The categories described below use Arizona's Uniform Chart of Accounts for school districts terminology and are based on definitions developed by the U.S. Department of Education's National Center for Education Statistics. Section 1 outlines expenditures and other items that are excluded from both operational and nonoperational spending. Section 2 outlines how to calculate operational spending. Section 3 outlines how to calculate nonoperational spending.

Section 1—Expenditures and other items excluded

The following expenditures and other items are **excluded** from both operational and nonoperational spending because they are not expenditures or including them would result in the double counting of expenditures:

Funds excluded:

- **575—**Unemployment Insurance (an internal service fund)
- **800s—**Fiduciary and Other Funds
- **950 and above—**Internal Service Funds

Functions excluded:

- **6000—**Other Financing Uses

Object codes excluded:

- **6561—**Tuition to Other Arizona School Districts
- **6631—**Fair Market Value of Donated Commodities
- **6740—**Depreciation
- **6750—**Capital Asset Impairments
- **6831—**Redemption of Bond Principal
- **6870—**Pass-through Payments
- **6880—**Subawards
- **6900 and above—**Other Financing Uses, such as Transfers and Indirect Costs

Section 2—Operational spending

Operational spending includes costs incurred for the District's day-to-day operations. In addition to the exclusions outlined in Section 1, operational spending excludes costs associated with acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs outside the scope of preschool through grade 12 education, such as adult education and community service programs. To be considered an operational expenditure, each component of the account code (fund, program, function, and object) must fall within the specified ranges below.

Funds:

- **001-599**

    ○ Exclude funds 250 & 425—Adult Education

    ○ Exclude fund 515—Civic Center

    ○ Exclude fund 520—Community School

- **600s—**Capital Projects Funds – include only textbooks, instructional aids, library books, and instructional software subscriptions (object codes 6641-6643 and 6833) from these funds

Programs:

- **100-699**

Functions:

- **1000—**Instruction

    ○ Include instructional software subscriptions (object code 6833) if coded to function 5000 or an operational function code

- **2100—**Student Support

- **2200, 3400—**Instruction Support

    ○ Include technology-related repairs and maintenance services (object code 6432) if coded to an unallowable instruction function code

- **2300, 2400, 2500, and 2900—**Administration

    ○ Include technology-related repairs and maintenance services (object code 6432) if coded to an unallowable noninstruction function code

- **2600—**Plant Operations

    ○ Include nontechnology-related repair and maintenance services (object code 6431), insurance (object codes 6520s), telecommunications (object code 6531), and energy (object codes 6620s) if coded to unallowable function codes, and include all electricity (object code 6622)

- **2700—**Transportation

- **3100—**Food Service

Object codes:

- **6100-6299—**Salaries and Benefits

- **6300-6599—**Purchased Services

- **6600-6699—**Supplies

    ○ Exclude short-term noninstructional software subscriptions (object codes 6655-6659)

- **6800-6899—**Miscellaneous

    ○ Exclude interest (object codes 6840-6859) and amortization (object codes 6860-6869)

Section 3—Nonoperational spending

Nonoperational spending includes costs incurred for acquiring capital assets (such as purchasing or leasing land, buildings, and equipment), interest, and programs outside the scope of preschool through grade 12 education, such as adult education and community service programs, but excludes principal payments on bond debt. The following categories comprise nonoperational expenditures:

Land and buildings—Expenditures that meet **any** of the following fund, function, or object code criteria and are not excluded according to Section 1

- **Funds:**
  - **600-699—**Capital Projects Funds
    - Exclude expenditures coded to library books, textbooks, instructional aides, or instructional software subscriptions (object codes 6641-6643 and 6833)
    - Exclude expenditures included in the Equipment or Interest categories

- **Functions:**
  - **4000—**Facilities Acquisition and Construction
    - Exclude expenditures coded to short-term noninstructional software subscriptions (object codes 6655-6659)
    - Exclude expenditures included in the Interest category

- **Object codes:**
  - **6710-6719—**Land and Existing Land Improvements
  - **6720-6729—**Buildings

Equipment—Expenditures that meet **any** of the following object code criteria and are not excluded according to Section 1

- **Object codes:**
  - **6655-6659—**Short-term Noninstructional Software Subscription
  - **6730-6739—**Equipment
    - Exclude expenditures coded to facilities acquisition and construction (function 4000)
  - **6832—**Redemption of Principal—Other
    - Exclude expenditures coded to facilities acquisition and construction (function 4000)

Interest—Expenditures that meet **any** of the following object code criteria and are not excluded according to Section 1

- **Object codes:**
  - **6840-6849—**Interest on Long-Term Debt
  - **6850-6859—**Interest on Short-Term Debt

Other—Expenditures that meet **any** of the following fund, function, or object code criteria; are not excluded according to Section 1; and are not included in the Land and buildings, Equipment, or Interest categories

- **Funds:**
    - **250-259**—Adult Education
    - **425-429**—Adult Basic Education
    - **515-519**—Civic Center
    - **520-524**—Community School
    - **700-799**—Debt Service Funds
    - **900-949**—Enterprise Funds

- **Functions:**
    - **3200**—Enterprise Operations
    - **3300**—Community Services Operations
    - **5000**—Debt Service
        - Exclude expenditures coded to instructional software subscriptions (object code 6833)

- **Object codes:**
    - **6860-6869**—Bond Issuance and Other Debt-Related Costs

- **Or, expenditures that meet all criteria for operational spending according to Section 2, except use one of the following programs:**
    - **700-799**—Adult/Continuing Education Programs
    - **800-899**—Community College Education Programs
    - **900-999**—Community Service Programs