Program, Budgeting, and Accounting Manual

For Education Agencies and Education Service Districts in Oregon

2028 Edition

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Contents

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Foreword

This **2028 edition** of the Program Budgeting and Accounting Manual (PBAM) is a comprehensive revision of the 2023 edition. Effective **July 1, 2027,** for use in the 2027-28 fiscal year.
The PBAM has evolved since its first statutory requirement under **House Bill 3636 (1997)**, which directed the Department to review, modify, and improve the existing chart of accounts for school districts and education service districts. The aim has always been to provide comparability, consistency, and fiscal transparency across Oregon's education system.

The 2028 revision reflects:

- **New Governmental Accounting Standards Board (GASB) standards**.
- **Federal compliance updates** (Uniform Grant Guidance 2 CFR 200, ESSA, IDEA).
- **Modernized chart of accounts** aligned to National Center for Education Statistics (NCES) and Oregon's statutory requirements.
- **Input** from districts, ESDs, auditors, and professional associations.

This manual is designed to be both a **compliance reference** and a **practical guide** for financial managers, budget officers, and school business officials.

ODE recognizes that implementation of the 2028 PBAM represents a significant transition for districts and education service districts. To support a smooth rollout, the Department will provide technical assistance, training sessions, and tools throughout FY 2027 to assist agencies in updating local systems and practices prior to the July 1, 2027 effective date.

Sincerely,
Dr. Charlene Williams
Deputy Superintendent of Public Instruction

Acknowledgements

The **Chart of Accounts Review Committee**, as required under **ORS 327.511**, included representatives from:

- The Legislative Revenue Office
- The Legislative Fiscal Office
- The Oregon Department of Administrative Services
- Education organizations representing kindergarten through grade 12

We extend gratitude to the dedicated district and ESD staff who contributed their time, expertise, and insight. Their work ensures the PBAM reflects both **national best practice** and **Oregon-specific needs**.

Your commitment strengthens fiscal transparency and accountability in Oregon's schools, supporting students and communities statewide.

Chapter 1: Introduction and Framework

Purpose of the PBAM

The **Program Budgeting and Accounting Manual (PBAM)** establishes the uniform financial accounting and reporting framework for Oregon's school districts, education service districts (ESDs), and charter schools. It ensures that all Oregon Education Agencies (EAs) prepare and report financial information in a consistent manner, enabling:

- Compliance with **state law** and **federal requirements**,
- Comparability of financial data across districts,
- Transparency for policymakers and the public, and
- Accountability for the stewardship of public funds.

The PBAM is the authoritative reference for Oregon's standardized chart of accounts and financial reporting requirements and provides guidance on applying applicable state and federal laws and accounting standards within Oregon's K–12 education system.

Legal Authority

The PBAM is established under ORS 327.511, which requires the Oregon Department of Education (ODE), with the advice of the Chart of Accounts Review Committee, to develop and maintain a standardized chart of accounts for education agencies.

It is also guided by:

- **Oregon Local Budget Law (ORS Chapter 294)**,
- **Oregon Administrative Rules** governing financial reporting,
- **Governmental Accounting Standards Board (GASB)** pronouncements,
- **Uniform Grant Guidance (2 CFR 200)** for federal funds, and
- **NCES Financial Accounting Handbook** standards for national comparability.

Scope and Application

This manual applies to all Oregon Education Agencies, including:

- **School districts**,

- **Education Service Districts (ESDs)**,
- **Charter schools** authorized by districts or the State Board of Education, and
- Other entities required to report financial data to ODE.

The PBAM is binding for financial data and reports submitted to ODE, including required chart of accounts structures, codes, and reporting classifications, and provides guidance for local accounting practices, audit preparation, and budget development consistent with applicable law and accounting standards.

Accounting Principles and Framework

Oregon Education Agencies prepare financial statements in accordance with **Generally Accepted Accounting Principles (GAAP)** for state and local governments. These principles are defined by the **Governmental Accounting Standards Board (GASB)** and provide the foundation for this manual. Key elements include:

- **Fund Accounting**: segregation of resources by purpose, restriction, or legal mandate,
- **Measurement Focus and Basis of Accounting**: modified accrual for governmental funds, accrual for proprietary and fiduciary funds,
- **Consistency and Comparability**: uniform coding ensures valid analysis across districts and years,
- **Transparency and Accountability**: reporting designed to support oversight by boards, legislators, auditors, and the public.

Oregon-Specific Considerations

While aligned to national standards, the PBAM incorporates Oregon-specific features, including:

- **Local Budget Law Compliance**: ensuring districts adopt, appropriate, and amend budgets consistent with statutory processes,
- **Grant Accounting**: alignment with federal and state program reporting requirements, including ESSA, IDEA, and Oregon-specific initiatives such as the **Student Investment Account (SIA)** and **Measure 98 High School Success,**

- **State School Fund (SSF)**: the primary mechanism for distributing state funding, requiring accurate tracking of allocations and expenditures,
- **Fiscal Transparency Goals**: supporting the Legislature's and Governor's priorities for clear, comparable public reporting on education finance.

Structure of the PBAM

The PBAM is organized into chapters that follow the logical flow of public financial management:

1. **Introduction and Framework** – Purpose, authority, principles, scope.
2. **Accounting Principles & Fund Structure** – GAAP hierarchy, fund classifications, measurement focus.
3. **Budgeting & Budgetary Accounting** – Budget law process, encumbrances, appropriations.
4. **Financial Reporting Requirements** – Financial statements, capital assets, liabilities, disclosures.
5. **Internal Controls, Compliance & Audit** – Roles, COSO framework, grant compliance, audit expectations.
6. **Chart of Accounts & Classifications** – The detailed coding structure for funds, programs, functions, objects, and grants.
7. **Cost Accounting & Program Reporting** – Cost allocation, school-level reporting, federal principles.
8. **Activity Fund Management** – Policies, classification, and internal controls.
9. **Appendices** – Glossary, crosswalks, reporting requirements, sample forms.

Updates and Revisions

This manual will be updated periodically to reflect:

- New **GASB pronouncements**,
- **Legislative changes** to Oregon budget or education law,
- Updates to **federal requirements** (e.g., UGG), and
- Recommendations from the **Chart of Accounts Review Committee**.

The **2028 Edition** is effective **July 1, 2027**, for the fiscal year 2027–28.

Chapter 2: Financial Reporting in Oregon's Education System

Purpose of Financial Reporting

Financial reporting is the foundation of accountability for Oregon Education Agencies (EAs). Reliable, comparable information ensures that:

- Policymakers can evaluate the state's funding model and district financial health,
- Auditors can test compliance with state and federal laws, and
- The public can see how resources are being used to support student outcomes.

Uniform reporting through PBAM strengthens fiscal transparency, comparability, and equity across all districts and Education Service Districts (ESDs).

Background

Oregon's reporting framework brings together district-level accounting data with state and federal requirements. District submissions are used for:

- ODE statewide reports (budget and actuals),
- Federal surveys such as NPEFS, F-33, and SLFS, and
- Legislative oversight (State School Fund distributions, program evaluations).

A standardized chart of accounts makes it possible to aggregate data across districts, compare Oregon nationally, and track long-term equity and adequacy of funding.

Fiscal Equity and Accountability

The State School Fund (SSF) distributes resources through a statutory funding formula established in state law. Accurate financial reporting helps to:

- Ensure allocations are distributed as intended,
- Demonstrate that funds are used for their authorized purposes, and
- Help policymakers understand the costs associated with delivering educational programs and services.

This framework reinforces Oregon's constitutional and statutory commitments to transparency and equity.

Applications of Financial Data

Financial reporting supports:

- **Policy and Oversight** – budget monitoring, legislative fiscal analysis, and compliance verification.
- **Financial Health** – monitoring solvency, fund balance sufficiency, and fiscal distress.
- **Transparency and Research** – informing taxpayers and policymakers, supporting academic studies, and enabling national comparisons.
- **Operational Planning** – aligning staffing, capital investments, and instructional priorities with available resources.

In PBAM, the term *financial health* refers to the use of standard financial indicators derived from audited and interim financial data, such as liquidity, fund balance sufficiency, and operating trends. These indicators support transparency and analysis and may help identify emerging fiscal risks.

Oregon's Commitment to Transparency

By aligning with national standards while addressing Oregon-specific needs, PBAM emphasizes:

- **Understandability** – clear and accessible data presentation,
- **Reliability** – accurate and complete reporting,
- **Relevance** – data that supports meaningful decisions,
- **Timeliness** – reporting deadlines that increase usefulness, and
- **Comparability** – consistent reporting across districts and states.

Trial Balance Collection

Beginning in FY 2027–28, districts will submit **operational trial balances** to ODE.Submissions are intended to reflect posted transactional activity and routine adjustments and are not expected to include audit-only or year-end entries.

Each submission will pass through automated validation to:

- Promote consistency in reporting,
- Identify discrepancies earlier in the fiscal year, and
- Support alignment between year-end district data and audited financial statements.

This approach is designed to be straightforward for districts, relying on standard trial balance outputs that already exist within district accounting systems. A regular submission cadence improves the timeliness of information, reduces the need for districts to conform data to multiple formats, and minimizes reconciliation work at fiscal year-end.

For data quality purposes, ODE recommends that LEAs submit trial balances following their routine posting and review processes. Regular posting and review of financial activity is a fundamental accounting practice that supports internal controls, transparency, and timely reporting. Appendix E provides recommended guidance to support these practices and is not intended to represent an audit-level close. ODE will continue to collect financial data on a defined schedule to support statewide reporting needs, regardless of whether a district has completed a formal internal close for the period.

In periods where data is incomplete or subject to later adjustment, districts may provide explanatory context, and final alignment will occur through year-end, audit-aligned reporting.

At fiscal year-end, districts will submit a final trial balance that reflects all year-end adjustments and aligns with amounts reported in the audited financial statements. This year-end trial balance serves as the authoritative source for reconciliation between district-submitted data and audited results. Items such as actuarial adjustments, accruals, and June payroll timing are expected to be reflected in the year-end submission rather than in interim reports.

ODE may phase in the trial balance submission requirement through a pilot group or staggered implementation during the first year, allowing districts time to adapt systems and processes while ensuring statewide consistency and data reliability.

Detailed financial reporting requirements, including statement formats and disclosures, are addressed in Chapter 6.

Federal Monitoring Requirement:

As a pass-through entity, ODE is required by **2 CFR §200.332** to monitor subrecipients using a risk-based approach, and by **2 CFR §200.302** to ensure that district financial systems can identify federal awards, track expenditures at the grant level, and produce reports in a timely manner**.**

The PBAM **Grant Dimension (see Chapter 7)** provides the mechanism for this compliance. By coding all federal and state awards consistently to the Grant Dimension (including Assistance Listing Numbers), districts enable ODE to meet federal monitoring requirements and ensure that their financial systems provide accurate, timely, and complete grant reporting.

PBAM and COA Compliance

Purpose

To promote consistent statewide accounting and reporting, all Oregon Education Agencies (EAs)—including school districts, education service districts (ESDs), charter schools, and recovery or alternative schools—are expected to follow the standards established in the Program Budgeting and Accounting Manual (PBAM). These provisions help ensure that all public education entities receiving state or federal resources uphold fiscal integrity, comparability, and transparency.

