

# FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

<b>Date Issued</b>	<b>Effective Date</b>	<b>Section</b>	<b>Title:</b>
New	New	VII	<b>Appendices</b>
<b>Revision No.</b>	<b>Date Revised</b>	<b>Appendix</b>	<b>Title:</b>
New	N/A	5	<b>Classification of Expenses GASB 34</b>

Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34 explain how expenses are to be presented.

Direct expenses appear first on the Statement of Activities by functional category. Direct expenses are those directly identifiable to a particular function. For LUAs functional categories are as follows –

## Statement of Activities - Classification of Expenses

Function Code	Description
<b>Governmental Activities</b>	
1000	Instruction
2100	Pupil Services
2210	Improvement Of Instructional Services
2220	Educational Media Services
2300	General Administration
2400	School Administration
2500	Support Services - Business
2600	Maintenance And Operation Of Plant Services
2700	Student Transportation Service
2800	Support Services - Central
2900	Other Support Services
4000	Facilities Acquisition And Construction Services
*5000	Other Outlays - Transfers between Funds
5100	Debt Service

## **Business-type Activities**

### **Function**

<b>Code</b>	<b>Description</b>
3100	School Nutrition Program
3200	Enterprise Operations
3300	Community Services Operations
*5000	Other Outlays - Transfers between Funds
5100	Debt Service

\* Other outlays are the net transfers between governmental and Business-type activities.

Direct expenses include depreciation on capital assets that are clearly associated with a given functional activity. Although not required by GAAP, the Department of Education and Department of Audits and Accounts strongly suggest that depreciation for buildings and equipment which service all functional areas (such as administrative buildings) be allocated among functions.

Debt interest (e.g., on bonds) should be reported as a separate line on the statement of activities. This same treatment applies as well to interest associated with capital leases, even when the asset acquired can be associated with one or more individual functional activities. The exception to this is for debt incurred specifically to create or maintain a program which would be shown as a direct expense.

Losses on the sale of capital assets, if material, should be reported as an expense in the general administration function rather than in the function reporting related depreciation expense. Immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Interfund transfers should be eliminated except for the net amount transferred between governmental activities and business-type activities. In addition, overhead administration charges be reported only once in the government-wide statement of activities. Therefore, any interfund charges for overhead should be eliminated in the process of preparing the government-wide statement of activities.

The net cost of a functional area is referred to as Net (expense) revenue. Net cost represents the total direct expenses of the function or program less its program revenues.