submitted to the Financial Review section of the GADOE.

(2) State funds are disbursed to the fiscal agent in twelve monthly payments beginning July 1 as part of the QBE payment system. Federal funds are requested from the Grants Accounting On-line Reporting System (GAORS), Quarterly Report of Expenditures and Estimated Requirement for Grant Funds.

MATHEMATICS AND SCIENCE EDUCATION (CFDA 84.366)

1. Program description. This program provides federal funds for grants to local units of administration (LUAs) to improve the skills of teachers and the quality of instruction in mathematics and science, and to increase the accessibility of such instruction to all students.

2. How the program is funded. LUAs apply annually for grants based on an entitlement formula which uses enrollment and Title 1 eligibility to award funds.

3. Use and use restrictions of funds. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments; however, there is a program requirement that computers may be placed in schools only if there is greater than 50% Title 1 enrollment. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

4. Financial management.

   a. Budgeting

      (1) The LUA application includes a budget, which is submitted in GADOEs Consolidated Application

      (2) The budget is organized according to the functions and objects in the GADOE chart of accounts.

   b. Accounting

      (1) There is no program code specifically assigned to this program in the
GADOE chart of accounts; however, LUAs may assign a program code in the 600X series at their discretion. (LUAs should not duplicate a program code currently assigned in the GADOE chart of accounts.)

(2) LUAs may account for this program in the general fund, using a program code from the series shown above. A separate special revenue fund is not assigned in the GADOE chart of accounts. As an alternative to (1) above, the LUAs may account for this program as a separate special revenue fund in the 580-588 series from the GADOE chart of accounts, but for state reporting it would be rolled up and reported as fund 580, All Other Special Revenue funds.

(2) The project period is October-September.

(4) This program permits carryover of current year funds, but the GADOE uses the carryover funds to adjust allocations for the following year. The funds are not automatically carried over by the LUA.

(5) There is no limitation on the amount of funds that may be carried over.

(6) LUAs have until September 30 of the next fiscal year in which to obligate the prior fiscal year's funds, i.e., carryover funds.

(7) This program is 100% federally funded. There is no minimum fiscal effort required of the LUA.

(8) There is no matching requirement. However, these funds must supplement and not supplant state or local funds.

(9) LUAs must return unobligated funds to the Grants Accounting section with its completion report (CR).

c. Reporting

(1) LUAs must submit a final CR for carryover funds, due by September 30 of the carryover year, in the Grants Accounting On-line Reporting System.

(2) LUAs obtain cash to operate this program by submitting DE 147, Quarterly Report of Expenditures and Estimated Requirements for Grant Funds, to the Grants Accounting On-line Reporting System.
1. **Program description.** Federally funded, state administered grants to improve the educational opportunities of educationally deprived children by helping them succeed in the regular school program, attain grade level proficiency and improve achievement in basic and more advanced skills. Funds for basic grants provide financial assistance for educationally deprived children in every local unit of administration (LUA). Concentration grants are designed to augment basic grants in LUAs with very high concentrations of children from low-income families. The purposes are accomplished through such means as supplemental educational programs, schoolwide programs, and increased involvement of parents in their children's education.

2. **How the program is funded.** Under the basic grant formula, LUAs are entitled to grants based on their numbers of formula children multiplied by a cost factor derived from the state per pupil expenditure for elementary and secondary education. The Georgia Department of Education (GADOE) is responsible for allocating county amounts to independent LUAs in cases where LUAs are not coterminous with counties. Unless otherwise specified in a federal appropriation act, the U.S. Secretary of Education reserves for concentration grants the amount of the Title I LUA program appropriation specified by the Title I legislation. The Secretary determines which counties in the state qualify for concentration grant funds and distributes the concentration funds in accordance with the statutory allocation formula. An LUA must submit an application for the use of funds to the GADOE for approval. The application must contain information that meets statutory and regulatory requirements.

3. **Use and use restrictions of funds.** A LUA may use Title I funds for projects designed to provide supplemental services to meet the special educational needs of educationally deprived children at the preschool, elementary and secondary school levels. Funds may be used only to pay for service authorized by the legislation and approved by the GADOE in a LUA Title I application. The LUA is prohibited from using funds as general aid to benefit an entire school district or, except in schoolwide projects, all children in a school, grade, or class. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)
4. Financial management.
   
a. Budgeting.
   