Authority

This section is established under ORS 327.511and OAR 581-023-0035, which require school districts, ESDs, and charter schools to maintain accounting records consistent with the uniform chart of accounts prescribed by the Oregon Department of Education (ODE).

ODE has the authority to prescribe, monitor, and support compliance with the PBAM and may take corrective or administrative action when necessary to ensure statewide consistency. Recovery and alternative programs operating under district or charter sponsorship are held to the same standards as their authorizing agencies.

Compliance Requirements

Education Agencies should:

- Use the PBAM chart of accounts and definitions for all financial transactions, budgeting, and reporting submitted to ODE.

- Maintaining accounting systems that support coding accuracy and consistency with PBAM structures
- Submit financial and data reports required by ODE, in the format, frequency, and level of detail prescribed by ODE, for purposes of statewide reporting, grant management, and fiscal oversight.
- Ensure that charter and recovery schools under their authority follow the same accounting, budgeting, and reporting standards. Please note that during the initial implementation year, charter schools may be subject to a reduced set of required PBAM dimensions to support system readiness, with requirements reviewed periodically by the COA Review Committee.
- Cooperate in reviews, reconciliations, or audits conducted by ODE or its designees.

Budget submissions governed by the Department of Revenue and audit reports governed by the Secretary of State remain subject to applicable statutes and standards.

Monitoring and Review

ODE conducts ongoing reviews of financial reporting by districts, ESDs, charter schools, and recovery schools through data validations, audit reconciliations, and risk-based monitoring.

These activities assess:

- Proper classification of revenues, expenditures, and balance-sheet accounts;
- Consistency between local submissions and audited financial statements;
- Adherence to grant tracking and Uniform Grant Guidance requirements; and
- Overall compliance with PBAM coding and reporting expectations.

When inconsistencies or areas for improvement are identified, ODE will work collaboratively with the Education Agency to resolve issues. Agencies may be asked to submit a corrective action plan, revised reports, or other documentation to demonstrate compliance.

Support and Corrective Actions

ODE's approach to compliance emphasizes technical support, transparency, and continuous improvement. Depending on the circumstances, ODE may:

Support or Corrective Action	Description
Technical Assistance	ODE provides written notice of findings and works with the Education Agency to identify solutions within a reasonable timeframe.
Enhanced Monitoring	ODE may increase oversight, request additional information, or schedule follow-up reviews until issues are resolved.
Temporary Funding Hold	In rare cases, ODE may place administrative holds on ODE-administered program funds or approvals until the required corrections are completed and verified.

Restoration of Funding

Funds withheld due to noncompliance will be released once ODE confirms that the Education Agency has:

- Implemented approved corrective actions,
- Submitted accurate and validated financial data, and
- Received written confirmation of compliance from ODE.

Commitment to Improvement

ODE is committed to fostering a culture of collaboration and shared accountability. Consistent application of PBAM standards strengthens the quality, reliability, and transparency of Oregon's education finance system. The Department will continue to offer guidance, training, and communication to help all education entities maintain compliance and improve reporting practices statewide.

Charter and Recovery Schools

Charter are subject to the same chart of accounts, accounting standards, and reporting requirements as their sponsoring districts under ORS 338.095 and OAR 581-026-0100 through 581-026-0200.

Sponsoring districts are responsible for accounting for financial activity between the district and charter schools, including funds transferred to charters and payments received from charters for services or other arrangements, using appropriate PBAM codes.

Charter schools are responsible for maintaining detailed accounting records for their own revenues and expenditures in accordance with PBAM requirements. Districts are not required to record or maintain individual charter-level expenditure detail within the district's general ledger.

Each district-sponsored charter must be assigned a district location or identifier code to support identification and aggregation of charter-related activity for reporting purposes.

Education Service District (ESD) Coding of Services

When an Education Service District (ESD) provides services to a school district, each ESD should assign a Location code for the district served. This ensures that expenditures and revenues can be traced to the benefiting entity.

The Location code must align with the district or charter receiving services to allow for accurate statewide roll-ups, transparent cost allocation, and verification of service delivery in compliance with OAR 581-024-0206 and the ESD Local Service Plan requirements.

Cost Allocation Option

ESDs are not required to track time or expenditures at every district when direct tracking is impractical. ESDs may instead allocate costs to multiple districts using a reasonable and documented allocation method (e.g., based on student counts, FTE served, or service hours).

Chapter 3: Budgeting and Budgetary Accounting

This chapter provides high-level budgeting concepts and guidance to support alignment between budgeting, accounting, and financial reporting under the PBAM. Detailed statutory requirements, procedures, timelines, and forms for Local Budget Law compliance are governed by the Department of Revenue (DOR). Districts and ESDs should refer to DOR’s Local Budget Law’s website resources for the most current and authoritative guidance.

Purpose of Budgeting

Budgeting is the foundation of fiscal management in Oregon’s education system. It is both a legal requirement and a management tool that serves as:

- A governing document reflecting board-adopted priorities and authorized appropriations translated into financial terms,
- A financial plan allocating resources to achieve goals,
- A control mechanism ensuring expenditures do not exceed legal appropriations, and
- A communication tool engaging the community in understanding how schools are funded.

Legal Authority and Oversight

Oregon’s Local Budget Law (ORS Chapter 294) governs the budget process for school districts, ESDs, and community colleges.

- The Department of Revenue (DOR) is the statutory authority responsible for interpreting, monitoring, and enforcing compliance with Local Budget Law (ORS 294.495, 294.510). DOR may require revisions to budgetary procedures and hear appeals of local budget law disputes.
- The Department of Education (ODE), through State Board of Education rules, requires school districts and ESDs to appropriate expenditures by ODE functions as defined in the Program Budgeting and Accounting Manual (PBAM). This ensures statewide comparability of budgets and financial reporting.
- Thus, DOR enforces compliance with process, while ODE provides the classification framework and ongoing monitoring of how educational budgets are structured.

For detailed Local Budget Law guidance, forms, and timelines, education agencies should refer to the Department of Revenue's Local Budget Law resources, here.

Budgetary Principles

Oregon Education Agencies should follow generally accepted governmental budgeting principles, which include:

- Annual adoption – Budgets must be adopted each fiscal year (or biennium, if authorized).
- Legal appropriations – Expenditures may not exceed the amounts appropriated by fund and function.
- Encumbrance accounting – Purchase orders and contracts should be encumbered to prevent overspending.
- Balanced budgets – Total resources must equal total requirements (ORS 294.388).
- Transparency – The process must include public notice, public hearings, and board approval.
- Uniformity – Districts must appropriate by PBAM functional classifications to maintain comparability statewide.

Overview of the Local Budget Process (ORS 294)

This overview is provided for context and alignment with PBAM requirements and is not intended to replace detailed guidance issued by the Department of Revenue.

1. Preparation

- Appoint a Budget Officer (ORS 294.331).
- Form a Budget Committee (ORS 294.414).
- Prepare the proposed budget (ORS 294.426).
- Develop enrollment projections and revenue estimates to align with State School Fund allocations.

2. Notice and Committee Review

- Publish notice of budget committee meetings (ORS 294.414).
- Present the Budget Message explaining priorities and assumptions (ORS 294.408).
- Budget Committee reviews, revises, and approves the proposed budget.

3. Public Engagement

- Publish a summary and notice of the public hearing (ORS 294.448).
- Hold a budget hearing for public testimony (ORS 294.453).
- Document and address community input before adoption.

4. Adoption

- Adopt the budget and make appropriations (ORS 294.456).
- Impose and categorize property taxes (ORS 294.458).
- File tax certification forms with the county assessor and ODE.

5. Post-Adoption Adjustments

- Supplemental budgets (ORS 294.471): Required for changes to appropriations not anticipated in the adopted budget.
- Transfers of appropriations (ORS 294.463): Allowed within limits by board resolution.
- Emergency expenditures (ORS 294.481): Permitted for unforeseen events requiring immediate action.

Budgetary Approaches

Districts may adopt different budgeting approaches depending on local needs:

- Line-Item Budgeting – Focused on controlling specific expense categories.
- Program Budgeting – Aligns resources with educational programs (required for ODE reporting).
- Performance Budgeting – Links resources to measurable outcomes.
- Zero-Based Budgeting (ZBB) – Requires justification of all expenditures.

- Site-Based Budgeting – Decentralizes allocation decisions to schools or departments.

Financial Forecasting and Planning

Effective budgets should be grounded in realistic forecasts:

- Enrollment projections drive SSF revenues.
- Revenue forecasting should consider property tax trends, state aid, and federal grants.
- Expenditure forecasting should account for salaries, benefits, inflation, and long-term contractual commitments.
- Cash flow analysis ensures sufficient liquidity throughout the year.
- Fund balance monitoring protects solvency and ensures compliance with ORS requirements for balanced budgets.

Capital and Grant Program Budgeting

Some programs require multi-year financial planning:

- Capital Projects – Bond-funded construction and major facility investments must be integrated into the budget with transparency on debt service and project scope.
- Grants and Restricted Programs – Federal (ESSA, IDEA) and state programs (e.g., Student Investment Account, Measure 98) require separate tracking to ensure resources are used for their intended purpose and compliance with federal Uniform Grant Guidance (2 CFR 200).

Oregon’s Commitment to Transparency

The budgeting process is more than a statutory obligation — it is a demonstration of Oregon’s commitment to fiscal transparency in education. By requiring districts to budget by ODE functional classifications within the PBAM, the state ensures:

- Consistency across districts,
- Compliance with Local Budget Law,

- Accountability to voters and taxpayers, and
- Alignment of resources with educational outcomes

A practical budget alignment checklist is provided in Appendix D to support consistency between budgeting, accounting, and PBAM reporting requirements.

Chapter 4: Governmental Accounting in Oregon

Purpose

Governmental accounting provides the framework for demonstrating accountability to students, taxpayers, and policymakers. Unlike private business accounting, it emphasizes stewardship of public resources and compliance with statutory and grant requirements.

GAAP Hierarchy

Oregon EAs follow **GAAP** as defined by GASB. Under GASB Statement 76:

- **Category A** – GASB Statements and Interpretations,
- **Category B** – GASB Technical Bulletins, Implementation Guides, and AICPA literature (as applicable to governments).

Other sources may be used only if no authoritative guidance exists.

Fund Accounting

Governmental accounting is organized on a **fund basis**:

- **Governmental Funds (Modified Accrual)** – General, Special Revenue, Capital Projects, Debt Service, Permanent.
- **Proprietary Funds (Accrual)** – Enterprise, Internal Service.
- **Fiduciary Funds (Accrual)** – Pension/OPEB Trusts, Investment Trusts, Private-Purpose Trusts, Custodial.

Key Principles

- Funds exist to demonstrate fiscal accountability.
- It is recommended that districts maintain the **minimum number of funds** required for legal and financial purposes.
- It is recommended that restricted vs. unrestricted resources be tracked using PBAM dimensions (program, grant) instead of proliferating funds.

Measurement Focus and Basis of Accounting

- **Government-wide statements** – economic resources focus, accrual basis.
- **Governmental funds** – current financial resources focus, modified accrual basis.
- **Proprietary and fiduciary funds** – economic resources focus, accrual basis.

Basis of Accounting Used by Oregon Education Agencies

Oregon Education Agencies (EAs) operate under a range of accounting bases depending on their size, system capabilities, local policies, and audit requirements.

