

May 2025 Uniform School Accounting System User Manual

FAQs

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Chapter 1 General Accounting Guidance

Q1.1 What is the guidance for recording state/federal grant monies returned to the granting agency?

Amounts returned to the granting agency can be charged as a refund of prior year receipt on the day-to-day books. Refund of prior year receipt is not a valid GAAP other financing use and should be reclassified as an intergovernmental expenditure on the GAAP Basis financial statements. If submitting an ACFR to GFOA's Certificate of Achievement Program, GFOA will look for intergovernmental expenditures to be presented by financial statement program/function for display purposes on the statement of activities.

Q1.2 When reviewing any remaining balances in the 400 and 500 funds scheduled to be retired, I discovered a prior year expenditure that should have been charged to a 400/500 fund. This expenditure was treated as an allowable expenditure, but it was not adjusted on my books. How can I adjust this on my books?

The following *Prior Fiscal Year Expenditures Reimbursed with Federal Funds in the Subsequent Fiscal Year* guidance was previously developed and can be adapted to this situation **when the obligation and liquidation of the underlying expenditure were allowably incurred within the program period of performance:**

Management should prepare a detailed invoice documenting the fund that reported the original expenditure of allowable cost(s) (Original Fund), charge the invoice to the appropriate SCC within the 400/500 Fund, and record a refund of prior year expenditure in the Original Fund. Management should charge the appropriate functions/objects within the SCC of the 400/500 Fund based on the billing received from the Original Fund. The refund of prior year expenditure is allowable on the budgetary reporting basis but must be reclassified on the financial statements. The reclassification would move the refund of prior expenditures to a revenue line item (usually Miscellaneous Revenue). A reduction of expenditure could be used if the amount is immaterial. Some judgment may be needed to determine the best presentation of these reclassifications in each particular circumstance.

It is important to note, this type of correction is considered a reimbursement and is not considered a transfer under Ohio Revised Code § 5705.14-.16.

Q1.3 How do I determine if grant funds can still be spent or if any unspent dollars will need returned to the granting agency?

School districts will need to contact the granting agency to determine if grant dollars can still be spent and the appropriate procedure for returning any unspent amounts.

Information from the Ohio Department of Education and Workforce related to evaluating unspent grant money can be found at [Submitting-a-Refund.pdf.aspx](#).

Q1.4 Some Receipt, Function and Object Codes are not used often. Why were they not removed from the manual during the update?

Certain Receipt, Function, and Object codes have been left in the USAS Manual to preserve the structure of the USAS manual and allow for future expansion and flexibility.

Q1.5 What is the difference between a GASB 87 lease and a GASB 87 Financed Purchase?

For purposes of applying GASB 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. (GASB 87 ¶4)

A financed purchase is similar to a capital lease where ownership of the asset transfers at the end of the lease. GASB explains financed purchases:

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 ¶ 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 ¶13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor. (GASB 87 ¶19)

Q1.6 How do I know if a lease follows a cash transaction?

The signing of an agreement when the seller and lender are the same party does not constitute a cash transaction; however, the signing of a note and the purchasing of an asset can be a cash transaction:

... with regard to equipment purchasing and financing, a government entity may acquire some equipment by merely signing a note with a financial institution and having the financial institution directly pay the vendor for the purchase of the equipment. This single-step transaction or event, although not directly resulting in a cash inflow or outflow to the government entity signing the note and purchasing the asset, may be recorded as an in-substance two-step cash transaction or event as a cash receipt resulting from the note proceeds and a cash disbursement for the purchase of the equipment. However, care should be taken in applying this in-substance two-step cash transaction or event concept to other noncash transactions or events that do not involve an in-substance cash transaction, such as the donation of noncash assets or the signing of a capital lease agreement when the seller and lender are the same party. (From: Applying Special Purpose Frameworks in State and Local Governmental Financial Statements, practice pointer, page 11-12)

Chapter 2 Funds

Q2.1 When is it appropriate to create a new fund and what is the process to obtain fund approval through the Auditor of State?