   (1) The LUA submits a budget that is part of its Title I application.
   
   (2) The budget is prepared according to the functions and objects in the GADOE chart of accounts.
   
b. Accounting.
   
   (1) There is no program code assigned in the GADOE chart of accounts since it is accounted for as a separate fund.
   
   (2) Title I funds must be accounted for in special revenue fund 402, Title I assigned in the GADOE chart of accounts.
   
   (3) The project period is July-September. Funds become available for obligation on July 1 preceding the beginning of the federal fiscal year (October 1) for which they were appropriated until September 30 of the next state fiscal year, a period of fifteen months.
   
   (4) If the LUA does not obligate all its allocation by the end of the next federal fiscal year (September 30), it has the authority to obligate the remaining funds, subject to regulatory limitations, during a carryover period of one additional federal fiscal year (October 1-September 30).
   
   (5) No more than 15 percent of the amount allocated to the LUA for the period July 1 -September 30 of basic grant funds and concentration grant funds may be carried over for one additional federal fiscal year unless the LUA requests a one-time waiver during the federal funding authorization period from the GADOE program manager.
   
   (6) The LUA may obligate first year carryover funds until June 30 of the next fiscal year and September 30 of the second carryover year.
   
   (7) An LUA may receive its full allocation of funds if either the LUA's aggregate or per pupil expenditure of State and local funds for free public education in the preceding year was not less than 90 percent of the expenditures for the second preceding year, i.e., expenditures in FY ‘09 not less than 90 percent of FY ‘08. Properly justified, a one-
time waiver may be granted by the GADOE.

(8) Title I program does not require that funds be matched with local funds.

(9) At the end of a funding period the LUA refunds to the GADOE any unobligated funds.

c. Reporting.

(1) At the end of each project the LUA submits a preliminary project completion report (PCR), DE Form 0375, to the Grants Accounting section by July 31 for current year funds. A final PCR is due by September 30 for current year funds.

An LUA must submit a separate application, including a budget, to the GADOE for approval to operate a summer project. Summer projects are conducted during the months of June, July, and August. However, the duration of a summer project may vary. The LUA uses Basic and Concentration grant funds, including carryover, to fund a summer project. If the LUA has a Summer project, a final PCR is due 30 days after the project ends.

Although an LUA has until September 30 to obligate current federal year funds, it cannot carryover more than 15 percent of its current year allocation. (The LUA may include expenditures through September 30, Summer project expenditures and expenditures for the period July-September to meet the 85 percent carryover minimum.) Therefore, the Grants Accounting section reviews the LUA's CR to determine if it will obligate at least 85 percent of its allocation by September 30. If not, the LUA must submit an interim CR, in GAORS by a date specified by Grants Accounting section showing how much was spent by the July-September first year carryover period. Grants Accounting Section uses this information to advise the Title I program manager of those LUAs who are exceeding the 15 percent limitation on carryover funds for the remaining twelve months. The program manager uses this information to reallocate carryover funds in excess of 15 percent.

(2) The LUA submits Quarterly Report of Expenditures and Estimated Requirements of Grant Funds, to the Grants Accounting On-line Reporting System.
TITLE I
STATE PROGRAM IMPROVEMENT GRANTS (CFDA 84.010)

1. Program description. Federally funded state administered grants to local units of administration (LUA) are used for direct educational services in schools implementing required program improvement plans. This grant is currently mandated in the Title I Basic Grant Allocation.

2. How the program is funded. The LUA may submit a separate application to the GADOE Consolidated Application for program improvement funds to be used for direct educational services in schools implementing a program improvement plan.