The basis of accounting determines when revenues, expenditures, and other financial transactions are recognized in the records. Oregon EAs generally use one of the following four bases:

Basis of Accounting	Description	Typical Use in Oregon
Modified Accrual	Recognizes revenues when they are measurable and available to finance current expenditures and recognizes expenditures when liabilities are incurred. This basis focuses on current financial resources.	Most districts preparing GAAP statements for governmental funds.
Modified Cash	Recognizes receipts and disbursements when cash is exchanged, with limited accrual-type adjustments (e.g., payroll, debt service, or accounts payable at year-end). While not GAAP, it provides a practical bridge between cash and modified accrual accounting.	Smaller districts and Education Service Districts (ESDs) that follow statutory or budgetary accounting frameworks.
Cash	Recognizes transactions only when cash is received or disbursed. This approach emphasizes simplicity and liquidity over full accrual measurement.	Some small districts, charter schools, and component units.

ODE Reporting Considerations

ODE does not require conversion to a specific basis of accounting for PBAM reporting or trial balance submissions. Districts may report financial data using their local accounting basis as long as:

1. The basis used is applied consistently throughout the fiscal year,
2. The same basis is used for both revenue and expenditure recognition within the district's reports, and
3. The district can reconcile reported balances to its locally maintained accounting records and annual audit statements.

When submitting data through the ODE trial balance collection or other financial reports, EAs should ensure that totals represent actual transactions recorded under their local basis. ODE's validation processes focus on internal consistency, classification accuracy, and comparability across dimensions (fund, function, program, etc.), rather than the underlying accounting basis.

Transaction Types

- **Exchange** – equal value exchanged.
- **Exchange-like** – values exchanged not exactly equal.
- **Nonexchange** – one party gives without equal compensation, including derived tax revenues, imposed revenues, government-mandated grants, and voluntary nonexchange transactions.

Financial Statement Elements

- **Assets** – resources with service potential.
- **Liabilities** – obligations to transfer resources.
- **Deferred outflows/inflows** – consumption/acquisition of resources for future periods.
- **Fund balance (GASB 54)** – non-spendable, restricted, committed, assigned, unassigned.
- **Net position** – net investment in capital assets, restricted, unrestricted.

Capital Assets and Debt

- **Capital assets** – land, buildings, equipment, right-to-use assets (leases), subscription-based IT assets.
- **Capitalization thresholds** – recommended minimum $10,000. Please note, this $10,000 capitalization threshold aligns with updated Uniform Guidance (2 CFR 200) and is provided to support consistency in reporting, particularly for federally funded assets; it does not supersede locally adopted capitalization policies.
- **Depreciation** – straight-line unless modified approach applies.
- **Debt** – reported as other financing sources in governmental funds; liabilities in government-wide statements.

Chapter 5: Internal Controls, Compliance, and Audit

Purpose

Internal controls are the backbone of sound financial management. They provide reasonable assurance that public resources are safeguarded, financial reporting is accurate, and statutory and grant requirements are met. For Oregon Education Agencies (EAs), internal controls are not only best practice but a statutory obligation under ORS Chapters 294 and 327.

Every district, regardless of size, should design controls that:

- Protect assets from loss, fraud, or misuse,
- Ensure the integrity of financial records,
- Support compliance with state and federal requirements, and
- Promote efficient operations aligned with educational goals.

COSO Framework

The nationally recognized, Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework provides a structure for designing and evaluating internal controls. The COSO framework is an optional tool that districts can use when considering internal controls. Its five components are interconnected and work best when applied together:

- **Control Environment** – Leadership sets the "tone at the top" through board oversight, ethics standards, conflict-of-interest policies, and professional development.
- **Risk Assessment** – Districts should identify and evaluate risks (e.g., cash handling, federal grant compliance, IT security) and plan responses.
- **Control Activities** – These are the day-to-day safeguards, such as purchase approvals, reconciliations, segregation of duties, and physical protections.
- **Information and Communication** – Reliable financial data should flow to the right people at the right time, from clerks and principals to boards and state agencies.
- **Monitoring** – Controls should be reviewed regularly, both internally and by external auditors, with corrective actions taken promptly.

Roles and Responsibilities

Responsibility for internal controls is shared across all levels of an education agency. The following groups each play a role in ensuring effective oversight and accountability:

- **Policy-Level Oversight** – The School Board adopts financial policies and receives audit results in accordance with its governance responsibilities.
- **Administrative Leadership** – The Superintendent promotes a culture of integrity, while CFOs/Business Managers design and oversee financial systems. Principals and site administrators enforce compliance at the school level, especially for activity funds.
- **Staff Implementation** – All employees should follow established procedures. Ongoing training is essential, so expectations are clear.
- **Independent Verification** – External auditors provide assurance that controls are working and recommend improvements.

Key Control Procedures

At minimum, every district should have controls in the following areas:

- **Segregation of Duties** – No single person should authorize, record, and maintain custody of assets.
- **Cash Handling** – All receipts should be deposited intact and promptly; disbursements may never be made directly from cash collections.
- **Procurement** – Purchasing should follow applicable state law and district policies, including documentation requirements for procurement and vendor selection.
- **Payroll** – Timesheets and payroll registers should be independently reviewed and reconciled.
- **Bank Reconciliation** – Accounts should be reconciled monthly, with review by someone not involved in cash handling.
- **IT and Access Controls** – System access should be limited, passwords secured, and permissions reviewed periodically.

Compliance Requirements

Oregon Education Agencies should operate within a layered compliance environment:

- **State Law** – ORS 294 (Local Budget Law) and ORS 327 (School Finance Statutes),
- **Federal Law** – Uniform Grant Guidance (2 CFR 200), covering allowable costs, procurement, and subrecipient monitoring,
- **Standards** – GASB pronouncements that govern accounting and financial reporting.

Each district should maintain written policies covering these requirements, with annual review and board approval.

A core component of internal controls is compliance with Uniform Grant Guidance. ODE is federally required to monitor subrecipients (2 CFR §200.332). Districts should maintain financial systems that support ODE's monitoring by coding grants accurately, producing reports on schedule, and ensuring expenditures are supported by documentation.

Audits

Audits provide independent assurance that financial statements are accurate, and funds are properly managed.

- **Annual Financial Audit** – Required under ORS 297.405 to test compliance with GAAP, GASB, and state law.
- **Federal Single Audit** – Required under 2 CFR 200 Subpart F for entities spending $1,000,000 or more in federal funds. Districts should prepare a Schedule of Expenditures of Federal Awards (SEFA) that reconciles with ODE data.

Examples of Audit Issues Observed in Governmental Financial Audits

The following examples are provided for educational purposes to highlight areas that commonly warrant attention in governmental financial audits and are not intended to represent the frequency or prevalence of findings in Oregon.

- Misclassified or improperly coded federal expenditures,
- Weak segregation of duties (especially in smaller districts),
- Missing or inadequate documentation for claims, and
- Misclassification of activity funds between fiduciary and governmental.

Proactive communication with auditors and prompt follow-up on findings, reduce the risk of repeat issues. Districts should consult their auditors regarding findings specific to their circumstances and applicable audit standards.

Continuous Improvement

Internal controls should evolve with changing requirements and risks. Districts should:

- Conduct periodic self-assessments,
- Update practices such as GASB or federal standards change,
- Implement and monitor auditor recommendations, and
- Provide regular staff training.

Embedding strong controls into everyday operations not only protects resources but also builds public trust in Oregon’s schools.

Districts may use **Appendix E – Internal Control Checklists** as a practical tool to assess compliance with the requirements in this chapter. The checklists provide step-by-step guidance for areas such as cash handling, procurement, payroll, activity funds, and year-end closing. While not a substitute for district policy, they serve as a baseline resource to strengthen consistency, support audit readiness, and ensure that minimum internal control standards are in place across schools and departments.

Chapter 6: Financial Reporting Requirements

This chapter reflects ODE's responsibility to align Oregon education agency financial reporting with applicable Governmental Accounting Standards Board (GASB) pronouncements. PBAM provides standardized structures, definitions, and reporting expectations to support consistent application of GASB standards statewide. PBAM does not replace authoritative GASB literature or professional judgment, and districts should consult GASB publications and their external auditors for technical interpretation.

Where district policy choices exist under GAAP (e.g., capitalization thresholds, useful lives, de minimis policies), PBAM may provide illustrative examples, but districts remain responsible for adopting and applying board-approved policies in consultation with their auditors.

Purpose

Oregon Education Agencies should prepare financial statements and reports that comply with:

- **GAAP** as defined by GASB,
- **State statutes** (ORS 294 and ORS 327), and
- **Federal mandates**, including Uniform Grant Guidance and NCES survey requirements.

The Reporting Entity

Per GASB 14 and GASB 39, the reporting entity includes the primary government (district/ESD) and component units that are financially dependent or closely related. Examples:

- Charter schools with fiscal dependence,
- Blended units such as district-controlled foundations, and
- Discretely presented units where exclusion would be misleading.

Districts should reassess annually whether related organizations meet inclusion criteria.

Financial Reporting Model

In compliance with GASB 34, Oregon districts must present two levels of statements:

1. Government-wide Statements (Accrual Basis)

- Statement of Net Position
- Statement of Activities

2. Fund Statements

- Governmental funds (modified accrual): Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances
- Proprietary funds (accrual): Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows
- Fiduciary funds (accrual): Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position

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Budgetary Reporting

Districts must adopt a balanced budget before each fiscal year begins. GASB requires:

- Budget-to-actual comparisons for the General Fund and major Special Revenue Funds,
- Presentation of original, final, and actual results, and
- Explanations for significant variances.

Districts must maintain reconciliations between adopted budgets and actual expenditures, including adjustments for encumbrances and supplemental budgets.

Capital Assets

Definition

Capital assets include land, land improvements, buildings, building improvements, vehicles, equipment, technology, and intangible assets such as software or subscription-based IT arrangements. They represent a major investment in public resources and require strict accountability.

Recordkeeping Requirements

Districts should maintain detailed records that include:

- Asset description and identification number,

- Acquisition date and historical cost,
- Funding source (if applicable),
- Location and custodian,
- Estimated useful life, and
- Method and date of disposal.

These records should be updated annually and retained to satisfy audit, insurance, and federal compliance requirements (see 2 CFR 200.313).

Capitalization vs. Inventory Thresholds

- Inventory control threshold: Districts may track items valued at $500 or more for control and insurance, even if not capitalized.
- Capitalization threshold: Assets with a value of **$10,000 or more** and useful life > 1 year should be capitalized in financial statements.
- Thresholds may vary by district policy but should be applied consistently.

Acquisition of Capital Assets

- Purchase – Recorded as capital outlay expenditures (Objects 6000–6999) in governmental funds; capitalized in government-wide statements at historical cost.
- Leases – Recorded under GASB 87; right-to-use assets are capitalized with corresponding lease liability.
- Subscription-based IT arrangements – Recorded under GASB 96.
- Short-term rentals – Recorded as expenditures (Object 5600), not capitalized.
- Donations – Recorded at fair market value as of acquisition date.

Valuation

- Historical cost is preferred and includes purchase price, tax, shipping, and installation.
- Estimated historical cost may be used if records are unavailable, based on appraisal, comparable purchases, vendor input, or inflation-adjusted estimates.
- All estimation methods should be documented for audit purposes.