- For discussion of establishing new funds see and [Ohio Compliance Supplement Section 1-4](#).
- For discussion of the fund approval process, see to Auditor of State [Technical Bulletin 1999-006](#)

Q2.2 I noticed that the 002 Bond Retirement Fund was renamed to the 002 Debt Retirement Fund. Should I use one special cost center within the 002 fund for all of the school district's debt activity?

No, each debt instrument that requires a debt service fund to be used, should have its own special cost center within the 002 Debt Retirement Fund.

Q2.3 Is Auditor of State (AOS) approval needed for existing Special Cost Centers (SCCs) in Funds 014, 020, 021, and 022?

No, existing SCCs in funds 014, 020, 021 and 022 do not require AOS approval. New SCCs established in these funds on or after July 1, 2025, require AOS approval unless the new special cost center already has specific authority to be established within the Ohio Revised Code or if a blanket approval has been granted through an Auditor of State Bulletin.

This requirement does NOT apply to the special cost centers within any other fund and does not apply to special cost centers within the general fund.

Q2.4 The fund description for Fund 016 Emergency Levy reflects a change in the manner of use for this fund. If our school district's emergency levy qualifies to be receipted into the General Fund, how do I manage the remaining balance in the 016 Emergency Fund?

When qualifying expenditures occur, the amount remaining in the 016 Emergency Fund should be spent down first allowing the accumulated balance in the 016 fund to be spent prior to using the dollars receipted into general. However, consideration should be given to how fund 016 is reported in the financial statements.

Q2.5 The special revenue classification was added to Fund 017 Library Construction. When is it appropriate to classify it as a special revenue fund verses a capital projects fund?

When the 017 fund will be used to construct a school-owned building, it should be classified as a capital projects fund. If the 017 fund will be used to track school district resources distributed to a legally separate entity, then a special revenue fund may be appropriate.

Q2.6 A qualifying school district levied an additional tax in accordance with 5705.21 (B) and is appropriately using the 036 Special Levy – Pass-Through Fund. If these levy dollars are being distributed to a partnering community school, why is the 036 Special Levy Fund classified as a special revenue fund instead of a custodial fund?

Although these dollars are pass-through, the qualifying district, as the taxing authority, has administrative involvement which, in accordance with GASB definitions, supports a special revenue fund presentation.

Q2.7 When reporting the tax proceeds generated by the 5705.21 (B) levy referenced in the previous question, 1) For the qualifying school district who passed the levy, what receipt code should be used for the tax dollars and what function account codes should be used for the distribution to the partnering Community schools. 2) For the partnering community schools, what receipt code should be used for the distributions received from the qualifying school district?

1. Since the qualifying school district is the taxing authority for these dollars, the tax dollars would use receipt codes similar to any other levy dollars received. When these dollars are passed through to the partnering community school, the 7600 Pass-Through Payments function would be appropriate. For a financial statement presentation, this Other Financing Use function would typically be reclassified to Intergovernmental Expenditure.
2. Since the partnering community school is not considered the taxing authority, the dollars received would be appropriately accounted for in 2100 Unrestricted Grants-in-Aid. The functions used would be based on the purpose for the current expense.

Q2.8 How are deletion dates determined for 400 and 500 grant funds?

A primary factor in determining the duration of a grant fund is the grant's period of performance. For example, if the grant period is July 1, 20X1 through June 30, 20X2 (Fiscal Year 20X2) including a liquidation date of August 31, 20X2 (part of Fiscal Year 20X3) – it is reasonable to expect, that without an approved grant period extension, the fund will no longer be needed after the end of Fiscal Year 20X3.

Q2.9 Where should I look for guidance in reclassifying my funds for new GASB pronouncements or for reclassifying funds for manner of use changes (including Fund 014)?