3. Use and use restrictions of funds. Program improvement funds may not be used for administrative functions related to the Title I program. All program improvement funds must be used to improve direct educational services for children at a school required to have a program improvement plan. This program is governed by the U.S. Department of Education's General Administrative Regulations (EDGAR), which is codified in Title 34 of the Code of Federal Regulations (CFR). The requirement for an annual audit is contained in an Appendix to Part 80 of EDGAR. Allowable costs are governed by OMB Circular A-87, Cost Principles for State and Local Governments. (See Exhibit V-41-1 which lists unallowable costs unless prior approval has been obtained from the federal grantor agency.)

   a. Budgeting.
      (1) The LUA submits a budget to fund an approved application for use of program improvement funds.
      (2) The budget is prepared according to the functions and objects in the GADOE chart of accounts.
   b. Accounting.
      (1) There is no program code assigned in the GADOE chart of accounts since it is accounted for as a separate fund.
      (2) Program improvement funds must be accounted for in special revenue fund 402, Title I, assigned in the GADOE chart of accounts. A separate bank account is not required.
      (3) The project period is July-June.
(4) Title I regulations provide a 15-month period during which funds are available for obligation. Title I funds become available on July 1 preceding the beginning of the federal fiscal year for which they are appropriated and remain available until September 30. If the LUA does not obligate all of its state program improvement grant by September 30, the GADOE has the authority to reallocate the excess funds to other LUAs based on an application. If the GADOE reallocates the funds to another LUA, the LUA has until September 30 of the next fiscal year to obligate the funds.

(5) There is no limitation on the amount of program improvement funds that the GADOE may carry over.

(6) The GADOE may obligate carryover funds until September 30 of the second succeeding state fiscal year.

(7) If the LUA meets the maintenance of effort requirement to receive Title I Basic and Concentration grants it may receive program improvement funds.

(8) To receive program improvement funds a LUA is not required to provide matching local funds.

(9) At the end of a funding period, the LUA refunds to the GADOE any unobligated funds.

c. Reporting.

(1) At the end of each project the LUA submits a completion report (CR) to the Grants Accounting On-line Reporting System by September 30 for current year funds.

(2) The LUA submits DE Form 0147, Quarterly Report of Expenditures and Estimated Requirements of Grant Funds, to the Grants Accounting On-line Reporting System to obtain cash to operate.
INTEREST ON FEDERAL FUNDS

Federal programs subject to the U.S. Department of Education's General Administrative Regulations (EDGAR) must draw funds from the GADOE as close as administratively feasible to the disbursement date. The GADOE uses DE Form 0147, Quarterly Report of Expenditures and Estimated Requirement for Grant Funds, as its mechanism for disbursements to local units of administration (LUA) for those state and federal programs which are not on a reimbursement basis. The instructions on the form require the LUAs to estimate their cash disbursements by month for the next quarter. For example, cash disbursements for each month in the quarter of July-September are due to the GADOE by June 15. A payment schedule is set up by the GADOE to electronically transfer funds monthly through the automated clearing house (ACH) according to DE Form 0147, Quarterly Report of Expenditures and Estimated Requirements for Grant Funds.

The Georgia Department of Audits performs an audit test on the LUA's cash draw procedures to determine if excess cash is being drawn from the GADOE. If the test shows that the cash balances exceed a certain tolerance (currently 4% of the annual grant amount), the LUA is cited for having excess cash on hand. The LUA must file a corrective action plan (CAP) setting forth the changes it will make to conform to the required cash draw procedures.

INTEREST ON STATE FUNDS

The GADOE has no regulation governing interest earned on state funds disbursed to local units of administration (LUA). Funds for most state programs are either on a reimbursement basis or are earned on a per student basis.

These funds take on the character of local funds upon receipt and may be invested according to the LUA's local investment practices.

ACCOUNTING FOR STATE AND FEDERALLY FUNDED TANGIBLE PERSONAL PROPERTY (EQUIPMENT) AND SUPPLIES

INTRODUCTION.

The reader should review Chapter I-12, Inventory Accounting for Consumable Supplies; Chapter 16, Capital Assets; Chapter III-4, Inventories; and Chapter IV-7, Implementing a Capital Assets Management System for an overall understanding of accounting for, and reporting assets and supplies.

Tangible Personal Property (Equipment) is one component of the accounting term capital assets. The other components of capital assets include buildings and land acquired by outright purchase or acquired through capital lease-purchase agreement(s). Once capital
lease payments are completed, the assets are legally owned. However, from an accounting position, they are owned when the capital lease is entered into.