Reporting by Fund Type

- Governmental funds – acquisitions are expenditures; capital assets appear only in government-wide statements.
- Proprietary funds – assets recorded and depreciated within the fund.
- Fiduciary funds – assets reported in fiduciary statements but excluded from government-wide.

Depreciation

- Method – Straight-line depreciation is recommended unless another better reflects usage.
- Useful lives – Established by district policy. Examples:
  - Buildings: 25–50 years
  - Building improvements: 10–20 years
  - Vehicles: 5–10 years
  - Technology: 3–7 years
  - Equipment/Furniture: 5–15 years
- Assets may be depreciated individually or in groups.

Disposals

When assets are sold, scrapped, or transferred:

- Remove both asset cost and accumulated depreciation from records,
- Document disposal method,
- Recognize gains/losses.

Liabilities and Debt

Districts should report both short- and long-term obligations, including:

Bonds, Full Faith and Credit Obligations (FFCOs), notes payable

Purpose and Scope

Bonds, Full Faith and Credit Obligations (FFCOs), and notes payable are common long-term financing mechanisms used by Oregon Education Agencies (EAs) to fund capital projects, major equipment, or other long-term needs. Because these instruments obligate future resources, accurate accounting, transparency, and compliance with statutory requirements (ORS Chapter 328, ORS Chapter 287A) are essential.

This section establishes minimum requirements for recognition, measurement, presentation, and disclosure of bonded debt and other financing arrangements.

Types of Debt Instruments

1. **General Obligation (GO) Bonds**
   - Secured by the full faith and credit of the district, backed by property taxes approved by voters.
   - Restricted in use by voter authorization and statutory debt limits.
2. **Revenue Bonds**
   - Secured by a specific revenue stream (e.g., enterprise revenues, pledged fees).
   - Rare in Oregon K–12 but may apply in self-supporting enterprise operations.
3. **Full Faith and Credit Obligations (FFCOs), including Certificates of Participation (COPs)**
   - Represent financing arrangements in which the district pledges its full faith and credit to repayment.
   - Often structured using lease or installment purchase agreements, including Certificates of Participation (COPs).
   - Typically, do not require voter approval but require board authorization and may be subject to state review.
4. **Notes Payable**
   - Short- to medium-term obligations, often for interim financing (e.g., tax anticipation notes, bank loans, equipment financing).
   - Usually repaid from the General Fund or other designated funds when revenues are received.

Recognition and Measurement

Government-wide Statements (accrual basis)

- Record the debt liability at the time of issuance, equal to the amount of proceeds received (net of issuance costs).
- Record corresponding other financing sources (proceeds from debt).
- Amortize premiums, discounts, and deferred amounts over the life of the debt using the effective interest method.
- Accrue interest expense in the period incurred, whether paid or not.

Governmental Funds (modified accrual basis)

- Report proceeds as Other Financing Sources.
- Report debt service (principal and interest) as expenditures when due.
- Do not report long-term liabilities in governmental fund balance sheets.

Bond Issuance Costs, Premiums, and Discounts

- Issuance costs (e.g., legal, underwriting, administrative) are expensed as incurred (not capitalized).
- Bond premiums or discounts are amortized over the life of the bonds in government-wide statements, typically using the effective interest method.
- In governmental funds, premiums and discounts are recognized in the period received/paid and do not appear on the fund balance sheet.

Refunding of Debt

Refunding transactions occur when new bonds are issued to repay old bonds:

- Current refunding – new debt issued and immediately used to retire old debt.
- Advance refunding – proceeds placed in an irrevocable trust to pay future debt service on old bonds.

Accounting treatment:

- Record new debt at issuance; derecognize old debt when legally released.
- Record deferred outflows/inflows of resources for the difference between carrying amount and reacquisition price, amortized over the shorter of remaining life of old debt or new debt.

Debt Service and Compliance Requirements

Districts should:

- Establish **Debt Service Funds** (Fund 300) when required to accumulate resources for repayment.
- Levy taxes or designate other resources specifically for debt repayment.
- Monitor compliance with **ORS debt limitations** and voter-authorized purposes.
- Maintain **arbitrage rebate compliance** for federally tax-exempt bonds.

Disclosures (Minimum)

Notes to the financial statements should include:

- Description of outstanding debt, including purpose, type, and terms.
- Maturity schedules (principal and interest by year for at least the next 5 years, and in 5-year increments thereafter).
- Interest rates (fixed or variable) and debt service requirements.
- Call provisions, refunding, and defeasance transactions.
- Legal debt limit and margin under ORS.
- For FFCOs/COPs: underlying lease structure and pledged revenues.
- For notes: repayment source and any collateral pledged.

Internal Controls and Recordkeeping

Districts should maintain internal controls over debt issuance, repayment, and reporting consistent with the Internal Controls framework described in Chapter 5, including documentation, reconciliation, and segregation of duties appropriate to debt-related activities.

Lease and subscription liabilities

GASB Statements 87 (Leases) and 96 (Subscription-Based IT Arrangements) are recent standards with significant impacts on district balance sheets, disclosures, and statewide reporting consistency. The following summary is provided to support alignment with PBAM structures and reporting expectations. It is not intended to replace authoritative GASB guidance or professional judgment. Districts should consult GASB publications and their external auditors for technical interpretation and application.

Leases and Subscription-Based IT Arrangements (SBITAs) — GASB 87 & GASB 96

Purpose and scope

Districts frequently obtain the right to use assets through **leases** (e.g., buildings, vehicles, copiers) and **SBITAs** (software and hosted/Cloud solutions). GASB Statements **87** (Leases) and **96** (SBITAs) require recognition of **right-to-use assets** and **corresponding liabilities** for all arrangements that convey control of the right to use specified non-financial (for leases) or IT (for SBITAs) assets over a defined term, in an exchange or exchange-like transaction. This section sets minimum recognition, measurement, presentation, and disclosure requirements for Oregon districts.

Core definitions (what is in / out of scope)

Lease (GASB 87). A contract that **conveys control** of the right to use another party's **non-financial assets** (e.g., land, buildings, equipment) for a **lease term** in an exchange or exchange-like transaction. Control exists when the district has (1) the right to obtain present service capacity from use of the underlying asset and (2) the right to determine the nature and manner of that use during the term.

SBITA (GASB 96). A contract that **conveys control** of the right to use another party's **IT software** (alone or with tangible IT assets) for a defined **subscription term** in an exchange or exchange-like transaction.

Out of scope (selected):

- Short-term leases/SBITAs (original maximum term **12 months or less** with no reasonably certain renewals).
- Contracts that transfer **ownership** of the underlying asset to the district at term end without termination options (financed purchase).
- Pure service contracts without a right-to-use component; **perpetual software licenses** (treat as intangible/capital asset, not SBITA).
- Biological assets, inventory, and supply/power purchase agreements that do **not** convey control of the underlying facility.

Policy choices districts should document (practical expedients)

To drive consistency and auditability, each district should adopt policies for:

1. **Recognition threshold (de minimis).** Optional minimum present value (PV) below which arrangements are treated as period expenditures.
2. **Discount rate hierarchy.** (a) Rate explicitly stated in contract if it equals the implicit rate; otherwise (b) **incremental borrowing rate** for leases; (c) **risk-free rate option** is permitted (GASB guidance) when other rates cannot be practicably determined (apply consistently).
3. **Lease/subscription term assessment.** "Reasonably certain" criteria for exercising renewal or termination options.
4. **Portfolio approach** (optional). Group similar, immaterial leases/SBITAs with similar terms/rates for simplified accounting.
5. **Separation of components.** Identify and separate **non-lease** service components (e.g., maintenance, consumables, implementation services) from the right-to-use component; allocate consideration on a **relative standalone price** basis when practicable.

Short-term arrangements (≤12 months)

- **Lessee/SBITA user:** Recognize **period expenditures** as payments are made; do **not** recognize an asset/liability.

- **Lessor/SBITA provider:** Recognize **period revenue** as earned; no receivable/deferral beyond normal accruals.

Contracts that transfer ownership

If a contract **transfers title** at term end and lacks termination options, treat as a **financed purchase** by the lessee (capitalize the asset; record related debt) and as a **sale** by the lessor. Do **not** account for such contracts as leases under GASB 87.

Lessee accounting — leases other than short-term or ownership-transfer

Initial measurement (government-wide basis)

- **Lease liability** = PV of payments expected during the term (fixed payments; variable payments that depend on an index/rate using **commencement date** index; amounts for reasonably certain options; residual guarantees likely to be owed; less incentives receivable).

- **Right-to-use lease asset** = lease liability **+** prepayments **+** initial direct costs **–** lease incentives received.

Subsequent measurement

- **Lease liability:** Increase for interest; decrease for payments. Remeasure upon changes in term, assessment of options, or certain variable payment changes tied to an index/rate.

- **Lease asset: Amortize** systematically (generally straight-line) over the **shorter of** the asset's useful life or lease term; test for impairment as needed.

Governmental funds (modified accrual presentation)

- At inception: recognize **other financing sources** and related **expenditure**/asset outlay in the fund acquiring the underlying asset **as permitted by GASB 87 fund-level guidance**; the **long-term liability and right-to-use assets** are **government-wide** only.

- Payments: split **principal** and **interest** across appropriate debt service/expenditure objects at fund level; present full accrual impacts in government-wide statements.

Lessor accounting — leases other than short-term or ownership-transfer

Initial measurement

- **Lease receivable** = PV of lease payments expected to be received.
- **Deferred inflow of resources** = lease receivable **+** any prepayments received **–** incentives provided.

Subsequent measurement

- Recognize **interest revenue** using the effective interest method.
- Recognize **lease revenue** by **systematic amortization** of the deferred inflow over the lease term.
- The **underlying asset remains** reported and depreciated by the lessor (unless ownership transfers).

SBITA accounting (GASB 96) - subscriber/lessee

Initial measurement (government-wide basis)

- **Subscription liability** = PV of subscription payments for the term (same constructions as leases).
- **Subscription asset** = subscription liability **+** capitalizable implementation costs **–** incentives.

Subsequent measurement

- **Subscription liability:** interest accretion and payment reductions; remeasure for qualifying changes.
- **Subscription asset: amortize** over **subscription term** (straight-line typically); test for impairment.

Governmental funds

- Record **other financing sources** and **expenditures** at inception as applicable; recognize the long-term **subscription liability** and **subscription asset** at the **government-wide** level.

Development stages and cost capitalization (required by GASB 96)

1. **Preliminary project stage: Expense** activities like needs assessment, vendor demos, RFPs, and alternative evaluation.
2. **Initial implementation stage: Capitalize** configuration, coding, installation, essential data conversion, and testing necessary to place the subscription asset into service.
3. **Operation/additional implementation: Expense** training, maintenance, and post-go-live enhancements that are not necessary to make the asset operational.

Term, discount rate, remeasurement, and modifications

- **Term** = non-cancelable period **+** periods covered by options to **extend** (reasonably certain) or **terminate** (reasonably certain **not** to be exercised). Include **fiscal funding/appropriation clauses** only if reasonably certain to be exercised.
- **Discount rate:** implicit rate when determinable; otherwise, **incremental borrowing rate** (leases) or appropriate borrowing/risk-free rate (SBITAs) per district policy.
- **Remeasurement** (both leases and SBITAs) when:
  - Term changes due to reconsidered options.
  - Contract is amended (add/remove underlying assets, price changes not previously expected).
  - Variable payments tied to an index/rate change if the contract requires remeasurement, or
  - Assessment of residual guarantees/payment factors changes.
- **Modifications:** evaluate whether the modification is a **separate contract** (adds distinct right-to-use with commensurate price) or a **re-measurement** of the existing arrangement.