Appendix A of the 2025 USAS manual provides guidance for analyzing the activities in these funds/special cost centers. GAAP and OCBOA financial statements are required to be prepared following GASB fund type definitions. A good starting point for this analysis could be to determine how these funds/special cost centers are reported in your annual financial statements. However, documentation of the analysis of these funds/special costs centers and of the actions taken should be maintained and provided to your auditors.

Chapter 3 Functions

Q3.1 When do I use the capital outlay function vs. the capital outlay object?

Although professional judgment will impact the decision, the capital outlay function (5000) is usually used for major capital improvements/purchases. Typically, major capital improvement/purchases are made from capital projects funds which will use the capital outlay function. (For example, new construction or major renovations.) The capital outlay object code (600) is usually used for routine capital outlay costs. (For example, the purchase of new desks for the student classrooms being recorded as part of expenditures – instruction within the general fund.) Capital outlay expenditures usually represent capitalized items but could also include items below the government’s capitalization threshold. (For example, furnishings that are below the school district’s capitalization threshold could still be charged to capital outlay objects.)

Chapter 4 Objects

Q4.1 When do I use the capital outlay function vs. the capital outlay object?

Refer to Question Q3.1 in Chapter 3 Functions.

Q4.2 What object code should architecture fees be posted to? Purchased Services or Capital Outlay?

All costs incurred to put a capital asset into service should be capitalized. Architect fees may have a 400 object code but could also be accompanied by a 5000 function code allowing for easier identification when capitalizing construction costs.

Q4.3 When should schools use object code 425?

Object code 425 should be used for rental payments. Expenditures for leasing or renting land, buildings, and equipment for both temporary and long range use of the school district should be recorded in this object code (i.e. bus and other vehicle rental when operated by the school district, data processing equipment leasing, and similar rental agreements).

This code also includes:

1. Amounts paid under GASB 87 for short-term leases (example below) and payments as lessee.
2. Rental payments for contracts not meeting the definition of a GASB 87 lease. This code includes any installment payments under GASB 94 for public-public or public-private partnerships. GASB 96 SBITA agreements that only address hardware and/or servers could also be recorded here.

Costs for single agreements covering equipment as well as operators are NOT included here but are considered elsewhere under PURCHASED SERVICES (see Transportation, Printing and Binding, Public Utility Services, Repairs and Maintenance Services).

The following example is from the GASB 87 Comprehensive Implementation Guide:

.703-4 Q—A government enters into a three-year lease contract. However, both the lessee and the lessor have a right to cancel at any time with 60 days' advance notice. For purposes of determining whether this lease is a short-term lease, what is the maximum possible term?

A—The maximum possible term is 60 days. Paragraph 16 of Statement 87 states, “for a lease that is cancelable by either the lessee or the lessor . . . the maximum possible term is the noncancelable period, including any notice periods.” In this example, there is no noncancellable period other than the notice period. Therefore, the maximum possible term is only the notice period of 60 days, and the lease is a short-term lease. [GASBIG 2020-1, Q4.9]

Q4.4 When should schools use object code 426?

Object code 426 should be used for expenditures related to a financed purchase agreement. A financed purchase is similar to capital leases where ownership of the asset transfers at the end of the lease. GASB explains financed purchases:

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 ¶ 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 ¶13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor. (GASB 87 ¶19)

The following example is from the GASB 87 Comprehensive Implementation Guide:

.706-2 Q—A school district leases computers. At the end of the lease term, students are given the option to purchase their computers from the school district. Regardless of whether the students purchase their computers, the school district is required to purchase all computers from the lessor. The school district does not have a termination option. Should this arrangement be reported as a lease or a financed purchase of the computers by the school district?

A—This arrangement should be reported as a financed purchase. Paragraph .116 of this section states that one criterion of a financed purchase is that the contract transfers ownership of the underlying asset to the lessee by the end of the contract. In this example, the lessee is the school district, not the students. The contract transfers ownership of the computers because the purchase by the school district is required. The sale of computers to the students is a separate transaction. [GASBIG 2019-3, Q4.22]

Q4.5 Why are the new object codes for HSA healthcare accounts limited to 245/255?