Under generally accepted accounting principles (GAAP), capital assets should be recorded as an expenditure when purchased by a governmental fund and should be reported in the Capital Assets on the Balance Sheet. Fixed assets purchased by a proprietary fund type should be recorded as assets of that fund at the time of purchase. For example, some local units of administration (LUAs) operate a building trades program where students build houses and sell them, usually at cost, to finance further construction. Other LUAs may operate a school supplies store for the convenience of students. Normally these activities would be accounted for in a proprietary fund classified as an Enterprise Fund. Any assets acquired with resources from these activities would be capitalized as assets of these funds.

DEFINITION OF TANGIBLE PERSONAL PROPERTY (EQUIPMENT). It is important that a consistent definition be applied to each LUA transaction covering tangible personal property. The GADOE uses LUA financial information for many different purposes including an annual summary of LUA expenditures submitted to the federal government. This summary is used in a variety of publications which report on the condition of public education in the United States. An important statistic in these publications is a calculation of current expenditures per pupil. Not only is current expenditure per pupil an important measure of fiscal effort each state is providing to public education, it is used also in calculating state entitlements for Title I, Individuals with Disabilities and other federal programs.

Expenditures for property including land, buildings, and equipment (charged to object codes 700 - 799 inclusive) are excluded from the calculations of current expenditures. Therefore, it is important that LUAs follow specific criteria in determining whether a transaction for tangible personal property is an equipment expenditure or a supply expenditure. For programs funded in whole or in part by state funds or U. S. Department of Education (USDE) federal program funds that pass through GADOE, tangible personal property (equipment) is defined as follows:

Equipment is a material item of a non-expendable nature, such as a movable unit of furniture or furnishings, an instrument or apparatus, a machine (including attachments), an instructional skill training device, or a set of small articles whose parts are replaceable or repairable, the whole retaining its identity and utility over a period of time which is characteristic of and definable for items of its class. It has a life expectancy of two or more years and a unit cost of $5,000.00 or more.

Another exception in USDA funded programs is that equipment purchased for the Nutrition Education and Training Program and the School Breakfast Start-up funds is defined as tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or
more. LUAs participating in these programs should follow this definition.

LUAs should test each transaction covering tangible personal property against these criteria to ensure that equipment is being classified properly.

LEASING. In government, leases are classified as either capital or operating. The accounting and reporting principles differ for each, as explained below.

LEASE PURCHASE OF EQUIPMENT. GAAP requires that equipment acquired through a lease purchase agreement (i.e., a capital lease) be capitalized. Governmental GAAP adopts the criteria set forth in the Financial Accounting Standards Board’s (FASB) Statement of Financial Accounting (SFAS) No. 13, Accounting for Leases. SFAS No. 13 sets forth criteria for determining whether a lease is capital or operating. The first two criteria are commonly used. At least one of the criteria should be met for the lease to be classified as a capital lease. The criteria follow:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains a bargain purchase option.

3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

4. The present value at the beginning of the lease term of the minimum lease payments excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. A lease shall compute the present value of the minimum lease payments using (the lessee's) incremental borrowing rate unless (i) it is practicable for [the lessee] to learn the implicit rate computed by the lessor and (ii) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of these conditions are met, the lessee shall use the implicit rate.

In governmental fund types, GAAP requires that LUAs report on the operating statement the present value of future minimum lease payments (usually this is equal to the cost of the leased property) as an expenditure and as "other financing sources" in the year the lease is
entered into. Subsequent lease payments should be reported as debt service payments.

OPERATING LEASES. If a lease does not meet the capital lease criteria illustrated above, it is classified as an operating lease. If no payments are made at the inception of the lease agreement, no entry is required on the LUA's books.

DONATED EQUIPMENT. Donated equipment is recorded in the capital asset inventory system like any other capital assets. In the accounting records, no entry is required to report the donation on the LUA's operating statement. The donation is reported in the capital assets by source. Donated fixed assets should be valued at fair market value on the date donated and added to the inventory system, primarily for insurance coverage purposes.