Allocating consideration and embedded arrangements

- **Separate** non-lease/service components (e.g., copier maintenance, toner, helpdesk) from right-to-use components; allocate total consideration on relative standalone prices.

- Identify **embedded leases** or **embedded SBITAs** in broader service contracts, account for each component accordingly.

Presentation and disclosures (minimum)

Lessee (leases/SBITAs):

- Present **right-to-use** (or **subscription**) assets and related **liabilities** separately or disclose separately in the notes.
- Note disclosures:
    - General description of leasing/subscription activities, basis and terms of variable payments, options, residual guarantees, and restrictions.
    - **Maturity analysis** of principal requirements (by 5 subsequent fiscal years and in 5-year increments thereafter).
    - For SBITAs, disclose **capitalized implementation costs** by stage and amortization method.

Lessor (leases):

- Present **lease receivables** and **deferred inflows**; disclose the same qualitative terms, maturity analysis, and any component separation judgments.

Governmental funds:

- Disclose the nature of **other financing sources** recognized at inception and how lease/SBITA payments are budgeted (e.g., general vs. debt service fund).

Internal control and recordkeeping (minimum standards)

- **Contract repository** with executed agreements, amendments, payment schedules, renewal/termination options, and indices.
- **Central review** for scoping assessment (lease/SBITA vs. service) and term/discount determinations.
- **Amortization schedules** generated at inception; tie-out to entries; monitor remeasurement triggers.

- **Segregation of duties** for authorization (entering contracts), measurement (PV calculations), and recording (journal entries).
- **Reconciliations** between contract schedules and general ledger; periodic sample testing of payments vs. schedules.
- **Year-end procedures** to capture new contracts, renewals, and modifications prior to closing.

Illustrative example (lessee – lease)

- 5-year equipment lease; annual payments $50,000 at year-end; discount rate 10%; PV of payments (liability) ≈ **$208,493**; right-to-use asset initially equals liability (assuming no prepayments/incentives).
- Each year: recognize **interest expense** (effective interest) and **principal reduction**; **amortize** the right-to-use asset on a straight-line basis over 5 years. (A full amortization table should be maintained in the workpapers.)

Note: At the **fund** level, recognize the permissible **other financing source** at inception and split **principal/interest** outlays when payments occur; the **asset and long-term liability** appear in the **government-wide** statements.

Liability for Compensated Absences

Accounting for compensated absences is governed by GASB Statement No. 101, *Compensated Absences*. The following summary is provided for alignment with PBAM reporting and does not replace authoritative GASB guidance or professional judgment.

Compensated absences are employee benefits for which future payments will be required, such as vacation leave, sick leave, personal time off, holidays, parental leave, jury duty, military leave, bereavement leave, and certain sabbaticals.

- **Governmental Funds**
  In governmental funds, expenditures or liabilities for compensated absences are recognized only when they become due for payment. This means that only amounts expected to be liquidated with expendable available resources (e.g., payouts upon resignation or retirement during the fiscal year) are recorded. The unmatured portion of the liability is not recognized in governmental funds.

- **Government-wide Statements**
  In government-wide statements prepared on the accrual basis of accounting, the full liability for compensated absences should be recognized as employees earn the benefit. This includes both the current portion (expected to be paid within one year) and the long-term portion (expected to be paid in future years).

- **Measurement Considerations**
  Districts should estimate the amount of accumulated leave balances that are more likely than not to be used or paid. Factors to consider include:
  - Historical usage patterns,
  - Contractual or policy provisions regarding carryover of leave,
  - Forfeiture rules for unused sick leave, and
  - The likelihood of leave being paid out upon termination or retirement.

- **Associated Costs**
  The liability for compensated absences should also include related payroll costs such as the employer's share of Social Security, Medicare, PERS contributions, unemployment insurance, and workers' compensation, if these costs will be incurred when leave is paid.

- **Reporting**
  - **Governmental funds**: Only matured compensated absences (due and payable) are reported as expenditures.
  - **Government-wide statements**: The entire earned liability, both current and long-term, should be reported as a liability on the Statement of Net Position. The current portion may be estimated based on trends or policies.

Accounting for compensated absences requires careful application of GASB standards and professional judgment. The guidance in this section is intended to support consistent reporting and alignment with PBAM structures, while authoritative interpretation and application remain governed by GASB guidance and auditor review.

Revenues and Expenditures

Purpose

Revenues and expenditures represent the core inflows and outflows of financial resources for Oregon Education Agencies (EAs). Clear classification and consistent recognition are essential to:

- Demonstrate accountability for public funds,
- Ensure compliance with GASB standards and Oregon statutes,
- Provide comparability across districts, and
- Support accurate state and federal reporting.

Revenue Classification

Revenue should be classified into two broad categories under GASB Statement 34:

1. Program Revenue
    - Charges for services – tuition, transportation fees, food service sales, enterprise revenues.
    - Operating grants and contributions – categorical aid such as Title I, IDEA, or Nutrition Services.
    - Capital grants and contributions – restricted for facilities, construction, or equipment purchases.
2. General Revenue
    - Property taxes and local option levies,
    - State School Fund allocations and other unrestricted state aid,
    - Unrestricted federal sources,
    - Investment earnings not restricted for a program,
    - Miscellaneous unrestricted sources.

Why this matters: Classifying revenue into program vs. general allows readers to see the true "net cost of services."

Revenue Recognition

Revenue recognition is governed by GASB Statement 33 and requires assessment of both measurability and availability/eligibility:

- Exchange transactions – Each party gives and receives equal value (e.g., cafeteria sales). Recognize when earned.
- Exchange-like transactions – Values exchanged are not equal (e.g., subsidized fees). Recognize when earned and measurable.
- Nonexchange transactions – One party provides value without directly receiving equal value in return:
    - Derived tax revenues – e.g., income or excise taxes (rare in Oregon schools).
    - Imposed nonexchange revenues – property taxes, fines, and penalties. Recognize when imposed and measurable, subject to availability.
    - Government-mandated revenues – state or federal programs such as IDEA or ESSA. Recognize when eligibility requirements are met.
    - Voluntary nonexchange revenues – discretionary grants and donations. Recognize when all eligibility criteria are met.

Availability criterion (governmental funds): Revenues should be collectible within the current period or soon enough thereafter (normally within 60 days) to be available to finance current expenditures.

Advance payments: Revenues received before eligibility requirements are met should be reported as Unearned Revenue (liability).

Property Taxes

Property taxes are a major local revenue source and should be recognized carefully:

- Revenue is recognized when levied and measurable, subject to the 60-day availability rule.
- Uncollected amounts not available are reported as Deferred Inflows of Resources.

- Financial statement notes should disclose levy, lien, and collection dates.

Federal and State Grants

- Expenditure-driven grants (e.g., Title programs) – Revenue recognized when allowable costs are incurred.
- Entitlements and formula-based allocations (e.g., State School Fund, IDEA base allocation) – Recognize when eligibility criteria are satisfied.
- Categorical aid – Restricted for specific uses and reported accordingly.
- Advance payments – Recognize as liability until expenditures are made.

Local Revenues

- Tuition and fees – Charges to individuals or other districts, reported as program revenues.
- Earnings on investments – General revenues unless legally restricted.
- Donations and contributions – Recognized at fair market value when received.
- Miscellaneous local sources – Includes rentals, leases, insurance recoveries, and one-time settlements.

Expenditure Classification

Expenditures should be classified and presented at multiple levels of detail to meet Oregon budget law and PBAM reporting requirements, while recognition and measurement are governed by GASB standards.

- By Function – Functional classifications are prescribed for budgeting and state reporting purposes under Oregon Local Budget Law and PBAM and are not a GAAP requirement. Functions describe the purpose of spending:
    - 1 Instruction,
    - 2 Support Services,

- 3 Enterprise and community services,
- 4 Facilities Acquisition and Construction,
- 5 Other uses other than debt service and interfund transfers
- 6 Debt Service
- 7 Interfund transfers
- 8 Operating contingencies
- 9 Unappropriated ending fund balance and reserves

- By Object – The nature of the expenditure:
  - 71 Salaries,
  - 72 Benefits,
  - 73 Purchased Services,
  - 74 Supplies & Materials,
  - 75 Capital Outlay,
  - 77 Other Objects.
- By Program – Where required for reporting under PBAM (e.g., Special Education, Title I).

Encumbrances: Purchase orders and contracts should be recorded as encumbrances to support appropriation control under Local Budget Law and PBAM reporting. They are not GAAP expenditures and are not reported in fund or government-wide financial statements but may be presented in budget-to-actual schedules.

Expenditure Recognition

- Governmental funds (modified accrual): Expenditures recognized when liability is incurred and payable from available resources.
  - Debt service expenditures are recognized when due.
  - Compensated absences recognized when matured (due and payable).

- Government-wide (accrual): Expenses recognized when incurred, regardless of payment timing.

Special Considerations

- State School Fund (SSF): SSF revenues are classified as general revenues under GASB. For financial reporting purposes, SSF revenue is recognized in the fiscal year in which eligibility and availability criteria are met. For budgetary presentation, SSF revenues should align with appropriations adopted in accordance with Oregon Local Budget Law.
- Nutrition Services: Report program revenues from food sales and federal reimbursements; code expenditures to Food Services function.
- Student Body/Activity Funds: Classify as governmental or fiduciary depending on control (see Chapter 9).
- Capital Outlay: Expenditures recorded in Objects 75XX in fund statements; capitalized and depreciated at government-wide level.
- Debt Service: Reported separately by function 76XX; disclose principal and interest components in the notes.

Required Disclosures

District financial statements should include notes that provide transparency, context, and detail to supplement the basic statements. GASB standards, Oregon statutes, and federal rules establish minimum disclosure requirements. At a minimum, districts should include the following:

1. Significant Accounting Policies

- A summary of the basis of accounting and measurement focus used in each fund (modified accrual for governmental funds; accrual for proprietary and fiduciary funds).
- The district’s capitalization threshold for capital assets and depreciation method.
- Policies for recognition of revenues (including “measurable and available” criteria for governmental funds).
- Basis for classifying fund balances and net position categories.

- Criteria for determining component units and method of presentation (blended vs. discrete).

Purpose: These policies help readers understand how the district applies GAAP and ensure comparability across districts and fiscal years**.**

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2. Deposits and Investments

- Description of the district's deposit and investment policies, including compliance with [ORS Chapter 295] (collateralization of public funds) and ORS Chapter 294 (permitted investments).
- Breakdown of investments by type, maturity, and credit quality.
- Disclosures of custodial credit risk, concentration risk, interest rate risk, and foreign currency risk, per [GASB 40].
- Policies for fair value measurement ([GASB 72]).

Purpose: These disclosures demonstrate compliance with state law and provide assurance that public funds are safeguarded.

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3. Property Tax Recognition

- Policy for recognizing property tax revenues, including the definition of "available" (typically 60 days after year-end).
- Description of the levy, lien, and collection dates.
- Amount of property taxes receivable and deferred inflows of resources.