In practice, healthcare accounts include Health Savings Accounts (HSA), Flexible Spending Accounts (FSA), and Health Reimbursement Arrangements (HRA), with each type of account having their own definitions within the Internal Revenue Code (IRC). The appropriate accounting treatment for these healthcare accounts relies heavily on account ownership after all usage periods and applicable carry-overs have been exhausted. The rules for establishing account ownership are governed by IRC definitions. Currently, ultimate ownership of HSA accounts rests with the employee while ownership of FSA and HRA accounts rests with the employer. In practice, the term “HSA” could be used in a generic sense to cover any of the three types of arrangements. Before school districts use these new codes, it is important to verify they have an HSA arrangement as defined by IRC definitions.

Q4.6 What object code should be used for employer Medicare contributions? The May 2025 USAS Manual identifies these Medicare payments as object code 213/223. However, currently some school districts are using object code 249/259. Could you clarify which set of codes should be used?

The change made in the May 2025 USAS Manual was intended to be a title change only as Medicare payments have been included in these respective definitions in more recent years. We have recently become aware of schools also using 249/259. We would like to see all school districts use object codes 213/223; however, we will give a deadline of June 30, 2028, to make this change. Beginning July 1, 2028, all school districts should be using 213/223 for the employer portion of Medicare payments.

Chapter 5 Special Cost Centers

Q5.1 What are the goals of the predefined special cost centers?

The following three items are goals of the predefined special cost centers

- Improve financial reporting by facilitating program revenue and restricted fund balance GAAP Basis financial reporting requirements.
- Improve audit efficiencies by creating more consistency among school districts which allows more electronic audit procedures to be developed.
- Improve reporting to Ohio Department of Education and Workforce by allowing them to capture certain expenditure details through cost center reporting rather than developing separate reporting mechanism.

Q5.2 What are the limitations on a user defined special cost center?

Within the general fund, any special cost center combination that has a "9" as the first digit and an "X", "Y", or "Z" as the last digit (with any combination of characters as the second and third digits) should NOT be used by the school district unless directed by AOS or DEW.

Q5.3 How are the predefined special cost centers intended to be used on the day-to-day cash basis books?

Purpose - These predefined special cost centers will facilitate reporting to DEW and are being used in place of setting up a separate special revenue fund. These predefined special cost centers will assist in reporting restricted resources and balances within the general fund. The predefined special cost centers will also aid in the development of electronic auditing procedures. Although there may be an initial investment of time in establishing these special cost centers, the goal is for there to be efficiencies gained in the long-run.

Fund - Predefined special cost centers will exist within the **GENERAL FUND ONLY**. There is no impact to special cost centers already established in funds other than the general fund.

Special Cost Center – These same predefined special cost centers will continue to be used in subsequent years. A new special cost center will not be established for each fiscal year.

Revenue - These special cost centers will account for restricted foundation revenue received from the Ohio Department of Education and Workforce (DEW). Amounts receipted into these new special cost centers will be limited to amounts identified by DEW on the foundation settlement sheets. These special cost centers will also account for adjustments to revenue made by DEW in subsequent years.

Expenditures - The expenditures are intended to reflect only the expenditures of the restricted dollars received through the Ohio Department of Education and Workforce. Expenditures in excess of the funding received are not intended to be reflected in these special cost centers. The focus is on how these specific restricted dollars were spent rather than on identifying all expenditures meeting a certain purpose restriction. These special cost centers will also account for adjustments to expenditures made to align with receipt adjustment made by DEW in subsequent years.

Flow Assumption – Expenditures made in the current year will be first applied to any remaining carryover balance, followed by current year receipts.