LOANED EQUIPMENT. Loaned equipment is recorded in the capital asset inventory system like any other capital assets. Obviously, no purchase price is added to the system.

EQUIPMENT FUNDED IN WHOLE OR IN PART WITH FEDERAL FUNDS. The Federal Office of Management and Budget (OMB) has published regulations that establish uniform administrative rules for federal grants and cooperative agreements and sub-awards to state, local and Indian tribal governments. These revised regulations, known as the Common Rule, must be adopted by all federal agencies unless the enabling law for a specific grant program prescribes policies or requirements that differ from the Common Rule, then the provisions of the enabling legislation govern. Although the applicability of the Common Rule to all federal programs is clouded somewhat by the exclusions written into it, the GADOE adopts the provisions of the Common Rule in respect to the use, management, and definition of equipment purchased in whole or in part with federal funds--except that the definition of equipment for property management purposes shall follow the state's definition, which is more restrictive than the federal definition.

The following requirements are adopted from USDOE's Title 34 of the Code of Federal Regulations (CFR), Part 80, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, which is a codification of the common rule referred to above. This part will govern the use, management and disposition of tangible personal property purchased in whole or in part with federal funds made available to LUAs through the GADOE from the USDE. 34 CFR 80 governs most elementary and secondary education programs administered through the GADOE.

In addition, the USDA publishes regulations governing tangible personal property in 7 CFR 3015, Uniform Federal Assistance Regulations, which differ in minor ways from the regulations published by the USDOE. The USDA regulations prescribe specific actions an LUA must take when equipment is damaged, lost, or stolen. If any USDA-funded equipment is damaged, lost or stolen, the LUA must contact the Accounting Services Division in GADOE for instructions. Otherwise, the USDOE regulations cited above may be applied to the use, management and disposition of tangible personal property financed
in whole or in part by funds from the USDE or the USDA.

LUAs may receive federal grants directly from many other sources such as the Department of Defense, the Environmental Protection Agency, National Science Foundation and other federal agencies. Also, LUAs may receive federal grants from City or County governments, state agencies, colleges, and others. LUAs should ensure that the terms of such grants provide guidance for accounting for equipment if the definition for equipment differs from these guidelines. In lieu of such guidance the provisions of this chapter should be followed.

**TITLE.** Title to state or federally funded equipment acquired by an LUA shall rest with the LUA with two exceptions.

1. The federally funded migrant program is a state operated program and title to all equipment acquired through this grant remains with the state.

2. Title to all computer equipment purchased with state funds remains with the state for the accounting and student information reporting system.

**USE.** Equipment shall be used by the LUA in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by federal funds.

The LUA also shall make equipment available for use on other projects or programs currently or previously supported with federal funds, providing such use will not interfere with the work on the projects or program for which it originally was acquired. First preference for other use shall be given to other programs or projects supported by similar federally funded programs.

The LUA must not use equipment acquired with federal funds to provide services which are funded by a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by the terms of the grant.

When acquiring replacement equipment, the LUA may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

**MANAGEMENT REQUIREMENTS FOR EQUIPMENT FUNDED IN WHOLE OR IN PART WITH STATE OR FEDERAL FUNDS**

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with state or federal funds, until disposition takes place will, as a
minimum, meet the following requirements:

1. Equipment records must be maintained that include a description of the equipment, a serial number or other identification number, the vendor, title holder, acquisition date and cost, source of funding, percentage of federal participation in the cost of the equipment, the location, use and condition, and any ultimate disposition data including the date of disposal and sale price of the equipment.

2. A physical inventory of the equipment must be taken and the results reconciled with equipment records annually.

3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft shall be investigated by the LUA. Thefts should be immediately reported to a law enforcement agency. A copy of the investigative report should be retained with the inventory records as proof of loss. LUAs should carry adequate insurance to protect assets.

4. Adequate maintenance procedures must be developed to keep the equipment in good condition.

5. If the LUA is authorized or required to sell the equipment, sales procedures must be established to ensure the highest possible return.