Purpose: Property taxes are the largest local revenue source for most Oregon districts; clear disclosure ensures users understand timing differences between levy, collection, and recognition.

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4. Pensions and Other Postemployment Benefits (OPEB)

- Description of pension/OPEB plans (e.g., Oregon Public Employees Retirement System – PERS).

- Contribution requirements, actuarial methods, assumptions, and discount rates.
- Net pension liability (asset), deferred outflows/inflows of resources, and related pension/OPEB expense.
- Sensitivity of net liability to changes in discount rate.
- Information required under GASB 68 (Pensions) and GASB 75 (OPEB).

Purpose: PERS obligations represent one of the largest long-term liabilities for districts; these disclosures give stakeholders a clear picture of long-term fiscal commitments.

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5. Leases and Subscription Liabilities (GASB 87/96)

GASB 87 Link GASB 96 Link

- General description of leasing and subscription activities.
- Schedule of future principal and interest requirements for leases and SBITAs, by year for the next five years and in five-year increments thereafter.
- Basis, terms, and conditions of variable payments, renewal options, termination clauses, and residual value guarantees.
- Amortization of deferred inflows for lessors and subscription/lease assets for lessees.

Purpose: New GASB standards require that right-to-use assets and subscription liabilities be transparent to readers; these disclosures explain the scale and terms of such obligations.

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6. Contingencies and Commitments

- Disclosure of outstanding commitments for construction contracts, capital projects, or significant purchase agreements.
- Disclosure of litigation, claims, or grant compliance matters that could result in loss or additional obligations.
- Explanation of circumstances under which federal or state grant funds might be subject to repayment.

Purpose: These disclosures inform users about obligations that could impact future financial conditions, even if they are not yet recognized as liabilities**.**

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7. Interfund Balances and Transfers

- Detail of due-to/due-from balances between funds at year-end, including purpose and expected repayment terms.
- Schedule of interfund transfers, distinguishing routine operating transfers, legally required transfers, and non-routine transfers (e.g., moving bond premium to a capital projects fund).
- Explanation of significant transfers that do not occur on a routine basis.

Purpose: These disclosures provide transparency on how resources are moved across funds and help identify structural budget imbalances if operating transfers are recurring**.**

Changes and Errors

Financial statements should present consistent and comparable information across periods. When changes or corrections are necessary, they should be accounted for in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections (2024). This standard requires districts to distinguish between changes in principle, changes in estimates, changes in reporting entity, and error corrections, and to apply the appropriate accounting treatment.

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1. Changes in Accounting Principle

A change in principle occurs when a district adopts a new accounting standard or voluntarily changes from one acceptable accounting principle to another.

- Examples: Adoption of a new GASB pronouncement (e.g., GASB 87 on leases), or changing inventory valuation methods from FIFO to weighted average if both are GAAP.
- Accounting treatment: Apply retroactively by restating prior periods presented, if practicable. This means adjusting beginning net position, fund balance, or other affected balances for the earliest period presented, as though the new principle had always been applied.

- Disclosures:
    - Nature of the change,
    - Justification for why the new principle is preferable,
    - Method of applying the change, and
    - Impact on beginning balances and comparative data.

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2. Changes in Accounting Estimate

A change in estimate results from new information or experience that affects the expected outcome of existing balances. Estimates are necessary when precise measurement is not possible.

- Examples: Revisions to estimated useful lives of capital assets, changes in assumptions about collectible property taxes, pension discount rate changes, or revised actuarial assumptions for OPEB.
- Accounting treatment: Apply prospectively in the period of change and future periods affected. Do not restate prior periods.
- Disclosures:
    - Nature of the change,
    - Effect on the current period, if material, and
    - Statement that prior periods have not been restated.

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3. Changes in Reporting Entity

A change in entity occurs when the composition of the district's financial reporting entity changes.

- Examples: Addition or removal of a charter school as a component unit, consolidation of a blended foundation, or reclassification of a unit from discrete presentation to blending (or vice versa).

- Accounting treatment: Apply retroactively by restating all periods presented as though the new entity structure had always been in place.
- Disclosures:
  - Description of the nature of the change,
  - Justification for including or excluding the unit,
  - Restatement of prior periods for comparability.

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4. Error Corrections

An error is an unintentional misstatement or omission in prior financial statements, such as misclassification, omission of assets or liabilities, or failure to apply GAAP.

- Examples: Misstated revenue recognition, failure to capitalize eligible assets, misreporting of interfund transfers, computational mistakes.
- Accounting treatment: Correct retroactively by restating prior periods, if material. Adjust beginning balances of assets, liabilities, or fund/net position for the earliest period presented.
- Disclosures:
  - Nature of the error,
  - Method of correction, and
  - Impact on prior-period financial statements and balances.

Materiality Considerations

- Only material changes or errors require restatement.
- Immaterial items may be corrected in the current period without restating prior statements.
- Districts should establish internal thresholds for evaluating materiality, subject to auditor review.

Presentation in Financial Statements

- Retroactive applications (principle changes, entity changes, and material errors) require restating prior-period financials and clearly labeling them “as restated.”
- Prospective applications (estimated changes) are included in current and future statements without altering past periods.

Disclosure Requirements (Minimum)

For all changes and error corrections, districts should disclose in the notes:

1. The nature of the change or error,
2. The reason for the change (or description of the error),
3. The method of applying the change,
4. The effect on beginning net position/fund balance and prior-period results, and
5. If comparative financials are presented, the effect on all periods shown

See Chapter 4 for definitions of measurement focus and basis of accounting.

Chapter 7: Chart of Accounts and Account Classifications

Purpose

The Oregon Chart of Accounts (COA) establishes the **uniform financial coding structure** required for all Education Agencies (EAs). Dimensions are the backbone of Oregon's fiscal transparency system. They should be **clearly defined, consistently applied, and uniformly reported** to ensure that data is reliable for:

- Comparability across districts and ESDs,
- Compliance with Oregon budget law and federal Uniform Grant Guidance (2 CFR 200),
- State and federal reporting requirements,
- Local budget development, audit compliance, and board decision-making.

The 2027 PBAM COA reflects Oregon's **Chart of Accounts Modernization Project** (see Chapter 2), which simplified structures, clarified definitions, and added dimensions for transparency and grant tracking.

Importance of Dimensions

Every transaction should be coded across multiple dimensions. Each dimension answers a different question:

- **Fund** – *Which bucket of resources?*
- **Program** – *Which instructional or support program benefits?*
- **Function** – *For what operational purpose is it used?*
- **Object** – *What was purchased or paid?*
- **Grant** – *Is it tied to a restricted grant?*
- **Location**– *Which school or department used it?*
- **Grade Level** – *Who benefited?*
- **Curriculum Area** – *Which subject?*
- **Accountability Measure** – *What outcomes does this spending support?*

Using dimensions consistently allows Oregon to answer questions from legislators, auditors, and the public with confidence.

Required Dimensions in PBAM 2028

1. Fund

Represents the **fiscal and accounting entity**.

- Required by **ORS Chapter 294** and **GASB**.
- Ensures legal compliance with appropriations.
- Examples: General Fund (100), Special Revenue (200), Debt Service (300).

  Consistency rule: Do not create "special funds" locally when restricted purposes can be tracked through program or grant codes.

Fund 201 is used exclusively to account for statutorily required depreciation payments related to the State School Fund Transportation Grant and should not be used for general transportation operations

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2. General Ledger Account

Captures **balance sheet elements** (assets, liabilities, fund balance) and **operating accounts** (revenues, expenditures).

- Provides reconciliation between district accounting and reporting to ODE.
- Supports audits and ensures GAAP compliance.

  Consistency rule: Every GL account used locally should map back to a PBAM GL code.

Not all GL accounts are used in daily transactional posting. Certain asset, liability, and deferred accounts are used primarily for year-end adjustments and financial reporting. Districts should continue to follow existing posting practices, using additional accounts as applicable for audit and reporting purposes.

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3. Program

Identifies the **plan of activities** (who/what benefits).

- Examples: Core Instruction, Special Education, Career and Technical Education.

Distinct from Function – Program = beneficiary; Function = purpose.

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4. Function

Represents the **broad operational purpose** of expenditure.

- Examples: 100 Instruction, 200 Support Services, 300 Enterprise & Community Services.
- Required by GASB for financial statement presentation.

  Consistency rule: Always distinguish between *program* (who benefits) and *function* (what activity was performed).

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5. Object

Defines the type of item, service, or resource received or provided, distinguishing between expenditure and revenue classifications.

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6. Grant

Tracks the funding source for both restricted and unrestricted resources.

- Restricted funds (such as federal or state grants) must always include a grant code to ensure compliance with federal and state requirements.

Consistency rule: Every expenditure of restricted funds should carry a grant code.
Under 2 CFR §200.302 and §200.332, ODE, as a pass-through entity, should ensure that subrecipient financial systems can identify and track federal awards at the grant level. The PBAM Grant Dimension provides the structure for districts to meet this requirement by coding all federal and state awards with unique identifiers (including ALN). This enables ODE to fulfill its federal monitoring responsibilities and districts to comply with Uniform Grant Guidance.

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7. Grade Level

Identifies the instructional level benefiting from expenditures.

- Elementary, middle, high school grade-bands allowed.
- Previously embedded in functions; separated in PBAM 2028 for clarity.

  Consistency rule: Should be applied to all instruction-related expenditures.

---

8. Location

A *location* is a distinct school within a district that:

- Occupies one or more adjacent buildings or facilities used primarily for instruction.
- Operates under a single site administrator or principal; and
- Reports a unique set of accountability data and student outcomes to ODE (e.g., test scores, attendance, enrollment).

The *Location* field identifies a specific, physical school campus or group of structures that operate as a unified instructional site under a principal or site administrator. The school represents the physical location where students receive instruction and where educational programs are delivered.

Each school site should correspond to a recognized campus in the **Oregon Department of Education's Institution Directory**, which serves as the authoritative listing of public schools, charter schools, and alternative learning environments statewide.

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9. Curriculum Area

Tracks the **subject area** (math, science, CTE, arts).

- Supports analysis of resource allocation by subject.
- Required on instructional expenditures, optional for others.

Consistency rule: Direct classroom instruction and instructional supplies must identify the curriculum tied to the expenditure.

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10. Accountability Measure

Links costs to **performance outcomes**.

- Example: "Grade-level learning," "Skillful instructional practices."
- Forward-looking dimension supporting Oregon's fiscal transparency goals.

Consistency rule: Required where expenditures align to performance-based reporting initiatives.

Validation Rules

To ensure comparability:

- **Mandatory:** Fund, GL Account, Program, Function, Object.
- **Conditional:** Grant, Grade Level, Curriculum, Accountability.
- **Location:** Required for site-based expenditures.
- **Combination Controls:** Certain dimensions should pair logically (e.g., “transfer” object only with “transfer” GL).

Mandatory dimensions must be present in the chart of accounts framework; conditional dimensions are required when applicable to the transaction or reporting purpose.

Crosswalks and Alignment

PBAM 2028 provides:

- **PBAM 2023 → PBAM 2028 Crosswalk** – to preserve historical comparability.
- **Oregon → NCES Crosswalk** – to align with federal surveys (F-33, NPEFS, SLFS).
- **Grant Codes → ALNs** – to simplify SEFA reporting.