Carryover cash balance - A special cost center beginning with a nine is being used so any unspent restricted dollars at the end of the fiscal year can be identified and tracked. The ability to carryover balances is determined through Ohio Revised Code or DEW policy, as applicable.

Deficit cash – All SCCs within a single fund are rolled together for purposes of evaluating compliance with Ohio Rev. Code §5705.10, deficit fund balances. Consequently, auditors evaluate compliance at the overall Fund level. Therefore, incurring a deficit balance within a “9XXX” SCC alone should not result in a noncompliance citation. However, managing a SCC with the intention of accumulating a deficit that carries forward from year to year, would not be good practice. A true-up process of making any necessary adjustments at the end of each fiscal year to align amounts in the SCC with DEW amounts through June 30 should be completed to avoid accumulating deficits. See discussion on year-end close.

Year-end close – At the close of each fiscal year, treasurers should perform a true-up process. Prior to the close of each fiscal year end, treasurers should ensure the current year receipts in each predefined special cost center align with the amounts identified on the final foundation settlement sheet for the year. Treasurers should also ensure any expenditures they are claiming are reflected within the predefined special cost center. Note: expenditures which can be claimed are limited to the cumulative categorical resources received from DEW (including any applicable adjustments).

Adjustments made by DEW after year end – Adjustments made by DEW after year end will likely not be material and should be reflected through current year activity. Predefined special cost centers in the general fund will roll up into the general fund for financial statement reporting purposes. For this type of adjustment, transfers and refund on prior year should not be used to reallocate activity between two special cost centers of the same fund.

Revenue – any adjustment to prior year revenue identified within the current year, should be posted as current year revenue (or negative revenue, as applicable) to the revenue account indicated by DEW.

Expenditure - a corresponding expenditure adjustment can be made to the current year expenditures. This adjustment can:

- reclassify a current expenditure from the predefined special cost center back to the general fund 0000 special cost center
- reclassify a current qualifying expenditure from the general fund 0000 special cost to the predefined special cost center
- charge a new current year expenditure to the predefined special cost center
- Note: the general fund 0000 special cost center and the general fund predefined special cost center are reported as part of the same fund for financial reporting purposes. This approach maintains the integrity of the activity for the general fund as a whole.

We recognize that some expenditures are more easily adjusted than others, it will up to each school district to determine the best expenditures to report within the predefined special cost center.

Chapter 6 Receipts

Q6.1 Where should contributions and donations be posted to?

Contributions and donations from private sources should be posted within the 1820 receipt code series. Amounts received in the 1820s would include contributions and donations restricted to student activities. These revenue sources should not be posted to 1890 Miscellaneous Revenue.

For financial reporting purposes, AOS Bulletin 2011-004 related to GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, identifies various school district governmental funds with restricted foundation revenue sources and restricted fund balance. These restricted funds include district managed student activities special revenue funds (Fund 300). With the implementation of GASB Statement No. 84, *Fiduciary Activities*, the student managed student activities funds, which have administrative involvement (Fund 200), should be reported as special revenue funds having restricted resources and reporting restricted fund balance. AOS Bulletin 2011-004 also provides guidance for treating donations in these funds indicating they would be considered inflows other than the foundation revenue of the fund:

ORC Section 5705.10 (H), states: “Money paid into any fund shall be used only for the purposes for which such fund is established.” Therefore, all fund inflows, once recorded in a fund, are to be used for the same purpose as the specific revenue source serving as the foundation of that fund, and fund balance may be limited to one classification, the same as the foundation revenue. Thus, once the foundation revenue of a special revenue fund has been identified and classified as restricted (or committed), other inflows into the same fund are also restricted (or committed). If the foundation revenue ceases to be collected, the same constraints continue to exist. [Note ORC Section 5705.10 (H) is now ORC Section 5705.10 (I).]