FEDERALLY OWNED EQUIPMENT. In some federal grants the government furnishes equipment to the LUA. In the event an LUA is provided such equipment (other than surplus property) then:

1. Title will remain vested in the federal government.

2. LUAs will manage the equipment in accordance with federal agency rules and procedures, and submit an annual inventory listing to the federal grantor.

3. When the equipment is no longer needed, the LUA will request disposition instructions from the federal agency.

4. The federal awarding agency may reserve the right to transfer title to the federal government or a third party named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be subject to the following standards:

   (a) The property shall be identified in the grant or otherwise made
known to the LUA in writing.

(b) The federal awarding agency shall issue disposition instructions within 120 calendar days after the end of the federal support of the project for which it was acquired. If the federal awarding agency fails to issue disposition instructions within the 120 calendar-day period, the LUA shall follow the instructions below under DISPOSITION.

5. When title to equipment is transferred to another entity, the LUA shall be paid an amount calculated by applying the percentage of local funds in the purchase to the current fair market value of the equipment.

DISPOSITION. When original or replacement equipment acquired with state or federal funds no longer is needed for the original project or program or for other activities currently or previously supported by state or federal funds, disposition of the equipment will be made as follows:

1. Items of equipment with a current fair market value of less than $5,000 per unit may be retained, sold or otherwise disposed of with no further obligation to the GADOE.

2. Items of equipment with a current fair market value in excess of $5,000 per unit may be retained or sold. The GADOE shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the GADOE’s share of the initial funds used to purchase the equipment.

RECORD RETENTION OF EQUIPMENT FUNDED IN WHOLE OR IN PART WITH STATE OR FEDERAL FUNDS

Records supporting the acquisition of equipment as defined herein shall be maintained for a period of five years from the date of the disposition or replacement or transfer. This retention period applies to all state and federally funded programs. Microfilm or digital records are acceptable as original records.

SUPPLIES FUNDED IN WHOLE OR IN PART WITH STATE OR FEDERAL FUNDS

1. TITLE. Title to supplies acquired with state or federal funds will vest, upon acquisition, in the LUA except as noted in 2. below.

2. DISPOSITION. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination or completion of the grant, and if the supplies are not needed for other federally sponsored programs or projects, the LUA shall compensate the federal government for its share. The LUA has no obligation to compensate GADOE for the value of
unused supplies purchased with state funds.
UNALLOWABLE COSTS OF FEDERAL PROGRAMS

The following expenditures are generally unallowable as charges to federal programs. There are exceptions, of course, and the LUA should be informed of specific exceptions or additional restrictions when it receives notice of a grant award. If there is any doubt as to the allowability of a specific cost not identified in this exhibit, the LUA should contact the GADOE (either the program manager or the Grants Accounting section for guidance; for USDA programs LUAs should contact either the School/Community Nutrition Division or Accounting Services Division).

1. **Bad Debts.** Any losses arising from uncollectible accounts and other claims, and related costs.

2. **Contingencies.** Contributions to a contingency reserve or any similar provision for unforeseen events. (Editor's note: Contributions to an unemployment compensation reserve are not considered a contingency and are allowable provided all programs are assessed equitably.)

3. **Contributions and donations.**

4. **Entertainment.** Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities.

5. **Fines and penalties.** Costs resulting from violations of, or failure to comply with Federal, State and local laws and regulations.

6. **Chief executive's expenses.** The salaries and expenses of the chief executive, i.e., superintendent.

7. **Interest and other financial costs.** Interest on borrowings, bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith unless authorized by Federal legislation. With the advent of lease purchasing, the payments of which may include a stated or unstated interest rate, the Federal government is beginning to allow interest costs. The Title I program now allows this cost. If an LUA's grant should include equipment which may be obtained by lease purchase, the LUA should consult the GADOE program manager to determine if interest costs of the lease purchase are allowable.

8. **Legislative expenses.** Salaries and other expenses of the local school board, whether incurred for purposes of legislation or executive direction.
9. Underrecovery of costs under grant agreements. Any excess cost over the Federal contribution under one grant cannot be charged to another Federal grant.
A brief explanation of the purpose of the federal regulations governing the financial management of education and school nutrition programs is provided below. In addition, there are specific federal program regulations not included here that also govern both education and school nutrition programs. LUA personnel working with federal programs should also be cognizant of the regulations which GADOE program managers promulgate for federally-funded education programs. These regulations often contain financial management requirements.