Example of a Fully Coded Transaction

Scenario: A district purchases laptops for high school math classrooms using Title I funds.

Dimension	Code	Description
Fund	200	Special Revenue Fund
GL Account	7000	Expenditures
Program	3111	Schoolwide Program
Function	100	Instruction
Object	2310	Technology hardware (<$10k)
Grant	E262	Title I Grants to LEAs
Grade Level	030	High School
Location	XXXX	Jefferson High School
Curriculum Area	130	Mathematics

Dimension	Code	Description
Accountability	11	Skillful Instructional Practices

This coding ensures reconciliation at the district level, aggregation at the state level, and alignment with federal reporting.

District Application

All districts should:

- Implement PBAM 2028 coding for official records beginning July 1, 2028,
- Ensure financial systems validate coding before posting,
- Maintain local code extensions as needed for district-specific detail (e.g., student body activities, bond projects, payroll detail), provided those extensions can be aggregated or cross walked to PBAM classifications for statewide reporting. Local extensions refer to district-defined code detail within PBAM dimensions and do not create new statewide dimensions or reporting classifications.
- Train staff on both coding practice and reporting implications.

Chapter 8: Cost Accounting and Program Reporting

Purpose

Oregon Education Agencies (EAs) are responsible for not only tracking fund, function, and object expenditures, but also reporting costs by **program** and **school site**. Cost accounting ensures that:

- Resources are allocated equitably,
- Compliance with **federal cost principles** (2 CFR 200) is maintained,
- Policymakers and the public can evaluate the **true cost of educational services**, and
- Financial data supports **performance and accountability reporting**.

Direct vs. Indirect Costs

Direct Costs

Costs that can be directly attributed to a program or activity.

Examples:

- Teacher salaries and benefits,
- Instructional supplies,
- Program-specific contracts.

Indirect Costs

Costs that benefit multiple programs and should be allocated.

Examples:

- District administration,
- Custodial and maintenance services,
- IT and network infrastructure.

Allocation Methodologies

Districts should apply consistent and rational allocation methods, such as:

- **Full-Time Equivalent (FTE) Teachers** – to allocate instructional support costs.
- **FTE Students** – to distribute student support services.

- **Square Footage** – to allocate facilities and operations costs.
- **Direct Usage** – when service records (e.g., transportation mileage, utility meters) exist.

Allocation methods should be documented in district policies and reviewed annually.

Cost Allocation vs. Indirect Cost Rates

Cost allocation and indirect cost rates serve related but distinct purposes and are applied in different contexts. Cost allocation is an accounting practice used to distribute shared costs across benefiting programs or activities to reflect the cost of services accurately. Allocation methods should be reasonable, consistently applied, and documented and may be used for both state and federal reporting.

Indirect cost rates are a federal reimbursement mechanism used to recover allowable indirect costs charged to federal grants. The U.S. Department of Education has designated the Oregon Department of Education (ODE) as the cognizant agency responsible for negotiating and approving indirect cost rates for Oregon education agencies.

The use of an approved indirect cost rate is subject to federal requirements and grant-specific limitations, and some grants limit or prohibit indirect cost recovery. Districts should apply indirect cost rates only to the extent permitted by the applicable grant program and approved rate agreement.

Federal Cost Principles

Under **Uniform Grant Guidance (2 CFR 200, Subpart E)**, costs should be:

- **Allowable** – necessary and reasonable for program purposes,
- **Allocable** – assignable to the benefiting program in proportion to benefit received,
- **Consistently treated** – not double-charged or misclassified,
- **Adequately documented** – supported by records such as payroll, purchase orders, or contracts.

Uniform Grant Guidance requires that subrecipient financial systems produce timely, accurate reports at the frequency required by the pass-through entity. ODE determines reporting frequency and uses a risk-based framework for monitoring. Districts should therefore maintain systems that can generate grant-level financial reports consistent with PBAM coding.

Program Cost Reporting

Oregon requires program cost reporting to support state accountability and federal reporting. PBAM supports **school-level and program-level cost analysis, where applicable**, to facilitate internal review and **reporting generated by ODE** using PBAM-aligned data. This section does not establish a new standalone reporting requirement for districts.

A complete program cost analysis may include the following components:

1. **Direct Instruction Costs** – Teacher salaries, instructional materials, and other costs directly attributable to instruction.
2. **School-Level Indirect Costs** – Custodial services, utilities, and site-based administration that benefit multiple programs at a school.
3. **District-Level Indirect Costs** – Central services such as governance, district administration, and information technology.
4. **Program Revenues** – Grants, state aid, and fees associated with specific programs.

Example – Title I Program Cost Analysis (Illustrative)

The following example is provided for program cost analysis and transparency purposes and does not represent grant charging or reimbursement requirements. Allowability and charging of costs to federal grants must follow applicable federal guidance and approved indirect cost rate agreements.

Category	Amount	Basis of Allocation
Direct Instruction (Teachers)	$450,000	Payroll records
Instructional Materials	$40,000	Direct purchase
Custodial & Utilities	$25,000	Square footage

Category	Amount	Basis of Allocation
Central Administration	$35,000	% of student FTE
Total Program Costs	$550,000	

Allocation of shared costs may be used to understand and report the full cost of programs for planning, analysis, and transparency purposes. However, the charging of costs to federal grants is governed by federal allowability rules. Certain costs (such as custodial services and utilities) may not be charged directly to specific grants and must instead be recovered through the approved indirect cost rate, where permitted.

District Checklist for Program Cost Reporting

- Identify direct program expenditures.
- Define indirect cost pools (administration, operations, IT).
- Apply documented allocation methods.
- Prepare school-level and program-level cost reports.
- Reconcile program costs with total expenditures in the general ledger.
- Report program costs as required by ODE and federal agencies.

Accountability and Cost Alignment

PBAM supports accountability by enabling analysis of how financial resources are aligned to educational priorities and outcomes. Accountability alignment allows expenditures to be analyzed not only by organizational purpose (such as program or function), but also by the **outcomes, priorities, or accountability goals they are intended to support**.

This section describes how accountability measures are used in cost accounting and reporting. It does not establish new accountability requirements or performance targets.

Relationship to Statutory Accountability (SB 141)

SB 141 establishes statewide expectations for accountability and transparency related to educational outcomes. These outcomes are defined through statute, rule, and formal ODE reporting and are used for legislative and public accountability.

PBAM does not define or modify SB 141 outcomes. Instead, PBAM provides a **structured framework** to support consistent reporting and analysis of how resources are used in pursuit of those outcomes.

Districts set **local goals** aligned to SB 141 outcomes and implement **strategies** to achieve those goals. PBAM accountability measures provide a standardized way to classify and analyze the **strategies and investments** districts use to pursue their locally defined goals.

Integrated Accountability Measures (PBAM Guidance)

In addition to statutorily required accountability measures, PBAM supports **integrated accountability guidance** used for analysis, transparency, and continuous improvement.

Integrated accountability measures:

- Are not statutory mandates unless explicitly identified as such
- Support analysis across finance, programs, staffing, and outcomes
- May include state-defined or district-defined measures
- Do not replace or expand statutory accountability requirements

PBAM distinguishes clearly between **statutory accountability** and **integrated accountability guidance** to avoid confusion regarding compliance obligations.

Application of Accountability Measures

Accountability measures reflect the **intended outcomes or priorities supported by an expenditure**, regardless of whether the cost is associated with a specific program.

- Costs **may** be aligned to accountability measures even when no discrete program applies (for example, districtwide or system-level expenditures).
- Costs should be aligned to accountability measures **when the relationship between the expenditure and the outcome is clear and meaningful**.

- Accountability alignment should not be forced where it would result in artificial or misleading data.

PBAM does not require that every expenditure be aligned to an accountability measure, but accountability alignment is expected where applicable to support transparency and analysis.

District-Defined Accountability Measures

Districts may establish additional local accountability measures to reflect district-specific priorities, initiatives, or improvement strategies.

Local accountability measures:

- May be tracked using district-defined codes or extensions
- Must be clearly distinguished from statutory accountability measures
- Must be mappable to the PBAM accountability framework for statewide reporting and comparability

PBAM does not limit districts to only state-defined accountability measures, nor does it require all accountability measures to be statewide.

Examples

Example 1: Attendance Improvement Strategy

SB 141 Outcome: Student attendance (statewide accountability outcome)

District Goal: Increase regular attendance from 84% to 90% over two years

Strategies Implemented:

- Expanded family engagement efforts
- School-based attendance intervention teams
- Enhanced student data monitoring

PBAM Accountability Alignment:

- 31 Intentional and Inclusive Family Engagement
- 14 Responsive Systems of Support
- 22 Data-Informed Systems

Program Association:

Some costs may be program-specific; others may be districtwide. Accountability alignment applies regardless of program association.

Example 2: Safe and Inclusive School Climate Initiative

SB 141 Outcome: Student engagement and well-being

District Goal: Reduce exclusionary discipline and improve student engagement

Strategies Implemented:

- Restorative practices professional development
- Districtwide climate surveys
- Central coordination of mental health supports

PBAM Accountability Alignment:

- 43 Positive School Climate and Engagement
- 44 Restorative, Identity-Affirming Practices
- 41 Comprehensive Mental Health and Well-being Supports

Program Association:

Costs are largely districtwide and not tied to a single instructional program but are appropriately aligned to accountability measures.

Accountability alignment within PBAM is intended to support transparency, analysis, and informed decision-making by providing a consistent way to understand how resources are used in pursuit of educational outcomes. PBAM does not prescribe outcomes, goals, or strategies, nor does it replace statutory accountability requirements. Instead, it provides a common framework that allows financial data to be analyzed alongside locally defined priorities and statewide expectations, while preserving district flexibility and data integrity.

Chapter 9: Activity Fund Management

Terminology Note

In this chapter, the term *activity fund* refers to legally defined accounting and reporting classifications required under Oregon Administrative Rules and applicable GASB standards. Use of the term does not imply creation of additional operating funds beyond those required for legal compliance and financial reporting.

Accounting and Reporting for Student Activity Funds

Student activity funds are a unique category of school monies that require special care. Unlike most district funds, **these dollars legally belong to the students who raised them**, not to the district or the school. They carry distinct stewardship and compliance responsibilities under **OAR 581-22-717(2)**, which requires each school district to prescribe the purposes for which student activity funds may be obtained and used, and to define the role of students in their management and expenditure.

1. Ownership and Purpose

Funds raised by or for student organizations must be used solely to benefit the current student body. These funds are not public resources in the same sense as General Fund revenues, but rather **student-held trust monies** raised with an implicit contract that they will be spent for the students' benefit. Misuse of these funds—such as using them for staff gifts, charitable donations, or non-student purposes—can result in audit findings and, in serious cases, legal or ethics investigations.

2. Fund Classification and Control

Activity fund classification requires evaluation under both **Oregon Local Budget Law** and **GAAP financial reporting standards**, including GASB Statement No. 84. Classification depends on the **facts and circumstances** surrounding control, administrative involvement, and the purpose of the assets.

Student and district activity funds are not automatically classified as fiduciary or governmental for GAAP purposes. Districts must assess the level of administrative involvement, restrictions on use, and who ultimately benefits from the funds when determining appropriate financial statement presentation.

