Accounting Bulletin #1999-04

SUBJECT: Accounting for E-Rate Discounts

Effective Immediately

Date: June 16, 1999

This bulletin provides guidance concerning proper accounting for the Schools and Libraries E-Rate Discounts. The advice is applicable to all LEAs and should be part of your normal accounting operations. Information regarding the E-Rate program can be found on the Pa. Department of Education (PDE) web site at www.education.state.pa.us

The Telecommunications Act provides subsidies to suppliers of telecommunications supplies and services so they may pass along E-Rate discounts in the form of discounted billings for qualifying, approved telecommunications expenditures. The amount billed to you by the vendor is normally the discounted rate resulting in a lower expenditure amount. The E-rate discount is NOT a revenue to your school. The qualifying expenditures should be accounted for like any other expenditure using the appropriate fund, sub-function, object, instructional organization and funding source code.

Due to delays in processing the first year, some E-rate applicants may have received a check from the supplier for the discount but in future years this discount will result in a lower billing. If you received an E-rate payment, your accounting for this receipt should be handled using the same guidelines that are applied to other refund of expenditures. Detailed information regarding the accounting for Refunding of Prior Year Expenditures, including examples of accounting entries for different types of refunds, can be found in Accounting Bulletin 1999-01 - Accounting for Refunds of Expenditures, located on the PDE Website. This guidance can be summarized as follows:

- If the receipt was for current year expenditures, the amount received should be credited to the appropriate expenditure account to reduce the original expenditure and debited to a cash account.

- Refunds relating to prior year expenditures should be accounted for in one of two ways:
  
  1. Establish the materiality of the funds. If the amount is immaterial, credit the amount against the current year's expenditure,

  2. If the receipt was for prior year expenditures of a significant amount, the amount should be credited to the Other Financing
source account, #9500 - Refund of Prior Year Expenditures. Revenue from Local Sources, account #6991 - Refund of Prior Year Expenditures.

(Account code change from 9500 to 6991 effective 7/1/01)

Remember that if the refund covers more than one reporting year the refund must be allocated to the appropriate years.

The information for this bulletin was provided by Ms. Laura E. McGill, Business Manager of Columbia Borough School District, and printed in the April 1999 PASBO Report.

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlf@state.pa.us