EDUCATION PROGRAMS

Regulations covering education programs funded by the U.S. Department of Education (USDE) are codified in the Code of Federal Regulations, (CFR), Title 34, as follows:

Part 74 establishes uniform requirements for the administration of grants and principles for determining costs applicable to activities for all grantees other than state and local governments and Indian tribal organizations.

Part 76 establishes general requirements that a State must meet to apply for a grant under a program covered by this part.

Part 77 defines terms that apply to USDOE regulations.

Part 79 establishes procedures for the intergovernmental review of federal programs. Simply put, this regulation is intended to make sure that a proposed federal program is reviewed by interested agencies at the state level so that there is no overlapping of funding or interests. For example, a project to build a dam is being funded by one federal agency while another federal agency is funding a project to build an interstate through the same area.

Part 80 establishes uniform administrative rules for federal grants and cooperative agreements and subawards to State, local and Indian tribal governments. Part 80 and OMB Circular A-102 are the same regulation. A-102 is the OMB designation, but the USDOE codified it in Part 80 of 34 CFR.

Part 81 describes the enforcement provisions of the General Education Provisions Act (EDGAR) All of the parts described herein comprise EDGAR.

Part 82 sets forth the prohibition against lobbying by recipients of federal funds.

Part 85 sets forth government-wide debarment and suspension procedures and establishes requirements for maintenance of a drug-free workplace.
Part 86 implements a federal law that requires as a condition of receiving federal funds a recipient must certify that it has adopted and implemented a drug prevention program.

Circular A-87, Cost Principles for State and Local Governments, is the authority for determining allowable costs of federally-funded public education programs. Unlike A-102 and A-128 which are codified in Part 80 of CFR 34, Circular A-87 is a stand-alone regulation that is simply referenced in Part 80.22.

The importance of this document in managing the expenditures of federal programs cannot be minimized. LUA personnel who have responsibility for approving federal program expenditures should be knowledgeable of the contents of this document. A-87 is too lengthy to include in this chapter, but the section listing unallowable costs is reproduced as Exhibit V-41-1 and will serve as a reference source to ensure that specific unallowable costs are not charged to federal programs. In some instances costs listed as unallowable in Circular A-87 may be approved by the federal grantor agency. LUAs should inquire of the GADOE program manager if any such costs have been approved before incurring the expenditure. LUAs which are interested in obtaining the entire publication may receive two free copies by writing to the

Superintendent of Documents
Publications Office
732 North Capitol Street NW
Washington DC 20401

or the publication may be obtained at the following web address: http://www.whitehouse.gov/omb/circulars/a087/a087-all.html

OMB Circular A-102, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, sets for the administrative requirements for federal grants programs and covers such topics as financial administration, property, equipment, reports, records, etc. This circular is codified as subpart A in 34 CFR Part 80.

OMB Circular A-128, Audit Requirements for State and Local Governments, establishes the single audit as the mechanism for auditing federal programs. This circular is codified as subpart E in 34 CFR Part 80.

SCHOOL NUTRITION PROGRAMS

Part 3015, Uniform Federal Assistance Regulations, of Title 7 of the CFR sets forth the requirements applicable to all grants and cooperative agreements funded by the U. S. Department of Agriculture (USDA). This part generally parallels the requirements set forth in 34 CFR for education programs. Like EDGAR the purpose is establish USDA-wide uniform requirements for the administration of grants and cooperative agreements and sets forth the principles for determining allowable costs. LUA personnel working with federal programs should also be
cognizant of the program regulations which the GADOE School and Community Nutrition Division promulgates. These regulations often contain financial management requirements.

There are twenty subparts to Part 3015, each dealing with a specific aspect of financial management of USDA programs, as follows:

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<td>V</td>
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The document may be viewed at the following web address:

http://www.access.gpo.gov/nara/cfr/waisidx_05/7cfr3015_05.html