Under GASB 84, assets may be reported as fiduciary (custodial) only when the district does not have administrative involvement or direct financial involvement and the assets are held for the benefit of individuals or organizations outside the government. Where the district exercises ongoing administrative involvement or the assets benefit district programs or students broadly, the activity is generally reported as a governmental fund (typically special revenue) for GAAP financial reporting.

For budgeting purposes, districts may continue to budget activity funds in accordance with Oregon Local Budget Law. Differences between budgetary treatment and GAAP financial reporting should be disclosed in the financial statements, as applicable.

Districts should consult their external auditors when evaluating activity fund classification under GASB 84.

3. Student Participation in Spending Decisions

Each transaction from a student activity fund must include documentation of student involvement or approval.

- At secondary schools, this may include signatures of student officers (e.g., ASB president, treasurer) on expenditure forms alongside a principal or advisor.
- At elementary schools, where students may not have formal officers, the principal or advisor must ensure expenditures directly benefit students and are consistent with the fund's original purpose.

If student participation cannot be reasonably documented, expenditures should not occur until proper authorization is obtained.

4. Budgeting and Reporting

- Governmental activity funds are subject to Local Budget Law (ORS 294) and should be included in district budgets, appropriated by function and object consistent with PBAM.
- Student activity funds may be budgeted or reported differently under Oregon Local Budget Law and GAAP financial reporting. Classification for financial statements must be determined based on facts and circumstances under GASB 84, and differences between budgetary presentation and GAAP reporting should be reflected and disclosed in the district's annual audit and ACFR, as applicable.
- Activity accounts should be reviewed on a regular basis to ensure balances are accurate, appropriate, and consistent with the intended purpose of the activity. Financial reports should be available by individual activity or group to support transparency and oversight.

- Districts should establish an approval process for fundraisers, which may include documentation of the purpose of the fundraiser and how proceeds are intended to be used.

5. Allowable and Prohibited Expenditures

Allowable uses include:

- Student travel, events, uniforms, awards, supplies, and activities that directly benefit students.
- Reasonable costs associated with student participation in conferences or competitions.

Prohibited uses include:

- Flowers, gifts, or meals for staff or community members.
- Charitable donations not directly benefiting current students.
- Principal discretionary accounts or purchases without student authorization.
- Funding alumni events or post-graduation activities.

6. Transfers and Fund Balances

Transfers within activity funds should respect the original intent of the fundraiser.

- If funds were raised for a specific class or event, remaining balances must be used in a way that reasonably benefits that same student group.
- When students have graduated and a balance remains, districts may reallocate the funds for similar student purposes if documentation shows the original intent is no longer applicable.
- Funds from parent or community donations given “for general school use” should not be treated as student body funds; these belong in the General Fund as local donations.

7. Internal Control Requirements

Strong internal controls are essential to the proper stewardship of student activity accounts, regardless of whether they are managed at individual schools or centrally within the district office. Districts should follow best practices, including:

- Establish and follow internal control procedures for the approval and establishment of new activity accounts.
- Separate duties for collection, deposit, recording, and reconciliation to the extent practicable, with compensating controls where staffing limitations exist.
- Follow documented internal control procedures for handling and depositing receipts, whether activity accounts are maintained at the school level or centrally.
- Ensure expenditures from activity accounts comply with district purchasing policies and applicable approval requirements.
- Review activity account balances and transactions on a regular basis to ensure funds are used consistent with their intended purpose.
- Ensure activity accounts are included in the district's annual audit and subject to appropriate audit procedures.

This approach allows districts flexibility in how activity accounts are administered while maintaining consistent expectations for accountability, oversight, and auditability.

8. Training and Oversight

Each school should have a designated staff advisor trained in student fund management. Student treasurers and officers should receive annual orientation on policies, allowable uses, and documentation requirements. Building administrators are responsible for ensuring compliance with board policy, OAR 581-22-717(2), and district procedures.

Appendices

Appendix A – Key definitions, acronyms, and abbreviations

Accountability Measure (Dimension)
A reporting code used to link budgeted and actual expenditures to performance/accountability metrics (e.g., grade-level learning outcomes, instructional practice indicators).

Accounting System
The methods and records used to identify, assemble, analyze, classify, record, and report a government's transactions and to maintain accountability for related assets and liabilities.

Accounts Payable
A short-term liability for amounts owed for goods and services received but not yet paid.

Accounts Receivable
An asset for amounts due for goods and services provided but not yet collected (excludes due from other funds/governments unless specifically recorded as such).

Accrual Basis
Recognizes revenues when earned and expenses when incurred, regardless of cash timing. Used in government-wide statements under GASB.

Accumulated Depreciation
A contra-asset account that records the total depreciation recognized on a capital asset to date.

Actuarial Basis
A method for computing periodic contributions so that contributions plus compounded earnings will fund required payments (e.g., pensions), considering time and assumed rates of return.

Activity (Dimension / Tracking Field)
(Optional) A code to track specific services or events (e.g., athletics, clubs, field trips). Useful for co-/extra-curricular tracking beneath programs/functions.

Ad Valorem Tax
A tax based on assessed value (e.g., property tax).

Allot
To divide an appropriation into smaller amounts available to encumber or expend during defined periods.

Appropriation
Legal authority granted by the governing body to incur obligations and make expenditures for specified purposes, within stated amounts and timeframes.

Arbitrage
Earning higher taxable investment returns on proceeds of tax-exempt debt than the interest cost on that debt (subject to federal restrictions and rebate rules).

Assistance Listing Number (ALN) / CFDA
The federal program identifier (formerly CFDA). Used for SEFA reporting and grant identification (e.g., 84.010 Title I, Part A).

Basis of Accounting
Refers to the timing of recognition for revenues/expenditures/expenses and related assets/liabilities (e.g., accrual, modified accrual, cash, modified cash).

Budget
The financial plan for a period that estimates resources and authorizes spending (typically for a fiscal year).

Budget Document
The instrument presenting the proposed budget, supporting schedules, and draft legal measures needed to enact it.

Budget Message
A written narrative from budget leadership explaining major items, assumptions, trends, and policy recommendations.

Budgetary Basis
The basis used to prepare and monitor the legally adopted budget (may differ from GAAP—for example, by excluding accruals or encumbrances).

Budgetary Control
Managing operations in accordance with the adopted budget to keep spending within available appropriations and expected revenues.

Deferred Inflows of Resources
Acquisitions of net assets applicable to future periods (e.g., property taxes not yet “available,” certain pension items).

Deferred Outflows of Resources
Consumptions of net assets applicable to future periods (e.g., certain pension/OPEB items).

Encumbrance
A reservation of budget authority for a commitment (e.g., purchase order, contract) before goods/services are received. Helps prevent overspending.

Expenditures
Decreases in net financial resources of governmental funds (e.g., current operations, capital outlay, debt service), recognized primarily when liabilities are incurred under modified accrual.

Function
The purpose of an activity/cost (e.g., instruction, student support services, administration, operations). PBAM uses this to indicate the broad operational objective.

Fund
A fiscal and accounting entity with a self-balancing set of accounts, established to carry out specific activities or meet certain objectives under special regulations/restrictions (e.g., General, Special Revenue, Debt Service, Capital Projects, Proprietary, Fiduciary).

Fund Balance (Governmental Funds)
The difference between assets and liabilities, classified per GASB 54 as Nonspendable, Restricted, Committed, Assigned, and Unassigned (the latter only in the General Fund).

Grant / Project
An identifier tying revenues/expenditures to a specific award or project to support budgeting, compliance (including ALN and award year), reporting, and monitoring.

Indirect Costs
Allowable shared/overhead costs that cannot be readily assigned to a single program/grant but may be recovered via an approved indirect cost rate (per UGG).

Location
(Optional) Identifies the school, site, department, or office accountable for a transaction (i.e., the school).

Measurement Focus
Determines which assets/liabilities are reported and whether operating statements present flows of current financial resources (governmental funds) or economic resources (government-wide/proprietary/fiduciary).

Modified Accrual Basis
Recognizes revenues when measurable and available to finance current-period outflows; recognizes expenditures when the related fund liability is incurred (with specified exceptions). Used by governmental funds.

Modified Cash Basis
A non-GAAP hybrid that primarily recognizes transactions on a cash basis with limited accrual-like adjustments (e.g., for payroll, debt service). Often used for statutory/budgetary reporting; not GAAP for external financial statements.

Object (Dimension)
Classifies the type of item or service purchased (e.g., salaries, benefits, professional services, supplies, capital outlay).

Prepaid Expenditures
Payments made in advance of receiving goods or services; recorded as assets until benefits are realized.

Program (Dimension)
A plan of activities to accomplish specific objectives (e.g., Special Education—School Age; Career & Technical Education; Child Nutrition). Distinct from Function (purpose) and Object (type of cost).

Revenues
Increases in net resources (governmental funds) other than other financing sources; recognized under modified accrual when measurable and available.

Schedule of Expenditures of Federal Awards (SEFA)
The annual schedule required for Single Audit reporting that lists federal awards expended during the fiscal year by program/ALN and amount.

Uniform Grant Guidance (UGG) – 2 CFR 200
Federal rules for administrative requirements, cost principles, and audit requirements for non-federal entities receiving federal awards (includes allowability, procurement, subrecipient monitoring, SEFA/audit).

Annual Comprehensive Financial Report (ACFR)
A government's comprehensive annual financial report prepared in conformity with GAAP, including government-wide and fund financial statements with notes, RSI, and statistical sections. (Terminology updated from the former "CAFR.")

Appendix B – PBAM 2023 to PBAM 2028 Crosswalk

Provides a mapping of old codes to new codes.

- **Fund codes (old → new).**
- **Program and object reclassifications.**
- **Any deleted/merged codes flagged.**

  (This appendix helps districts migrate systems smoothly.)

Appendix C – Oregon to NCES Crosswalk

Aligns PBAM codes with NCES reporting categories for:

- **F-33 LEA Finance Survey,**
- **NPEFS National Public Education Financial Survey,**
- **SLFS School-Level Finance Survey.**

This ensures Oregon data is compatible with federal reporting requirements.

Appendix D – Budget Forms & Journal Entries

- **Appendix D Example Journal Entries**
- **District Budgeting Checklist.docx**
- **ED-1 Notice of Budget Hearing**
- **ED-50 Notice of Property Tax Levy.**
- **Budget-to-Actual report sample format.**

Appendix E – Internal Controls & Month-End Close

- **Month End Close Schedule 2028**
- **Cash handling checklist**
- **Purchasing and procurement controls.**
- **Activity fund oversight checklist.**
- **Year-end closing checklist.**
- **Payroll Checklist**

Example Financial Statements and Disclosures:

- Financial Statement Note Disclosures

Appendix F – Federal & Special Program Guidance

- Oregon Revised Statutes (ORS 294, ORS 327, ORS 327.511).
- Oregon Administrative Rules relevant to budgeting and reporting.
- Governmental Accounting Standards Board (GASB) standards.
- NCES Financial Accounting Handbook.
- Uniform Grant Guidance (2 CFR 200).
- Every Student Succeeds Act (ESSA) Programs
- English Learner (ELL) and Non-ELL Expenditures
- Student Body Funds
- Compliance and Monitoring
- Sources of Accounting and Budget Information
- School Medicaid
- Title Program Allowable Spending