AOS Bulletin 2011-004 provides the following guidance related to recording donations:

Donations received by a local government can be classified two ways. First, donations received with constraints imposed by the contributor are nonspendable (corpus) or restricted. Second, donations can be given to a specific department or fund in which case there is an implied constraint imposed by the donor. When this is combined with a resolution/ordinance recognizing the implied consent on the use of the dollars, the fund balance is committed. Donations received without written directive of how it is to be used from the donor should be considered a general fund receipt and reported as unrestricted fund balance.

When recording donations, school districts should first evaluate the above guidance. If this donation guidance results in a donation being reported in a special revenue fund with a restricted foundation revenue source like the 200/300 funds, it should be recorded as a restricted donation. If this donation guidance results in the donation being reported in a special revenue fund with a committed foundation revenue source, it should be recorded as an unrestricted donation. A similar principle holds true for capital projects funds and debt service funds. Permanent funds will only account for and report resources that are restricted. Although not required, most donations recorded in the general fund will be unrestricted. Restricted donations will generally be reported as program revenue on the statement of activities while unrestricted donations are considered general revenue.

Q6.2 Should the refund of overpayment of income taxes be recorded as an expenditure or reduction of revenue?

On the cash basis books, these amounts will typically be recorded as an expenditure; however, for GAAP reporting purposes, taxes revenue should be reported net of refunds.

Q6.3 For a restricted state grant which will be receipted into a 400 fund, what receipt code should the grant revenue be posted to?

The required level of coding has moved to the 4th digit. Restricted state grants should be recorded to receipt code 3219 *Other Restricted Grants-in-Aid Received from the State*.

Q6.4 When should receipt code 1890 be used?

Receipt code 1890 Miscellaneous Revenue should only be used where there is no other appropriate receipt category in the USAS manual. This receipt code can also be used for reimbursement accounting including indirect costs.

Q6.5 How is tuition revenue recorded when the dollars are reimbursed from a grant fund?

Tuition represents an exchange transaction which can come in the form of receiving payment from another school for educating their student in your district, or from a patron, in the form of receiving a payment from an adult for enrolling in a continuing education class. Grant revenue is a non-exchange transaction which will only be recognized once. For example, if there is a grant with an allowable cost of paying tuition for a student, the grant revenue will be recognized as intergovernmental revenue in the fund receiving the grant funding first. Then, an expenditure will be made out of that fund to make the tuition payment to the fund providing the education services (i.e. adult education program). Depending on the grant program, the grant dollars may be able to be directly receipted into the fund providing the educational services and considered a subsidy which helps reduce the overall costs for all students rather than paying the tuition of specific students.

Chapter Z Miscellaneous

QZ.1 If I have a question related to the information contained in the USAS Manual, where do I direct my inquiry to?

Any USAS Manual related inquiries can be emailed to usasmanualsupport@ohioauditor.gov

Please note, our answers are limited to providing best-practice guidance. Independence standards do not allow us to make management decisions. We are not able to review any agreements or other supporting documentation. If you utilize an independent public accounting firm for assistance in preparing your year-end financial statements, they may be able to provide more detailed assistance in reviewing the facts and circumstances related to detailed technical questions.

QZ.2 When are the changes to the USAS Manual effective?

Unless otherwise noted, the changes are effective July 1, 2025. Recording of these items in the school district's day-to-day books should begin July 1, 2025. Fiscal Year 2026 activity should be reported reflecting these changes for the entire fiscal year. Adjustments can be made during Fiscal Year 2026, if needed; however, the activity of the entire fiscal year needs to reflect these changes.

USAS manual changes utilize a specific effective date. This date is typically synced to the beginning of a reporting period to provide a clean cut-off which aids with consistency in the following areas:

- Reporting within each reporting period
- Audit process
- EMIS reporting
- Hinkle System Filing
- Financial Health Indicators
- WebGAAP

Having two account code structures utilized by a single school district within a single reporting period can present challenges. However, options are being evaluated to facilitate the transition to new account code structures at the beginning of a reporting period.